

GUGGENHEIM

Tax Year 2016 Form 1099-Q FAQs

Q: WHAT SHOULD I DO UPON RECEIVING MY 1099-Q?

A: Upon receiving your 1099-Q please **immediately** verify the client name and social security number to ensure it is correct. Please report any errors immediately to facilitate the filing of corrections with the IRS in a timely manner.

Q: WHY DID I RECEIVE A FORM 1099-Q?

A: Form 1099-Q reports distributions taken from your Coverdell ESA, formerly known as an Education IRA, account during 2016. Trustee-to-trustee transfers are also reported on the form.

Q: WHY ARE BOXES 2 AND 3 BLANK?

A: For Coverdell distributions (other than earnings on excess contributions) taken during 2016, the payer/trustee is not required to report amounts in Boxes 2 and 3. Instead, the payer/trustee may report the fair market value of the Coverdell account as of December 31, 2016. The fair market value is listed in the FMV box on the form.

Q: WHAT DOES THE NUMBER OR LETTER LISTED IN THE DISTRIBUTION CODE FIELD REPRESENT?

A: These codes identify the type of distribution taken from your retirement account. For a list of commonly seen codes on the Form 1099-Q, see the included table. You may also refer to the table on the back of your 1099-Q for a full listing of the codes.

Q: WHAT DO I DO IF I HAVE QUESTIONS ABOUT MY 1099-Q?

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 1099-Q

Instructions for Recipient

Box 1. Shows the gross distribution (including in-kind distributions) paid to you this year from a qualified tuition program (QTP), or a Coverdell ESA (CESA). This amount is the total of the amounts shown in box 2 and box 3. See Pub. 970 for more information.

Caution: For CESA distributions (other than earnings on excess contributions) made during 2016, the payer/trustee is not required to report amounts in boxes 2 and 3. Instead, the payer/trustee may report the fair market value of the CESA as of December 31, 2016. To figure your earnings and basis, use the Coverdell ESA—Taxable Distributions and Basis worksheet in Pub. 970.

Box 2. Shows the earnings part of the gross distribution shown in box 1. Generally, amounts distributed that are used to pay for qualified education expenses, transferred between trustees, or rolled over to another qualified education program within 60 days, are not included in income. Report taxable amounts as “Other Income” on Form 1040. Also see Form 5329 and its separate instructions.

Under a CESA, the amount in box 2 is included in income if there has been a change in the designated beneficiary and the new designated beneficiary is not a family member or is over age 30 (except for beneficiaries with special needs).

Also, an additional 10% tax may apply to part or all of any amount included in income from the CESA or QTP. See Form 5329 and your tax return instructions for more information.

If a final (total) distribution is made from your account and you have not recovered your contributions, see Pub. 970 to determine if you have a deductible loss and how to claim it.

Box 3. Shows your basis in the gross distribution reported in box 1.

Box 4. This box indicates “Yes” if a trustee-to-trustee transfer was made from one QTP to another QTP, from one CESA to another CESA, or from a CESA to a QTP. However, in certain transfers from a CESA, the box will be blank.

Box 5. Shows whether the gross distribution was from a QTP (private or state) or from a CESA.

Box 6. The designated beneficiary is the individual named in the document creating the trust or custodial account to receive the benefit of the funds in the account.

FMV (Fair Market Value). Reports the fair market value of the CESA as of December 31, 2016.

Distribution codes. For 2016, the payer/trustee may, but is not required to, report one of the following codes to identify the distribution you received:

- 1—Distributions (including transfers);
- 2—Excess contributions plus earnings taxable in 2016;
- 3—Excess contributions plus earnings taxable in 2015;
- 4—Disability;
- 5—Death;
- 6—Prohibited transaction.

Note: Nontaxable distributions from CESAs and QTPs, including rollovers, are not required to be reported on your income tax return. See Pub. 970 for more information.

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