

# Handling Dividends During Tax Preparation

## Preparing Your Club Taxes:

**Step 1** - Audit your bivio records

**Step 2** - Reconcile your dividends and 1099 - DIV with bivio

In step 2 of the tax preparation process, you'll answer questions and make comparisons that will ensure sure your dividend information is reported correctly.

It is important to make any adjustments needed during this step. Information on distributions (often referred to collectively as Dividends) may impact your cost basis and ultimately your capital gains and losses.

The changes you need to make are often not known until you receive your 1099. Changes are not something that is made automatically for you by AccountSync. It's important that you address anything that needs to be adjusted in your records based on the 1099 information.

## *What are Qualified Dividends?*

You may see notes on your dividend information that describe “Qualified” dividends. What is that?

It’s a good thing. They qualify for a reduced tax rate. For most people, they are taxed as lower long-term capital gains rates rather than at ordinary income rates.

There are certain requirements for a dividend to be considered “Qualified”:

1. Only US and certain foreign companies can issue Qualified Dividends
2. Only certain types of dividends are qualified. Dividends from Money Market Accounts are usually not. Neither are dividends from REIT’s
3. Holding period-You need to have owned the stock paying the dividend for more than 60 days during the 121 days that begin 60 days before the ex-dividend date.

What is an ex-dividend date?

When a dividend is declared by a company they also specify that it will be paid to owners of record as of a certain date. The stock exchanges determine who these are by establishing an “ex-dividend” date. It’s usually 2 business days before the record date. If you buy and own a stock before the ex-dividend date, you get the dividend. If you buy it on or after that date, you don’t.

bivio runs the holding period check based on the information entered on the ex-dividend page you will complete as part of the dividend step in the tax preparation process. It’s important to understand that brokers don’t have to run this check. All they have to do is tell you if a dividend is eligible to be qualified.

You may find that this will mean the amount of qualified dividends reported by bivio is different from what your broker shows. If you see differences, make sure you know why. But if the reason is that they don’t meet the holding period requirement, it is OK. You are responsible for filing correct taxes, not your broker.

## Identifying the Type of Dividend an Investment Pays

**Stocks With Qualified Dividends for 12/31/2014**

**Qualified Dividend.** Does the investment produce 100% qualified dividends? Most domestic corporations and some foreign corporations have 100% qualified dividends. Mutual funds, ETFs and REITs do not. Preferred stock should select the 'Qualified Preferred' option.

Name	Qualified Dividend
Air Lease Corp	100% Qualified ▾
Apple Inc	100% Qualified ▾
Meridian Bioscience Inc	100% Qualified ▾
Microsoft Corp	100% Qualified ▾
T Rowe Price Group Inc	100% Qualified ▾
Tim Hortons	100% Qualified ▾

Next Cancel

In the tax program, the dividend review section starts with this page.

On it, you need to make sure you have investments correctly identified as those that pay Qualified dividends or those that do not pay 100% qualified dividends. Those are the ones like REIT's, ETF's and many mutual funds.

Their distributions are often not just dividends and may be end up having to be split into several different parts. We'll be showing you how to do this later.

## How Do You Know How To Fill In the First Page?

Details of 1099-DIV Transactions							
Total Ordinary Dividends and Distributions Detail							
Description, Symbol, CUSIP							
Date	1a Total Ordinary Dividends (includes 1b)	Dividend Distributions	Short-Term Capital Gain	1b Qualified Dividends	10 Exempt Interest Dividends	11 Specified Private Activity Bond Interest Dividends	6 Foreign Tax Paid
SPDR S&P 500 ETF TRUST UNIT SER 1 S&P, SPY, 78462F103							
04/30/12	1,227.78	115.97		1,111.81			
07/31/12	1,376.52	130.02		1,246.50			
<b>Subtotals</b>	<b>2,604.30</b>	<b>245.99</b>		<b>2,358.31</b>			

How do you know how to answer a question on this page? Here's a clue. If you see something like this on your 1099 DIV it means that this investment pays "Not 100% Qualified" dividends.

As you can see here for this ETF, the Total dividends have been split into an "Ordinary" or "Non-qualified" portion and another portion that is eligible for Qualified status.

