

Tax Prep Tips

Tax form accessibility
and reporting resources

February 2021

⚠ SCHEDULE K-1 CHANGES

📁 TAX FILES

Important changes to the Schedule K-1 (Form 1065) transmission process and calculation of UBTI tax

If your client held a position issuing a Schedule K-1 in a retirement account at any time during the previous calendar year, they need to be aware of some important changes.

Providing Schedule K-1 tax forms to Schwab

- **Master Limited Partnership (MLP):** The client will no longer need to mail Schedule K-1 tax forms to Schwab. We will obtain this information directly from the MLP. MLP investments are listed on www.taxpackagesupport.com and www.partnerdatalink.com.
- **Non-Master Limited Partnerships (Non-MLPs):** Non-MLP Schedule K-1 tax form(s), including all supplemental pages, still need to be sent to us for review and processing. Schedule K-1 forms with missing pages will not be processed. For information related to this process and how you can help your client, review the Production of Form 990-T section of [“Introduction to tax forms production.”](#)

Tax filing for UBTI losses

- Schwab will no longer report Unrelated Business Taxable Income (UBTI) losses to the IRS. We will track losses and use them to offset future gains in UBTI in the same partnership.
- When a partnership position is closed out, any losses retained may be used to offset gains on other partnerships.

UBTI calculated on sale transactions and filing date changes

- Schwab will now be calculating the amount of UBTI attributed to the sale of a partnership position in the previous year. Form 990-T will most likely be filed on July 15 for these accounts. There is additional data needed for the Form 990-T filing that is generally not available until after April 15. We will automatically file for an extension on the client’s behalf.

So many tax forms, so little time

Did you know you don’t have to access each client account to view the tax form? Once tax forms are uploaded to individual client accounts, a zip file containing a copy of each client’s tax document is created at the master-account level, which you can access on the **Documents** tab under the master account. For more information, refer to [“Introduction to tax information files.”](#)



Obstacles to reconciling the Form 1099 Composite with the December statement

Some clients attempt to reconcile the tax forms contained in the Form 1099 Composite with their December statement. But comparing the two documents is a bit like comparing apples to oranges: The data doesn't quite match. For example, the statement reports income received on a specific date, but the tax form reports the year in which the income is taxed.



To see the most common reasons the tax form may not match the December statement, refer to [“How to reconcile income on the statement to the Form 1099 Composite.”](#)

COMING SOON: A new Online Tax Guide for clients

We know it can be difficult to keep track of important tax deadlines, where to find tax data, and which forms clients need to file their tax return. Be on the lookout for our new, comprehensive Online Tax Guide to help clients navigate and understand the various tax forms they may receive from Schwab. **Coming February 2021!**



Heads up—your client received a tax form

Make sure you're able to receive alerts on Schwab Advisor Center® when tax forms are available for download at the master-account level. You should receive a notification each time a tax form is generated and sent to your client if the “Report Available” alert is enabled in your profile settings. Learn more about enabling alerts at [“How to work with alerts.”](#) Learn more about tax reporting alerts at [“Introduction to tax reporting alerts.”](#)

Tax information for Schwab funds is available

If your client held Schwab funds during the past calendar year, they should refer to this tax resource as they prepare their federal, state, and/or local tax returns:

- **2020 Supplementary Tax Information** provides the following information:
 - > U.S. Government Obligations Information
 - > Percentage of Income Earned by State and U.S. Territory
 - > Percentage of Income Subject to the Federal Alternative Minimum Tax (AMT)



Nondividend distributions and how they affect cost basis



The portion of a dividend distribution not paid from the profits and earnings of a company is called a nondividend distribution. These distributions are reported on Form 1099-DIV and treated as a partial return of the client's initial investment, or return of capital. Here's a key point about these distributions: The amount of the return of capital decreases the cost basis. Throughout tax season, you'll see a decrease to the client's cost basis as Schwab makes this adjustment. You should receive an alert with each cost basis alteration. Along with these alerts, look for an Excel document listing the amount of the cost basis adjustment for shares currently held in the account. For additional information about return of capital, see [“Implications of return of capital.”](#)

February schedule for tax reports and forms

Stay ahead of tax reporting with our at-a-glance guide to form mailing and availability dates. You can get answers and learn more about each tax form by referring to the suggested Help Resource below.

Tax Form/Report	Available By	Help Resource
Form 1099 Composite	Early and mid-February	Form 1099 Composite section in “Tax form reporting”
Account Summary Report (ASR)	End of February	“Introduction to the Account Summary Report and Year-end Realized Gain/Loss Report”
Puerto Rico Forms 480.6A, 480.6B, and 480.6D	End of February	Forms 480.6A, 480.6B, and 480.6D section in “Tax form reporting”

To learn more about which account type will receive a tax form as noted in the table above, refer to [“Introduction to account type tax reporting.”](#)