

## Important 2016 Tax Year Information

### Schedule for Receiving Tax Preparation Forms

All the forms in the following chart are official tax documents providing information that Schwab is required to report to you and the Internal Revenue Service (IRS). You'll only receive the forms that apply to your particular financial situation, and we suggest that you consult with a tax advisor about using the forms to prepare your tax return.

Please note that Schwab sends Form 1099 information to the IRS. Thus, there is no need for you to send a copy to the IRS.

#### Tax Preparation Forms

Form	Description	Expected Delivery
<b>1099 Composite for Brokerage Accounts</b>	This form may include the IRS Forms 1099-DIV, 1099-INT, 1099-MISC, 1099-B, and 1099-OID, depending on your situation.	Mailing 1: Early February  Mailing 2: Mid- to late February
<b>1099 Composite for Schwab Global Accounts</b>	This form may include the IRS Forms 1099-DIV, 1099-INT, 1099-MISC, 1099-B, and 1099-OID, depending on your situation.	Late January
<b>1099-MISC</b>	This form reports consent payments, contract fees, and miscellaneous credits to your Schwab account.	Mid- to late January

## Tax Preparation Forms (Continued)

<b>Form</b>	<b>Description</b>	<b>Expected Delivery</b>
<b>1099-R</b>	This form reports distributions from IRA, SEP-IRA, SIMPLE IRA, Roth IRA, and QRP accounts.	Mid-to late January
<b>1099-Q</b>	This form reports distributions from a Coverdell Education Savings Account (ESA).	Mid-to late January
<b>1099-OID (REMICs and CMOs)</b>	This form reports income from real estate mortgage investment conduits (REMICs) and collateralized mortgage obligations (CMOs).	Mid-March
<b>1042-S</b>	This form reports certain income earned from U.S. sources by a nonresident alien (except gross proceeds from sales), whether or not that income is subject to tax and any tax is withheld. The information on this form is furnished to the IRS and, for Canadian residents, may also be furnished to the Canadian government.	Mid-to late February
<b>5498-ESA</b>	This form reports your 2016 Coverdell ESA contributions made by April 17, 2017.	Mid- to late April
<b>5498</b>	This form reports your IRA contributions made by April 17, 2017.	Mid- to late May
<b>2439</b>	This form reports net undistributed long-term capital gains.	Ongoing, delivered within 90 days of the issuer's fiscal year-end

## Tax Preparation Forms (Continued)

Form	Description	Expected Delivery
Schedule K-1	This form is for partnership securities delivered by the issuer of the security.	The IRS mailing deadline depends on the issuer's tax year.

### Other Important 2016 Tax Information

#### Form 1099 Composite for Brokerage and Schwab Global Accounts

To consolidate tax reporting information, the 1099 Composite may include the IRS Forms 1099-DIV, 1099-INT, 1099-MISC, 1099-B, and 1099-OID, depending on your situation.

If you have a brokerage account(s) and a Schwab Global Account™, you will receive a separate Form 1099 Composite for each account.

Please note that you may still receive a separate Form 1099-MISC reporting other income. In addition, corporate accounts that received payments in lieu of dividends and interest will be mailed a separate Form 1099-MISC.

Some states, including California, Massachusetts, New York, and Connecticut, require Schwab to report to the state any tax-exempt dividends and interest earned by their residents. To determine your state of residence, Schwab uses the primary mailing address on the account(s) as of December 31 of each year.

#### Cost Basis Reporting on Form 1099-B

Starting with the 2011 tax year, the IRS requires the reporting of cost basis information for certain sold securities on Form 1099-B, in addition to the gross proceeds for tax-reportable brokerage accounts.

The regulation considers the following security types as covered:

- Equities (purchased after January 1, 2011)
- ETFs, mutual funds, and dividend reinvestment plans (DRIPs) (purchased after January 1, 2012)

- Options and less complex fixed income (purchased after January 1, 2014)
- Complex fixed income (purchased after January 1, 2016)

Some exclusions apply. For more information, please visit [schwab.com/costbasis](http://schwab.com/costbasis).

### **New Form 1099 Composite Mailing Dates**

In order to provide your Form 1099 Composite as early as possible, and to reduce the number of corrected forms, we'll have two mailing dates for the 2016 tax year. The date your Form 1099 Composite is mailed depends on the types of investments you hold:

#### **Form 1099 Composite for brokerage accounts that include only equity positions will be mailed in early February 2017.**

If your brokerage account contains only equity positions for which we have all the necessary tax information, your original Form 1099 Composite will likely be included in the first mailing, as the issuers of the securities you hold will most likely have provided all the necessary tax information by then.

#### **Form 1099 Composite for brokerage accounts that include certain non-equity security types will be mailed in mid- to late February 2017.**

If your brokerage account contains at least one investment for which the issuer won't be able to provide tax information in time for us to mail your Form 1099 in the first mailing, we'll send your original Form 1099 Composite in the second mailing to minimize the number of corrected Forms 1099 that you may receive. These types of investments would most likely include:

- Mutual funds
- Certain foreign and domestic equities (e.g., equities that have been reclassified in the past)
- Real estate investment trusts (REITs)
- Unit investment trusts (UITs)
- Original issue discounts (OIDs)
- Widely held fixed income trusts (WHFITs)

If you make sales in December 2016, or buy to cover short positions in December, your Form 1099 will also be included in the second February mailing.

## **Form 1099 Composite for Schwab Global Accounts will be mailed at the end of January 2017.**

Form 1099 Composite will be mailed separately for Schwab Global Accounts.

### **Form 1099-MISC**

Form 1099-MISC on the Form 1099 Composite reports royalty payments and substitute payments in lieu of dividends and interest. You may still receive a separate Form 1099-MISC reporting other income. In addition, corporate accounts that received payments in lieu of dividends and interest will be mailed a separate Form 1099-MISC.

### **Corrected Form 1099 Composite (to be mailed as required)**

You may receive a corrected Form 1099 if one or more of the issuers of the securities you hold is unable to provide tax information before February 10, or if certain income (e.g., dividends or capital gains) on securities you hold needs to be reallocated by the issuer after we've mailed your original Form 1099. The IRS requires us to issue a corrected Form 1099 after an issuer provides us with updated information. Revisions will be clearly highlighted for your convenience.

Please be aware that the issuers of your securities may reclassify the income from your securities anytime after we've mailed your original Form 1099.

### **Charles Schwab Bank Checking and Savings Accounts**

Form 1099-INT for Schwab Bank accounts will be mailed at the end of January 2017 for accounts with more than \$10 in earned interest.

### **Information for Retirement and Education Savings Accounts (ESAs)**

The deadline to contribute to your Individual Retirement Account (IRA) and Coverdell ESA for the 2016 tax year is April 17, 2017. Coverdell ESA contributions are reported on IRS Form 5498-ESA, which will be mailed in mid- to late April, reflecting contributions made by April 17, 2017. IRS Form 5498, which will be mailed to you in mid- to late May, will reflect your IRA contributions made by April 17, 2017. If applicable, it will include employer contributions and salary deferrals made by December 31, 2016, to a SEP-IRA or SIMPLE IRA.

The IRS requires SEP-IRA and SIMPLE IRA retirement plan custodians to report contributions in the calendar year of receipt, not the designated tax year. As a result, employer contributions or salary deferrals made between January 1, 2016, and December 31, 2016, will be reported on Form 5498 as being made in 2016. Since the IRS doesn't require contribution reporting for Qualified Retirement Plans or Individual 401(k)s on Form 5498, you should refer to your monthly statements for a record of contributions received by Schwab.

If you didn't make any reportable contributions to your IRA or ESA for 2016:

- You won't receive an IRS Form 5498 or 5498-ESA from Schwab.
- You should use your December 2016 statement to determine the fair market value of your account(s).
- We are required to report the fair market value of your account(s) to the IRS.

### **Unrelated Business Income (UBI) Earned in a Retirement Account**

UBI is generated from certain types of investments, principally limited partnerships. The income designated as UBI is subject to federal (and possibly state) taxation, even if your account is otherwise tax-exempt. The partnership should advise you if this situation applies to you. If the K-1(s) that you receive from the partnership(s) reflects cumulative UBI of \$1,000 or more, you should mail the K-1(s) to us so that we can file a Form 990-T on your behalf.

### **Schedule K-1**

If you have at least one security that is a partnership limited liability company or income trust, then it may issue a Schedule K-1 to you. If a limited partnership security distributed income to you during 2016, the income will be listed under "Partnership Distributions" in the supplemental section of the Form 1099 Composite. It is possible for you to receive a Schedule K-1 for a security not listed in this section.

It is important to note that the deadline for partnerships to mail Schedules K-1 may be different depending on their tax year. In cases where the entity generating the Schedule K-1 files for a tax extension

beyond April 17, investors may receive their Schedule K-1 after the due date for their income tax return. Individual taxpayers who do not request a filing extension may need to file an amended federal and/or state tax return if they receive their Schedule K-1 after filing their original return.

**Import your tax information directly into tax preparation software.**

You can import tax information directly into TurboTax® and H&R Block At Home™ the same week your 1099 becomes available online at Schwab.com.

Additionally, you can download your 1099 data in .csv format from the [schwab.com/taxforms](https://www.schwab.com/taxforms) page and export your gain/loss details into an Excel® spreadsheet using the Export function on Schwab.com.

**Keep your information current.**

We want to ensure that you receive your tax forms on time. Please take a moment to confirm your address by logging in to your account profile at [schwab.com/myprofile](https://www.schwab.com/myprofile). You can also call us at the appropriate number below to update your information.

**Thank you for the opportunity to serve you.**

If you have any questions or need additional information, please call 1-800-435-4000. If you are a client of an independent investment advisor, please call your advisor directly, or call Schwab Alliance at 1-800-515-2157.

International clients, please call +1-415-667-8400. If you are a client of Charles Schwab, Hong Kong, Ltd., please call +852-2101-0500.

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This information cannot be used for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local tax law provisions. Where specific advice is necessary or appropriate, Schwab recommends consulting with a qualified tax professional, CPA, financial planner, or investment manager.

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