

Morgan Stanley

# A Guide to Your 2024 1099 Consolidated Tax Statement

---

JANUARY 2025

Your 1099 Consolidated Tax Statement is designed to assist you in filing your federal income tax return.

## Highlights

**EDELIVERY OF TAX FORMS.** The IRS allows eDelivery and the suppression of printed statements for the following tax forms: 1099 Consolidated Tax Statement, 1099-R, 1099-Q, 1042-S, REMIC, 5498-ESA and 5498.

Once enrolled, every time a new tax form is available for your account, you will receive an email notifying you to log on to your account and view the tax form on the Documents page. Once enrolled in eDelivery, you will no longer receive printed copies of your tax forms.

**If you have a Morgan Stanley account,** you can enroll in eDelivery by visiting the Profile & Settings section of Morgan Stanley Online (MSO) and clicking on the eDelivery Preferences link in the Communication Settings box.

**If you have an E\*TRADE from Morgan Stanley account,** you can enroll in eDelivery by visiting [etrade.com/paperless](https://etrade.com/paperless) and selecting Tax Documents.

**SOCIAL SECURITY NUMBER.** To protect your confidential information, Morgan Stanley does not display your full tax identification number (TIN) on the 1099 Consolidated Tax Statement. The information is however provided to the IRS.

### ACCESS AND DOWNLOAD YOUR TAX INFORMATION AND MANAGE YOUR ACCOUNTS ONLINE.

**If you have a Morgan Stanley account,** you can view your accounts, follow market activity, download tax information, and more through Morgan Stanley's Online Services. To sign up for access to your account information via MSO, please go to [www.morganstanley.com](https://www.morganstanley.com) and click "Client Login/ Morgan Stanley Online" then click on "Create a username."

You can sign up today and get access to not only your 2024 tax information, but also real-time account data, market information, trade confirms, monthly statements and online bill pay service.<sup>1</sup>

**If you have an E\*TRADE from Morgan Stanley account,** visit the Tax Center at [etrade.com/tax](https://etrade.com/tax) for helpful resources and support as well as frequently asked questions about tax forms, tax reporting, and cost basis.

If you prepare your own tax returns, you can import your 2024 tax information directly into the TurboTax®, and H&R Block Tax Software® programs,<sup>2</sup> making it easier and faster for you to complete your tax returns. If your professional tax preparer uses Lacerte® or Pro System fx®, you may download your 2024 tax information data into a file that can be uploaded into Lacerte application. Gain and Loss information can be downloaded into Microsoft Excel. If you require assistance with MSO or the download functionality, please call the Morgan Stanley Client Service Tax Center at 866-324-6088. For assistance downloading your E\*TRADE tax form, please call 1-800-387-2331.

We recommend that you review the frequently asked questions (FAQs) and other information on downloading tax information available on MSO or the E\*TRADE Tax Center.

You should understand that the tax information imported to tax preparation software programs may not include all information required to properly complete your federal and/or state tax returns. It is essential that you complete any interview and/or review processes in their entirety and provide full and accurate answers to ensure that your tax information is correctly reported to the IRS and/ or the state(s) to which you report. If you have specific questions regarding the preparation of your tax returns, you should contact your own tax advisor, the IRS or the Department of Taxation in the state(s) to which you report.

**DIRECT DEPOSIT YOUR FEDERAL TAX REFUND INTO YOUR MORGAN STANLEY OR E\*TRADE ACCOUNT.** If you have not yet met the maximum IRA contribution limit, you can direct deposit your federal income tax refund to make an IRA contribution for 2024 or 2025. Please remember that for your direct deposit to be treated as a 2025 IRA contribution, you must file your 2024 tax return by April 15, 2025. A direct deposit of a refund after April 15 cannot be used to make a 2024 IRA contribution. You can also deposit your refund into your Morgan Stanley Active Assets Account. Please contact your Financial Advisor, Morgan Stanley Client Service Tax Center at 866-324-6088, or E\*TRADE Customer Service at 1-800-387-2331 for more information and instructions on direct deposit.

**DE MINIMIS CORRECTION.** 1099 filers are not required to issue corrected 1099s to clients where there is a change of \$100 or less to any of the amounts reported on the original 1099. Clients may "opt-out" of the de minimis rule and request a corrected 1099. Clients should contact their Financial Advisor or E\*TRADE Customer Service for additional information.

