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Phased investment tax reporting: Complexity, not ineptness

Investors seem to be getting their investment tax forms (1099) later than they did in the past. What gives?

In recent years, tax reporting has become more complex. Example: Custodians are now required to track the cost basis of investments. This is administratively helpful because the burden of tracking your costs will be increasingly borne by the custodians. But, investments bought before this tracking started still need to be tracked by investors. And, since these investments may be held for many years, there can only be a gradual shift to the new process. As a result, tax forms seem more complex because they need to segregate these securities.
Delays in producing 1099 tax forms: Diversified portfolios contain different types of investments. Each investment (Bond, Stock, Mutual Fund, ETF, etc.) must declare information about its dividends, Capital gains etc. These numbers are then provided to the custodians who then allocate it to the securities in your account to produce your consolidated 1099 form. This is good, because you get a summary report. But, some securities, like REIT’s, Commodity ETF’s, Hedge funds etc. are simply unable to report their information on time. Hence the custodian is not able to finish their information consolidation either. So as a practical matter the more diversified accounts often get delayed tax forms..

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