

GUGGENHEIM

Tax Year 2016 Form 1042-S FAQs

Q: WHY DID I RECEIVE A FORM 1042-S?

A: Form 1042-S reports ordinary dividend, long-term capital gain income, and short-term capital gain income earned in accounts by non-resident alien investors. Form 1042-S also reports any associated withholding.

Q: WHY ARE THE DOLLAR AMOUNTS REPORTED ON MY 1042-S DIFFERENT THAN THE AMOUNTS ON MY YEAR-END STATEMENT?

A: The amounts for “Gross Income” and “Federal Income Tax Withheld” on your Form 1042-S are rounded to the nearest dollar.

Q: I HAVE SUBMITTED A FORM W-8 TO CERTIFY THAT I AM A FOREIGN SHAREHOLDER. WHY DO I HAVE WITHHOLDING ON MY DIVIDENDS?

A: The purpose of the Form W-8 is to certify that you are a foreign shareholder and to allow you to claim any available tax treaty rates. It does not exempt you from all tax withholding. The IRS requires us to withhold 30% from dividends for all non-US investors. However, certain countries have entered into bilateral tax treaty agreements with the United States that allow for reduced tax rates. For more information see IRS Publication 515 available on the IRS website (www.irs.gov).

Q: HOW DO I KNOW WHAT PERCENTAGE SHOULD HAVE BEEN WITHHELD FROM DISTRIBUTIONS?

A: The percentage is reported in box 3b. This percentage is based on the information you provided on Form W-8. The standard withholding rate is 30%, however, there are countries that may be taxed at a reduced rate. The non-resident alien withholding rates are set forth by the IRS and can be found in IRS Publication 515 on the IRS website (www.irs.gov).

Q: WHY DO SOME WITHHOLDING AMOUNTS APPEAR TO BE MORE THAN MY DISTRIBUTION?

A: Some funds may have had a portion/all of their distribution deemed as Qualified Interest Income (QII), shown as Income Code 01 in Box 1 of the form. In these situations the reporting may be broken out into separate line items on the form. Since the QII percentage is not known at the time of the original distribution, withholding is done based on the original distribution amount. For more information on QII, please consult a tax professional.

Q: WHAT DO I DO IF I HAVE QUESTIONS ABOUT MY 1042-S?

A: Please contact Guggenheim Investments Client Services at 800.820.0888, Monday through Friday, 8:30 am - 5:30 pm, ET to speak with one of our representatives.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.

Form 1042-S

Instructions for Recipient

U.S. Income Tax Filing Requirements

Generally, every nonresident alien individual, nonresident alien fiduciary and foreign corporation with United States income, including income that is effectively connected with the conduct of a trade or business in the United States, must file a United States income tax return. However, no return is required to be filed by a nonresident alien individual, nonresident alien fiduciary, or a foreign corporation if such person was not engaged in a trade or business in the United States at any time during the tax year and if the tax liability of such person was fully satisfied by the withholding of United States tax at the source. (Corporations file Form 1120-F; all others file Form 1040NR (or Form 1040NR-EZ if eligible). You may get the return forms and instructions at any United States Embassy or consulate or by writing to: Internal Revenue Service, 1201 N. Mitsubishi Motorway, Bloomington, IL 61705-6613.

Explanation of Codes

Box 1. Income Code

Code Interest Income

- 01 Interest paid by U.S. obligors – general
- 02 Interest paid on real property mortgages
- 03 Interest paid to controlling foreign corporations
- 04 Interest paid by foreign corporations
- 05 Interest on tax-free covenant bonds
- 22 Interest paid on deposit with a foreign branch of a domestic corporation or partnership
- 29 Deposit Interest
- 30 Original issue discount (OID)
- 31 Short-term OID
- 33 Substitute payment – interest
- 51 Interest paid on certain actively traded or publicly offered securities¹

Code Dividend Income

- 06 Dividends paid by U.S. corporations – general
- 07 Dividends qualifying for direct dividend rate
- 08 Dividends paid by foreign corporations
- 21 Gross income-Capital gain dividend
- 34 Substitute payment – dividends
- 40 Other dividend equivalents under IRC section 871(m) (formerly 871(l))
- 52 Dividends paid on certain actively traded or publicly offered securities¹
- 53 Substitute payments- dividends from certain actively traded or publicly offered securities¹

Code Other Income

- 09 Capital gains
- 10 Industrial royalties
- 11 Motion picture or television copyright royalties
- 12 Other royalties (for example, copyright, recording, publishing)
- 13 Royalties paid on certain publicly offered securities¹
- 14 Real property income and natural resources royalties
- 15 Pensions, annuities, alimony, and/or insurance premiums
- 16 Scholarship or fellowship grants
- 17 Compensation for independent personal services²
- 18 Compensation for dependent personal services²
- 19 Compensation for teaching²
- 20 Compensation during studying and training²
- 23 Gross income – Other
- 24 Real estate investment trust (REIT) distributions of capital gains
- 25 Trust distributions subject to IRC section 1445