## How to Change Classification

### Stocks With Qualified Dividends for 12/31/2014

**Qualified Dividend.** Does the investment produce 100% qualified dividends? Most domestic corporations and some foreign corporations have 100% qualified dividends. Mutual funds, ETFs and REITs do not. Preferred stock should select the 'Qualified Preferred' option.

Name	Qualified Dividend
Air Lease Corp	100% Qualified
Apple Inc	100% Qualified
Meridian Bioscience Inc	100% Qualified
Microsoft Corp	100% Qualified
T Rowe Price Group Inc	100% Qualified
Tim Hortons	Not 100% Qualified 100% Qualified Qualified Preferred

Next Cancel

You can open the little drop down menu next to a company if you need to change it's designation.

## Ex-Dividend Dates

**Ex-Dividend Date.** Please verify the ex-dividend date for each dividend received. By default, the value will be the closest ex-dividend date to the transaction date.

Name	Transaction Date	Ex-Dividend Date
Air Lease Corp	10/06/2014	09/11/2014
Apple Inc	02/13/2014	02/06/2014
Apple Inc	05/15/2014	05/08/2014
Apple Inc	08/14/2014	08/07/2014
Apple Inc	11/13/2014	11/06/2014
Meridian Bioscience Inc	05/15/2014	05/01/2014
Meridian Bioscience Inc	08/14/2014	07/31/2014
Meridian Bioscience Inc	11/28/2014	11/13/2014
Microsoft Corp	03/13/2014	02/18/2014
Microsoft Corp	06/12/2014	05/13/2014
Microsoft Corp	09/11/2014	08/19/2014
Microsoft Corp	12/11/2014	11/18/2014
Tim Hortons	03/18/2014	02/27/2014
Tim Hortons	06/05/2014	05/20/2014
Tim Hortons	09/03/2014	08/14/2014
Tim Hortons	12/05/2014	11/18/2014
T Rowe Price Group Inc	06/27/2014	06/11/2014
T Rowe Price Group Inc	09/29/2014	09/11/2014
T Rowe Price Group Inc	12/30/2014	12/12/2014

Next, you'll be asked to verify ex-dividend dates. Ex-dividend dates are used to do the final holding period check needed to determine Qualified/Non Qualified status.

We fill in a default entry of the date closest to the date you received the dividend. Make sure they look OK. For a particular company they should be all different and also fairly close in time to the transaction date.

If you want to double check anything, [Dividendinvestor.com](http://Dividendinvestor.com) has ex dividend dates

## 1099-DIV Review Report

1099-DIV Review Form 2013				
Security	Date	Amount	Transaction Type	Actions
Alcoa Inc (AA)	08/26/2013	3.00	dividend	<a href="#">edit</a>
<b>Dividends and Distributions:</b>		<b>3.00</b>		
Altria Group (MO)	01/10/2013	66.00	dividend	<a href="#">edit</a>
	04/10/2013	66.00	dividend	<a href="#">edit</a>
	07/10/2013	66.00	dividend	<a href="#">edit</a>
	10/10/2013	72.00	dividend	<a href="#">edit</a>
<b>Dividends and Distributions:</b>		<b>270.00</b>		
Applied Materials Inc (AMAT)	03/13/2013	4.50	dividend	<a href="#">edit</a>
	06/13/2013	5.00	dividend	<a href="#">edit</a>
	09/12/2013	5.00	dividend	<a href="#">edit</a>
<b>Dividends and Distributions:</b>		<b>14.50</b>		

Next you'll come to our 1099-DIV review report. This is what it will look like.

For each company, you'll see a list of each of the dividends you've entered in bivio. Most brokers provide a corresponding detail list you can compare this against. We'll look at that in a minute.

You'll be able to do a quick initial check by comparing the dividend totals for each company to what is shown on your 1099. If the totals don't agree you can compare each detail to determine where the discrepancy lies.

If you need to make any changes you can find a direct link back to your records to edit the transaction.