## Consolidated Tax Statement

### SUMMARY PAGE

**1) FORM 1099-DIV, DIVIDENDS AND DISTRIBUTIONS.** Box 1a, Total Ordinary Dividends, includes all your taxable dividends for 2024, including dividends from money market funds. Qualified dividends, reported in box 1b, are also included in Total Ordinary Dividends in box 1a. Both amounts must be reported on your tax return. Capital gain distributions, box 2a, represent long-term capital gains from mutual funds and REITs. Boxes 2e and 2f report section 897 gains from the sale of United States real property interests (USRPI). Box 5, Section 199A dividends, reports the amount of qualified business income eligible for a 20% deduction for non-corporate taxpayers subject to certain limitations. This amount is also included in box 1a. Dividends and distributions reported on Form 1099-DIV must be reported on your federal tax return whether paid in cash or shares. Box 12, Exempt-interest dividends, includes exempt-interest dividends from a mutual fund or other regulated investment company paid to you during the calendar year. This amount should be included on line 2a of Form 1040 as tax-exempt interest. Box 13 shows exempt-interest dividends subject to the alternative minimum tax. This amount is also included in box 12.

**2) FORM 1099-INT, INTEREST INCOME (INCLUDING TAX-EXEMPT INTEREST).** Box 1 is the total of all your taxable interest income for the year except for interest on Treasury bills, Treasury bonds and Treasury notes, which is reported in box 3. Included in box 1 is interest from the Morgan Stanley Bank Deposit Program and from any federal discount notes held in the account. Interest from federal discount notes is not calculated until after year-end and therefore is not displayed in your monthly statement during the tax year. Box 8, Tax-Exempt Interest, includes tax-exempt bond interest, tax-free unit investment trust interest and accrued interest received on the sale of a municipal bond. Specified private activity bond interest (tax-exempt interest subject to federal alternative minimum tax) is reported separately in box 9 and is also included in the total tax-exempt interest reported in box 8. Tax-exempt interest is required to be reported on Form 1040, Line 2a. Box 10, Market Discount, includes the amount that accrued on covered debt securities you held during the year, assuming you made the election to include market discount in income as it accrues. Box 11, Bond Premium, includes the amount of premium amortization for the year for taxable covered debt securities you held, assuming you did not make the election that you did not want to amortize bond premium. Box 12, Bond Premium on U.S. Treasury obligations includes the amount of premium amortization for the year for taxable covered U.S. Treasury obligations securities you held, assuming you did not make the election that you did not want to amortize bond premium. Box 13, Bond Premium on tax-exempt bond,

includes the amount of premium amortization for the year for tax-exempt covered debt securities you held. Box 14, Tax-Exempt and Tax Credit Bond CUSIP number, will show the word “Various” if tax-exempt interest or tax credits are reported in box 8.

**3) FORM 1099-OID, ORIGINAL ISSUE DISCOUNT.** Original issue discount (OID), for the year reported in box 1, is a form of interest. OID is generally the difference between a debt instrument’s stated redemption price at maturity and its issue price. OID is based on the issue price, not the price you paid for the security. Box 2 reports other interest on these obligations, which is an amount separate from the OID. Other periodic interest shown here has not been reported on Form 1099-INT. Box 5, Market Discount, includes the amount that accrued on covered debt securities you held during the year, assuming you made the election to include market discount in income as it accrues. Box 6, Acquisition Premium, includes the amount of acquisition premium amortization for the year for covered debt securities that reduces the amount of OID that is included as interest on your income tax return. Box 8 reports OID on U.S. Treasury obligations. Box 10, Bond Premium, includes the amount of premium amortization for the year for taxable covered debt securities issue with OID that you held, assuming you did not make the election that you did not want to amortize bond premium. Income from other debt securities not issued at a discount may also be reported in Box 8. These include inflation-indexed debt instruments such as Treasury Inflation-Protected Securities (TIPS), equity-indexed CDs and certain \$25 par preferred securities. Box 11 reports OID on tax-exempt securities for covered securities only (acquired on or after 1/1/2014). It is also shown in the “Non-Reportable to the IRS, Supplemental Tax Information” section.

Tax-exempt interest paid in 2024, including municipal OID, must be reported on your Form 1040. Tax-exempt AMT interest paid in 2024 must be taken into account in computing the alternative minimum tax reported on Form 1040.

