

INVESTMENT INCOME TAX TREATMENTS FOR MOST AARP TAX AIDE CLIENTS

TYPE	SOURCE DOC	TAXABLE AT FEDERAL LEVEL?	TAXABLE AT STATE LEVEL?	SCHEDULE REPORTED	COMMENTS	TS ENTRY
Savings, CDs, MMFs, Mortgage Backed Securities & Corporate Bond Interest	1099-INT	Y	Y	SCH B	Note: mortgage backed securities are NOT government issued bonds and are treated like corporate bonds from a tax perspective.	Interest Income in Box 1
US Treasury Bills/Bonds Interest	1099-INT or 1099-OID	Y	N	SCH B	Could be purchases via mutual funds or via Treasury Direct program	Interest Income in Box 3 and amount in state subtraction box
Municipal Bonds & TE MMFs Interest	1099-INT or year end brokerage/mutual fund statement	N	Y unless source is state of CO or subdivision	SCH B	If interest is from the state or subdivision of CO, Guam, Puerto Rico or US Virgin Islands, FHLBs, it is tax exempt in CO. So for the TW entry shown to the right, put in the "State Adj Amt" column only that amount that is NOT CO interest. See CO FYI 20.	Tax Exempt Interest Income and add in state addition list if not a CO source

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Municipal Bonds Interest - Private Activity Bonds	1099-INT or YE broker-age/MF Stmt	Possibly via the AMT	Y unless source is state of CO or subdivision	SCH B		TBD (AMT is OOS)
US Savings Bonds Interest	1099-INT or 1099-OID	Y	N	SCH B	TP has choice of cash or accrual method – see Pub 17. Assume cash method unless clearly otherwise. Interest Income and amount in state subtraction box	Interest Income Box 3 with amount in state subtraction box
Stock Dividends (& Bond Interest reported as “Dividends”)	1099-DIV	Y	Y	SCH B	Preferred rate at federal level (0%-20%) for qualified dividends.	Dividend Income; if some portion is US gvmt bonds, put amount in state subtraction box
Capital Gains Distributions	1099-DIV	Y	Y	SCH D	Preferred rate at federal level (0%-20%) for long term capital gains.	Dividend Income
Asset Sales	1099-B	Y	Y	SCH D	Preferred rate at federal level (0%-20%) for long term capital gains.	Capital Gain or Losses

Note: for earned income above \$200k/\$250k there is a medicare surcharge on capital gains of 0.9%