

# Gathering Investment Information for Your Accountant



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**There are a handful of places where your investment accounts intersect with your tax return. Much of this 2022 investment-related tax data will come into focus over the next few months as you prepare for 2022 taxes. Here are some items to keep an eye on so you'll know where to find it when your accountant requests documentation.**

It shouldn't have to be a scramble to gather your paperwork for tax return preparation. Unfortunately, it can often feel that way if you don't know what information you'll need and where to find it. For investors, there is some additional data and documentation you may need to provide for your tax preparer. Though you'll receive this data automatically from fund companies in the spring prior to the tax deadline, it can be helpful to know ahead of time what to expect, so here we outline some of the items to be planning for.

## **Taxable Interest and Tax-exempt Interest**

Lines 2a and 3b on the Form 1040 ask about interest earned by the taxpayer. Some of this interest may be exempt from tax (municipal bond interest payments, for example) while other interest may be taxable (interest earned in most mutual funds, for example).

You should be able to refer to a recent statement from your custodian in order to see how much interest has accumulated this year in your taxable investment account. This data is usually easily accessible in real time on publicly traded securities and almost impossible to determine on private holdings until their annual K-1 is issued.

## **Ordinary Dividends and Qualified Dividends**

Lines 3a and 3b are where the taxpayer lists dividends, both ordinary and qualified. Ordinary dividends (from most mutual funds, REITs, etc) are the most common and these are taxed at the taxpayer's marginal income tax rate. Some dividends that arise out of corporate stock ownership are treated as qualified dividends and these are taxed at capital gains tax rates. Your most recent brokerage account statement should list out dividends paid out this year.

## **IRA Distributions**

Taxable (and non-taxable) distributions from IRA accounts are reported on lines 4a and 4b. Year-to-date IRA distributions may be listed on your regular statements, or you may have to reach out to your IRA provider for this information.



## **Capital Gains**

Capital gains or losses are reported on line 7. There are two types of capital gains that investors ought to keep in mind: realized capital gains and capital gain distributions.

- Realized capital gains are gains that arise when a taxpayer sells an investment for more than he or she paid for it.
- Capital gain distributions are an annual accounting by mutual funds of the stocks and bonds that the fund has sold during the year (when the mutual fund itself has realized a gain or loss on an investment).

Arnerich Massena clients may find up-to-date information on interest, dividends, and capital gains on their client portal. Please contact your advisor if you would like to see where this information is stored.