- 26 Unsevered growing crops and timber distributions by a trust subject to IRC section 1445
- 27 Publicly traded partnership distributions subject to IRC section 1446
- 28 Gambling winnings³
- 32 Notional principal contract income⁴
- 35 Substitute payment – other
- 36 Capital gains distributions
- 37 Return of capital
- 38 Eligible deferred compensation items subject to IRC section 877A(d)(1)
- 39 Distributions from a nongrantor trust subject to IRC section 877A(f)(1)
- 41 Guarantee of indebtedness
- 42 Earnings as an artist or athlete – no central withholding agreement⁵
- 43 Earnings as an artist or athlete – central withholding agreement⁵
- 44 Specified Federal procurement payments
- 50 Income previously reported under escrow procedure⁶
- 54 Other income

¹This code should only be used if the income paid is described in §1.1441-6(c)(2) and withholding agent has reduced the rate of withholding under an income tax treaty without the recipient providing a U.S. or foreign TIN.

² If compensation that otherwise would be covered under Income Codes 17 through 20 is directly attributable to the recipient's occupation as an artist or athlete, use Income Code 42 or 43 instead.

³ Subject to 30% withholding rate unless the recipient is from one of the treaty countries listed under *Gambling winnings (Income Code 28)* in Pub. 515.

⁴ Use appropriate Interest Income Code for embedded interest in a notional principal contract.

⁵ If Income Code 42 or 43 is used, Recipient Code 22 (artist or athlete) should be used instead of Recipient Code 16 (individual), 15 (corporation), or 08 (partnership other than withholding foreign partnership).

⁶ Use only to report gross income the tax for which is being deposited in the current year because such tax was previously escrowed for chapters 3 and 4 and the withholding agent previously reported the gross income in a prior year and checked the box to report the tax as not deposited under the escrow procedure. See the instructions to this form for further explanation.

Boxes 3a and 4a. Exemption code (applies if the tax rate entered in boxes 3b and 4b is 00.00).

Code Authority for Exemption
Chapter 3

- 01 Income effectively connected with a U.S. trade or business
- 02 Exempt under an Internal Revenue Code section (income other than portfolio interest)
- 03 Income is not from U.S. sources
- 04 Exempt under tax treaty
- 05 Portfolio interest exempt under IRC
- 06 Qualified intermediary that assumes primary withholding responsibility
- 07 Withholding foreign partnership or withholding foreign trust
- 08 U.S. branch treated as a U.S. person
- 09 Territory Foreign Income treated as a U.S. Person
- 10 QI represents that income is exempt
- 11 QSL that assumes primary withholding responsibility
- 12 Payee subjected to chapter 4 withholding

Chapter 4

- 13 Grandfathered payment
- 14 Effectively connected income
- 15 Payee not subject to chapter 4 withholding
- 16 Excluded nonfinancial payment
- 17 Foreign Entity that assumes primary withholding responsibility
- 18 U.S. Payees—of participating FFI or registered deemed-compliant FFI
- 19 Exempt from withholding under IGA⁷
- 20 Dormant account⁸
- 21 Excluded payment on offshore obligation
- 22 Excluded payments on Collateral⁹

Code	Type of Recipient, Withholding Agent, or Intermediary
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Chapter 3 Status Codes

- | | |
|--------------------------------------|--|
| 01 | U.S. Withholding Agent—FI |
| 02 | U.S. Withholding Agent—Other |
| 03 | Territory FI—treated as U.S. Person |
| 04 | Territory FI—not treated as U.S. Person |
| 05 | U.S. branch—treated as U.S. Person |
| 06 | U.S. branch—not treated as U.S. Person |
| 07 | U.S. branch—ECI presumption applied |
| 08 | Partnership other than Withholding Foreign Partnership |
| 09 | Withholding Foreign Partnership |
| 10 | Trust other than Withholding Foreign Trust |
| 11 | Withholding Foreign Trust |
| 12 | Qualified Intermediary |
| 13 | Qualified Securities Lender—Qualified Intermediary |
| 14 | Qualified Securities Lender—Other |
| 15 | Corporation |
| 16 | Individual |
| 17 | Estate |
| 18 | Private Foundation |
| 19 | Government or International Organization |
| 20 | Tax Exempt Organization (Section 501(c) entities) |
| 21 | Unknown Recipient |
| 22 | Artist or Athlete |
| 23 | Pension |
| 24 | Foreign Central Bank of Issue |
| 25 | Nonqualified Intermediary |
| 26 | Hybrid entity making Treaty Claim |
| 34 | U.S. Withholding Agent – Foreign branch of FI |
| Pooled Reporting Codes ¹⁰ | |
| 27 | Withholding Rate Pool—General |
| 28 | Withholding Rate Pool—Exempt Organization |
| 29 | PAI Withholding Rate Pool—General |
| 30 | PAI Withholding Rate Pool—Exempt Organization |
| 31 | Agency Withholding Rate Pool—General |
| 32 | Agency Withholding Rate Pool—Exempt Organization |
| 33 | Joint account withholding rate Pool |

7 Use only to report a U.S. reportable account or non-consenting U.S. account that is receiving a payment subject to chapter 3 withholding.