## Brokerage Comparison Information

SCOTTRADE INC					
2012					
Detail for Dividends and Distributions					
Security Description	CUSIP and/or Symbol	State	Date	Amount	Transaction Type
ALTRIA GROUP	02209S103 MO		04/10/12	41.00	Qualified dividend
			07/10/12	41.00	Qualified dividend
			10/10/12	66.00	Qualified dividend
			<b>Dividends and Distributions:</b>	<b>148.00</b>	
APPLIED MATERIALS INC	038222105 AMAT		03/15/12	4.00	Qualified dividend
			06/14/12	4.50	Qualified dividend
			09/13/12	4.50	Qualified dividend
			12/12/12	4.50	Qualified dividend
			<b>Dividends and Distributions:</b>	<b>17.50</b>	
C S X CORP	126408103 CSX		12/14/12	14.00	Qualified dividend
FIRST CITIZENS BANC CORP	319459202 FCZA		02/01/12	9.00	Qualified dividend
			05/01/12	9.00	Qualified dividend
			08/01/12	9.00	Qualified dividend
			11/01/12	9.00	Qualified dividend
			<b>Dividends and Distributions:</b>	<b>36.00</b>	
FORD MTR CO	345370860 F		03/01/12	20.00	Qualified dividend
			06/01/12	20.00	Qualified dividend
			09/04/12	25.00	Qualified dividend
			12/03/12	25.00	Qualified dividend
			<b>Dividends and Distributions:</b>	<b>90.00</b>	
FRONTIER COMMUNICATIONS CORP COM COM	35906A108 FTR		03/30/12	47.15	Qualified dividend
			03/30/12	12.85	Nondividend distribution
			06/29/12	55.01	Qualified dividend
			06/29/12	14.99	Nondividend distribution
			09/28/12	55.01	Qualified dividend
			09/28/12	14.99	Nondividend distribution
			12/31/12	55.01	Qualified dividend
			12/31/12	14.99	Nondividend distribution
			<b>Dividends and Distributions:</b>	<b>270.00</b>	
			GENERAL ELECTRIC CO	369604103 GE	
07/25/12	17.00	Qualified dividend			

You'll be checking the bivio information against dividend detail information you'll find on your 1099 DIV. Many look like this. You can see it is very similar to the bivio review page.

You may find your broker provides the same information in a little different format. Some brokers list the different components of each distribution (if any) in a separate section. No matter how it is shown on your 1099, this is what you do.

First, look at the dividend totals and compare them to the bivio report.

Then, compare all the other details with the bivio report. Most entries should compare pretty quickly.



## Dividend Reclassification

FRONTIER COMMUNICATIONS CORP	35906A108	FTR	03/30/12	47.15	Qualified dividend	03
COM COM			03/30/12	12.85	Nondividend distribution	03
			08/29/12	55.01	Qualified dividend	03
			08/29/12	14.99	Nondividend distribution	03
			09/28/12	55.01	Qualified dividend	03
			09/28/12	14.99	Nondividend distribution	03
			12/31/12	55.01	Qualified dividend	03
			12/31/12	14.99	Nondividend distribution	03
		<b>Dividends and Distributions:</b>		<b>270.00</b>		

What you need to be concerned about is when you see information like the entries for this company.

A portion of their distributions have been classified as something other than dividends.

In this example, you can see that some of the dividends that were paid by Frontier Corporation were reclassified by the company after they closed their books for the year. Only part of the amounts received during the year could be considered a dividend. The rest was a return of capital also called a "Non-dividend" distribution.

When you see this, you need to make changes to your bivio records before you can file your taxes.

## How To Reclassify Dividends in bivio

Frontier Communications (FTR)	03/30/2012	60.00	Qualified dividend	<a href="#">edit, add new</a>
	06/29/2012	70.00	Qualified dividend	<a href="#">edit</a>
	09/28/2012	70.00	Qualified dividend	<a href="#">edit</a>
	12/18/2012	70.00	Qualified dividend	<a href="#">edit</a>
<b>Dividends and Distributions:</b>		<b>270.00</b>		

In cases like this, you need to find the stock in question on the bivio 1099 DIV review report.

You then need to select the edit link next to one of the dividends.

## Dividend Reclassification Form

**Investment Income**

**Frontier Communications (FTR)**

**Transaction Date.** Enter the date of the distribution.

Transaction Date:

**Account.** The account where funds were deposited.

Account:

**Distribution Amounts.** Select one or more income types and amounts.

Distribution Amounts:

<input type="text" value="Qualified Dividend"/>	<input type="text" value="47.15"/>
<input type="text" value="Return of Capital"/>	<input type="text" value="12.85"/>
<input type="text" value="Select Income Type"/>	<input type="text"/>

**Total: 60.00**

**Ex-Dividend Date.** Select **Lookup** to find the closest ex-dividend date to the selected transaction date. The ex-dividend date is used to determine the qualified status of a dividend.