**REMICs AND CDOs.** Form 1099-OID for real estate mortgage investment conduit (REMIC) and collateralized debt obligation (CDO) securities will be sent to you by March 15, 2025, if you hold any REMIC or CDO securities.

This is in accordance with IRS rules. REMIC and CDO tax information is not included in this statement and will be sent to you in a separate mailing. Please do not file your income tax return until you receive this information.

**4) FORM 1099-MISC, MISCELLANEOUS INCOME.** Various types of reportable income not reported on other 1099 forms is reported on Form 1099-MISC. Box 2 reports income from royalty trusts. Box 3, Other Income, may include amounts from legal settlements, fee and expense reimbursements and any amounts paid by Morgan Stanley to compensate clients for the negative tax implications of receiving substitute dividends. Substitute Dividends, reported in box 8, occur when you pledge securities in your account as collateral or have a debit in a margin account, your securities are loaned out, and the security pays a dividend during that time. Substitute dividends are not eligible for the lower tax rate on qualified dividend income. Morgan Stanley pays accounts (other than

**5) FORM 1099-B PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS.** Proceeds from the sale of stocks, bonds and other securities are reported to the IRS at the lot level; a summary section is provided for your information only.

Box 1d reports your gross proceeds from transactions, including sales of stocks, bonds and mutual funds, bond redemptions, equity options, taxable corporate actions such as mergers and tender offers, short sales, principal payments on mortgage-backed securities such as Ginnie Mae and Fannie Mae, and maturing CDs issued with a maturity of more than one year.

Box 1e shows the adjusted cost basis of covered securities that were sold during the year. If no adjustments were made, then the original cost basis is reported.

Box 1f reports the amount of accrued market discount on covered debt instruments.

Box 1g reports the amount of a disallowed loss on a wash sale involving covered securities. Our requirement to report wash sales is more limited than what you may be required to report on your tax return. As such, there may be additional wash sales that are not shown on your Form 1099-B and which may need to be considered for income tax filing. All sales of securities are reported based on trade date. Gross proceeds are net of commissions, fees and accrued interest except where noted, and gross proceeds have been adjusted for option premium. Your cost basis will be reported to the IRS for covered securities only, but will be reflected on your copy of Form 1099-B for all securities. Please refer to the “Gain/(Loss) Amount” column for noncovered securities listed in your consolidated tax statement for cost basis, holding period and realized gain and loss information for any transactions that are not reported on Form 1099-B.

Short Sale proceeds are reported in the year the short position is closed. See instructions for Form 8949, Sales and Other Dispositions of Capital Assets, columns (b) and (c) explaining how to reconcile short sales reported on Form 8949 with information on Form 1099-B.

corporate and tax-exempt accounts) that receive substitute dividends an account credit equal to 28.72% of the substitute dividend paid to compensate for the negative tax consequences. The amount of the credit is calculated based on the highest tax bracket of 37% plus the 3.8% net investment income tax. This gives you the same amount after federal taxes as if the substitute dividend was taxed at 23.8%, i.e., the maximum federal rate on qualified dividends, 20% plus the 3.8% net investment income tax.

Note: Morgan Stanley is not required to pay this credit. Morgan Stanley can, and reserves the right to, revise this policy at any time. The percentage used to calculate the credit can be changed or eliminated without notice.

Complete Form 8949 before completing Form 1040, Schedule D. Use Form 8949 to list all capital gain and loss transactions; the subtotals from this form will then be carried over to Form 1040, Schedule D, where gain or loss will be calculated in aggregate.

For more information on cost basis, see the instructions for Form 8949, columns (f) and (g), and IRS Publications 550, “Investment Income and Expenses (Including Capital Gains and Losses)” and 551, “Basis of Assets.”

**6) DETAILS OF FORM 1099 — DIV, DIVIDENDS AND DISTRIBUTIONS.** This section lists the dividends you received by security. The portions of ordinary dividends that are eligible for the 0%/15%/20% maximum tax rate are shown in the qualified dividends column. Short-term capital gain distributions from mutual funds are included in ordinary dividends and are not included in capital gain distributions. “Unrecaptured 1250 Gain” represents real property depreciation recapture. (See IRS instructions for Form 1040, Schedule D to determine if this amount is taxable to you.) Non-dividend distributions are a return of your investment, reduce your cost basis and are generally not taxable. Section 199A Dividends displays the amount of qualified business income eligible for a 20% deduction for noncorporate taxpayers subject to certain limitations and is included in the total ordinary dividends amount. Liquidation distributions also reduce your cost basis. Any amount received that is not a dividend and in excess of your cost basis must be reported as a capital gain.

