

## **IMPORTANT 2021 TAX INFORMATION**

### **Frequently Asked Questions (“FAQs”) About Your 2021 1099**

#### **What’s New?**

Form 1099-DIV added boxes, 2e Section 897 ordinary dividends and 2f Section 897 capital gain. Please visit the IRS Website at <https://www.irs.gov/forms-instructions> to review Instructions and Form changes.

#### **Will I receive more than one 1099?**

It is possible that you will receive a revised 1099. Changes to dividend tax classifications processed after your original tax form is issued for 2021 may require an amended tax form. However, there are other circumstances which may also cause you to receive a revised 1099. **We strongly recommend that you consider filing your 2021 tax return after March 17, 2022** to allow sufficient time for delivery of any revised 1099s that may be issued.

#### **What is an income reallocation?**

Income from certain types of investments is subject to adjustments that could change the tax reporting on payments received in your account. For example, you may have received a \$100.00 cash dividend on June 1, 2021. The company who declared the dividend may later decide to change the tax category (“reallocate”) of that dividend to 50% return of capital and 50% long term gain. Though these reallocations can occur throughout the year, the bulk of income reallocations are provided between late January and February following the year the original payment was made.

#### **What does the Notes column in the 1099 Detail represent on my 1099?**

The definition of the notes can be found within the end notes at the end of your tax statement. You will also see Royalty Trust contact information in the end notes section in order to obtain additional tax information.

#### **What does the Document ID represent on the 1099?**

The Document ID is used for Turbo Tax and H&R Block downloads.

#### **Why are you reporting Cost Basis Information on my 1099 B?**

As a result of the Energy Improvement and Extension Act of 2008, we are required to report your “covered” security cost basis information to the IRS. “Covered” securities are certain securities purchased after January 1 of certain years as described below. If the securities are “noncovered” we will indicate this on the 1099-B and not report the enhanced Cost Basis information. Please be advised of the following phased in requirements for “covered” securities:

- Effective January 1, 2011 shares of stock in a Corporation inclusive of REITs (Real Estate Investment Trusts), Closed End Funds, American Depository Receipts (ADRs) and Exchange Traded Funds (ETFs).
- Effective January 1, 2012 stock in Open End Funds, Regulated Investment Companies (RICs), and Dividend Reinvestment Plans (DRPs) which are eligible for the alternate average basis accounting method.
- Effective January 1, 2014 less complex debt instruments, options, commodity derivatives or any other financial security identified by the Treasury.
- Effective January 1, 2016 more complex debt instruments.

For more information, please refer to the following links:

<https://www.irs.gov/taxtopics/tc703> - Topic No. 703 Basis of Assets

<https://www.irs.gov/pub/irs-pdf/i1099b.pdf> - Instructions form Form 1099-B

**What do I do if there is an error on my 1099?**

Please contact your Financial Professional if there is an error on your 1099. Your Financial Advisor's phone number can be found at the top right corner of your 1099 Composite Tax Statement.

**Who issues my Schedule K-1 and when is it mailed?** This form reports activity for partnership securities. The K-1 may be delivered by the partnership itself or an outside vendor such as [taxpackagesupport.com](http://taxpackagesupport.com) or [partnerdatalink.com](http://partnerdatalink.com). The IRS mailing deadline depends on the issuer's tax year.

**Can I get an electronic copy of my 1099?** Contact your Financial Professional for E-delivery options.

**Can I Import my 1099 and cost basis information into Turbo Tax or H&R Block?** Yes, by selecting Hilltop Securities Inc. in Turbo Tax or H&R Block then following the instructions.

*Hilltop Securities Inc. does not provide tax and/or legal advice. Please contact your accountant, tax or legal advisor with regard to your individual situation. Hilltop Securities Inc., is a registered broker-dealer and registered investment adviser that does not provide tax or legal advice. The firm is a wholly owned subsidiary of Hilltop Holdings, Inc. (NYSE: HTH), located at 717 N. Harwood Street, Suite 3400, Dallas, Texas 75201, (214) 859-1800.*

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HTS 1099 (12/21)