8 Use only if applying the escrow procedure for dormant accounts under 1.1471-4(b)(6). If tax is withheld and deposited under chapter 3, do not check box "Check if tax not deposited with IRS pursuant to escrow procedure" and you must check box 3 and complete box 3b.

9 This code should only be used if the income paid is not subject to withholding under chapter 4 pursuant to 1.1473-1(a)(4)(vii).

10 These codes should only be used by a QI, QSL, WP, or WT.

Code	Type of Recipient, Withholding Agent, or Intermediary
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Chapter 4 Status Codes

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|----|---|
| 01 | U.S. Withholding Agent—FI |
| 02 | U.S. Withholding Agent—Other |
| 03 | Territory FI—not treated as U.S. Person |
| 04 | Territory FI—treated as U.S. Person |
| 05 | Participating FFI—Other |
| 06 | Participating FFI—Reporting Model 2 FFI |
| 07 | Registered Deemed-Compliant FFI—Reporting Model 1 FFI |
| 08 | Registered Deemed-Compliant FFI—Sponsored Entity |
| 09 | Registered Deemed-Compliant FFI—Other |

- 10 Certified Deemed-Compliant FFI—Other
- 11 Certified Deemed-Compliant FFI—FFI with Low Value Accounts
- 12 Certified Deemed-Compliant FFI—Non-Registering Local Bank
- 13 Certified Deemed-Compliant FFI—Sponsored Entity
- 14 Certified Deemed-Compliant FFI—Investment Advisor or Investment Manager
- 15 Nonparticipating FFI
- 16 Owner-Documented FFI
- 17 Limited Branch treated as Nonparticipating FFI
- 18 Limited FFI treated as Nonparticipating FFI
- 19 Passive NFFE identifying Substantial U.S. Owners
- 20 Passive NFFE with no Substantial U.S. Owners
- 21 Publicly Traded NFFE or Affiliate of Publicly Traded NFFE
- 22 Active NFFE
- 23 Individual
- 24 Section 501(c) Entities
- 25 Excepted Territory NFFE
- 26 Excepted NFFE — Other
- 27 Exempt Beneficial Owner
- 28 Entity Wholly Owned by Exempt Beneficial Owners
- 29 Unknown Recipient
- 30 Recalcitrant Account Holder
- 31 Nonreporting IGA FFI
- 32 Direct reporting NFFE
- 33 U.S. reportable account
- 34 Non-consenting U.S. account
- 35 Sponsored direct reporting NFFE
- 36 Excepted Inter-affiliate FFI
- 37 Undocumented Preexisting Obligation
- 38 U.S. Branch—ECI presumption applied
- 39 Account Holder of Excluded Financial Account¹¹
- 40 Passive NFFE reported by FFI¹²
- 41 NFFE subject to 1472 withholding
- 50 U.S. Withholding Agent – Foreign branch of FI

Pooled Reporting Codes

- 42 Recalcitrant Pool—No U.S. Indicia
- 43 Recalcitrant Pool—U.S. Indicia
- 44 Recalcitrant Pool—Dormant Account
- 45 Recalcitrant Pool—U.S. Persons
- 46 Recalcitrant Pool—Passive NFFEs
- 47 Nonparticipating FFI Pool
- 48 U.S. Payees Pool
- 49 QI-Recalcitrant Pool—General¹³

11 This code should only be used if income is paid to an account that is excluded from the definition of financial account under 1.1471-5(b)(2) or under Annex II of the applicable Model 1 IGA or Model 2 IGA.

12 This code should only be used when the withholding agent has received a certification on the FFI withholding statement of a participating FFI or registered deemed-compliant FFI that maintains the account that the FFI has reported the account held by the passive NFFE as a U.S. account (or U.S. reportable account) under its FATCA requirements. The withholding agent must report the name and GIIN of such FFI in box 15d and 15e.

13 This code should only be used by a withholding agent that is reporting a payment (or portion of a payment) made to a QI with respect to the QI's recalcitrant account holders.

This information does not constitute tax advice. Please consult your tax advisor and/or state and local tax office for more complete information.