The Tax-Exempt Interest Dividends section displays boxes 12 and 13, and the Investment Expense for Tax-Exempt Securities section displays the investment expenses related to the securities reported in boxes 12 and 13. Box 13 (Specified Private Activity Bond Interest Dividends), while reported as a separate amount, is also included in the box 12 (Exempt Interest Dividends) amount.

**7) DETAILS OF FORM 1099-INT, INTEREST INCOME.** All interest income earned by your account, including tax-exempt interest, is listed here. Taxable interest includes interest on domestic and foreign corporate bonds, U.S. government and agency bonds, CDs, taxable municipal bonds, accrued interest on the sale of bonds, interest earned by unit investment trusts (UITs) taxable as grantor trusts and interest earned on the Morgan Stanley Bank Deposit Program. Tax-Exempt Interest (box 8) includes municipal bond interest from mutual funds, tax-free unit investment trust interest and accrued interest received on the sale of a municipal bond. Specified private activity bond interest (tax-exempt interest subject to federal alternative minimum tax) is reported separately in box 9 and included in the total tax-exempt interest.

Market Discount (box 10), Bond Premium (box 11), bond premium on U.S. Treasury Obligations (box 12) and Bond Premium on Tax-exempt Bond (box 13) are displayed in one section for covered securities and in another section for noncovered securities. Only the covered amounts will be reported to the IRS.

**8) DETAILS OF FORM 1099-OID, ORIGINAL ISSUE DISCOUNT.**

This section provides more detailed information on how the amount of OID for each security was calculated. OID is accrued on a daily basis for each day you owned the security during the tax year. Since OID is accrued for tax purposes, the amount reported may not match the actual cash payments you received during the year. You may be required to include OID in income even if no cash payments were received.

If you paid an acquisition premium (a price above the adjusted issue price at time of purchase) or a bond premium (a price above the face amount), you may need to adjust the amount of OID reported on your tax return. Report the full amount shown on Form 1099-OID on your tax return. The adjustment, if any, should be reported separately. Market Discount (box 5), Acquisition Premium (box 6), Acquisition Premium on Tax-Exempt Bonds (included as part of the box 6 amount) and Bond Premium (box 10) are displayed in one section for covered securities and in another section for noncovered securities. Only the covered amounts will be reported to the IRS.

OID for real estate mortgage investment conduit (REMIC) and collateralized debt obligation (CDO) securities are not reported here and will be sent to you by March 15, 2025.

Tax-exempt OID (box 11) is displayed in its own section.

Please refer to IRS Publications 550 and 1212, “Investment Income and Expenses” and “Guide to Original Issue Discount Instruments,” respectively, when reporting OID on your tax return.

**9) DETAILS OF FORM 1099-B, PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS.** The Form 1099-B is segregated into nine sections: Short-Term Covered Securities, Short-Term Noncovered Securities, Long-Term Covered Securities, Long-Term Noncovered Securities, Noncovered Securities with an Undetermined Holding Period, Ordinary Short-Term Covered Securities, Ordinary Short-Term Noncovered Securities, Ordinary Long-Term Covered Securities and Ordinary Long-Term Noncovered Securities.

This information (other than cost basis for noncovered securities) is reported to the IRS. Transactions reported here include sales of stocks, bonds and mutual funds, taxable mergers and tenders, short sales, equity options, maturing bonds and CDs, and principal payments. Short sales are reported on Form 1099-B in the year the short position was closed. Transactions are reported based on trade date and are net of commissions and fees, except where indicated and gross proceeds have been adjusted for option premium. The accrued discount on short-term instruments with a fixed maturity date not more than one year from the date of its issue, such as Treasury bills, discount notes and commercial paper, will be reported on the Form 1099-INT. Each transaction should be reported separately on your tax return. Your cost basis is only reported to the IRS for covered securities; however, cost basis for both covered, and in most cases, noncovered securities is being reported on your copy of Form 1099-B.

