

## Advisory Notice

Clearing House

TO: Back Office Managers; BPS Users

FROM: CME Clearing

ADVISORY #: 08-393

SUBJECT: BPS IRS 1099 Notification #3

DATE: December 9, 2008

**AS A REMINDER, NOVEMBER 30, 2008 MARKED THE END OF THE 2008 TAX YEAR FOR BROKERAGE.**

This memo covers the entire 1099 process, including:

- Year End Reports
- Tax Adjustment Period
- Backup Withholding
- Firm 1099 Statements
- BPS 1099 Processing Schedule

### **YEAR-END REPORTS**

**Preliminary** 1099 Reports will be available in MRS (Member Reporting System) as report named "Prelim Broker's Yearly Banking Summary" which will reflect initial adjustments made by December 15, 2008. *Firms should make adjustments for the 2008 tax year by Friday December 12, 2008, so the adjustments are reflected on the December 15th preliminary reports.*

**Final** 1099 Reports will be available on MRS as "Final Broker's Yearly Banking Summary" on Monday, January 05, 2009. The report will detail year-to-date brokerage paid plus any tax adjustments. The report is sorted by broker acronym and transaction month. For brokers with multiple tax ID's the report will be totaled separately for each tax ID.

### ***Firm Year-End Reports***

- Tax Billing Group Details Report: This is a firm report that will be available on December 15<sup>th</sup>, 2008 on BPS. Firms can use this report to verify 2008 tax details.

## **TAX ADJUSTMENT PERIOD: December 01, 2008 THROUGH JANUARY 02, 2009**

All tax adjustments for the 2008 tax year must be made **by Friday January 02, 2008**. Changes can be made to both active and inactive brokers. Additionally, if a broker has had more than one Tax Identification number during the tax year, changes can be made to **any** of the Tax Identification numbers.

In order to make a tax adjustment:

- Enter the BPS system and click on the 'Payment' tab on the left hand side of the screen
- Click on 'adjustments' and click 'create'
- Please select tax adjustment and process month of 11-2008, then enter broker, amount and any comment.
- Click 'Submit'

Please note that all adjustments made by Friday December 12, 2008 will be reflected on the preliminary reports distributed on Monday December 15, 2008.

## **BACKUP WITHHOLDING**

**As a reminder, the BPS System does not support backup withholding.** Firms that need to report backup withholding for brokers **must manually produce** their own 1099 Statements for those brokers. **Additionally, firms must be certain to adjust the brokerage on the BPS System for those brokers to zero; or else a 1099 statement will be produced by the CME Group and reported to the IRS.**

## **2008 FIRM 1099 STATEMENTS**

Firm 1099 statements will be produced for all brokers paid **\$600.00 or more** for the 2008 Tax-year. If you pay brokerage into a corporation's account, we will produce 1099 statements under the corporation's Tax Identification number. Firms that plan to produce their own 1099 statements should notify the CME Group Clearing Services at [ccs@cmegroup.com](mailto:ccs@cmegroup.com) in writing by December 31, 2008, to request that we not produce 1099 Statements. The CME Group will create and send to the IRS a file that will include a record for each 1099 that we produce.

## **COST OF PRODUCING 1099 STATEMENTS:**

Please be aware that the creation of the 2008 1099 statements will be in a new format which will require **special envelopes**. Firms have a choice to either distribute the 1099's to the brokers or have CME Group Document Processing Center complete this for a fee. The cost of this service is \$0.20 per envelope plus postage, subject to a minimum charge of \$5.00 or you can purchase the envelopes 24 @ \$4.00.

## **2008 BPS 1099 PROCESSING SCHEDULE**

As a reminder, please reference the Clearing House Advisory Notice for 08-374 for a copy of the 2008 BPS 1099 Processing Schedule. The below link should serve as a reference as we go through the 1099 process.

<http://www.cmegroup.com/tools-information/most-recent-clearing.html>

If you have any questions concerning 1099 processing, please contact CME Group Clearing Services at (312) 207-2525 or via e-mail at [ccs@cmegroup.com](mailto:ccs@cmegroup.com). Thank you!