

# Tax Prep Tips

Tax season reminders  
and corrections info


March 2021

## K1 INFO


### Supporting clients with Schedule K-1 forms for retirement accounts


If your client holds a partnership position in a retirement account, they'll receive a Schedule K-1 form in March. They may need to submit the tax form, including any additional pages, to Schwab. As an advisor, you're uniquely positioned to help your client obtain and submit the form(s) to Schwab, ensuring that the process is as seamless as possible. For more information, see the "Production of Form 990-T" section of [Introduction to tax forms production](#).



 **Review** the partnership positions in the retirement account to determine if a Schedule K-1 will need to be submitted to Schwab.

If the position is listed on [www.taxpackagesupport.com](http://www.taxpackagesupport.com) or [www.partnerdatalink.com](http://www.partnerdatalink.com), the tax form does **not** need to be submitted. The information will be provided to Schwab automatically.


 **Obtain** any Schedule K-1 form(s) generated for positions not listed on the websites in the prior step.

 **Submit** the Schedule K-1 form(s), including any supplemental pages, to Schwab. We will not be able to file if any pages are missing.

Submit the tax forms to AS Client Reporting via Schwab Advisor Center® service request and select:

**Topic:** Send a Message

**Subtopic:** K-1 Submit UBTI Retirement Tax Documents

 **Verify** if tax is due and ensure funds are available. If cash is needed, liquidate investments or deposit cash to pay the tax.

## Common reasons for corrected tax forms

If an action triggers a change in a tax reporting amount on a Form 1099, Schwab must produce a corrected Form 1099 Composite within 30 days of being made aware of the change, regardless of the amount triggering the correction. Here are the most common reasons that corrected tax forms are generated:

- **Income reclassification:** Issuers will contact Schwab after the mailing date, informing us that certain income (e.g., dividends, capital gains) may need to be reclassified.
- **Corrected cost basis:** If an asset is transferred into Schwab, the delivering firm may send a corrected cost basis report that will trigger a corrected form if the cost basis is deemed as covered.
- **Removal of earned income:** If the client earned income on a Real Estate Mortgage Investment Conduit (REMIC) or Collateralized Debt Obligation (CDO), they'll receive a Substitute Form 1099-OID (REMIC) from Schwab by March 15. The interest reported on the REMIC will be backed out of Form 1099-INT, triggering a corrected tax form.

To learn more about corrected tax forms, see [Introduction to tax forms production](#).



## How to spot corrected items on the 1099

It's easy to identify corrections to reportable items on the Form 1099 Composite: Just look for the label "CORRECTED" at the top of the form. If multiple corrected tax forms are generated, the items modified in previ-

ous forms will continue to be labeled "CORRECTED." New corrections contained in the most recent tax form are notated with a superscripted N at the end of the CORRECTED row. See the example below.

Proceeds from Broker Transactions — 20XX						CORRECTED		Form 1099-B	
Department of the Treasury-Internal Revenue Service						Copy B for Recipient (OMB No. 1545-0715)			
LONG-TERM TRANSACTIONS FOR WHICH BASIS IS REPORTED TO THE IRS - Report on Form 8949, Part II, with Box D checked.									
1a-Description of property (Example: 100 sh. XYZ Co.) CUSIP Number / Symbol	1b-Date acquired	1c-Date sold or disposed	1d-Proceeds 6-Reported to IRS: Gross Proceeds (except where indicated)	1e-Cost or other basis	1f-Accrued Market Discount 1g-Wash Sale Loss Disallowed	Realized Gain or (Loss)	4-Federal Income tax withheld		
100 SAMPLE CORP 30246XXXX / XYYY	08/08/XX	10/26/XX	\$ 5,622.05	\$ 5,728.00	-- \$	(105.95) \$	0.00 <sup>N</sup> CORRECTED		
Security Subtotal			\$ 5,622.05	\$ 5,728.00	-- \$	(105.95) \$	0.00		

## Help clients who received stock from an Incentive Stock Option (ISO) or Non-Qualified Stock Option (NQ) avoid being overtaxed



In tax year 2015, regulations changed to require brokers to report the award price (i.e., the price at which the award was granted to the participant). In addition, they can no longer adjust the cost basis for the income portion. Here's how your clients can avoid being taxed too much for their ISO and NQ shares: They'll need to adjust their cost basis for the income

portion on Form 8949 for covered securities. When the exercise price is available, Schwab will display it as the cost basis in the Year-End Summary section of the Form 1099 Composite, which should help clients in their tax preparation. For more information, see [Cost Basis Facts for Stock Plan Participants](#).

## March 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
Substitute Form 1099-OID (REMIC)	Beginning of March	Substitute Form 1099-OID (REMIC) section in <a href="#">Tax form reporting</a>
Form 1042-S	Beginning of March	Form 1042-S section in <a href="#">Tax form reporting</a>
Schedule K-1	Mid-March	Schwab does not issue Schedule K-1 forms. For questions related to the production of the form, contact the issuer of the security.

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](#).