Equity option transactions and Section 1256 options are reportable on Form 1099-B if acquired on or after January 1, 2014. All other types of options will be reported on the Realized Gain/ (Loss) Summary. Securities purchased or sold by the exercise or assignment of an option will have the cost/proceeds amount combined with the cost/proceeds of the underlying security.

CUSIP: For each transaction being reported on the Form 1099-B, a Committee on Uniform Security Identification Procedures (CUSIP) number will be shown to the right of the transaction description (box 1a).

Symbol: For each transaction, we will show the symbol of the security next to the CUSIP.

Box 1b reflects the date you acquired the security. For short sales, the date shown is the date you acquired the security delivered to close the short sale.

Box 1c shows the trade date of the sale or exchange. For short sales, the date shown is the date the security was delivered to close the short sale.

Box 1d reports your gross proceeds from transactions, including sales of stocks, bonds and mutual funds, bond redemptions, taxable corporate actions such as mergers and tender offers, short sales, principal payments on mortgage-backed securities such as Ginnie Mae and Fannie Mae, and maturing CDs issued with a maturity of more than one year.

Box 1e shows the adjusted cost basis of a security that was sold during the year. Only adjusted cost basis for covered securities will be reported to the IRS. If cost basis was never adjusted, then the original cost basis will be reported.

Box 1f reports the amount of the sale that represents accrued market discount and may give rise to ordinary income, if any. This amount is only reported for covered securities.

Box 1g reports the amount of a disallowed loss on a wash sale for covered securities.

A Gain/(Loss) column is also displayed on the Form 1099-B, which will reflect profit or loss on each transaction reported. It is for your information only and will not be reported to the IRS for any transactions. The Gain/(Loss) column does NOT include any adjustment for the disallowed loss (box 1g). You or your tax preparer would need to make the calculation.

Box 2 on the IRS Form 1099-B is used to denote the holding period of the security that was sold. It has three check boxes, one for short-term, one for long-term, and one for ordinary. The Morgan Stanley substitute Form 1099-B has separate sections to display short-term, long-term and ordinary transactions and also for those with an undetermined holding period. There is no actual box 2 appearing on our substitute Form 1099-B.

Box 5. Consider box 5 (Noncovered Security) as being checked for the Long-Term Noncovered Securities, Short-Term Noncovered Securities, Noncovered Securities with Undetermined Holding Period and the Ordinary Short- and Long-Term Noncovered Securities sections. We do not display box 5 on our substitute Form 1099-B.

Box 12. Consider box 12 (Basis reported to IRS) as being checked for the Long-Term Covered Securities, Short-Term Covered Securities and Ordinary Short- and Long-Term Covered Securities sections. We do not display box 12 on our substitute 1099-B form.

A Notes column is on the Form 1099-B to show various footnote codes to highlight tax information about a particular transaction. Some examples of footnotes include short sales, corporate actions, wash sales, etc. The column only displays when there is at least one transaction that warrants a footnote.

**10) GAIN/(LOSS) AMOUNT.** Your Gain/(Loss) Amount is being provided for supplemental purposes only, as it contains transaction information that is not required for broker-dealer Form 1099-B reporting.

Although Morgan Stanley is providing this information as an additional service, we do not represent or warrant that it is sufficient for tax reporting purposes, and we are not liable for your reliance upon or use of this information. The Gain/(Loss) Amount is not a substitute 1099-B form (or any other appropriate tax form) and is not supplied to the IRS.

It is important that you consult with a tax advisor regarding your individual tax situation because Morgan Stanley does not provide tax advice.

If cost basis information is not available, gain or loss will not be reflected on this Summary. For securities not purchased through Morgan Stanley, cost basis information may not be provided. To correct any information supplied by Morgan Stanley or to add cost basis information, please contact your Financial Advisor or Private Wealth Advisor. For more information in correcting cost basis information supplied by E\*TRADE, please contact E\*TRADE Customer Service at 1-800-387-2331

#### **11) OPTIONS SUBJECT TO SECTION 1256 REPORTING SECTIONS.**

These supplemental sections provide tax lot level detail for section 1256 option contracts reported on Form 1099-B in boxes 8 through 11. Since they are reported at a summary level and can be mixed in with futures transactions on the Form 1099-B, this section displays these transactions at a tax lot level and gives clients a clear picture of their 1256 activity for the year. There are two subsections, one for realized 1256 options and another for unrealized 1256 options which are marked to market on December 31.