Ex-Dividend Date:

Remark:

This will open the dividend entry form where you can split the entry into each of the components shown on the 1099, one for the dividend portion (\$47.15) and one for the return of capital (\$12.85).

The total of the two should still be the same as the original "dividend" amount.

The return of capital entry is very important. Even though that income is not taxable to you during the current year, it does affect the cost basis of your shares. If you don't make the entries, you will overpay on your taxes during the current year and your cost basis will not be correct when you sell your shares.

## Dividend Reclassification Results

Frontier Communications (FTR)	03/30/2012	47.15	Qualified dividend	<a href="#">edit, add new</a>
	03/30/2012	12.85	Return of capital	<a href="#">edit</a>
	06/29/2012	70.00	Qualified dividend	<a href="#">edit</a>
	09/28/2012	70.00	Qualified dividend	<a href="#">edit</a>
	12/18/2012	70.00	Qualified dividend	<a href="#">edit</a>
<b>Dividends and Distributions:</b>		<b>270.00</b>		

When you return to the 1099 DIV review page, you will now see two entries for the distribution rather than one. You should continue to make adjustments for each dividend received until all the changes have been made in bivio.

## REIT Reclassifications

AMERICAN RLTY CAP TR INC COM	02917L101 ARCT	05/15/12	1.20	Nonqualified dividend	03
		05/15/12	10.47	Nondividend distribution	03
		06/15/12	3.00	Nonqualified dividend	03
		06/15/12	26.17	Nondividend distribution	03
		07/15/12	3.00	Nonqualified dividend	03
		07/15/12	26.17	Nondividend distribution	03
		08/15/12	3.00	Nonqualified dividend	03
		08/15/12	26.17	Nondividend distribution	03
		09/15/12	3.07	Nonqualified dividend	03
		09/15/12	26.72	Nondividend distribution	03
		10/15/12	3.07	Nonqualified dividend	03
		10/15/12	26.72	Nondividend distribution	03
		11/15/12	3.07	Nonqualified dividend	03
		11/15/12	26.72	Nondividend distribution	03
	12/15/12	3.07	Nonqualified dividend	03	
	12/15/12	26.72	Nondividend distribution	03	
	<b>Dividends and Distributions:</b>		<b>218.34</b>		
ANNALY CAPITAL MANAGEMENT INC COM	035710409 NLY	04/26/12	150.00	Nonqualified dividend	03
		04/26/12	15.00	Long-term capital gain	03
		07/26/12	240.00	Nonqualified dividend	03
		07/26/12	35.00	Long-term capital gain	03
		10/29/12	225.00	Nonqualified dividend	03
		10/29/12	25.00	Long-term capital gain	03
		01/29/13	5.00	Qualified dividend	03
		01/29/13	195.00	Nonqualified dividend	03
		01/29/13	25.00	Long-term capital gain	03
	<b>Dividends and Distributions:</b>		<b>915.00</b>		

If your club owns REIT's, their distributions usually need to be split into several parts. You will find information on your 1099 about all the different categories.

First, dividends from REIT's are not eligible for qualified status.

They may also make Return of Capital (Non-dividend) distributions

Part of their distributions may be even be classified as capital gains.

These breakups can mean that when you edit each dividend, you may be breaking the total into from 2 to 5 different classifications. You'll end up with 2 to 5 entries in your records where only one "dividend" entry had been made during the year.

You also need to make sure any REIT's are identified as "Not 100% Qualified" on the first screen. You won't know these breakdowns until you get your 1099's. In fact, your 1099's may be delayed or you may receive revised ones late in the tax season. Since you can't do your taxes correctly without the information it may delay your filing.

This delay and the extra work of splitting up each of your distribution entries into several parts is one of the reasons we advise clubs to avoid investing in REIT's.

## Other Dividend Adjustments – End of Year Dividends

Sometimes an end of year dividend is received and entered in bivio with a date early in the new year, but on the 1099 it is reported as income in the prior year. If you see this, you need to adjust the date the dividend was received to one late in the correct tax year to report it correctly.

