

## Ameriprise® certificates tax reporting

The Ameriprise Certificate Company issues face-amount certificates which are investments with a stated maturity value that are registered with the Securities and Exchange Commission (SEC). This article contains information about tax reporting for certificates that are not held in an IRA or other retirement plan.

Most certificate products are treated as debt investments for tax purposes, and report interest earned on Form 1099-INT (Interest Income). This includes Cash Reserve Certificates, Flexible Savings Certificates and Installment Certificates, as well as Market Strategy Certificates and Stock Market Certificates issued prior to May 9, 2015 (see “Certificate accounts issued *after* Dec 31, 1975” below). Proceeds from surrenders and maturities are also required to be reported on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions because certificates are securities.

Tax reporting for certificates depends on the type of certificate product and in some cases, the issue date of the certificate. You may want to consult with a qualified tax professional to determine how to report certificate income on your tax return.

### **Certificates acquired after 2015**

Ameriprise certificates acquired after December 31, 2015 are subject to required tracking and reporting of cost basis and holding period information under the tax law and IRS regulations. Certificates acquired prior to 2016 may have cost basis reporting provided as supplemental information in your tax package, if available, but this cost basis isn't reported to the IRS.

For more information about cost basis reporting regulations visit [ameriprise.com/costbasis](http://ameriprise.com/costbasis).

### **Certificate products with original issue discount**

On May 9, 2015, we started selling a Step-Up Rate Certificate, and two-year and three-year term Stock Market Certificates. Tax rules require these products to report Original Issue Discount (OID) to investors and the IRS<sup>1,2</sup>. See below for tax reporting information for these products.

## Step-Up Rate Certificates

For tax reporting purposes, the Step-Up Rate Certificate is required to calculate an OID accrual rate, and interest income is reported as OID on Forms 1099-OID (“Original Issue Discount”). Because the actual interest rate is known, the OID accrual rate is always equal to the stated interest rate on the certificate. If you elect to step-up your interest rate, the OID accrual rate changes to the new stepped-up rate<sup>3</sup>. In most cases, any redemption proceeds will be equal to the cost basis and there will be no gain or loss. However, the redemption transactions will be reported on Form 1099-B and need to be reported on your tax return.

- Form 1099-OID, Original Issue Discount:
  - Reports accrued original issue discount<sup>1</sup> on line 1.
  - At year end, the amount of interest accrued (but not yet credited) between your interest crediting date in December and December 31 is taxable as income and reported as OID for that year.
  - This December accrued/uncredited interest will credit to the account the following January but is excluded from further tax reporting.
- Form 1099-INT, Interest Income (if applicable): Reports backup withholding (if any) from payments and/or early withdrawal penalties (if any) for withdrawals or redemptions prior to term-end.
- Form 1099-B: Reports proceeds from maturities, surrenders, and other dispositions.
  - Cost basis and holding period are reported to the IRS for certificates acquired on or after Jan. 1, 2016.
  - Cost basis and holding period for certificates acquired prior to Jan. 1, 2016 may be included as supplemental information but is not reported to the IRS.
  - The proceeds and cost basis amounts will generally be the same for Step-Up Rate Certificates with no taxable gain or loss.
  - Taxpayers are required to include disposition information reported on Form 1099-B on their tax return, Schedule D (IRS Form 1040) and/or Form 8949, Sales and Other Dispositions of Capital Assets<sup>4</sup>.

## Stock Market Certificates (issued on or after May 9, 2015)

The exact amount of interest earned on a Stock Market Certificate is not known until the end of the term. Because interest earnings are not predictable and are earned over more than one tax year, these certificates are treated as “contingent payment debt instruments” for tax purposes, which requires accrual and reporting of OID on Form 1099-OID. These OID tax rules require the Stock Market Certificate to accrue and report OID as income annually based on an assumed OID accrual rate. The assumed OID rate is required to be set at the beginning of the certificate term and determines how much OID accrues each year. By the end of the certificate’s term, the OID accruals will be adjusted up or down to match the actual participation interest and minimum interest credited to the account.

- Form 1099-OID: Reports accrued OID
  - Accrued OID income must be reported annually even if the certificate term is not complete and participation interest and/or minimum interest haven’t been paid.

- At term-end, total OID income for the term must equal the actual earnings from the term participation interest including any minimum interest credited. To achieve this, the total amount of OID income accrued during the term is "trued up" (adjusted up or down). The trued-up OID amount that is credited/debited to the certificate is reportable. If the amount of OID reportable for the year is negative, there's an ordinary loss. See the supplemental statement discussion below.
- For Stock Market Certificate accounts, Form 1099-OID will be generated even when OID is less than \$10.00<sup>1</sup> due to the year-end netting and term-end true up processes.
- Form 1099-INT: Reports fixed interest, interim interest<sup>1</sup>, and backup withholding from interest payments (if any). This form also reports early withdrawal/surrender penalties (if any) for some products.
- Supplemental statement "Detail for Interest Income": Provides information about ordinary loss. Ordinary loss occurs:
  - On full withdrawals at term-end, if (1) the amount of OID accrued during the term exceeds (2) the participation interest and minimum interest, if any credited at the end of the term.
  - On renewed certificates when (1) the amount of OID accrued during the prior term exceeds (2) the participation interest and minimum interest, if any, credited at the end of the prior term, plus the amount of OID accrued from the beginning of the new term through Dec. 31.
  - Shown as "Ordinary loss" and displayed as "interest shortfall – contingent debt"
  - This information is not reported to the IRS.
  - See IRS Instructions Schedule A (Form 1040), Itemized Deductions for additional information.
  - Consult a qualified tax professional to determine how this ordinary loss amount should be reported on your tax return.
- Form 1099-B: Reports surrenders, maturities, losses, and disallowed losses resulting from application of wash sales rules.
  - Surrenders during the certificate term generally result in reportable losses because the cost basis (adjusted for OID accruals) is greater than the principal balance.
  - Surrenders on the term-end generally result in zero gain/loss because after a completed term the basis is trued up to equal the actual cash principal in the account.
  - Cost basis and holding period is reported to the IRS for certificates acquired on or after Jan. 1, 2016.
  - Cost basis and holding period for certificates acquired prior to Jan. 1, 2016 may be included as supplemental information but is not reported to the IRS.
- Some activity that occurs in a certificate account can either increase or reduce cost basis.
  - Activity that increases cost basis:

- Purchases (by the dollar amount of the purchase).
- Interim interest reinvested.
- Fixed interest reinvested.
- Wash sales increase cost basis by the amount of loss disallowed.
- OID accruals (including positive true-ups at term-end for minimum interest and participation interest).
- Activity that reduces cost basis:
  - Mid-term partial surrenders (basis reduced pro-rata with principal withdrawn).
  - Surrender charges reduce both proceeds and basis (by the dollar amount of the charge).
  - Transfers of ownership, including cancel/divides for gifting, inheritance, or divorce (by a pro-rata reduction of principal).
  - Term-end surrenders (by the amount of principal withdrawn).
  - Negative OID true-ups (if OID was over-accrued compared with actual minimum interest and participation interest credited).

### **Certificates issued after Dec. 31, 1975**

Most of the certificates held by Ameriprise clients were issued after Dec. 31, 1975. This section doesn't apply to the Step-Up Rate Certificates and the Stock Market Certificates issued on or after May 9, 2015 (see above). It does include Stock Market Certificates if they were issued before May 9, 2015.

- Form 1099-INT: Reports earned interest<sup>1</sup> for most of these certificates.
  - Interest credited during the year is taxed and reported annually.
- Form 1099-OID: Reports original issued discount income<sup>1</sup> for some certificates, a small number of the certificates issued between April 6, 1976, and April 29, 1990.
- Form 1099-B: Reports proceeds from maturities, surrenders, and other dispositions.
  - The amount listed as "Proceeds" reported may include any loan balance deemed repaid on a full surrender.
  - Cost basis and holding period are reported to the IRS for certificates acquired on or after Jan. 1, 2016.
  - Cost basis and holding period for certificates acquired prior to Jan. 1, 2016, may be included as supplemental information but are not reported to the IRS
  - The proceeds and cost basis amounts will generally be the same for certificate accounts issued after December 31, 1975.
  - Taxpayers are required to include disposition information reported on Form 1099-B on their tax return Form 8949, Sales and Other Dispositions of Capital Assets (IRS Form 1040).
- If the taxpayer/account holder is the original purchaser of the certificate, and the certificate does not have OID, then he/she can use the cost basis amount provided and indicate that there is no gain or loss when preparing tax returns.

- If the taxpayer/account holder was not the original purchaser of the certificate (due to an inheritance or gift or other transfer) he/she should talk to a tax adviser to determine how to report this transaction.

### **Certificates issued Jan. 1, 1955 through Dec. 31, 1975**

- Interest income is generally tax-deferred for certificates issued during this time.
  - Unless the accounts have been put on interest or installment settlement options at the time of maturity, interest previously deferred in the certificate will be reported as income to the holder on Form 1099-INT in the year of the surrender, maturity or exchange.
  - The owner of the certificate reports the amount of the interest income on IRS Form 1040 and relevant state income tax returns, as applicable.
- Form 1099-B: Reports proceeds from the surrender, maturity or exchange.
  - Cost basis will be displayed as dashes (—)<sup>5</sup>.
  - The amount of proceeds may include any loan balance deemed repaid.
  - The amount reported includes systematic installment payments distributed during the year as part of a settlement option.
- If the taxpayer/account holder is the original purchaser of the certificate, then he/she may indicate on Schedule D (IRS Form 1040) and/or IRS Form 8949 that there is no gain or loss<sup>4</sup>.
- If the taxpayer/account holder was not the original purchaser of the certificate (due to an inheritance, gift, or other transfer) he/she should talk to a tax adviser to determine how to report this transaction.

### **Additional resources**

Visit the [ameriprise.com](http://ameriprise.com) website for more information:

[Ameriprise Certificates](#)

[Ameriprise Certificates at a glance](#)

<sup>1</sup>The IRS does not require us to issue Forms 1099-INT (Interest Income), 1099-DIV (Dividends and Distributions) or 1099-OID (Original Issue Discount) for accounts that earn less than \$10 of income during the year, unless we are reporting any withholding. You may still need to report this income on your tax returns.

<sup>2</sup>Step-Up Rate and Stock Market Certificates sold prior to May 9, 2015, have different reporting requirements that are described in the “Certificate accounts issued *after* Dec. 31, 1975 section.”

<sup>3</sup>See the certificate prospectus for more information.

<sup>4</sup>If you don’t list this activity on Schedule D (IRS Form 1040) and/or Form 8949, the IRS may audit you for this information, even if there wasn’t a taxable gain or loss, even though taxable interest income was previously reported

<sup>5</sup> For any certificate(s) with a purchase date prior to 1976, the “cost or other basis” amount was not available. Dashes (–) will be displayed in this column on Form 1099-B. Consult your own records or contact an Ameriprise customer service representative at 1.800.862.7919 and ask for “Certificate Service” for assistance. Then work with a qualified tax professional to calculate the cost basis amount(s) to be used on your tax returns.

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Ameriprise Financial, Ameriprise Certificate Company and their affiliates do not offer tax or legal advice. Consult your tax advisor or attorney regarding your specific tax situation.

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