**12) CALIFORNIA WITHHOLDING FORM 592-B.** California instituted a 7% backup withholding policy starting in January of 2011. All California residents subject to federal backup withholding had this additional amount withheld on gross proceeds and miscellaneous income. Total annual withholding for the state of California will be reported to you on your 2024 1099 Consolidated Tax Statement on the Form CA 592-B.

#### **ADDITIONAL INFORMATION THAT MAY BE INCLUDED IN YOUR CONSOLIDATED TAX STATEMENT**

- Options on futures year-end summary
- Supplemental foreign security tax information Mutual fund and UIT state and federal tax information
- Municipal bond interest by state and U.S. territory
- Supplemental tax information including accrued interest paid on the purchase of a bond and municipal original issue discount

- Tax-exempt and U.S. government fund state and federal tax information
- Schedule K-1 tax reporting notification (Schedule K-1 is mailed to you directly from the partnership. It is important that you do not file your tax return until you receive your Schedule K-1.)
- Widely held fixed investment trusts (WHFIT) Section Letter Unit Investment Trust—Equity & Debt—Additional Written Statement
- Fee and expense information
- Margin interest paid
- California State Withholding Form 592-B

## Frequently Asked Questions

### Q. WHAT ARE QUALIFIED DIVIDENDS?

A. Qualified dividends are dividends that are subject to the same 0%, 15% or 20% maximum tax rate that applies to long-term capital gains. They are shown on your Form 1099-DIV, box 1b. You must meet a holding period requirement to report these dividends as qualified dividends. For common stock dividends, you must hold the dividend-paying security unhedged for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date. For more information on qualified dividends, please refer to IRS Publication 550, “Investment Income and Expenses.”

### Q. CAN I RECEIVE QUALIFIED DIVIDENDS FROM A MUTUAL FUND?

A. Yes. To the extent that a mutual fund receives qualified dividends from its investments, it can pay out these dividends to its shareholders. Distributions that are not treated as qualified dividends include dividends attributable to interest income, short-term capital gains and dividends that have not met the holding period requirements.

### Q. WHY IS A MUTUAL FUND DISTRIBUTION I RECEIVED IN JANUARY 2025 BEING REPORTED ON MY 2024 FORM 1099-DIV?

A. If a mutual fund declares a dividend in October, November or December payable to shareholders of record on a date in one of those months but pays the dividend during January of the next calendar year, shareholders are considered to have received the dividend on December 31. Shareholders are taxed on the dividend based upon the record date, not the year it was paid.

### Q. WHY ARE SHORT-TERM CAPITAL GAINS FROM MUTUAL FUNDS INCLUDED IN ORDINARY DIVIDENDS ON FORM 1099-DIV? CAN THEY BE BROKEN OUT TO OFFSET SHORT-TERM CAPITAL LOSSES?

A. Under IRS rules, short-term capital gains from mutual funds are included in ordinary dividends and cannot be used to offset short-term or long-term capital losses. Only long-term capital gains are reported as capital gain distributions on Form 1099-DIV. Mutual funds break out their short-term capital gains so that shareholders can determine which of their gains are from income and which are from appreciation.

### Q. WHERE ARE TAX-EXEMPT DIVIDENDS FROM MONEY MARKET FUNDS AND MUTUAL FUNDS REPORTED?

A. Tax-exempt dividends from both money market funds and mutual funds are reported on Form 1099-DIV. It is possible for distributions from tax-exempt mutual funds to be reported as both taxable and/or tax-exempt on Form 1099-DIV. For example, a taxable capital gain distribution realized from the sale of bonds in the tax-exempt fund and the exempt interest dividends from the same fund will be reported on Form 1099-DIV.

### Q. WHAT ARE MORGAN STANLEY'S DEFAULT METHODS FOR REPORTING BOND ADJUSTMENTS?

A. Morgan Stanley's default methods for reporting bond adjustments to you and the IRS are:

1. Amortize premium on taxable bonds;
2. Accrue market discount using the constant yield method as opposed to the straight-line method;
3. Do not include market discount in income annually; and
4. Use the average daily spot rate for bonds denominated in a foreign currency.

