

GUGGENHEIM

Tax Year 2020 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 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. You may get the return forms and instructions at IRS.gov, 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
- 54 Substitute payments – interest from 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
- 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 Other Income
- 24 Qualified investment entity (QIE) 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
- 55 Taxable death benefits on life insurance contracts

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.

⁵Income Code 43 should only be used if Letter 4492, Venue Notification, has been issued by the Internal Revenue Service (otherwise use Income Code 42 for earnings as an artist or athlete). 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 Effectively connected income
- 02 Exempt under an Internal Revenue Code (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 WFP or WFT
- 08 U.S. branch treated as a U.S. Person
- 09 Territory FI 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
- 22 QDD that assumes primary withholding responsibility
- 23 Exempt under section 897(l)

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 Other – payment not subject to chapter 4 withholding

Boxes 12b, 12c, 13f, 13g, 15b, 15c, 16d, and 16e. Withholding Agent, Recipient, Intermediary, and Payer Chapter 3 and Chapter 4 Status Codes.

Code Type of Recipient, Withholding Agent, or Intermediary

Chapter 3	Status Codes
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	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
35	Qualified Derivatives Dealer
36	Foreign Government – Integral Part
37	Foreign Government – Controlled Entity

Pooled Reporting Codes⁹

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

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 was withheld and deposited under chapter 3, do not check box 7b “tax not deposited with IRS pursuant to escrow procedure” and you must instead enter “3” in box 3 and complete box 3b.

⁹ Codes 27 through 33 should only be used by a QI, QSL, WP, or WT. A QI acting as a QDD may use code 27 or 28

Code Type of Recipient, Withholding Agent, or Intermediary

Chapter 4 Status Codes

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 Entity that does not maintain financial accounts
- 15 Nonparticipating FFI
- 16 Owner-Documented FFI
- 17 U.S. Branch – treated as U.S. person
- 18 U.S. Branch – not treated as U.S. person (reporting under section 1471)
- 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 Account¹⁰
- 40 Passive NFFE reported by FFI¹¹
- 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—General¹²

Box 13j. LOB Code (enter the code that best describes the applicable limitation on benefits (LOB) category that qualifies the taxpayer for the requested treaty benefits).

LOB Code LOB Treaty Category

- 02 Government – contracting state/political subdivision/local authority
- 03 Tax Exempt pension trust / Pension fund
- 04 Tax exempt / Charitable organization
- 05 Publicly traded corporation
- 06 Subsidiary of publicly traded corporation
- 07 Company that meets the ownership and base erosion test
- 08 Company that meets the derivative benefits test
- 09 Company with an item of income that meets the active trade or business test

- 10 Discretionary determination
- 11 Other

10 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.

11 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.

12 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.