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Morgan Securities

# Important Information Regarding Form 1099 Tax Reporting Changes for 2012

**YOUR 1099 FORMS WILL BE POSTMARKED ON OR ABOUT FEBRUARY 15, 2013**

As the result of legislation enacted by the U.S. Congress, as part of their annual tax reporting process, brokers are required to report cost basis information to the Internal Revenue Service (IRS) beginning with tax year 2011. The cost basis reporting law is phased in over multiple years. Generally, brokers are required to report cost basis on securities that are purchased on or after the below effective dates:

- ▶ January 1, 2011 - stock in a corporation;
- ▶ January 1, 2012 - certain mutual funds and similar securities that are classified as Regulated Investment Companies ("RICs") and shares purchased or acquired in connection with qualified dividend reinvestment plans; and
- ▶ January 1, 2014 - certain options and debt securities

**Generally, securities that are purchased or acquired after the effective date are considered "covered" securities and are subject to cost basis reporting.** The broker is required to report cost basis information to you and the IRS. Information reported on the Form 1099-B to you and the IRS includes:

- ▶ Gross proceeds, the cost basis, and holding period for covered securities
- ▶ Any wash sale adjustments required for reporting by the new law. A "wash sale" deferral and adjustment generally results when a taxpayer sells a security at a loss and reacquires the identical security in the same account within 30 days of the loss. The broker is required to adjust the basis and holding period of the reacquired security for the wash sale deferral.
- ▶ Date of sale or exchange and date of acquisition

**Securities that are purchased before the effective dates are generally considered "noncovered" securities.** For the sale or exchange of noncovered securities, brokers are not required to report cost basis information to you or the IRS. Instead, the broker is only required to report gross proceeds and related information and is similar to reporting prior to January 1, 2011.

### What's new on Form 1099-B for 2012:

**Short Sales** - The IRS instituted the below changes in regards to short sale reporting, which have been incorporated into Form 1099-B:

- ▶ Box 1a: Date the security was delivered to close the short sale (settlement date of closing transaction).
- ▶ Box 1b: Acquisition date of the security delivered to close the short sale (trade date of closing transaction).
- ▶ Box 1c: Whether any gain or loss on the closing of the short sale is short-term or long-term based on the acquisition date of the security delivered to close the short sale.

### Regulatory

- ▶ As of January 1, 2012, shares in Regulated Investment Companies and certain dividend reinvestment plans are deemed "covered" securities and subject to cost basis reporting
- ▶ New boxes have been added to Form 1099-B for stock or other symbol (box 1d), quantity (box 1e), and whether basis is being reported to the IRS (box 6b). Other boxes on the form have been moved or renumbered.

## PREVIEW OF 2012 FORM 1099-B ENHANCEMENTS

### Summary Totals

- ▶ New table of summary totals added at the beginning of the form<sup>1</sup>
- ▶ Layout updated to include details that can be used to complete 8949<sup>2</sup>

	Proceeds	Cost	Realized Gain and Loss	Wash Sale Loss Disallowed
Total Noncovered Transaction Proceeds	\$126,132.95			
<b>Form 8949, Part I (Short Term)</b>				
Total Covered Short Term Gain / Loss (Cost Basis Reported to IRS; Box A Checked)	\$666,625.00	\$666,955.00	(\$330.00)	\$4,375.00
Total Noncovered Short Term Gain / Loss (Cost Basis NOT Reported to IRS; Box B Checked)	\$423,250.00	\$423,762.00	(\$512.00)	
<b>Form 8949, Part II (Long Term)</b>				
Total Covered Long Term Gain / Loss (Cost Basis Reported to IRS; Box A Checked)	\$278,800.00	\$261,445.50	\$17,354.50	\$4,200.00
Total Noncovered Long Term Gain / Loss - (Cost Basis NOT Reported to IRS; Box B Checked)	\$405,450.00	\$386,550.00	\$18,900.00	

<sup>1</sup> Total Cost, Realized Gain (Loss), and holding period information may not reflect all adjustments necessary for tax reporting purposes. Taxpayers are ultimately responsible for the accuracy of their tax returns and should verify such information against their own records when calculating reportable gain or loss resulting from a sale, redemption, or exchange.

<sup>2</sup> Please consult your tax advisor for details on how to complete Form 8949.

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### Noncovered Cost Basis Sections<sup>3</sup>

- ▶ New Short Term and Long Term noncovered sections added
- ▶ Cost basis provided for noncovered securities - JPMCC does not report such information to the IRS

#### Example Form 1099-B Short Term Noncovered Section

2012 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS (OMB NO. 1545-0715)

#### Noncovered Short Term Gain or Loss - Cost Basis NOT reported to IRS

Box 6a: Noncovered Security    Box 6b:    Box 1c: Type of Gain or Loss: Short Term

Report on Form 8949, Part I, with Box B checked

(Box 1a) Date of Sale or Exchange	(Box 1b) * Date of Acquisition	(Box 6) Description	(Box 1d) Symbol CUSIP	(Box 1e) Quantity	(Box 2a) Gross Proceeds Less Commission and Option Premium	(Box 3) * Cost or Other Basis	(Box 5) * Wash Sale Loss Disallowed	(Box 4) Federal Income Tax Withheld	(Box 2b) Loss Not Allowed	* REALIZED GAIN / LOSS
3/17/2012	5/15/2011	PIMCO TOTAL RETURN FND ADMIN US LISTED		750.00	8,250.00	7,750.00				500.00
6/16/2012	8/9/2011	PIMCO TOTAL RETURN FND ADMIN US LISTED		1,000.00	11,000.00	11,250.00				(250.00)
5/12/2012	9/7/2011	SPDR S&P 500 ETF SER I SHORT SALE		1,500.00	204,000.00	207,250.00				(3,250.00)

#### Example Form 1099-B Long Term Noncovered Section

2012 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS (OMB NO. 1545-0715)

#### Noncovered Long Term Gain or Loss - Cost Basis NOT reported to IRS

Box 6a: Noncovered Security    Box 6b:    Box 1c: Type of Gain or Loss: Long Term

Report on Form 8949, Part II, with Box B checked

(Box 1a) Date of Sale or Exchange	(Box 1b) * Date of Acquisition	(Box 6) Description	(Box 1d) Symbol CUSIP	(Box 1e) Quantity	(Box 2a) Gross Proceeds Less Commission and Option Premium	(Box 3) * Cost or Other Basis	(Box 5) * Wash Sale Loss Disallowed	(Box 4) Federal Income Tax Withheld	(Box 2b) Loss Not Allowed	* REALIZED GAIN / LOSS
3/17/2012	08/02/10	JOHNSON & JOHNSON		750.00	51,750.00	E 49,500.00				2,250.00
10/31/2012	5/4/2010	SPDR GOLD SHARES		900.00	58,500.00	61,300.00		1,000.00		(2,800.00)
11/3/2012	S 6/22/2009	SPDR S&P 500 ETF SER I		1,000.00	136,000.00	122,000.00	T			14,000.00

<sup>3</sup> Noncovered cost basis information that is not reported to the IRS should be verified against your records when calculating reportable gain or loss resulting from a sale, redemption, or exchange.

## New Indicators and Columns

- ▶ New indicators added to the form, e.g. wash sales
- ▶ Format enhanced with the addition of a "Realized Gain/Loss" column

### Example Form 1099-B Short Term Covered Section

2012 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS (OMB NO. 1545-0715)

#### Covered Short Term Gain or Loss - Cost Basis Reported to IRS

Box 6a:                      Box 6b: Basis Reported to IRS                      Box 1c: Type of Gain or Loss: Short Term

Report on Form 8949, Part I, with Box A checked

(Box 1a) Date of Sale or Exchange	(Box 1b) Date of Acquisition	(Box 8) Description	(Box 1d) Symbol CUSIP	(Box 1e) Quantity	(Box 2a) Gross Proceeds Less Commission and Option Premium	(Box 3) Cost or Other Basis	(Box 5) Wash Sale Loss Disallowed	(Box 4) Federal Income Tax Withheld	(Box 2b) Loss Not Allowed	* REALIZED GAIN / LOSS
9/21/2012	10/1/2011	APPLE INC		300.00	184,500.00	183,300.00		200.00		1,200.00
8/29/2012	11/11/2011	AT&T INC		2,500.00	90,625.00	95,000.00	4,375.00			(4,375.00)
12/16/2012	9/14/2012	AT&T INC		3,000.00	114,000.00	109,375.00	W			4,625.00

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### Example Form 1099-B Long Term Covered Section

2012 FORM 1099-B: PROCEEDS FROM BROKER & BARTER EXCHANGE TRANSACTIONS (OMB NO. 1545-0715)

#### Covered Long Term Gain or Loss - Cost Basis Reported to IRS

Box 6a:                      Box 6b: Basis Reported to IRS                      Box 1c: Type of Gain or Loss: Long Term

Report on Form 8949, Part II, with Box A checked

(Box 1a) Date of Sale or Exchange	(Box 1b) Date of Acquisition	(Box 8) Description	(Box 1d) Symbol CUSIP	(Box 1e) Quantity	(Box 2a) Gross Proceeds Less Commission and Option Premium	(Box 3) Cost or Other Basis	(Box 5) Wash Sale Loss Disallowed	(Box 4) Federal Income Tax Withheld	(Box 2b) Loss Not Allowed	* REALIZED GAIN / LOSS
10/6/2012	1/24/2010	PITNEY BOWES INC		7,500.00	105,900.00	93,750.00				12,150.00
11/21/2012	4/7/2011	VERIZON COMM INC		850.00	107,100.00	97,095.50				10,004.50
1/22/2012	1/5/2011	MOTOROLA SOLUTIONS INC		1,400.00	64,400.00	68,600.00	4,200.00			(4,200.00)

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