*To keep Morgan Stanley's default methods listed above, you do not need to take action. To change one or more, please contact your Financial Advisor or Private Wealth Advisor.*

### Q. WHAT TYPES OF ACCOUNT OWNERSHIPS ARE NOT SUBJECT TO COST BASIS REPORTING?

A. The following types of account ownerships are not subject to cost basis reporting:

- C corporations, government entities, financial institutions, and certain other entities,
- Retirement and education accounts, such as those listed below, as well as any you might inherit
  - IRAs
  - Roth IRAs
  - SIMPLEs

- SEPs
- SAR-SEPs
- 403(b)/TSCAs
- 401(k)s
- 401(a)s
- Coverdell Education Savings Account (CESA)
- 529 Plans

Note that distributions from these accounts will continue to be reported as they have in the past.

#### Q. WHERE CAN I FIND MORE INFORMATION ON THE COST BASIS REGULATIONS?

A. For more information, please see the IRS website at <http://www.irs.gov>.

#### Q. WHAT IS THE CHECK BOX ON IRS FORM 1099-B, BOX 2, ORDINARY?

A. The check box is used for situations in which some or all of a taxpayer's gain or loss may be ordinary rather than capital gain or loss. If the ordinary check box in box 2 is checked, an adjustment may be required. In the instructions for Form 8949, see the Worksheet for Contingent Payment Debt Instrument Adjustment in column (g) to figure the adjustment to enter in Form 8949 column (g). See Publication 550, "Investment Income and Expenses" and Publication 1212, "Guide to Original Issue Discount Instruments" for more information.

#### Q. WHERE IS WHFIT TAX INFORMATION LOCATED ON MY 1099 CONSOLIDATED TAX STATEMENT?

A. Your WHFIT tax information is reported in two sections of your 1099 Consolidated Tax Statement:

1. Reportable to the IRS
  - WHFIT income is reported on Forms 1099-DIV, 1099-INT, 1099-MISC, 1099-OID and 1099-B plus in their respective detail sections.
2. Nonreportable to the IRS
  - Additional Written Statement— Restates the income reported on Forms 1099-DIV, 1099-INT, 1099-MISC and 1099-OID, plus adds information not required to be reported on a Form 1099 that you may need to properly report your WHFIT income and expenses.

The information included on an Additional Written Statement will vary depending upon the type of property the WHFIT invests in. Your 1099 Consolidated Tax Statement includes one Additional Written Statement for each WHFIT security owned by you during the year except for OID mortgage trusts, which will be reported in the REMIC statement.

#### Q. WHAT IS THE DIFFERENCE BETWEEN FORM 1099-OID AND FORM 1099-INT? BOTH ARE REPORTED AS INTEREST INCOME ON MY TAX RETURN.

A. Form 1099-OID is generally used to report income from debt instruments that are issued at a price that is less than the amount payable at maturity. OID is the difference between the issue price of the debt instrument and its stated redemption price at maturity. Under IRS rules, holders of these debt instruments are required to annually include as income the amount of accrued OID for the year. Common examples are OID bonds, zero coupon bonds, Treasury Inflation-Protected Securities (TIPS), REMICs and index-linked CDs. Certain debt obligations not issued at a discount may also be required to report income under the OID rules. Because OID securities use the accrual method, the amount reported on Form 1099-OID may differ from the cash payments you received.

#### Q. HOW ARE SHORT SALES REPORTED ON FORM 1099-B?

A. We must report the sale for the year in which the short sale is closed. Complete Form 8949 Sales and Other Dispositions of Capital Assets before completing Form 1040, Schedule D. Use Form 8949 to list all capital gain and loss transactions; the subtotals from this form will then be carried over to Form 1040, Schedule D, where gain or loss will be calculated in aggregate.

#### Q. IF I SOLD A BLOCK OF MULTIPLE TAX LOTS OF ONE SECURITY ON THE SAME DAY, WHY DO THE TRANSACTIONS APPEAR IN MULTIPLE SECTIONS ON MY FORM 1099-B?