## Foreign Tax Withholding

### 1099 Shows

TIM HORTONS INC COM THI	88706M103 THI	03/19/13	2.53	Qualified dividend
		03/19/13	-0.63	Foreign tax withheld
		06/07/13	5.09	Qualified dividend
		06/07/13	-1.27	Foreign tax withheld
		09/04/13	4.94	Qualified dividend
		09/04/13	-1.24	Foreign tax withheld
		12/10/13	4.89	Qualified dividend
		12/10/13	-1.22	Foreign tax withheld
	Dividends and Distributions:		17.45	
	Foreign tax withheld:		-4.36	

### Bivio 1099-DIV review Shows

Tim Hortons (THI)	03/19/2013	2.53	Qualified dividend	<a href="#">edit, add new</a>
	03/19/2013	-0.63	Foreign tax withheld CA	<a href="#">edit</a>
	06/07/2013	5.09	Qualified dividend	<a href="#">edit</a>
	06/07/2013	-1.27	Foreign tax withheld CA	<a href="#">edit</a>
	09/04/2013	-1.24	Foreign tax withheld CA	<a href="#">edit</a>
	09/04/2013	4.94	Qualified dividend	<a href="#">edit</a>
	12/10/2013	4.89	Qualified dividend	<a href="#">edit</a>
	12/10/2013	-1.22	Foreign tax withheld CA	<a href="#">edit</a>
	<b>Dividends and Distributions:</b>	<b>17.45</b>		
	<b>Foreign tax withheld:</b>	<b>-4.36</b>		

If you own foreign stocks, you may see entries where foreign tax was withheld on your 1099.

You need to make sure those entries also show up on the bivio 1099 DIV review page.

## Big Problems – Commodity ETF's

ISHARES SILVER TRUST / CUSIP: 46428Q109 / Symbol: SLV (cont'd)							
02/29/12	0.000	0.65	N/A	---	---	Principal payment Cost Basis Factor = 0.000365045	CL 16
03/30/12	0.000	0.69	N/A	---	---	Principal payment Cost Basis Factor = 0.000435999	16
04/30/12	0.000	0.63	N/A	---	---	Principal payment Cost Basis Factor = 0.000423656	16
05/31/12	0.000	0.59	N/A	---	---	Principal payment Cost Basis Factor = 0.00044304	16
06/29/12	0.000	0.55	N/A	---	---	Principal payment Cost Basis Factor = 0.000415069	16
07/31/12	0.000	0.56	N/A	---	---	Principal payment Cost Basis Factor = 0.000416015	16
08/31/12	0.000	0.59	N/A	---	---	Principal payment Cost Basis Factor = 0.000380507	16
09/28/12	0.000	0.65	N/A	---	---	Principal payment Cost Basis Factor = 0.000393428	16
10/31/12	0.000	0.68	N/A	---	---	Principal payment Cost Basis Factor = 0.000430282	16
11/30/12	0.000	0.66	N/A	---	---	Principal payment Cost Basis Factor = 0.000406783	16
12/31/12	0.000	0.64	N/A	---	---	Principal payment Cost Basis Factor = 0.000430374	16
Security total:		7.51		0.00	0.00		
Totals:		7.51		0.00	0.00		

Security Description	CUSIP and/or Symbol	Date	Amount	Transaction Type	Notes
ISHARES	46428Q109 SLV	01/31/12	-0.62	Gross proceeds investment expense	15
SILVER TRUST	Note: CL	02/29/12	-0.65	Gross proceeds investment expense	15
		03/30/12	-0.69	Gross proceeds investment expense	15
		04/30/12	-0.63	Gross proceeds investment expense	15
		05/31/12	-0.59	Gross proceeds investment expense	15
		06/29/12	-0.55	Gross proceeds investment expense	15
		07/31/12	-0.56	Gross proceeds investment expense	15
		08/31/12	-0.59	Gross proceeds investment expense	15
		09/28/12	-0.65	Gross proceeds investment expense	15
		10/31/12	-0.68	Gross proceeds investment expense	15
		11/30/12	-0.66	Gross proceeds investment expense	15
		12/31/12	-0.64	Gross proceeds investment expense	15
Security Total:			-7.51		
Total Expenses:			-7.51		

Even more complex than that will be the issues you will face if you own commodity ETF's such as SLV or GLD.

These are actually investments in a commodity, Gold and Silver, not in stock. Each month, some of the commodity, in this case Silver, is sold to pay expenses.

These sales mean many calculations you must make manually and many adjustments you must make to your bivio records. There are manual adjustments to your tax forms required also.

Unless you want to spend lots of time and are very comfortable doing calculations and making accounting entries, you will not want to do what needs to be done if your club invests in these.



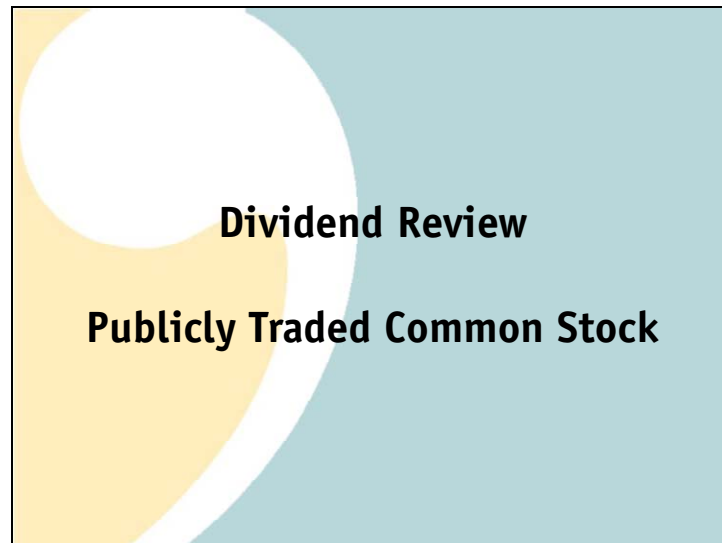
## Even Bigger Problems – Partnership Distributions

2013 Date	Description	CUSIP	Amount in 2013	2013 Date	Description	CUSIP	Amount in 2013
<b>Dividend Income - Taxable continued</b>				<b>Other Income or Charges continued</b>			
09/12	WALGREEN CO	931422109	29.21	11/14	MARTIN MIDSTREAM PTNRS L P LTD	573331105	119.36
12/12	WALGREEN CO	931422109	29.39	<b>Total Distributions on Limited Partnership:</b>			<b>554.33</b>
02/01	YUM BRANDS INC	988498101	10.14	<b>Partnership activity is reported on Schedule K-1. Partnerships generally have until April 15 to issue Schedule K-1. Consider this when scheduling your appointment with your tax advisor.</b>			
05/03	YUM BRANDS INC	988498101	7.51				
08/02	YUM BRANDS INC	988498101	7.55				
11/01	YUM BRANDS INC	988498101	8.37				
<b>Total Qualified Dividends (Box 1b on Form 1099-DIV):</b>			<b>1,944.50</b>				
<b>Total Ordinary Dividends (Box 1a on Form 1099-DIV):</b>			<b>1,944.50</b>				
<b>Other Income or Charges</b>							
02/28	KKR FINL HLDGS LLC	48248A308	21.00				
03/28	KKR FINL HLDGS LLC	48248A308	5.09				
05/28	KKR FINL HLDGS LLC	48248A308	21.48				
08/20	KKR FINL HLDGS LLC	48248A308	21.89				
11/20	KKR FINL HLDGS LLC	48248A308	23.38				
02/14	MARTIN MIDSTREAM PTNRS L P LTD	573331105	111.03				
05/15	MARTIN MIDSTREAM PTNRS L P LTD	573331105	114.19				
08/14	MARTIN MIDSTREAM PTNRS L P LTD	573331105	116.91				

Finally, if you see information like this on your 1099, you have a big problem. You have received income which is classified as a partnership distribution. This requires major adjustments to your club accounting and tax reporting. Unfortunately, handling these things is beyond the scope of the services provided to you by bivio.

You will need to get outside accounting help to get your club taxes done for the year.

## Bottom Line



Fortunately most clubs keep things simple and don't have to deal with REIT's or Partnership issues. For regular stocks, if you are using AccountSync and doing a quick cash balance check each month, you'll find that your dividends will line up quickly with what your broker is showing and you'll be able to breeze through tax preparation.