A. Due to IRS cost basis regulations, Form 1099-B transactions must be designated as short-term, long-term, ordinary or undetermined and covered or noncovered. The design of Morgan Stanley's substitute Form 1099-B reports transactions from these groups in their own sections. So if a sale of 500 shares of stock was composed of three different lots, one acquired prior to 2011, one acquired in 2011 and one acquired in 2024, then the first lot would be reported in the long-term noncovered section. The second lot would be reported in the long-term covered section. The third lot would be reported in the short-term covered section because it was held less than 12 months. As a reminder, Form 1099-B, Schedule D now functions as a summary of all capital gains and loss transactions. All Form 1099-B transactions are to be detailed on Form 8949, Sales and Other Dispositions of Capital Assets.

#### Q. WHY DOES THE INCOME SHOWN ON MY YEAR-END STATEMENT DIFFER FROM MY 1099 CONSOLIDATED TAX STATEMENT INFORMATION?

A. The information reported on your year-end statement may not include certain adjustments necessary for tax reporting purposes. Some examples are:



- Mutual fund dividends declared in October, November or December but not actually paid until January are considered paid on December 31 for tax purposes.
- Your statement reports dividends from foreign securities net of any withholding tax, while your 1099-DIV reports the gross amount of the dividend.

**Q. CAN I DIRECT DEPOSIT MY FEDERAL TAX REFUND INTO MY MORGAN STANLEY OR E\*TRADE ACCOUNT?**

- A.** Yes. The refund section of Form 1040 allows you to enter account information for direct deposit of your federal tax refund. IRS Form 8888 lets you allocate your refund to up to three accounts. Please contact your Financial Advisor, the Morgan Stanley Client Service Tax Center at 866-324-6088, or E\*TRADE Customer Service at 1-800-387-2331 for more information and instructions.

**Q. HOW CAN I HAVE A DUPLICATE TAX STATEMENT SENT TO MY TAX ADVISOR?**

- A.** If you have a Financial Advisor, ask for a Duplicate Statement/Confirmation Authorization form or provide the names and addresses of the interested parties you would like to receive copies of your tax forms. We will produce up to three Interested Party copies of select tax forms at no cost to you. If you are enrolled in MSO, you can download a copy of your tax statement and send it to your tax advisor.

For assistance sending a duplicate of your E\*TRADE tax statement to your tax advisor, please contact E\*TRADE Customer Service at 1-800-387-2331.

**Q. HOW ARE WRITTEN OPTIONS REPORTED ON FORM 1099-B?**

- A.** For written options that are closed, IRS cost basis regulations require brokers to report a cost basis of \$0.00 and gross proceeds equal to the premium received by the customer minus any settlement payments, commissions, and other costs of closing out or settling the position.

This Page Intentionally Left Blank

<sup>1</sup> Bill payments can take up to four business days for the payee to receive.

<sup>2</sup> TurboTax® and Lacerte® are registered trademarks of Intuit, Inc. H&R Block Tax Software® is a registered trademark of H&R Block, Inc. Certain products, such as money market funds, are not reported in the Gain/(Loss) Summary. Other ineligible products include limited partnerships, nonnetworked mutual funds and annuities.

When Morgan Stanley Smith Barney LLC, its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors (collectively, “Morgan Stanley”) provide “investment advice” regarding a retirement or welfare benefit plan account, an individual retirement account or a Coverdell education savings account (“Retirement Account”), Morgan Stanley is a “fiduciary” as those terms are defined under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and/or the Internal Revenue Code of 1986 (the “Code”), as applicable. When Morgan Stanley provides investment education, takes orders on an unsolicited basis or otherwise does not provide “investment advice,” Morgan Stanley will not be considered a “fiduciary” under ERISA and/or the Code. For more information regarding Morgan Stanley’s role with respect to a Retirement Account, please visit [www.morganstanley.com/disclosures/dol](http://www.morganstanley.com/disclosures/dol). Tax laws are complex and subject to change. Morgan Stanley does not provide tax or legal advice. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a Retirement Account, and (b) regarding any potential tax, ERISA and related consequences of any investments or other transactions made with respect to a Retirement Account.

Morgan Stanley Smith Barney LLC is a registered broker-dealer, Member SIPC, and not a bank. Where appropriate, Morgan Stanley Smith Barney LLC has entered into arrangements with banks and other third parties to assist in offering certain banking related products and services.

E\*TRADE is a business of Morgan Stanley.

Investment, insurance and annuity products offered through Morgan Stanley Smith Barney LLC are: NOT FDIC INSURED | MAY LOSE VALUE | NOT BANK GUARANTEED | NOT A BANK DEPOSIT | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY.