2025 Year-End Processing Guide for *Online Credit Unions*

Introduction

This guide is provided as a reference to the many tasks and procedures related to the end of the year and annual tax reporting. Start by carefully reviewing the **2025 Tasks and Deadlines** shown on Page 11. Review tasks in advance and assign them to the appropriate team member to ensure that all preparations and processes are completed on time and in the proper order.

Our Advice for a Smooth Year-End

- Select a coordinator to assign tasks and ensure they are complete.
- Review the guide carefully, including any post-publication updates.
- Review deadlines in advance to avoid missing a task and incurring a fee.
- Have all year-end staff attend year-end training.
- Pay special attention to year-end emails as requirements may change.
- Ask questions! Our teams are here and ready to assist.
- As always, be sure to keep on track with your Month End Processing Tasks.

If you have any questions on any of the topics or procedures covered in this Guide, please contact support@cusouth.com.

We look forward to making year-end 2025 another successful team effort!

This booklet supersedes any year-end instructions you may have received from previous years.

Revision date: November 5, 2025

We refresh this booklet within the year-end processing period whenever a change is received and documented. Continue to check this document for updates throughout the year, focusing on the "**Updates and Revisions to This Guide**" section.

Find other Reference Materials page on our website: https://www.cuanswers.com/resources/doc/cubase-reference/

Start your online help journey here:
https://help.cubase.org/cubase/Welcome.htm

*CBX® is a registered trademark of CU*Answers, Inc.*

Contents

What's New for Year-End 2025? 4

Year-End Training Opportunities 5

Important Yearly Reminders 5

- Third Party Processors 7
- State Specific Information 7
- Mortgage Forms 8
- Monthly Tasks: Do These Tasks Every Month 8

Summary of 2025 Tax Forms 9

2025 Tax Forms Pricing 10

2025 Tasks and Deadlines 11

Using Member Statements as Substitute 1099-INTs 14

- Points to Remember 14
- Modifying Statement Messages for use with Substitute 1099-INTs 15
- Special Instructions for CUs Offering E-Statements 17

Tax Forms Handling Instructions 21

Bonus Dividends / Loan Interest Rebates 22

Viewing Member Tax Documents in *It's Me 247* 23

Ordering Auditor Envelopes for Statements 24

Setting 2026 Holidays 24

Verifying State ID # 26

Verifying Loan Categories for 1098 Reporting 27

- Loan Category Configuration Report 28
- Special Note: 1098 Reporting for Rewritten Loans 28
- Special Note: Collateral on 1098 Mortgage Loan Forms 30

Updating Tax File Data 31

- Updating 1099-INT and 1098 Data in the Tax File 31
- Updating Other 1099 Form Data 33
- Updating Savings Bond Information 35

Verifying Shares and Certificates for 1099-INT Reporting 36

- Verifying Share Dividend Applications 36
- Verifying Certificate Type Configuration 37
- Verify Your Credit Union's Account 38

Verifying A/P Vendors for 1099-MISC or 1099-NEC Reporting 39

Month-End Verifications 42
If Your Rates Will Change at Year-End 42
Annual Statement Preparation 43
BOY/Tax File Verification Reports 45
End-of-Year Verification Checklist 46
Reporting Fair Market Value for IRAs to Members and the IRS 47
Ascensus-Administered 47
Self-Administered 47
Annual Updates of IRA and HSA Balance File Limits 48
IRA Balance File Limits 48
HSA Balance File Limits 48
General Ledger Year-End Closing Instructions 49
Year End Closing: Step By Step 50
Verifying The IRA Balance File 55
Verifying the HSA Balance File 58
Verifying The Tax File & Printing the 1099/1098 Tax Info Report 60
Making Corrections 63
Form 1099-R/1099-SA Instructions: Ascensus-Administered 64
Form 5498/5498-SA/5498-ESA Instructions: Ascensus-Administered 65
Form 5498/5498-SA/5498-ESA Instructions: Self-Administered 66
How many tax files were sent to the IRS? 67
Using Smart Operator to Review Tax File Transmissions 67

What's New for Year-End 2025?

- **New HSA Limits for 2026:** IRS has announced new HSA limits for 2026. The maximum 2025 HSA contribution will be $4,400 for individuals with self-only coverage, up from $4,300 in 2025. The maximum 2026 HSA contribution will be $8,750 for family coverage, up from $8,550 in 2025. The catch-up contribution limit for those over age 55 will remain at $1,000.

- IRA Limits for 2026 were not yet available at the time of publication.

- A new automated routine during year-end processing will take the amounts from the member escrow account attached to the loan, take the sum of payments using the insurance payment/tax payment code, and automatically add them to the tax reporting file for use in their respective boxes on the 1098 form. Note that any manual adjustments to PMI or tax disbursements will still need to be adjusted in the member tax file using **Tool #899** ***Update IRS Tax Information.***

- **No Tax on Car Loan Interest**: As a provision of the One, Big, Beautiful Bill signed into law July 2025, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets eligibility criteria. Review eligibility criteria provided by the IRS.

  Under current guidance, the IRS will consider that lenders have met their reporting obligations for interest received on a qualified passenger car loan in 2025 if they make a statement available to the buyer indicating the total amount of interest received. Specifically, lenders can meet their reporting requirements by making this total amount of interest available:

  - On an online portal that the buyer can easily access;
  - **In a regular monthly statement;**
  - On an annual statement that is provided to the buyer; or
  - By other similar means designed to provide accurate information to the buyer regarding interest received.

  In addition, the IRS will not impose penalties on lenders for a failure to file information returns and provide payee statements if they satisfy their reporting obligations as described.

  Members can use the *Annual Account Information* at the bottom of their year-end statement, or located in the loan account section, to determine their year-to-date interest paid for use in the interest deduction.

Loan Interest Paid			
Account	Description	Amount	
XXXXXX995-610	USED VEHICLE LOANS	521.79	
XXXXXX995-693	OVERDRAFT PROTECTION	61.84	
XXXXXX995-790	FANNIE MAE LOANS	6,943.53	
XXXXXX995-800	VISA GOLD	12.23	
	Total	7,539.39	

Year-End Training Opportunities

Year-End Training

CU*South offers three training sessions to discuss year-end tasks. Approximately 15 minutes at the end of each training will be dedicated to solely self-processor year-end tasks.

Thursday, November 20	An alert will be posted with a registration link.	**Tuesday, December 2**
2:00 PM CT		9:00 AM CT

Important Yearly Reminders

- The deadlines noted in this Guide are critical to proper processing of your member data. CU*South will be adhering very strictly to the deadline dates stated in this Guide, and if data is received late or needs to be redone, your credit union may incur a $100 fee. Do not wait until the last minute to assign these important tasks to appropriate staff!

- Some of the deadlines in this book relate to when we need you to have various verification tasks completed before we can compile data to send to third parties like Ascensus, Mele Printing, or the IRS. In these cases, the deadline date assumes a time of 8:00 p.m. ET on the deadline day. Because our Operations department is staffed 24x7 and much of our work is done during the overnight hours, so if the deadline is November 14, that means that your task must be completed before 8:00 p.m. ET on November 14. As always though, the earlier bird gets the worm.

- As with every year, deadlines are tight. Beginning-of-Year/Tax File Verification reports should be reviewed as soon as possible following January 1 to ensure all deadlines are met. See Page 45.

- Remember that we do NOT verify dividend rate changes for your credit union. It is your credit union's responsibility to keep an eye on any rate changes you scheduled by verifying the new rates are in place the morning after the scheduled change date (rate changes are processed during end-of-day). This should be a normal part of your routine all year long to avoid problems if a scheduled rate change doesn't happen as you expected! Refer to the Month-End Verifications booklet for more information.

- We will post routine Alerts to let you know when our Ops team transmits various data to the IRS or other vendors on your behalf (if requested), so it is not necessary for you to call and ask.

- The software has the ability to record information about distributions to beneficiaries for Roth IRAs, including 1099 reporting to beneficiaries who receive distributions. It's still up to your credit union to understand and use the appropriate posting codes based on the member's situation. The process for recording the distributions is the same as for traditional IRAs, and 1099-R forms will be produced for primary and beneficiary owners who receive distributions. Refer to the IRA Processing booklet for complete details.

- As always, don't forget that you should already be verifying your IRA and HSA balance file data on a monthly or at least a quarterly basis. Don't wait until after year-end! The deadlines are very tight, and you will not have time to do all of the work then. Keep up with it regularly and you'll make things a lot easier on yourself in January and April. See Pages 55 and 58 for more details.

- **Tool #822** ***Smart Operator: Daily Ops Log*** contains detailed information as it relates to data center tax processing. Simply access the tool and select one of the processes related to data center tax processing to view date and time information for various tax events. See page 67 for more information.

- For credit unions converted in 2025 in which mortgage loans were opened on their previous system, a tool is available for use to update the beginning of year mortgage balances for members. If needed, our Conversion Team representative will be in contact with more information on how to use this custom tool.

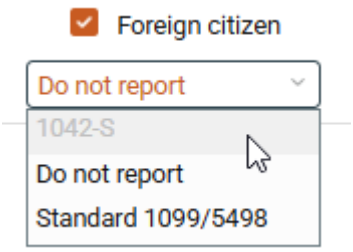
- **Credit unions using Superior IRA:** If your credit union has partnered with Superior IRA processing, you can indicate this on your **Tax Handling Configurations** (Tool #916). To indicate your relationship with Superior, mark *Third-party* and indicate Superior IRA in the freeform text field. A member of our Earnings Edge team will be in contact with further information, or you may contact Earnings Edge with any questions.

- The configuration for reporting foreign citizens is available in **Tool #15** ***Update Membership Information***. If you wish to change reporting for your members, you must manually edit your member's tax preference. You can do this at any time, but must complete any changes prior to year-end (December 31) – but don't wait!

- **Standard 1099/5498 (S)** = members will receive all forms they are qualified for.

- **1042-S (F)** = Under this option, members will receive a 1042-S only, no 1099 or 1098. Note that your credit union must have 1042-S tax processing activated in your master profile for this option to appear in the drop down. Visit the Store to activate 1042-S processing.

- **Do Not Report (N)** = no forms will be produced.



For information regarding creating the Foreign Person's U.S. Source Income Subject to Withholding tax Form (**1042-S**), use the 1042-S supplement.

Third Party Processors

- If your statement print vendor is not Mele Printingand you would like to use substitute 1099-INT forms, call your vendor to verify whether they can process substitute 1099-INTs.

- If your IRA program is Ascensus-administered, as always it is your responsibility to contact Ascensus and tell them exactly how and what data will be reported to them this year, even if CU*South is sending the data for you. Ascensus will ignore data we send unless they have instructions from you on what to do with it and will charge you a fee if they have to make special correction arrangements after the fact!

- If you have chosen to archive your tax forms on your in-house eDOC server, please contact eDOC to make sure your server is prepared to archive the tax forms. If you're an Imaging Solutions Release Management client, no further action is necessary. Operations will work with eDOC and Imaging Solutions to set up the appropriate programs and make arrangements for the data to be downloaded.

State Specific Information

- It is important to verify that your State ID is configured in **Tool #1784** ***Corporate ID Maintenance*** as State ID # is included on the 1099-INT, 1099-MISC, and 1099-R for forms that are reporting Withholding information. Refer to page 26 for more information.

- No tax information is reported directly to a state on a credit union's behalf. The only state reporting is in the IRS file for those states that participate in Combined Federal/State filing program.

- If your state requires tax information submitted directly to them prior to the IRS deadline, be sure to reach out as soon as possible to ensure that you are in compliance for the tax year.

- Tax files used in combined state filing use the primary address in order to capture the correct state tax. Remember that it is always your credit union's responsibility to inform CU*South if your state has a special rule. Be sure to reach out as soon as possible to ensure that you are in compliance for the tax year.

Mortgage Forms

- Tips for reporting collateral on 1098 forms for mortgage loans: If there is an address entered into the *address field* of the collateral record, we will use it and will report that in Box 8, otherwise we will report that the address is the same as the member's primary address from MASTER, marking the "same as" YES checkbox in Box 7. Also, if there is a Tax ID on the collateral record, we will report that in box 9. **If needed, you must adjust collateral data <u>prior to year-end</u>!** See page 30 for more details and a sample form.

- Form 1098, Mortgage Interest Statement, has a field for *Number of Mortgaged Properties*. This is the number of properties in excess of 1 that secures a single mortgage.

- The *Send 1098 Tax Form* flag on the loan category, specifically for mortgage loans, determines whether or not a tax form is generated. **It is crucial that you verify your loan categories prior to year-end!** See page 27 for more information.

Monthly Tasks: Do These Tasks Every Month

- Monthly IRA/HSA verification: verify/maintain IRA & HSA Balance File 5498 contribution data, including IRA death distributions to beneficiaries. **See Pages**: 55 & 58 & 65

- Complete and verify additional tasks in the Monthly Verifications booklet. https://www.cuanswers.com/wp-content/uploads/MonthEndProcessingVerifications.pdf

Summary of 2025 Tax Forms

This information is provided as a quick reference for your convenience. For complete instructions and current regulations governing the use of these forms, refer to appropriate 2025 IRS publications.

Form	*Description*	*Due to Members*	*Due to IRS*
1098 Forms			
1098	Mortgage Interest Statement [1]	January 31	March 31
1098-E	Student Loan Interest Statement [2]	January 31	March 31
1099 Forms			
1099-NEC	Nonemployee Compensation	January 31	January 31
1099-A	Acquisition or Abandonment of Secured Property	January 31	March 31
1099-C	Cancellation of Debt	January 31	March 31
1099-INT	Dividends & Interest [3]	January 31	March 31
1099-MISC	Miscellaneous Income [4]	January 31	March 31
1099-Q	Coverdell IRA Withdrawals	January 31	March 31
1099-R	IRA Withdrawals	January 31	March 31
1099-SA	HSA Withdrawals	January 31	March 31
5498 Forms			
5498-ESA	Coverdell IRA Contributions [5]	April 30	May 31
5498-SA	HSA Contributions [5]	May 31	May 31
5498	IRA Contributions [5]	May 31	May 31

NOTE: If a member has an **alternate address** record that is in effect at the time tax forms are printed, the system will use the alternate *address* from that record but will still use the member's name from his or her MASTER record, according to IRS guidelines. This is also true when reporting to the IRS. Also, **DBA names** are never used on tax forms or for IRS reporting, regardless of whether your CU normally prints DBA name on correspondence.

IRS Web Site: **www.irs.gov**

[1]Will be sent to member only if over $600. If you wish to send (and report to the IRS) even for amounts under $600, please indicate on your Tax Forms Handling Instructions screen (see Page 20).

[2]See Page 14 for more information.

[3]Sent to member only if over $10.

[4]If for non-employee compensation, sent to member only if over $600. Other rules apply; refer to published IRS guidelines.

[5]Since year-end statements include information about IRA/HSA deposits and withdrawals made during the current tax year, if you wish, you can choose to print 5498 forms ONLY for members who make prior-year contributions for 2025 between January and April in 2026. (Applies only if your IRA/HSA programs are self-administered.) See Page 20.

2025 Tax Forms Pricing

Your tax forms will be printed according to the pricing listed below. Ongoing CASS certification and efficient mail handling processes help to keep postage rates low. *Blank tax forms (for corrected copies) are NOT available through CU*South. If you need a supply of blank tax forms, they must be ordered directly from the IRS website at www.irs.gov.*

Prices for Printed Forms

Form Name	*Laser Forms Printed by CU*South*
1098, 5498, and 1099-INT [1]	$ 27.50 per 100 plus actual postage [3]
1098-E [2] 5498-SA and 5498-ESA 1099-B, 1099-C, 1099-MISC, 1099-NEC, 1099-Q, 1099-R, and 1099-SA	$ 27.50 per 100 plus actual postage [3]

If Using Substitute 1099-INT

Item	*Price*
Printing Substitute 1099-INT information on year-end statements	$0.275 per form 1099-INT printed
Instruction inserts for substitute 1099-INT (see Page 19 for a sample)	Billed at actual cost
Statement envelopes printed with "Important Tax Information Enclosed" [4]	Billed at actual cost

Archived Forms on CD-ROM

Pricing for archived tax forms on CD-ROM: single copy $50.00 processing fee + $10.00 per CD-ROM; additional copies $10.00 per CD-ROM.

Item to be Included	*Will Be Produced*
1099 and 1098 Tax Forms	No later than March 31, 2025
1099/1098 Tax Information Report, 5498 Tax Forms, 5498 Report(s)	No later than July 12, 2025

[1]See Page 14 for important information about using year-end member statements as substitute 1099-INTs in place of standard 1099-INT forms.

[2]1098-E (Student Loan Interest Statement) forms will be produced for any loan categories with Process Type "P" (student loans in payout). Do not check the *Send 1098 tax form* flag in the Loan Category configuration (see Page 27).

[3]Postage is not included in this pricing. Postage will be billed separately based on the credit union's actual cost, without a Cu*South markup.

[4] If you are printing substitute 1099-INT forms, all statements will include this data and use this special envelope, even if all the amounts being reported are $0.00.

2025 Tasks and Deadlines

NOTICE OF ASSOCIATED FEES

The deadlines noted in this guide are critical to proper processing of your member data.

CU*South will be adhering very strictly to the deadline dates stated in this guide, and if data is received late or needs to be redone, your credit union **will incur a fee**. Do not wait until the last minute to assign these important tasks!

November		
Due Date	**Task**	**Page**
Friday, November 14	Decide whether or not you wish to print substitute **1099-INT** forms on member statements *(only available for clients converted prior to current year)*	14
	Update the **Tax Forms Handling Instructions** screen in CBX	20
Anytime in November		
Verify State ID # for reporting on **1099-INT, 1099-MISC, 1099-R** (for those who are reporting withholding information)		26
CUs offering e-statements and using substitute **1099-INTs**: send alert email message *(can be done in Nov. or Dec.)*		16
Update Federal Holidays/non-business days configuration		24

December		
Due Date	**Task**	**Page**
Monday, December 2	Verify Equity Loan categories to ensure proper **1098** (*Mortgage Interest*) reporting	27
	Verify Share and Certificate configurations to ensure proper **1099-INT** reporting; check settings on the credit union account	36
	Verify Accounts Payable Vendors to ensure proper **1099-MISC** reporting	39
Friday, December 5	Order special envelopes for auditor member account verification mailing *(if necessary)*	24
	Clear statement messages for December statements *(if using substitute 1099-INTs)* and modify statement messages/instructions	43
	Modify December e-statement notification message *(if using substitute 1099-INTs)*	16
Friday, December 26	Enter any 1098 (mortgage interest) data into the Tax File *(See **What's New for 2025** for information on automated PMI changes)*	31

	Statement inserts due at Mele Printing	43
Wednesday, December 31	End-of-Year Processing	*Handled by CU*South*

January		
Due Date	**Task**	**Page**
As soon as possible after Thursday, Jan 1	Review Beginning-of-Year/Tax File Verification Reports	45
Tuesday, January 6	Run Tax Information Reports	59
	Final verification of distribution IRA Balance File data (distributions only for all IRA plan types, including death distributions to beneficiaries) and HSA Balance File data (forms **1099-Q**, **1099-R**, **1099-SA**)	55 & 58
	Verify Tax File (**Tool #1014**) and make adjustments where necessary (before PRINTING forms)	59
	Verify **1099-MISC** and **1099-NEC** amounts for Accounts Payable Vendors	39
Friday, January 9	Ascensus-Administered: CU*South will submit Fair Market Value (FMV) and distribution (**1099-R, 1099-SA**) data to Ascensus	*Handled by CU*South*
	Ascensus deadline for submitting **1099-R** and **1099-SA** file **NOTE:** 1099-Q information (Coverdell Education IRAs) cannot be submitted to Ascensus via a file. You must work with Ascensus and use their procedures to report this information.	*Handled by CU*South*
Saturday, January 31	Deadline for • furnishing all **1099** and **1098** forms to members • **1099 – NEC** forms to the IRS *and* to members	*Handled by CU*South*
Anytime in January		
Close the General Ledger for 2025 *(must be done prior to reporting January YTD)*		49

March		
Due Date	**Task**	**Page**
Friday, March 6	Deadline for final adjustments to the Tax File (before IRS reporting)	59
Tuesday, March 31	Deadline for submitting **1099** and **1098** information to IRS	*Handled by CU*South*

April		
Due Date	**Task**	**Page**
Wednesday, April 15	**Tax Day**	
Friday, April 17	***Final*** verification of Coverdell contribution (**5498-ESA**) data in IRA and HSA Balance Files	55 & 58 & 65
Wednesday, April 22	*Ascensus-Administered*: Coverdell contribution (**5498-ESA**) data to be submitted by CU*South to Ascensus	*Handled by CU*South*
Thursday, April 30	Deadline for submitting self-administered **5498-ESA** (Coverdell contribution) forms to members	*Handled by CU*South*

May		
Due Date	**Task**	**Page**
Friday, May 1	***Final*** verification of contribution data (**5498**) data in IRA and HSA balance files, make modifications where necessary	55 & 58 & 65
Wednesday, May 6	Ascensus deadline to submit **5498** and **5498-SA** file	*Handled by CU*South*
Sunday, May 31	Deadline to furnish self-administered **5498 and 5498-SA** forms to members and all 5498 series reporting to the IRS	*Handled by CU*South*
END		

Using Member Statements as Substitute 1099-INTs

→ **DEADLINE:** Decide if you will print substitute 1099-INTs (indicate your preference on the *Tax Forms Handling Instructions* screen) by **November 14**
→ Modify statement messages/instructions by **December 5**

If your credit union converted to CU*SOUTH during 2025, you may NOT use your year-end statements as substitute 1099-INTs. Because statements are produced immediately after year-end processing, there will be no time to verify 1099-INT information before it is delivered to your members. If there are corrections needed due to the conversion of your member data, regular 1099-INT forms will give you some extra time to review and make modifications. *If your credit union began using CBX in 2025 as a start-up credit union, please contact us for more information on using substitute 1099-INTs.*

Your credit union can elect to use your year-end statements as substitute 1099-INTs, instead of mailing separate 1099-INT forms for all members.

Here are some benefits:

- Because statements are produced immediately after year-end, tax information will be in members' hands much more quickly than with standard forms.
- Member statements are retained as part of the **CU*Spy** online retrieval system, making it much easier for credit union employees to view or reprint 1099-INT information for a member. If you offer e-statements through online banking, members themselves can view tax information included on their December statements for a full year.
- Postage savings and low printing costs make printing substitute 1099-INTs cost-effective for any size credit union.

To specify that you wish to use your statements as substitute 1099-INTs, check the appropriate box on the *Tax Forms Handling Instructions* screen in CBX. See Page 20 for instructions on completing this screen.

Points to Remember

- **If your statement print vendor is not Mele Printing,** call your vendor to verify whether they can process substitute 1099-INT forms.
- According to IRS regulations for using substitute 1099 forms, NO marketing messages are allowed on the statements themselves. You will be required to clear out any marketing-related messages using the *Update Statement Message/Inserts* tool prior to the year-end statements being run. See Page 15 for instructions. Additionally, IRS regulations state that NO other marketing materials are allowed in these statement envelopes, including newsletters.
- All statement envelopes must be marked "Important Tax Information Enclosed." In addition, special 1099-INT instructions must be included on a separate statement insert. The instruction insert and envelope notation will be handled by our statement processor, Mele Printing. (See Page 14 for estimated pricing). Credit unions who use a different

statement processor should contact the Operations Department (ext. 132) to coordinate the steps necessary to produce substitute 1099-INT forms.

- As statements are generated by account number, not SSN/TIN, a member who has two separate membership accounts under the same SSN will receive 1099-INT information separately for each membership. Because members will need to combine dividends earned on all credit union accounts in order to report taxable income properly, **sub 1099-INT information will be printed for every member that receives a statement, regardless of the amount of dividends received (even $0.00)**.

- Substitute 1099-INTs will be printed only for memberships who have active accounts or who have closed accounts during your final statement period. In other words, only people who actually get year-end statements will get substitute 1099-INTs. Any membership that was closed prior to the final statement period (month, quarter, etc.), or non-members with reportable savings bond interest, will receive a standard 1099-INT form, subject to normal printing fees for laser tax forms.

- **If electing to distribute standard 1099-INT forms instead of substitute 1099-INT forms, a form will only generate for $10.00 or more.**

- This option applies to substitute 1099-INTs only, not form 1098 or any other 1099 forms.

- The information must all print on the same page of the statement, so if the entire form cannot fit on the last page of the statement, another page will be generated for that membership.

- **For Credit Unions Offering E-Statements:** If your credit union also offers e-statements to your members, you will need to make sure that members understand they will not be receiving any forms in the mail and that they must view their year-end statement through online banking in order to see 1099-INT information. See Page 16 for details.

- **If your credit union converted to CU*South during 2025,** you may NOT use your year-end statements as substitute 1099-INTs. Because statements are produced immediately after year-end processing, there will be no time to verify 1099-INT information before it is delivered to your members. If there are corrections needed due to the conversion of your member data, regular 1099-INT forms will give you some extra time to review and make modifications. If your credit union began using CBX in 2025 as a start-up credit union, please contact us for more information on using substitute 1099-INTs.

- **For More Information:** For more complete information on the rules and procedures governing the use of substitute 1099-INT forms, please refer to IRS Publication 1187 "General Rules and Specifications for Substitute Forms 1096, 1098, 1099, 5498, W-2G and 1042-S." This document can be downloaded by visiting the IRS web site at www.irs.gov.

Modifying Statement Messages for use with Substitute 1099-INTs

Because IRS regulations prohibit the use of any marketing-related messages on statements used as substitute 1099-INT forms, you must adjust statement messages prior to year-end statements being run.

Update Statement Msg/Insert Instructions (Tool #914) - Screen 1

Statement Messages/Inserting

Statement format ID CHANGE

Statement Formats

Format	Description	Format	Description	Format	Description
CM	Credit Card Monthly Statem...				
MN	Monthly Statement				
QT	Quarterly Statement				

Select Select Select

Choose code QT for your quarterly statement instructions.

Selective Insert Files

Screen 2

Statement Message Maintenance - Format QT

Continue

General

Please keep this December year-end statement for
your tax records. Remember that your 1099-INT info
is on this statement & no separate mailing will be
sent. Also, the fair market value of your IRA &
all tax information is being provided to the IRS.

New Member

Please keep this December year-end statement for
your tax records. Remember that your 1099-INT info
is on this statement & no separate mailing will be
sent. Also, the fair market value of your IRA &
all tax information is being provided to the IRS.

Closed Member

Please keep this December year-end statement for
your tax records. Remember that your 1099-INT info
is on this statement & no separate mailing will be
sent. Also, the fair market value of your IRA &
all tax information is being provided to the IRS.

To save and continue, press Enter.

Either clear all messages or insert generic text ONLY about the substitute 1099-INT.

Special Instructions for CUs Offering E-Statements

→ **DEADLINE**: Preliminary alert email message during November or December. Modify e-statement notification message for December statements during December.

There are a few special tasks for e-statements which must be performed to comply with IRS guidelines and ensure that your members understand how their tax information is being reported to them.

The following sample messages are suggestions only, based on our interpretation of the guidelines published in the 2025 "General Instructions for Forms 1099, 1098, 3921, 3922, 5498, and W-2G" publication, IRS Cat. No. 27976F. Please refer to this publication for details and to ensure that your credit union complies with all requirements.

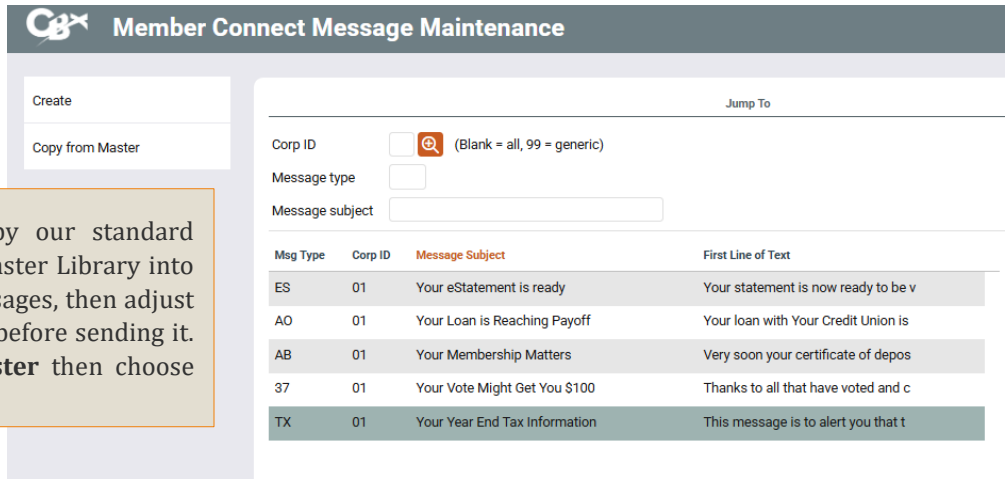
Message 1: Preliminary Alert Message

This message is intended to confirm that the member consents to receiving his/her tax information electronically via e-statements. This message should be sent to all members who have signed up for e-statements, prior to statements being generated on January 1. (Remember that if members sign up for e-statements after this initial batch message is sent, you must follow-up with those members to provide this same information.) A message like this should also be added to your web site.

If a member does not consent to receiving tax information electronically, simply un-enroll that member from receiving e-statements any time before December 31, 2025. The member will then receive a mailed copy of his or her December statement.

Begin with **Tool #1058** ***Member Connect Message Maintenance*** to create the message. Using **Tool #497** ***Member Connect Marketing Tools***, generate and send the message to members. Instructions for creating the query and sending the message are available in the reference guide, *Marketing Campaigns with Member Connect*.

Member Connect Message Maintenance (Tool #1058)



You can simply copy our standard message from the Master Library into your own list of messages, then adjust the text as you wish before sending it. Use **Copy from Master** then choose message type **TX**.

Following is the text from this sample message:

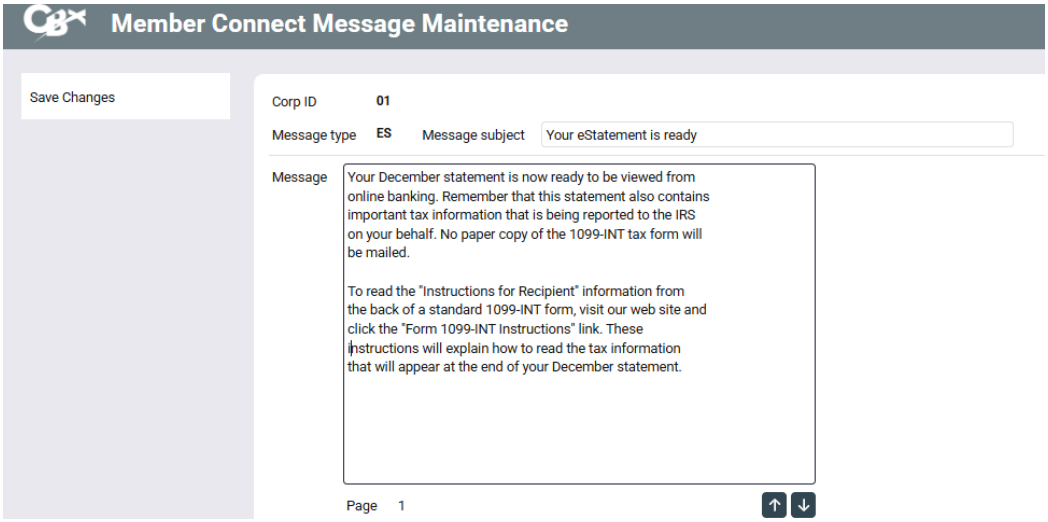
> This message is to alert you that the tax information that is being provided to the IRS will be reported on your December 2025 electronic account statement. No paper copy of the 1099-INT tax form will be mailed.
>
> Because you have signed up for e-statements, your tax information can be viewed after January 1, 2025, by accessing your December statement in online banking as usual.
>
> Please contact us if you wish to discuss deactivating e-statements prior to December 31, 2025. Thank you for choosing e-statements!

Message 2: With December Statement Notification Email

This message is intended to notify members that tax information is ready for them to view electronically. Since members will already receive an email from you stating that their December statement is ready, this message is the ideal vehicle for communicating that tax information is also ready.

In addition, IRS regulations state that when providing substitute 1099-INT forms, you must also provide the "Instructions for Recipient" information that appears on the back of a standard 1099-INT form. Formerly this was included as an insert in printed statements for credit unions using substitute 1099s. For e-statements, you must provide these instructions through another means. One method would be to add the instructions (see below) as a page on your web site, then direct members to the site via your notification email. (You could also add the contents of the instructions into your notification email, if desired.)

Configure Monthly eStatement Emails (Tool #262) - Screen 2



Following is the sample text shown on this screen:

> Your December statement is now ready to be viewed from online banking. Remember that this statement also contains important tax information that is being reported to the Internal Revenue Service on your behalf. No paper copy of the 1099-INT tax form will be mailed.
>
> To read the "Instructions for Recipient" information from the back of a standard 1099-INT form, visit our web site at www.abccu.org and click the "Form 1099-INT Instructions" link. These instructions explain how to read the tax information that will appear at the end of your December statement.

From the back of a standard 1099-INT form:

Instructions for Recipient

The information provided may be different for covered and noncovered securities. For a description of covered securities, see the Instructions for Form 8949. For a taxable covered security acquired at a premium, unless you notified the payer in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize the premium under section 171, or for a tax-exempt covered security acquired at a premium, your payer generally must report either (1) a net amount of interest that reflects the offset of the amount of interest paid to you by the amount of premium amortization allocable to the payment(s), or (2) a gross amount for both the interest paid to you and the premium amortization allocable to the payment(s). If you did notify your payer that you did not want to amortize the premium on a taxable covered security, then your payer will only report the gross amount of interest paid to you. For a noncovered security acquired at a premium, your payer is only required to report the gross amount of interest paid to you.

Recipient's taxpayer identification number (TIN). For your protection, this form may show only the last four digits of your TIN (social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN)). However, the issuer has reported your complete TIN to the IRS.

FATCA filing requirement. If the FATCA filing requirement box is checked, the payer is reporting on this Form 1099 to satisfy its chapter 4 account reporting requirement. You also may have a filing requirement. See the Instructions for Form 8938.

Account number. May show an account or other unique number the payer assigned to distinguish your account.

Box 1. Shows taxable interest paid to you during the calendar year by the payer. This does not include interest shown in box 3. May also show the total amount of the credits from clean renewable energy bonds, new clean renewable energy bonds, qualified energy conservation bonds, qualified zone academy bonds, qualified school construction bonds, and build America bonds that must be included in your interest income. These amounts were treated as paid to you during 2021 on the credit allowance dates (March 15, June 15, September 15, and December 15). For more information, see Form 8912. See the instructions above for a taxable covered security acquired at a premium.

Box 2. Shows interest or principal forfeited because of early withdrawal of time savings. You may deduct this amount to figure your adjusted gross income on your income tax return. See the Instructions for Forms 1040 and 1040-SR to see where to take the deduction.

Box 3. Shows interest on U.S. Savings Bonds, Treasury bills, Treasury bonds, and Treasury notes. This may or may not all be taxable. See Pub. 550. This interest is exempt from state and local income taxes. This interest is not included in box 1. See the instructions above for a taxable covered security acquired at a premium.

Box 4. Shows backup withholding. Generally, a payer must backup withhold if you did not furnish your TIN or you did not furnish the correct TIN to the payer. See Form W-9. Include this amount on your income tax return as tax withheld.

Box 5. Any amount shown is your share of investment expenses of a single-class REMIC. This amount is included in box 1. **Note:** This amount is not deductible.

Box 6. Shows foreign tax paid. You may be able to claim this tax as a deduction or a credit on your Form 1040 or 1040-SR. See your tax return instructions.

Box 7. Shows the country or U.S. possession to which the foreign tax was paid.

Box 8. Shows tax-exempt interest paid to you during the calendar year by the payer. See how to report this amount in the Instructions for Forms 1040 and 1040-SR. This amount may be subject to backup withholding. See *Box 4* above. See the instructions above for a tax-exempt covered security acquired at a premium.

Box 9. Shows tax-exempt interest subject to the alternative minimum tax. This amount is included in box 8. See the Instructions for Form 6251. See the instructions above for a tax-exempt covered security acquired at a premium.

Box 10. For a taxable or tax-exempt covered security, if you made an election under section 1278(b) to include market discount in income as it accrues and you notified your payer of the election in writing in accordance with Regulations section 1.6045-1(n)(5), shows the market discount that accrued on the debt instrument during the year while held by you, unless it was reported on Form 1099-OID. For a taxable or tax-exempt covered security acquired on or after January 1, 2015, accrued market discount will be calculated on a constant yield basis unless you notified your payer in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to make a constant yield election for market discount under section 1276(b). Report the accrued market discount on your income tax return as directed in the Instructions for Forms 1040 and 1040-SR. Market discount on a tax-exempt security is includible in taxable income as interest income.

(Continued on the back of Copy 2.)

Instructions for Recipient *(continued)*

Box 11. For a taxable covered security (other than a U.S. Treasury obligation), shows the amount of premium amortization allocable to the interest payment(s), unless you notified the payer in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the Instructions for Schedule B (Form 1040) to determine the net amount of interest includible in income on Form 1040 or 1040-SR with respect to the security. If an amount is not reported in this box for a taxable covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 1. If the amount in box 11 is greater than the amount of interest paid on the covered security, see Regulations section 1.171-2(a)(4).

Box 12. For a U.S. Treasury obligation that is a covered security, shows the amount of premium amortization allocable to the interest payment(s), unless you notified the payer in writing in accordance with Regulations section 1.6045-1(n)(5) that you did not want to amortize bond premium under section 171. If an amount is reported in this box, see the Instructions for Schedule B (Form 1040) to determine the net amount of interest includible in income on Form 1040 or 1040-SR with respect to the U.S. Treasury obligation. If an amount is not reported in this box for a U.S. Treasury obligation that is a covered security acquired at a premium and the payer is reporting premium amortization, the payer has reported a net amount of interest in box 3. If the amount in box 12 is greater than the amount of interest paid on the U.S. Treasury obligation, see Regulations section 1.171-2(a)(4).

Box 13. For a tax-exempt covered security, shows the amount of premium amortization allocable to the interest payment(s). If an amount is reported in this box, see Pub. 550 to determine the net amount of tax-exempt interest reportable on Form 1040 or 1040-SR. If an amount is not reported in this box for a tax-exempt covered security acquired at a premium, the payer has reported a net amount of interest in box 8 or 9, whichever is applicable. If the amount in box 13 is greater than the amount of interest paid on the tax-exempt covered security, the excess is a nondeductible loss. See Regulations section 1.171-2(a)(4)(ii).

Box 14. Shows CUSIP number(s) for tax-exempt bond(s) on which tax-exempt interest was paid, or tax credit bond(s) on which taxable interest was paid or tax credit was allowed, to you during the calendar year. If blank, no CUSIP number was issued for the bond(s).

Boxes 15–17. State tax withheld reporting boxes.

Nominees. If this form includes amounts belonging to another person(s), you are considered a nominee recipient. Complete a Form 1099-INT for each of the other owners showing the income allocable to each. File Copy A of the form with the IRS. Furnish Copy B to each owner. List yourself as the "payer" and the other owner(s) as the "recipient." File Form(s) 1099-INT with Form 1096 with the Internal Revenue Service Center for your area. On Form 1096, list yourself as the "filer." A spouse is not required to file a nominee return to show amounts owned by the other spouse.

Future developments. For the latest information about developments related to Form 1099-INT and its instructions, such as legislation enacted after they were published, go to *www.irs.gov/Form1099INT*.

FreeFile. Go to *www.irs.gov/FreeFile* to see if you qualify for no-cost online federal tax preparation, e-filing, and direct deposit or payment options.

This text was taken from the following PDF file available on the IRS web site: **http://www.irs.gov/pub/irs-pdf/f1099int.pdf**. (Mele Printing uses this same text for the instructions that will be inserted with your statements.)

Tax Forms Handling Instructions

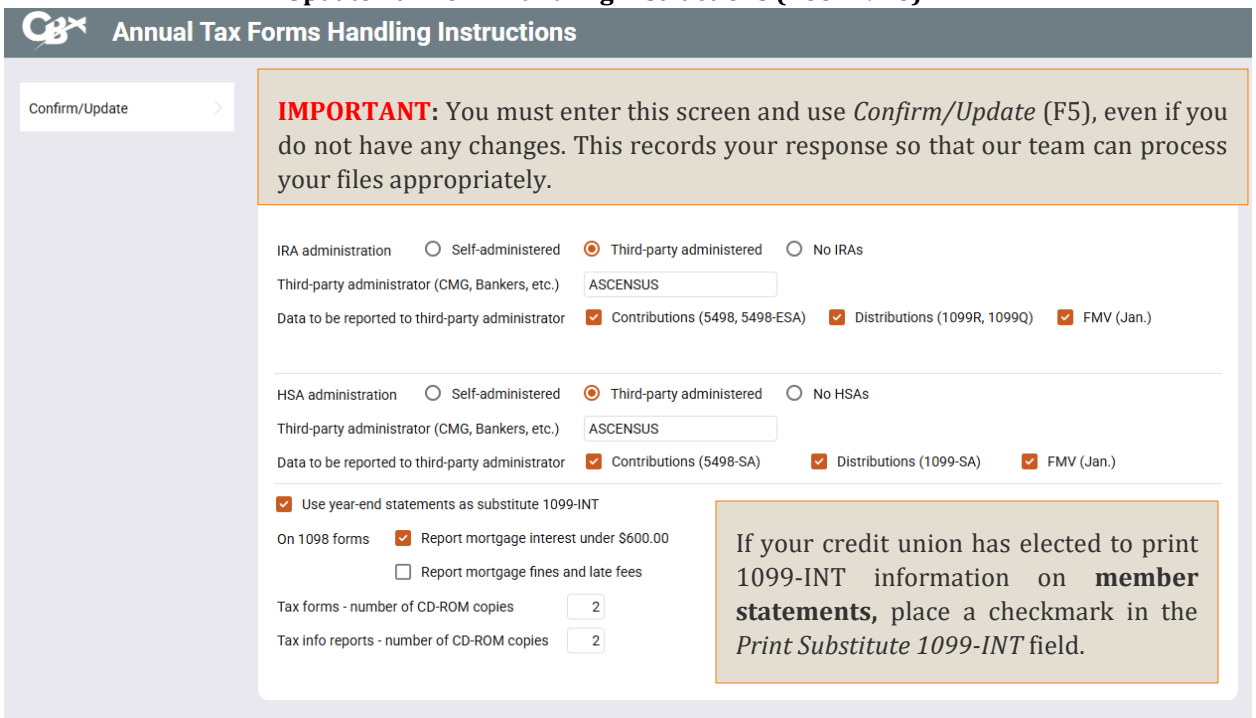
→ **DEADLINE:** November 11

Failure to complete this task by the deadline WILL result in a $100 fee.

All the instructions CU*South needs to process your tax forms and other year-end related tasks is recorded via **Tool #916** ***Update Tax Form Handling Instructions***. The screen retains your instructions from the previous year so all you need to do is verify that the instructions are correct and make any needed adjustments for the coming year-end. However, you **MUST** access this screen, even if you have no changes for the year, and use the *Confirm/Update* button to confirm that your parameters are still correct for the current year-end.

No later than November 11, access **Tool #916** and confirm your instructions for this year-end. Prior to **November 11** you may return to this screen as needed to make changes. However, after that deadline the screen will be locked, and you will see a notation that the record can no longer be maintained. You will then need to contact a Client Service Representative for assistance.

Update Tax Form Handling Instructions (Tool #916)



For detailed instructions on how to fill out this screen, visit online help.

Report Mortgage Fines and Late Fees: Check this flag if you would like to add delinquency fines to the interest paid amount when reporting mortgage interest on 1098 forms. If this is checked, a total of *interest paid* + *delq. fines paid* will be reported in box 1 of the form. IRS instructions for form 1098 say that interest includes prepayment penalties and late charges unless the late charges are for a specific mortgage service. Thus your choice here will depends on how this requirement applies in your situation.

Bonus Dividends / Loan Interest Rebates

Your credit union can choose to process a special bonus share dividend or loan interest rebate for their members at the end of the year.

Access **Tool #823** ***Standard Bonus Div/Loan Interest Rebate*** to set up a bonus dividend/interest rebate program, including the ability to **run a simulation on your live files**, without actually posting. This allows you to expense prior to year-end.

The simulation will use live data as of the time it is run, so the closer to year-end you run it, the more accurate a prediction it will give as to your actual expense at year-end.

Refer to Online Help for assistance in configuring your program:
https://help.cubase.org/cubase/UBDIRCFG-01.htm

An alternative you might also want to consider is the Patronage/Ownership Dividend program (available in **Tool #583** ***Patronage Dividend Configuration***) that you can use yourself to post a special reward dividend to the 000 base share account at any time, not just at year-end.

Need Assistance?

EarningsEdge

If you need assistance with these options, the Earnings Edge team is ready to help. For more information, visit
https://store.cuanswers.com/product/patronage-bonus-dividend-configuration-tune-up/

Viewing Member Tax Documents in *It's Me 247*

This option is available for credit unions utilizing CU*Spy for sStatements, or to those who host their own statements but subscribe to CU*Answers Imaging Solutions Release Management.

Imaging Solutions can place member tax documents online so that members can view them from within **It's Me 247** Online Banking, good for three years of storage. When forms are available to send to the print vendors, they will also be placed online. This happens in late January with the exception of the 5498s, which are placed online at a later date. 1099-MISC forms will not be available online.

For more information regarding this service, or to purchase, **visit the CU*Answers Store at store.cuanswers.com/product/member-tax-statements/ or contact the Imaging Solutions team at imaging@cuanswers.com** to review pricing and sign up before the **December 31, 2025** deadline.

Ordering Auditor Envelopes for Statements

→ **DEADLINE:** Order envelopes by **December 5**
→ All statement inserts to Mele Printing by **December 26**

These instructions apply only if your credit union uses Mele Printing to print member statements. If you use a statement processor other than Mele Printing, contact your vendor for instructions.

Inserts for year-end statements are due to Mele Printing no later than **December 26, 2025**. This deadline also applies to any special inserts your auditor requests, if required.

SPECIAL NOTE: You do not need to order special envelopes for an audit return. However, if Mele Printing is your print vendor, it is important to reach out to them directly if you are performing an end-of-year statement audit.

If your credit union will be conducting a member account verification audit for your December 2025 statements, please follow the instructions on the web transmittal form you submit to Mele Printing. As a reminder, this form should be submitted within a week prior to Mele Printing receiving your member statement file from CU*SOUTH. If necessary, you may provide additional details to Amanda Burns at aburns@meleprinting.com.

There is no charge for setting up your auditor's return address on your member statements and no charge to replace your return address afterwards.

We must also receive a letter signed by either your auditor or your credit union with exact information about any special handling that is expected from Mele or CU*SOUTH, such as if you wish to use a special audit insert.

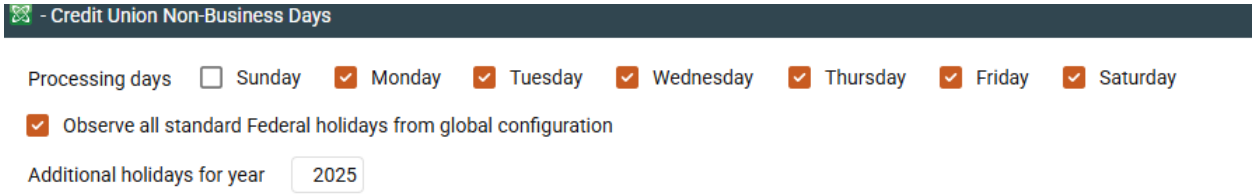
Setting 2026 Holidays

→ **DEADLINE: During November or December, or any time prior to year-end**

Use **Tool #243** ***Configure CU Non-Business Days*** to specify your credit union's business days, and either use the standard list of Federal holidays (which CU*South updates each year) or enter your own holidays (or both). **This configuration is used to calculate hold days for uncollected funds, such as teller check holds.** We may also contact you separately to ask for other details about your holiday hours for things like scheduling our Client Service and Ops activities, etc.

Although you can enter dates as far into the future as you wish, it is a good idea to check this configuration each year and make sure any special holidays your credit union may observe have been entered for the following calendar year. For instructions refer to online help while working on this screen.

Configure CU Non-Business Days (Tool #243)



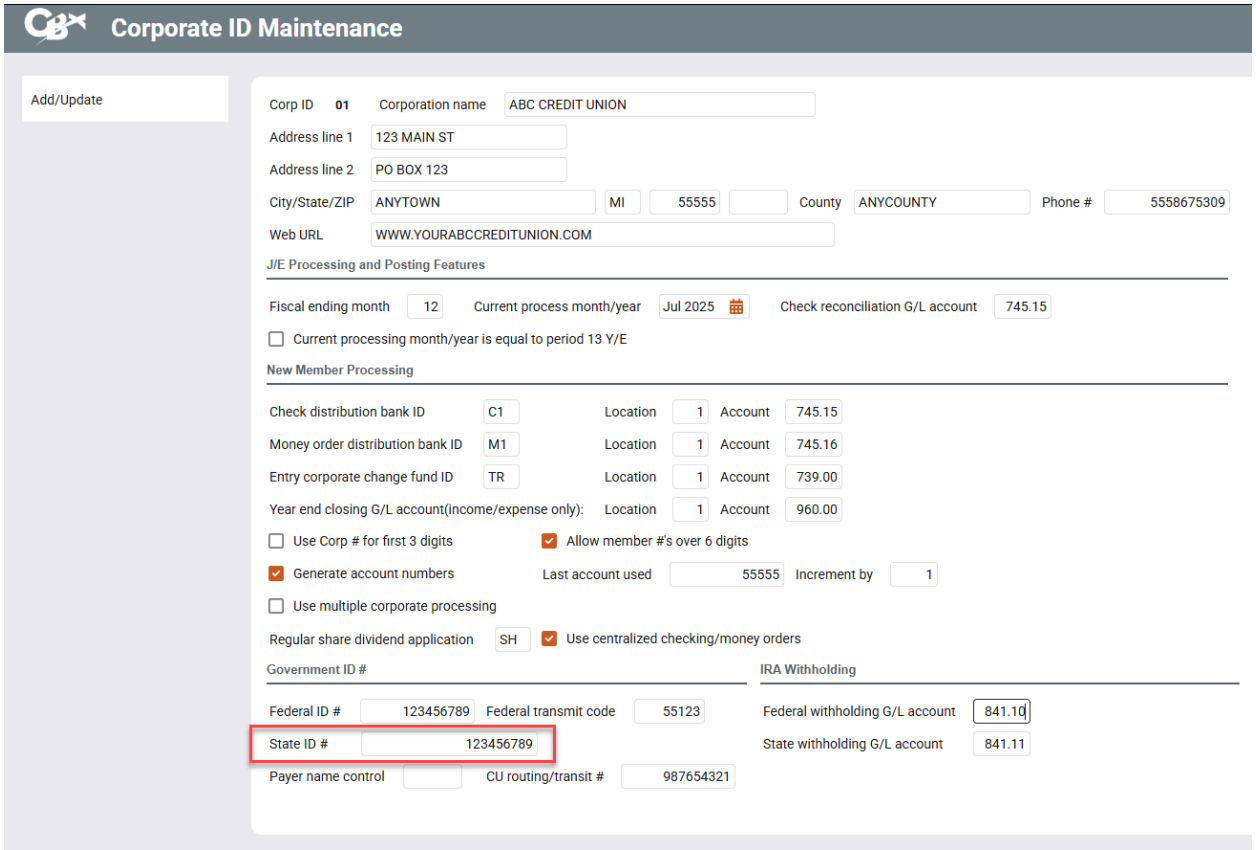
IMPORTANT: Remember that there is a difference between a holiday, when the credit union may be closed to members but still run daily processing as usual, and a non-business day, when daily BOD/EOD processing is not done on your files. **The *Processing days* fields at the top of the screen do NOT control when BOD/EOD is run, but they should generally be kept in sync with your business processing schedule**. Contact support@cusouth.com for assistance if changes are needed.

Verifying State ID

→ **DEADLINE:** **During November or December, or any time prior to year-end**

As the State ID # is included on the 1099-INT, 1099-MISC, and 1099-R forms for those that are reporting withholding information, you must verify that your State ID # is properly configured in **Tool #1784** ***Corporate ID Maintenance.***

Access the tool, select your credit union to access the screen below, and verify your credit union's State ID #.



Verifying Loan Categories for 1098 Reporting

→ **DEADLINE:** December 2

THIS IS A CRITICAL PRIORITY TASK!

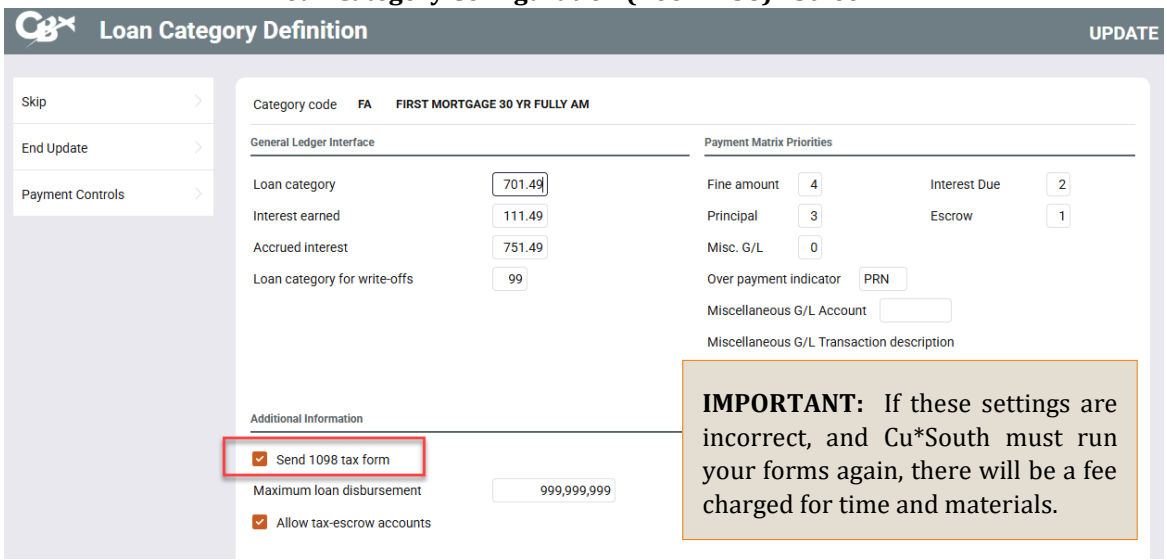
The system uses a flag on the loan category to determine whether or not a 1098 Form should be generated for a particular loan. The *Send 1098 tax form* flag must be checked in order for them to be included in Form 1098 totals. In addition to your mortgage loan categories, this flag is also typically checked on your Home Equity LOC loan categories and other "mortgage-type" loans.

IMPORTANT: This flag is actually recorded both on the loan category as well as on the individual loan account records (MEMBER5/6). ***It is imperative that you verify these flags prior to year-end!*** *To ensure that everything is kept in sync and forms are produced as expected,* ***please contact support@cusouth.com if you need to change the setting of this flag for any reason.***

See Page 28 for details about how 1098 information is reported for loans that have been rewritten to a new account suffix. A 1098 form is not printed or reported to the IRS for a loan if total interest is less than $600.00.

As a courtesy to your members, you can choose to produce 1098 forms even for amounts under $600. This may be helpful for members who have multiple mortgages or whose primary mortgage is with another institution, to make it easier for them to combine interest amounts for tax reporting. Be sure to indicate this option in your Tax Forms Handling Instructions (deadline is **November 11**; see Page 20).

Loan Category Configuration (Tool #458) - Screen 2



For mortgage/equity loans, in order to be included in the 1098 interest total, the *Send 1098 tax form flag* must be checked. Process Type M (Mortgage) categories will **NOT** automatically be included in the 1098 interest total. The system will obey the flag on the loan category record, regardless.

Remember this relates to form 1098, NOT form 1098-E for student loans. Do not check this flag on your student loan categories; 1098-E forms will be produced automatically for any loan categories with Process Type "P" (in payout).

Loan Category Configuration Report

To make it easy to verify all of your loan categories for the 1098 form flag, try printing the Loan Category Configuration Report, using **Tool #655 *Print Loan Category Configuration Rpt***. This report prints a full page for each loan category, showing current configuration parameters:

```
10/15/25                                   TEST CREDIT UNION                                  LLNCAT          Page    26
  9:21:14                                  Loan Category Configuration                                          USERA
                                               As of 10/15/25
  ---------------------------------
  40 HELOC - TC
  ---------------------------------
  Corporate ID:                          1
  Process type:                          L
  Account type range:                    688 to 689
  Interest rate range:                    3.000 to 15.000
  Interest calculation type:             0
  Payment calculation type:
  Next payment date/delinquency control:
  Use review date for disbursements:     Y
  Allow teller disbursements:            N
  Warn teller if different pmt amt:      Y
  Include delq fine in partial pay:      Y
  AFT pmt date / delq control defaults:  N / N
  Allow loan insurance                   Y

  Use note number control:               N
  Allow stock to secure loan:            N
  Use lease residual in payoff:          N
  Student loan after-payout category:
  GENERAL LEDGER INTERFACE
    Loan category GL acct:               70141
    Interest earned GL acct:             11149
    Accrued interest GL acct:            75143
    Insurance rebate GL acct:                0
    Student loan gov't interest GL acct:     0
    Student loan gov't payable GL acct:      0
  PAYMENT  MATRIX
    Fine Amount:                         1
    Principal:                           3
    Interest Due:                        2
    Escrow:                              0
    Miscellaneous GL:                    0
    Overpayment indicator:               PRN
    Miscellaneous GL account:            00000
    Misc. GL transaction description:
    Misc. GL amount:                              .00
    Misc. GL percent:                       .000 %
  Send 1098 tax form:                    Y
  Maximum loan disbursement:             9,999,999.99
  INTEREST PAYMENT ONLY - SCHEDULED PAYMENT CALCULATION
    Update scheduled payment on day:     00
    Minimum payment amount:                       .00
  MORTGAGE LOANS:
    Allow tax-escrow accounts:           N
    Tax-escrow account type range:         0 to   0
  STUDENT LOANS:
    Type of loan (gov't or USA funds):
    Guarantee agency column/code:

  OPEN END/LOC PAYMENT CHANGE CONTROL CONFIGURATION
  Automated payment changes:                    Y
  Print notices:                                Y
  Change activated on Disburs/Any tran:         D
  Process payment changes I/D/M:                I
    If M, calc pmt from Curr/Last-On Day:        /
    If M, next pmt calc month/year:             0000
  Grace period (# of days):                     15
  Allow rate adj via Update VR Codes:           N
  Round new payment up to whole dollar:         Y
  Use Tiered Rates in payment recalc:           N
  New payment based on R/P/F/M/T:               R
    Range method - use division factor of:           100.00
                   and pay per factor:                 1.30
    Percent method - pay % of balance:            .000  %
    Fixed method - # of payments:                 0
  Minimum pmt amt (all methods/except tiers):         25.00

  TIERED RATES
        FROM           TO         RATE     MIN PMT
  A           .00           .00    .000           .00
  B           .00           .00    .000           .00
  C           .00           .00    .000           .00
  D           .00           .00    .000           .00
  E           .00           .00    .000           .00
  F           .00           .00    .000           .00
  Update increased payments only:               N
  Use Current or Last Disbursed balance:        C
```

Remember that if this setting is wrong and you must change it for any reason, please contact support@cusouth.com for assistance ensuring your loan accounts are in sync.

Special Note: 1098 Reporting for Rewritten Loans

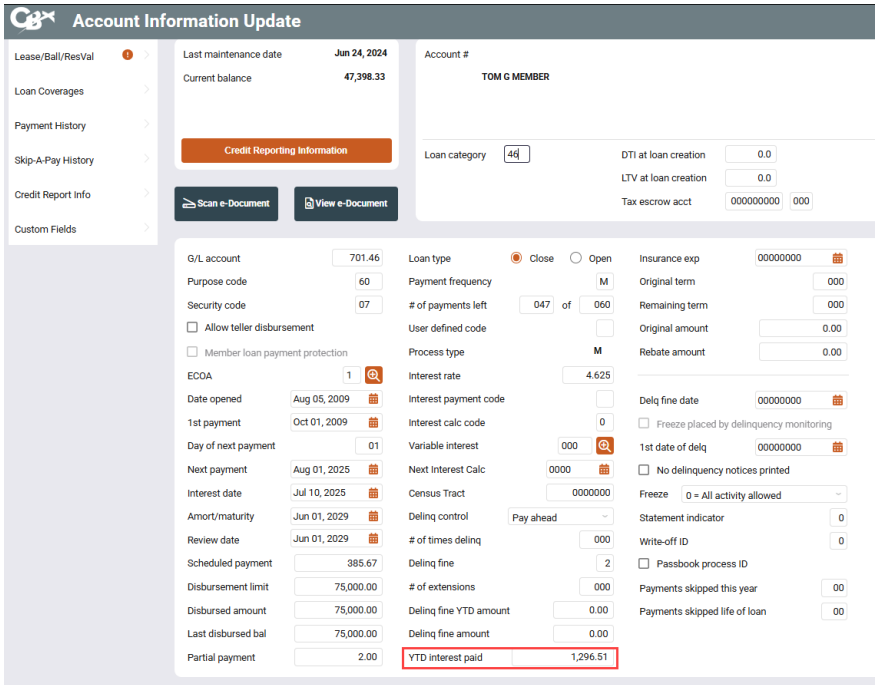
IRS reporting requirements specify that you must report interest and points paid on a mortgage *where the total exceeds $600*.* However, the reporting requirement is for *each mortgage*, even though the property may be secured for more than one mortgage. In other words, the rules are based on the mortgage, not the collateral.

Many clients currently include balloon notes in their mortgage portfolio. At the end of the balloon period the loans are rewritten rather than simply re-amortized using the same account suffix. There are 1098 ramifications for the tax year in which a mortgage balloons and is rewritten. The end-of-year 1098 processing system looks at the individual loans, not the collateral securing those loans. In the case where there are two mortgages secured by the same piece of real estate, and each shows interest paid under $600, no 1098 will be generated, in accordance with IRS regulations.

If you would like a 1098 to be reported combining the interest on the old loan with interest on the new loan, you must manually update the *YTD Interest Paid* amount on the new loan using **Tool #20 *Update Account Information***, shown below.

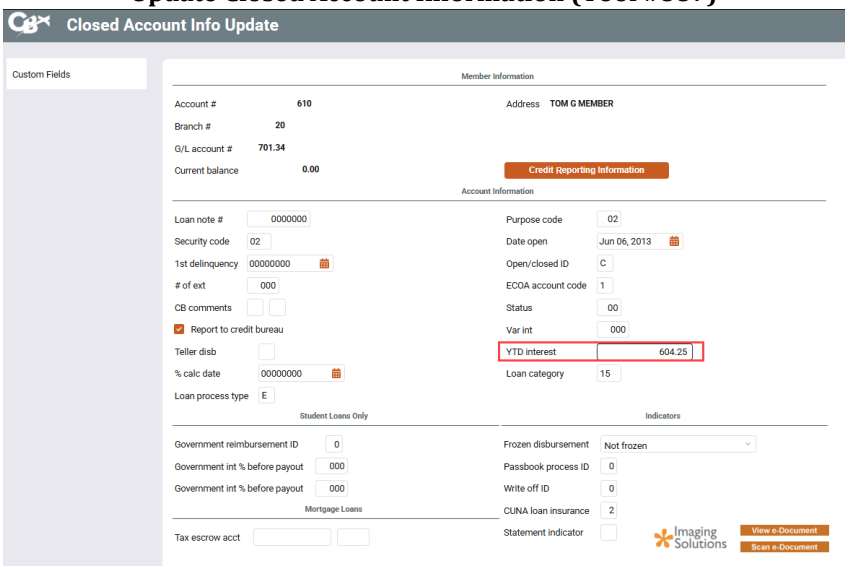
***If your credit union has elected to produce 1098 forms even for amounts under $600, this procedure is not necessary.** Make sure to check the appropriate box in the Tax Forms Handling Instructions screen (see Page 20).

Update Account Information (Tool #20)



Add in the amount of *YTD interest paid* from the old loan account into the figure for the new loan account when it is rewritten. Next, access the old loan account in your closed account files.

Update Closed Account Information (Tool #887)



<u>Remove</u> any amount shown in the *YTD Interest* field. This will prevent the interest from being reported twice.

Now a 1098 will be printed for the combined total (assuming it is greater than $600). Remember that this process could apply for any rewritten loan, but only where the new loan uses a *different* account suffix than the original loan. As always, be sure to carefully review IRS regulations as they apply to your situation.

These same procedures would be used when consolidating student loans by rewriting multiple student loans into a single account.

Special Note: Collateral on 1098 Mortgage Loan Forms

The **Surface Transportation and Veterans Health Care Choice Improvement Act of 2015** contained new reporting requirements for recipients of mortgage interest. You must report the address or description of property securing the mortgage, the outstanding mortgage principal as of January 1, 2025, and the mortgage origination date. If there is an address entered into the address field of the collateral record, we will use it and will report that in Box 8, otherwise we will report that the address is the same as the member's primary address from MASTER, marking the "same as" YES checkbox in Box 7. Also, if there is a Tax ID on the collateral record, we will report that in box 9. **If needed, you must adjust collateral data <u>prior to year-end</u>!**

8181 ☐ VOID ☐ CORRECTED

RECIPIENT'S/LENDER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-1380
Form **1098**
(Rev. January 2022)
For calendar year 20 ____

Mortgage Interest Statement

1 Mortgage interest received from payer(s)/borrower(s)
$

RECIPIENT'S/LENDER'S TIN | PAYER'S/BORROWER'S TIN

2 Outstanding mortgage principal
$

3 Mortgage origination date

4 Refund of overpaid interest
$

5 Mortgage insurance premiums
$

PAYER'S/BORROWER'S name

6 Points paid on purchase of principal residence
$

(including apt. no.)

7 ☐ If address of property securing mortgage is the same as PAYER'S/BORROWER'S address, check the box, or enter the address or description in box 8.

ate or province, country, and ZIP or foreign postal code

8 Address or description of property securing mortgage (see instructions)

9 Number of properties securing the mortgage

10 Other

Account number (see instructions)

11 Mortgage acquisition date

Copy A
For Internal Revenue Service Center

File with Form 1096.

For Privacy Act and Paperwork Reduction Act Notice, see the **current General Instructions for Certain Information Returns.**

Included on the form is the number of mortgaged properties.

Property tax paid, if any, will be reported in box 10 "Other".

Form **1098** (Rev. 1-2022) Cat. No. 14402K www.irs.gov/Form1098 Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Updating Tax File Data

→ **DEADLINE:** By **December 6** if printing substitute 1099-INTs, otherwise all changes must be made no later than **January 6**

Tax File data that is used for tax forms can be updated at various points throughout the software, as shown on the following pages (where appropriate, file names are provided for Query purposes). Remember that you can enter data for the current tax year at any time, even prior to **December 31**, but any final adjustments must be done before **January 6** in order to ensure that forms are correct for your members.

EXCEPTION: If you printed 1099-INT information on year-end statements, any changes made to 1099-INT information in the Tax File after January 1 must be reported manually to the member using a corrected paper form. **Remember to take into account ALL of the accounts under the member's SSN/TIN!**

It is recommended that once all maintenance is completed on the Tax File, a final copy of the **1099/1098 Tax Information** Report be created for historical purposes. If you would like CU*South to produce a CD-ROM copy of the final version of this report, be sure to indicate this in your Tax Forms Handling Instructions screen (see Page 20).

Updating 1099-INT and 1098 Data in the Tax File

Tool #899 ***Update IRS Tax Information*** lets you manually update data in the Tax File, which contains the totals used for 1099-INT and 1098 reporting—dividends, mortgage and equity loan interest, backup withholding, mortgage points paid, etc. Refer to Page 59 for a more detailed discussion of what the Tax File is and how to verify the data in this file.

You can update information for the 2025 tax year even before December 31, 2025. During year-end processing the system will simply *add* any additional amounts to whatever you have entered manually. You can also adjust the 2025 tax file after January 1, 2026 (even for non-members who have previous year savings bond activity). **Just be sure to enter 2025 as the tax year on the initial screen** so that the data is recorded for the proper tax period.

Although it is rare, you might have an occasion to create a tax file record for a savings account that was closed during the year, in order to correct the amount of paid dividends that will be reported to the IRS. But it is important to remember that **during year-end processing the system will add the dividends paid on the closed account record to any amount you have entered manually**. So if you want to reduce the amount of dividends being reported, you will need to wait until after January 1 and make the final adjustment, prior to forms being produced.

Update IRS Tax Information (Tool #899) - File Name TAX

Shares & IRA Shares

Member Tax File

Add/Update
Delete

Account # -000 TOM G MEMBER

SSN/TIN
Type SH SHARE ACCOUNT Reportable Foreign citizen
IRS year 2025
Corp ID 01 ABC CREDIT UNION
Year-to-date dividends 0.00
Annual backup withholding 0.00

Certificates

Member Tax File

Add/Update
Delete

Account # -300 THOMAS

SSN/TIN
Type CD CERTIFICATE ACCOUNT Reportable Foreign citizen
IRS year 2025
Corp ID 01 ABC CREDIT UNION
Year-to-date dividends 0.00
Annual backup withholding 0.00
CD penalties 0.00

Regular Loans/LOCs/Online Credit Cards

Member Tax File

Add/Update
Unlock Fields
Delete

Account # -607 SHERI

SSN/TIN
Type LN LOAN ACCOUNT Non-reportable Foreign citizen
IRS year 2025
Corp ID 01 ABC CREDIT UNION
Non-reportable loan interest 0.00
Delinquent fines 0.00

Verification of Current Tax Reporting Status
Status of this tax record Non-reportable
Tax record classification N Non-reportable Mortgage/HELOC
Status of loan account (MEMBER5) record Non-reportable
Status of 1098 flag on loan category Non-reportable

Use **Unlock Fields** if you need to change the *Tax record classification* setting on a specific account. *Non-reportable* means no form 1098 will be produced.

Remember that changes will affect this Tax File record ONLY. The status of the loan account and Loan Category configuration will be unchanged.

Any amount in the *Mortgage insurance premium paid will* go to box 5 and *Property tax paid* goes to *box 11* on the 1098 form (assuming one is produced for this member) and will be reported to the IRS. See page 29 for a sample form.

Mortgage Loans

Member Tax File

Add/Update
Unlock Fields
Delete

Account # -705 TOM G MEMBER

SSN/TIN
Type LN LOAN ACCOUNT Mortgage/HELOC Foreign citizen
IRS year 2025
Corp ID 01 ABC CREDIT UNION

Mortgage/ Heloc interest	0.00
Delinquent fines	0.00
Mortgage points paid	0.00
Mortgage insurance premium paid	0.00
Property tax paid	0.00
Reimbursement of overpaid loan interest	0.00

Verification of Current Tax Reporting Status

Status of this tax record	Reportable
Tax record classification	M Non-reportable Mortgage/HELOC
Status of loan account	(MEMBER5) record Reportable
Status of 1098 flag on loan category	Reportable

Use this screen to enter *Mortgage points paid.* This will be reported to the IRS and printed in box 2 on the 1098 form (assuming one is produced for this member).

The tax file has one record for each individual sub-account (account base and type). The specific "buckets" you fill in on this screen will vary depending on what type of account you are working with (savings vs. mortgage vs. regular loan, etc.). Some fields are used only for mortgage accounts while others are for savings or certificate accounts only. Refer to IRS regulations for guidelines on data you must report.

Updating Other 1099 Form Data

Tool #922 *Update 1099-A, C, MISC, NEC Tax Form Data* lets you update the files used for other 1099 information such as payments to vendors, acquisition of secured property, cancelled debts, nonemployee compensation, etc., reportable on forms 1099-A, 1099-C, 1099-NEC, or 1099-MISC.

Form Type "A" - File Name TAXADD1

- Maintain Data for 1099 Tax Forms

1099-A Acquisition or Abandonment of Secured Property

Corp ID 1 IRS year 2025
Account # SSN/TIN

Date of lender's acquisition or knowledge of abandonment MMDDYY
Balance of principal outstanding 0.00
Fair market value 0.00
Borrower is personally liable for repayment of debt
Description of property

Delete

CU*South *will* print 1099-A forms for your credit union if any data has been entered via this screen.

Form Type "C" - File Name TAXADD3

- Maintain Data for 1099 Tax Forms

1099-C Cancellation of Debt

Corp ID 1 IRS year 2025

Account # SSN/TIN

Date of identifiable event MMDDYY

Amount of debt discharged 0.00

Interest included in the canceled debt 0.00

Description of origin of debt

Description of property

☐ Borrower was personally liable for repayment of debt

Identifiable event code (refer to IRS instructions for valid codes)

Fair market value 0.00

Delete

Form Type "MISC" - File Name TAXADD2

- Maintain Data for 1099 Tax Forms

1099-MISC Miscellaneous Income

Corp ID 1 IRS year 2025

Account # SSN/TIN

Rents	0.00	Medical and health care payments	0.00
Royalties	0.00	Substitute payments in the lieu of dividends or interest	0.00
Other income	0.00	Crop Insurance Proceeds	0.00
Federal income tax withheld	0.00	Excess golden parachute payments	0.00
Fishing boat proceeds	0.00	Gross proceeds paid to an attorney	0.00

☐ Payer made direct sales of $5,000 or more of consumer products to a buyer (recipient) for sales

Delete

Form Type "NEC" – File Name TAXADD5

- 1099 File Maintenance

1099-NEC Nonemployee Compensation

Corp ID 1 IRS year 2025

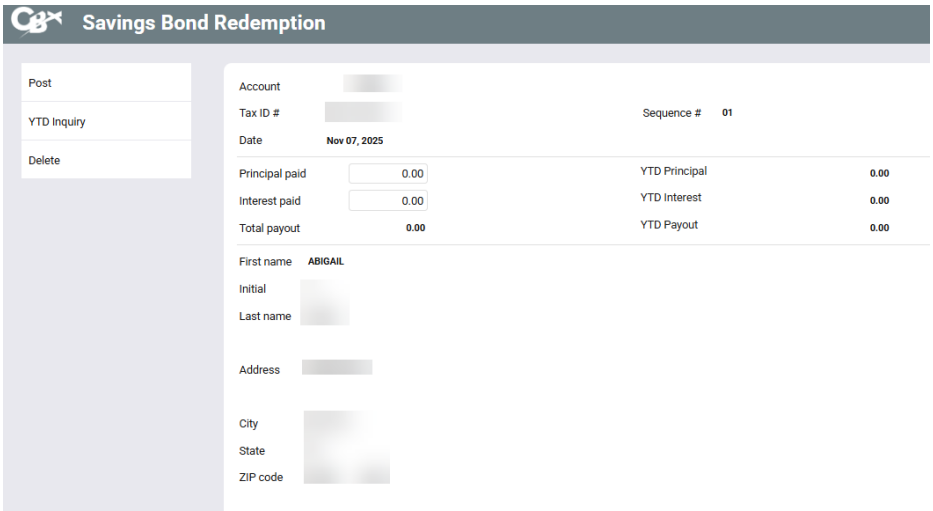
Account # SSN/TIN

Nonemployee compensation	0.00
Federal income tax withheld	0.00

Delete

Updating Savings Bond Information

Use **Tool #913** ***Update Savings Bond Information*** to record or adjust the total amount of interest paid to members who redeemed savings bonds at the credit union. File names **SAVBND** (current year) and **SAVBNP** (previous year). **IMPORTANT:** If you modify savings bond transaction information after January 1, 2026, for transactions that occurred in 2025, **you must also update the 2025 tax file** using the instructions shown on Page 31.



Verifying Shares and Certificates for 1099-INT Reporting

→ DEADLINE: December 2

Before the tax file is created during year-end processing, it is important to verify that all products are flagged correctly to ensure the correct accounts are included in 1099-INT reporting. Verification and any necessary adjustments to IRS reporting flags must be done before **December 2, 2025**.

IMPORTANT: If the settings for your share or certificate products are incorrect, and CU*South must run your forms again, there will be a fee charged for time and materials.

Verifying Share Dividend Applications

To ensure that 1099-INT information is generated for all reportable share accounts, use **Tool #680** ***Print Share Dividend Appl Config Reports*** to print the Dividend Configuration Report and verify that all share Dividend Applications that should be reported on form 1099-INT show a "Y" in the *Rpt to IRS* column. CBX will ignore this flag for IRA and HSA accounts, but for clarity it should be set to N in any case.

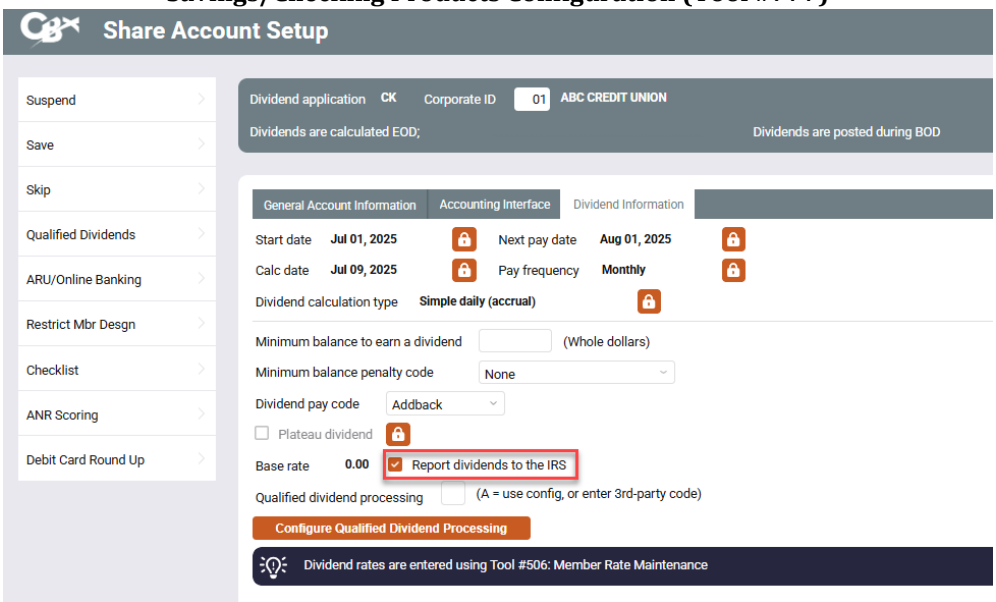
Print Share Dividend Appl Config Reports (Tool #680)

```
10/05/25                                        BETA TESTING CREDIT UNION                          LSYSDV            Page      1
 17:07.55                                     DIVIDEND CONFIGURATION REPORT                                            DAWNM
                    Div                    Rpt Liab  Expns Accrl  Min Bal Min           ---C U R R E N T   R A T E---  -P E N D I N G-
 Share          Div Clc  Start   Next Pay to   GL    GL    GL    to Earn Pen Plt Pay          Split    Split  Eff      New     Eff
 Type       Apl Apl Typ Div Date Div Date IRS Acct# Acct# Acct#    Div   Cod Div Frq Rate   Amount(>)   Rate  Date    Rate     Date

 ---------- --- --- --- -------- -------- --- ----- ----- ----- -------- --- --- --- ----- ----------  ----- -------- -----  --------


 HOMETOWN C SD  HC   S   8/09/23  9/01/25  Y  90207 34047 83107  2000.00  X   N   M    .05                     6/01/25

 HSH CHECKI SD  HS   S   8/09/23  9/01/25  Y  90205 34105 83105               N   M

 INT PLUS C SD  IP   S   8/09/23  9/01/25  Y  90201 34045 83103           X   N   M    .05                     7/01/25

 TRAD IRA S IR  IR   S   8/09/23  9/01/25  N  90300 34170 83052               N   M    .10                     6/01/25
                                                                                          9999.99    .20  6/01/25
                                                                                         25999.99    .30  6/01/25
                                                                                         99999.99    .40  6/01/25
```

If any of the Dividend Applications listed have the wrong flag for IRS reporting, access **Tool #777** ***Savings/Checking Products Configuration*** and adjust the *Report dividends to* IRS flag to control whether share accounts with this DivApl are reported on form 1099-INT.

Note that if you check the box to *Report dividends to IRS* on an IRA/HSA product, we will ignore that flag when generating 1099 forms since those dividends are not reportable.

Savings/Checking Products Configuration (Tool #777)



Verifying Certificate Type Configuration

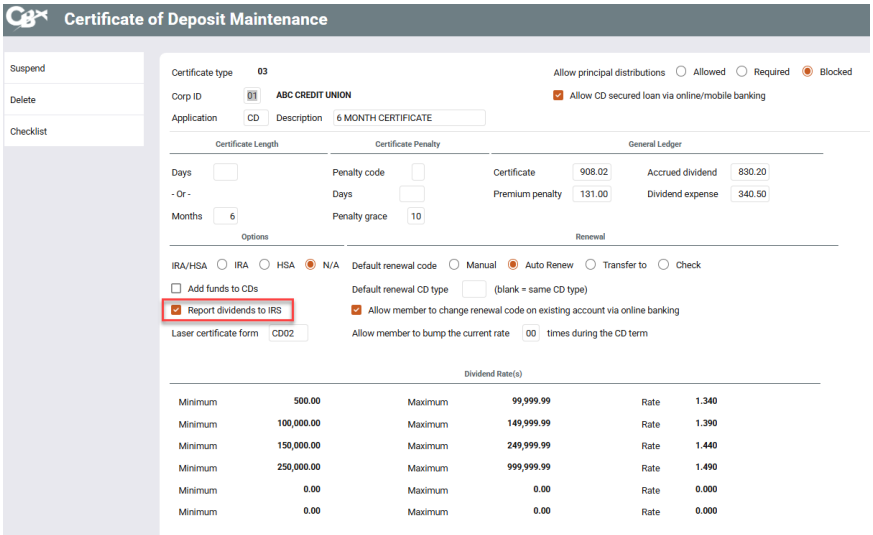
To ensure that 1099-INT information is generated for all reportable certificate accounts, print or view the Certificate Product Configuration Report and ensure that all certificate types that should be reported on form **1099-INT** show a Y in the *IRS* column.

Print CD Configuration Report (Tool #635)

```
 9/22/23  10:37:37                                SUCCESS CREDIT UNION                                LCDCFG          Page
    RUN ON   9/22/23                       CERTIFICATE PRODUCT CONFIGURATION REPORT                            User  DAWNM
                                                     AS OF  9/22/23

Corporate ID -   ALL CORPORATIONS

CD APPLICATIONS

APPL                                   DIV PMT   DIV CALC  FIRST DIV   ACCOUNT TYPE
 TYP  DESCRIPTION                       FREQ       TYPE       PMT      LOW     HIGH

 CD   SETH TEST                           M         C          I       350      350
 CQ   CERTIFICATES - TC                   Q         C          F       300      325
 CR   IRA MARKET INDEX CERTIFICATE        R         C          I       400      450
 IR   IRA CERTIFICATE                     M         C          I       400      450
 SS   2009 SAVE TO WIN                    Q         C          I        45       45
 ST   2014 SAVE TO WIN                    Q         C          I        46       46

CD TYPES

 CD     CD       ALLOW                       BUMP    -LENGTH- ----PENALTY----   ----GENERAL LEDGER----      ADD LAST
 TY  CO APL IRA PR DIST  DESCRIPTION         TIMES  DAYS MON CODE  DAYS GRACE      CERT  PNLTY  ACCR  EXP  IRS  $  FORM

 01  01  CD        N   7 MONTH CERTIFICATE    00         7             10       90802 13100 83020 34050    Y    Y CD07
 02  01  CD        N   3 MONTH CERTIFICATE    00         3             10       90802 13100 83020 34050    Y    N CD02
 03  01  CD        N   6 MONTH CERTIFICATE    00         6             10       90802 13100 83020 34050    Y    N CD02
 04  01  CD        N   9 MONTH CERTIFICATE    00         9             10       90802 13100 83020 34050    Y    N CD02
 05  01  CD        N  12 MONTH CERTIFICATE    00        12             10       90802 13100 83020 34050    Y    N CD02
 06  01  CD        N  18 MONTH CERTIFICATE    00        18             10       90802 13100 83020 34050    Y    N CD02
 07  01  CD        N  24 MONTH CERTIFICATE    00        24             10       90802 13100 83020 34050    Y    N CD02
 08  01  CD        N  36 MONTH CERTIFICATE    00        36             10       90802 13100 83020 34050    Y    N CD02
 09  01  CD        N  48 MONTH CERTIFICATE    00        48             10       90802 13100 83020 34050    Y    Y CD02
 10  01  CD        N  60 MONTH CERTIFICATE    00        60             10       90802 13100 83020 34050    Y    N CD02
```

If any of the CD types listed have the wrong flag for IRS reporting, use **Tool #194 *Certificate Products Configuration***, select Certificate Type, the certificate type you are maintaining, and then correct the *Report dividends to IRS* flag.

NOTE: If you check the box to *Report dividends to IRS* on an IRA/HSA product, we will ignore that flag when generating 1099 forms since those dividends are not reportable.



Verify Your Credit Union's Account

If your credit union has opened a membership (such as acct#999999) as the credit union's own account, to avoid reporting dividends on this account to the IRS, perform these verifications prior to year-end:

- ☐ **Tool #15 *Update Membership Information***
  Make sure the *Foreign Citizen* flag has been checked on the membership record.

- ☐ **Tool #20 *Update Account Information***
  Set the *Dividend post code* on all sub-accounts under this membership to **X** so that the accounts will not earn dividends in the first place.

Verifying A/P Vendors for 1099-MISC or 1099-NEC Reporting

→ **DEADLINE:** Verify settings before **December 31**

→ Verify amounts between **January 1 - 6**

If you wish to produce 1099-MISC Miscellaneous Income, or 1099-NEC Nonemployee Compensation, forms for your Accounts Payable vendors, verification is needed to ensure that the system calculates the amount paid to the vendor for the year and places it into the *Previous year 1099-MISC amount* field on the vendor record during year-end processing.

Before December 2, 2025: Verify the setting of the *Create a form 1099-MISC year-end* flag. Print or view a copy of the Vendor Listing (**Tool #136 *AP Vendor Listing***) and make sure that all of the vendors where this flag is set to Y have been configured with a Tax ID#.

In December before year-end and in January after year-end: Use **Tool #1013 *1099-A,C, MISC, NEC Information Report*** to verify amounts. It may be beneficial to use the previous year date range in January to verify amounts.

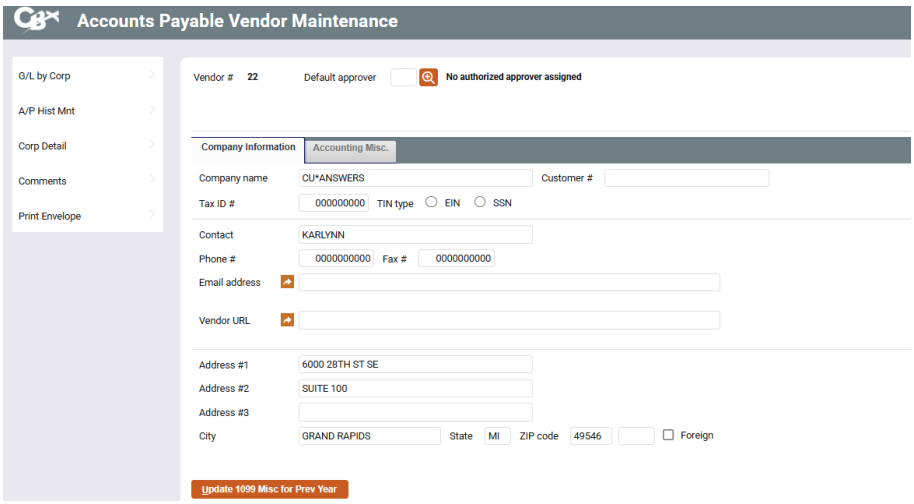
Between January 1 and January 6, 2026: Verify the amount shown in the *Previous year 1099-MISC* amount field.

When I compare the report I get from Tool #1014 with the PVEOYTAXF report in CU*Spy, they do not match. Why is that the case?

Tool #990 *Work with AP Vendors*

Use this feature to make any necessary modifications to 1099-MISC settings and amounts for your Accounts Payable Vendors. (File name **APVEND**.) **Refer to Online Help for assistance with these screens.**

Work with AP Vendors (Tool #990) *Company Information tab*



- A *Tax ID #* is required if you will be printing a 1099-MISC form for this vendor.

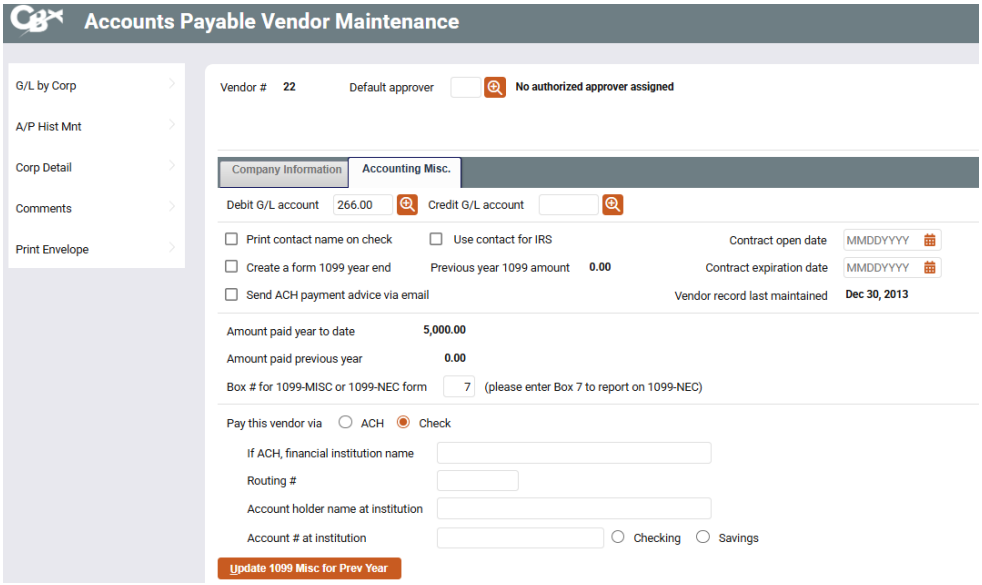
- Although this has no effect on processing, if you have any vendors that are actually individuals (SSN), you can adjust that flag so the IRS reporting file is more precise.

- If you have a contact name, use the *Contact* field and not the first line of the address. You can then use the next tab to print contact name on checks.

- Use *Address #1* and *Address #2* for address information only. While the vendor files can contain a large number of characters, the IRS character length limit is 40, so we recommend you abbreviate as much as possible (i.e. St, Ave, etc.). Line 3 of the Address fields will not be used for printing of 1099-MISC forms. Do not place any important information in this field.

NOTE: Due to limitations in the number of characters allowed in the IRS file, no more than 40 characters from the address lines of the vendor company information can be included in the file. Address lines 1 and 2 should only be used for address information and not contact name or the end of a long Company name—abbreviate address information as necessary to stay below the 40 character cap. If a contact name exists, use the associated field. In the Company Information tab, you can then select to print the contact name on checks. You can also use the "Use contact for IRS" flag to print the contact on 1099-MISC forms, although the contact name will replace the company name.

Work with AP Vendors (Tool #990) ***Accounting Misc. tab***



- Check *Print contact name on check* flag if you've designated a Contact in the first tab and want their name to print on checks.

- **The *Create a form 1099 year end* flag must be checked** prior to December 31 if you want to print 1099-MISC forms for this vendor.

- After January 1, if needed, use the ***Update 1099 Misc for Prev Year*** button to update the amount that should be reported on form 1099-MISC. See below for a sample of this screen.

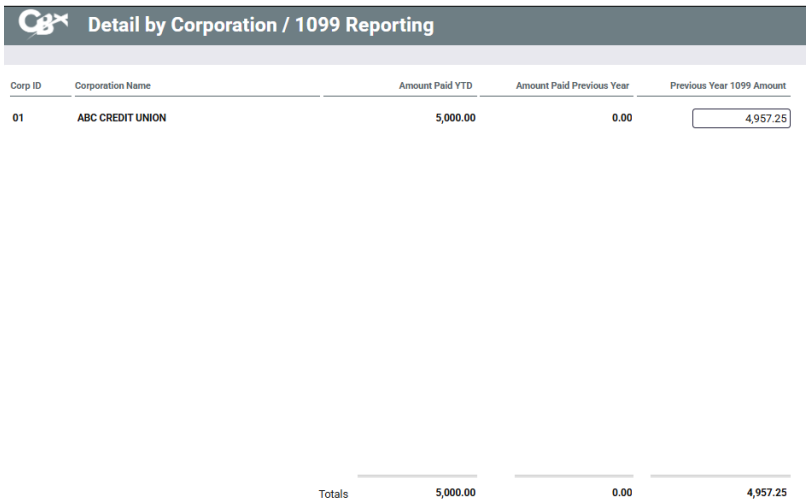
- A 7 in the *Box # for 1099-MISC or 1099-NEC* form box will indicate that a 1099-NEC form should be produced for this vendor. See the IRS guidelines for all other box number entries for the 1099-MISC.

Important: Make sure you are entering the correct 1099-MISC box number from the 2025 1099-MISC form instructions; especially paying attention to box numbers that changed when the NEC form was introduced, including **7, 9, 10, 12, and 14**.

- Payer made direct sales of $5,000 or more (checkbox) in box 7.
- Crop insurance proceeds are reported in box 9.
- Gross proceeds to an attorney are reported in box 10.
- Section 409A deferrals are reported in box 12.
- Nonqualified deferred compensation income is reported in box 14.
- Boxes 15, 16, and 17 report state taxes withheld, state identification number, and amount of income earned in the state, respectively.

As always, please refer to the IRS website for further and most up-to-date instructions on specific box requirements.

Update 1099-MISC Info for Prev Year


Detail by Corporation / 1099 Reporting

Corp ID	Corporation Name	Amount Paid YTD	Amount Paid Previous Year	Previous Year 1099 Amount
01	ABC CREDIT UNION	5,000.00	0.00	4,957.25
	Totals	5,000.00	0.00	4,957.25

Any amount shown here was calculated during beginning-of-year processing but can be manually changed here before forms are printed.

Month-End Verifications

→ **DEADLINE:** After EOM processing **every month!**
→ After EOY processing for **December 31**

To ensure that all monthly processing is completed properly, your credit union is responsible for completing verifications of member data, including share and certificate dividends, loan interest, fee postings, and other miscellaneous file verifications on a monthly basis.

Refer to the separate *Month-End Processing Verifications* booklet for complete instructions and a checklist of tasks.

If Your Rates Will Change at Year-End

If you will be scheduling a rate change for any of your savings/checking products to occur as of December 31 (or January 1), it is your credit union's responsibility to verify that the change did occur as expected, by looking at your rates on the morning after the scheduled change. Our year-end verification teams will not be looking at your rate changes as part of our other verification processes.

Rate changes occur during end-of-day processing. Thus if you schedule a rate change to occur as of December 31, someone needs to verify as soon as possible on or after January 1 that the new rate took effect as expected.

Also refer to the *Month-End Processing Verifications* booklet for more instructions on making this a routine part of your rate change monitoring responsibilities.

Annual Statement Preparation

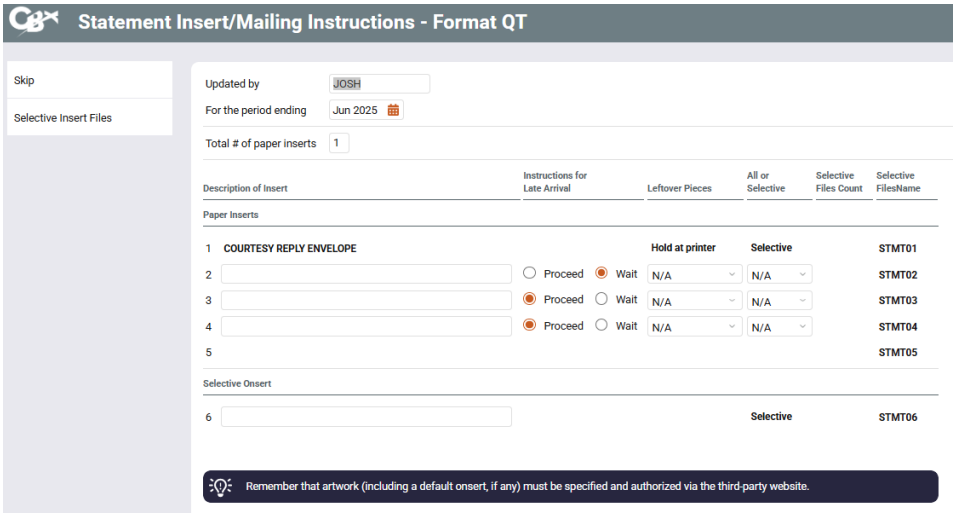
→ **DEADLINE:**
→ December statement messages/instructions modified by **December 5**
→ Inserts delivered to Mele Printing by **December 26**
→ Year-end statement processing handled by CU*South after **December 31**

In order for annual statements to include appropriate year-end tax information, CU*South will be temporarily modifying your normal quarterly statement code instructions. **An annual statement will be generated for all members, regardless of activity.**

- Update statement messages for December statements using **Tool #914 *Update Statement Messages/Insert Instruc.*** Remember that if you are using statements as substitute 1099-INTs, marketing messages must be removed. See Page 15 for instructions.

- **Complete statement insert/mailing instructions** for any inserts to be included in December statements.

- **Order statement inserts for December statements** (remember that inserts are not allowed if printing substitute 1099-INTs)



IMPORTANT: If using statements as substitute 1099-INT forms, your statement insert instructions should be blank as shown here. Sage will provide the 1099-INT instruction inserts for you. No additional marketing inserts (including newsletters) are allowed per the IRS.

IMPORTANT: Because of the additional work involved with year-end statements and the tight deadlines involved, please alert the appropriate staff to make sure that statement inserts for year-end statements are **delivered to Mele Printingno later than December 26, 2025**.

The 1099-INT information must all print on the same page of the statement, so if the entire form cannot fit on the last page of the statement, another page will be generated for that membership.

Sample Final Statement Page Showing 1099-INT Information

YOUR CREDIT UNION NAME Member # 999991 JOHN D SAMPLE PAGE 4 OF 4

ANNUAL ACCOUNT INFORMATION FOR 2022

This section is intended to provide a general summary of your dividend and interest activity for the year, and is not intended to replace any standard IRS forms you receive for tax reporting purposes.

Individual Retirement Account (IRA) Summary

All Fair Market Values are as of 12/31/2022 and will be reported to the Internal Revenue Service.

IRA Plan Type: TRADITIONAL

Fair Market Value:	**66,551.49**
Total Deposits:	955.83
Total Withdrawals:	0.00

Health Savings Account (HSA) Summary

All Fair Market Values are as of 12/31/2022 and will be reported to the Internal Revenue Service.

HSA Account: FAMILY

Fair Market Value:	**7,826.79**
Total Deposits:	2,932.52
Total Withdrawals:	1,694.27

Loan Interest Paid

Account	*Description*	*Amount*
999991-610	USED VEHICLE LOANS	521.79
999991-790	FANNIE MAE LOANS	6,943.53
999991-811	VISA CLASSIC	201.23
	Total	7,666.55

Dividends Earned

Account	*Description*	*Amount*
999991-000	REGULAR SAVINGS	1.45
999991-020	TRAD IRA SHARES	34.34
999991-111	CHECKING	27.63
999991-301	CERTIFICATE	124.16
	Total	187.58

THIS IS YOUR FORM 1099-INT. YOU WILL NOT RECEIVE A SEPARATE FORM 1099-INT IN THE MAIL.
ALL IRA ACTIVITY AND LOAN INTEREST WILL BE REPORTED ON
STANDARD IRS FORMS AND WILL BE SENT IN A SEPARATE MAILING.

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

YOUR CREDIT UNION NAME
123 YOUR CU'S ADDRESS
YOURTOWN, USA

(123) 456-7890

PAYER'S TIN	RECIPIENT'S TIN
38-9876543	XXX-XX-1234

2022 Form **1099-INT** **Interest Income** OMB No. 1545-0112 Copy B For Recipient

This is important tax information and is being furnished to the IRS. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported. Please retain this form for your records.

See 1099-INT Instructions For Recipient on an enclosed form.

1 Interest Income	2 Early withdrawal penalty	3 Interest on U.S. Savings Bonds and Treas. obligations	4 Federal income tax withheld
$187.58	$0.00	$0.00	**$0.00**

Ownership of share, deposit and certificate accounts shown on this statement is not transferable except on the books of the credit union.

B180505000001 21V0.560 P S 5 M 0009999 00 0000005 1AAAAA ** 01 T1

BOY/Tax File Verification Reports

When Beginning-of-Year is run on January 1, a series of reports are produced automatically. Your staff should use these reports to ensure that the tax records for 2025 were created correctly. These reports will also be archived in CU*Spy (under the "MISC" category) for future reference.

REVIEW THESE REPORTS ASAP BETWEEN JANUARY 1 AND JANUARY 6 TO ENSURE YOU MEET ALL DEADLINES.

Report Name	*Verification to Perform*	*Comments*	*Reports to use for Offages*
PVEOYTAXF *Tax File Totals*	Verify MEMBERx file amounts to the tax file amounts.	The amounts shown in the member file should match the amounts in the tax file. Investigate any *Mismatch** items.	Use in conjunction with the PCRTAX1 report.
PCRTAX1 *Errors When Creating the Tax File*	Use this report to determine accounts which caused offages when creating the tax file.	Negative amounts will show as zero in the Tax file. Will also show accounts/suffixes closed in prior years.	This report will list offages shown on the PVEOYTAXF report.
PCRTAX2 *Tax Creation Account Summary*		This report gives a summary of active and closed accounts that are in the tax file.	
PVEOYTAXF2 *Before and After Year End Changes to the Tax File*		This report will list accounts that have had amounts manually entered into the tax file prior to running year-end.	This report will list offages shown on the PVEOYTAXF report.
PVBOYFILE *Beginning of Year YTD Field Reset*	Verify report says "No errors found."	This report is used to make sure that all YTD dividends, interest, fines, backup withholding, and benefit fields have been reset to zero for the new year.	
PVEOYTAXF1 *IRA & HSA Balance Totals*	Verify report for differences between the end-of-year balance and the beginning-of-year balance.		Use in conjunction with the PCRIBL and PHSABL reports.
PCRIBL *Errors When Creating IRA Reporting File*		This report will list any accounts with differences in the end-of-year balance when compared to the beginning-of-year balance.	Use in conjunction with the PVEOYTAXF1 report.
PHSABL *Errors When Creating HSA Reporting File*		This report will list any accounts with differences in the end-of-year balance when compared to the beginning-of-year balance.	Use in conjunction with the PVEOYTAXF1 report.

End-of-Year Verification Checklist

Use this checklist as a guide for reports before and after end of year is run for your credit union.

Verifications Completed Prior to Year-End

- ☐ Verify Loan Categories for the Equity Flag
- ☐ Verify Share and Certificate configurations for proper 1099-INT reporting
- ☐ Verify Accounts Payable Vendor settings to ensure proper 1099-MISC reporting
- ☐ Verify State ID # and State Abbreviation
- ☐ Verify Share Rate Changes (if any were scheduled)
- ☐ Verify Certificate Variable Rate Changes (scheduled)
- ☐ Verify Loan Variable Rate Changes (scheduled)

Verifications Completed After Year-End

See the Month-End Verifications Booklet for instructions on these:

- ☐ Share Dividend Posting
- ☐ Share Rate Changes (if any were scheduled)
- ☐ Custom Bonus Dividends
- ☐ Marketing Club Share Benefit Payments
- ☐ Certificate Dividends
- ☐ Certificate Variable Rate Changes (scheduled)
- ☐ Marketing Club Certificate Benefit Payments
- ☐ Loan Variable Rate Changes (scheduled)
- ☐ Custom Loan Interest Refunds
- ☐ Marketing Club Loan Benefits
- ☐ Monthly and Annual Service Charges and Bonus Refunds
- ☐ Dormancy Fees
- ☐ Deposit Item Fees
- ☐ Marketing Club Fees
- ☐ Bill Payment Fees
- ☐ Self Service Fees
- ☐ E-Statement Fees
- ☐ Safe Deposit Box Rental Fees
- ☐ No accounts show:
- ☐ Negative YTD dividends (shares/CDs)
- ☐ Negative YTD interest (loans)
- ☐ Negative YTD penalties (CDs)
- ☐ Negative YTD fines (loans)

See further instructions within this guide for completing these tasks:

- ☐ IRA Balance File Creation
- ☐ HSA Balance File Creation *(if applicable)*
- ☐ Tax File Creation (check the What's New section for additional items to verify)
- ☐ YTD Fields Cleared
- ☐ Accounts Payable Vendor 1099-MISC and 1099-NEC Information

Reporting Fair Market Value for IRAs to Members and the IRS

→ **DEADLINE: FMV is reported to members on year-end statements**
→ Will be reported to Ascensus before **January 9**

Ascensus-Administered

Fair Market Value for IRA and HSA accounts will be reported to your members on year-end statements. If your credit union is Ascensus-Administered and has also made arrangements for Ascensus to provide duplicate Fair Market Value information to your members, CU*South will send the information to Ascensus after **January 6 and before the Ascensus deadline of January 9**.

If you would like CU*South to provide this information to Ascensus in January, please indicate this on the 2025 Tax Forms Handling Instructions screen (see Page 20), which must be completed no later than **November 14**.

Remember that if your **IRA program is Ascensus-administered**, it is your responsibility to contact Ascensus and tell them exactly how and what data will be reported to them this year, even if CU*South is sending the data for you. Ascensus will ignore data we send unless they have instructions from you on what to do with it and will charge you a fee if they have to make special correction arrangements after the fact!

Your year-end statements will include the following verbiage at the top of the IRA section where FMV is reported to members. Contact your Ascensus representative about the option of printing 5498 forms only for members that made contributions during tax year 2025.

```
************************ I. R. A. ACTIVITY IN 2025 ************************

All Fair Market Value amounts are as of 12/31/25 and will be reported to the
Internal Revenue Service.
```

Self-Administered

Fair Market Value for IRA and HSA accounts will be reported to your members on year-end statements. It will also be reported to the IRS and will appear on 5498 forms produced in May.

Your year-end statements will also include the verbiage shown above when reporting FMV to members. If you do not want to print 5498 forms in May for all members, but rather produce them only if 2025 contributions are made between January and April of 2026, be sure to indicate that on your Tax Forms Handling Instructions screen (see Page 20).

Annual Updates of IRA and HSA Balance File Limits

→ **DEADLINE: Done automatically during BOY processing**
→ Updates to individual balance file records can be done **any time in January**

As part of beginning-of-day processing for January 1, the system creates new 2026 balance file records for members who already have IRA and/or HSA accounts. Included with these records will be the annual contribution limit (maximum deposit) amount.

Catch Up Contributions and Age Limits

The year-end process works so that IRA balance file records created at the beginning of each tax year automatically include the catch-up amount when calculating contribution limits for members over the configured age. There is no ceiling on traditional IRA limits, as previously done for the Roth IRA limits. Remember, you are still able to manually adjust each individual member's contribution limit as needed using **Tool #896** ***Update IRA Balance Information***.

Although it is not common, if you had manually adjusted the deposit limit for any individual members, you will need to manually change the new 2025 balance file record for those same members. This can be done at any time during January.

IRA Balance File Limits

For IRAs, the default contribution limits must be adjusted every year to the new limits as published by the IRS, according to IRA Plan Type. The new limits are then used when creating the 2025 balance file records.

HSA Balance File Limits

HSA contribution limits are similar to IRAs, except that it is a little more common for members to have limits that are different from the default. However, the process works the same: new default limits are set during BOY and are then used when creating 2025 balance file records for all existing HSA accounts.

New HSA Limits for 2026: IRS has announced new HSA limits for 2026. The maximum 2026 HSA contribution will be $4,400 for individuals with self-only coverage, up from $4,300 in 2025. The maximum 2026 HSA contribution will be $8,750 for family coverage, up from $8,550 in 2025. The catch-up contribution limit for those over age 55 will remain at $1,000.

General Ledger Year-End Closing Instructions

→ **DEADLINE:** This GL closing procedure should only be done after all financials have been reconciled for December 2025. This entire process must be completed before 2025 YTD figures for January can be reported.

The CBX General Ledger tools have a year-end processing feature which creates the debit and credit entries to close the 2025 income statement. This provides a complete history of the closing entries and satisfies auditor requirements that no 2025 income be carried into 2026 year-to-date figures.

The following example shows the result of year-end system entries on both an income and an expense G/L account:

Sample Income Entry (G/L accounts 100.00 - 199.99)

G/L Account: 111.00 Interest Income on Loans

YTD Balance as of Month-End 12/25: $139,990.60 (credit)

System Entry: $139,990.60 (debit)

YTD Post Closing Balance for 2025: $0.00

Sample Expense Entry (G/L accounts 200.00 - 499.99)

G/L Account: 262.00 Postage

YTD Balance as of Month-End 12/25: $4,389.60 (debit)

System Entry: $4,389.60 (credit)

YTD Post Closing Balance for 2025: $0.00

Credit unions transfer equity from net income throughout the year on a regular basis (quarterly, annually, etc.). In CBX, this is accomplished by debiting the *End of Year Reversal* account established in the Chart of Accounts (for this example, account number **960.00**), and crediting the desired equity account (for this example, account number **940.00**). See **Step 2** below for more information.

For credit unions which close periodically (transfer equity prior to year-end), most use a liability account that represents the transfer, typically 960.00. For example:

Description	*G/L Accounts*	*Balance*
YTD Income	Summary of accounts 100.00 through 499.99	1,440,599.97 (credit)
Transfers Against YTD Income	Balance in account 960.00	1,000,000.00 (debit)
Net Income	Summary of accounts 100.00 through 499.99, plus the balance of account 960.00.	440,599.97

Therefore, it is always possible to evaluate the YTD income of the credit union: a total of YTD transfers of equity and the current net income yet to be transferred.

Year End Closing: Step By Step

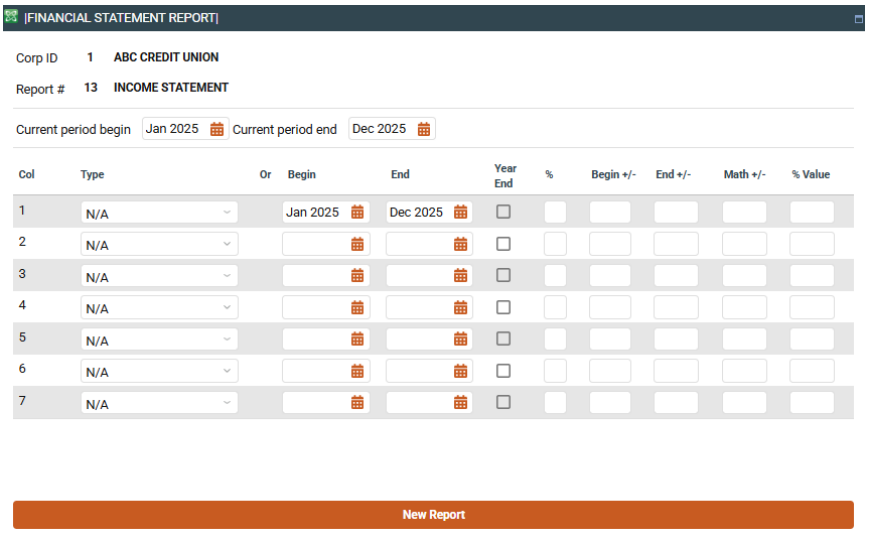
Assuming that the above example was as of 12/31/2025, year-end entries would be processed using the following steps:

Step 1

Access your chart of accounts in **Tool #202 *Chart of Accounts/Budget Groups Maint.*** and check the *Reversal Acct* column for the proper G/L account number; confirm that all income and expense G/L accounts are set to reverse at year end to the contra equity account (in our example, account **960.00**) and that no asset or liability accounts are accidentally set up to reverse at year end. Perform any necessary maintenance.

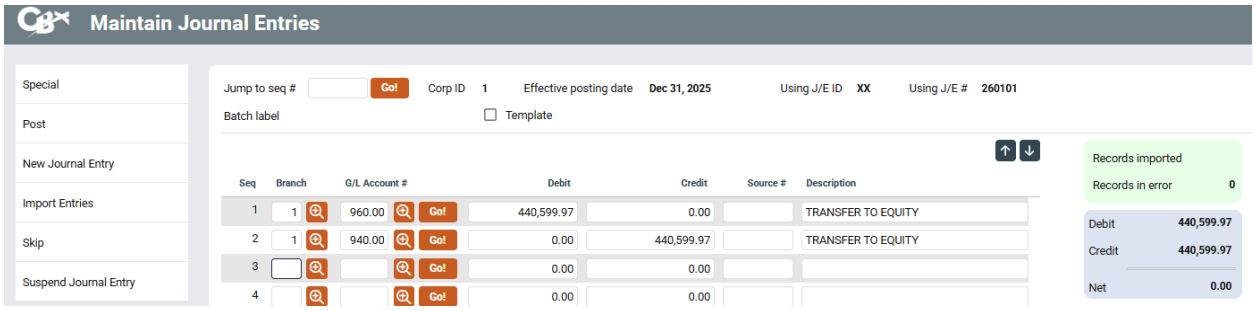
Step 2

When your income statement is finalized for December 2025, access **Tool #640 *Print CU Financials*** to retrieve your gain/loss amount for the year. To do so, generate your income statement as follows:



Use resulting report to transfer the appropriate *Net Income* to the desired equity account(s) through a manual journal entry. **HINT:** For easier tracking, use the date you actually post as the JE ID number on the journal entry.

SAMPLE SCREEN ONLY: *Be sure to adjust the debit/credit amount based on whether you are posting net income or net loss.*



Step 3

After posting this sample entry, the net amount between *Net Income* (100.00-499.99) and *Transfers Against YTD Income* (960.00) would be zero.

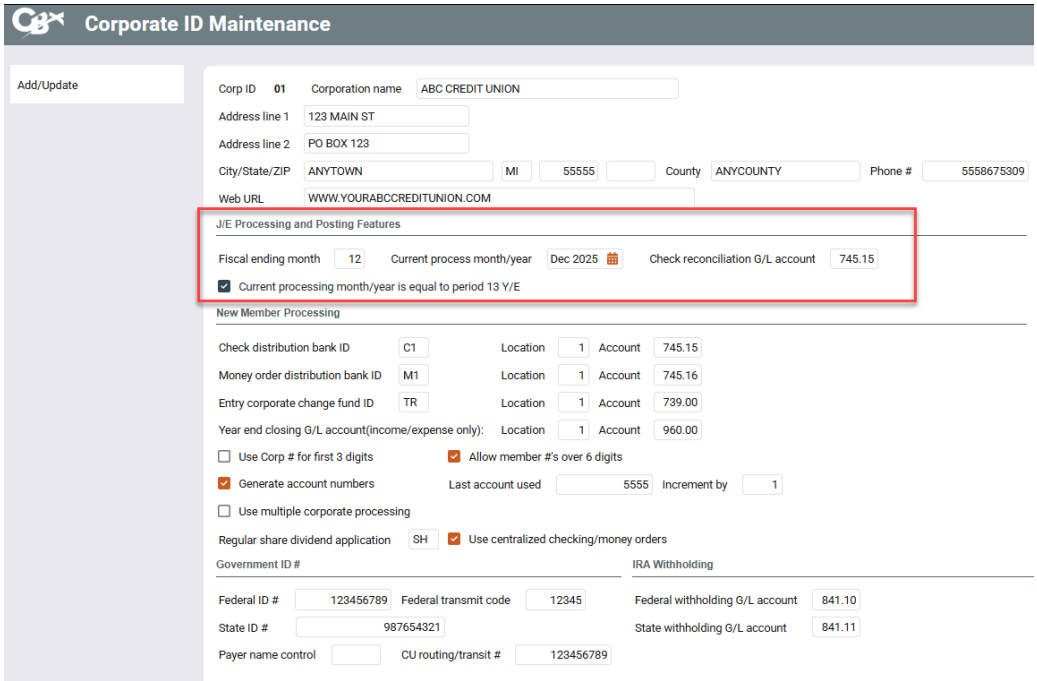
> These steps describe the process for closing your General Ledger. If you would like us to close your General Ledger for you, please use **ZENDESK** -to enter a ticket request. A fee of $100 applies for this service. This is recommended for clients that converted to CU*SOUTH 2025.
>
> We will determine a time for processing your G/L closing as no credit union personnel can be in any General Ledger tools during this time (SRS will notify you when the process is complete). If you choose to have us close your books, proceed to Step 7 after you are notified.

If you wish to close the G/L yourself, proceed to Step 4 below.

Step 4

Now you are ready to close your books for 2025. First, prepare the system to process year-end;

1. Select **Tool #1784 *Corporate ID Maintenance***
2. Select the *Corporate ID* and *Edit.*
3. Ensure that the following fields are set with the correct parameters:



Field Name	*Correct Parameter*
Current process year/month	Dec 2025
Fiscal ending month	12

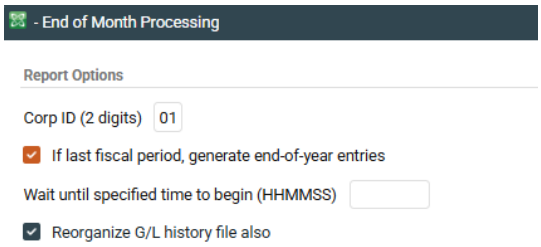
Field Name	*Correct Parameter*
Current processing period is equal to the 13th Y/E closing period	☑ (checked) This ensures that the system creates the thirteenth period journal entries during the month/year-end closing procedures.

Step 5

Now you are ready to run year-end processing using the same end of month processing feature you use to close the books each month. However, because of the settings used in Chart of Accounts maintenance, the system will also be performing year-end entries.

IMPORTANT: Before proceeding, be sure that no one is using the General Ledger system. We suggest performing these functions before or after business hours. If someone else is using the system while you are processing month-end, the program will encounter an error message. Contact Cu*South if this occurs.

1. Select **Tool #360 *Run GL EOM/Upload to Analytics Booth*.** The following screen will appear:



2. Ensure that the following fields are set with the correct parameters, then use Enter to proceed.

Field Name	*Correct Parameter*
Corp ID	**01** (or the appropriate corporation ID#)
If last fiscal period, generate end-of-year entries	☑ (checked)
Wait until specified time to begin	(Leave blank)
Reorganize G/L history file	☑ (checked)

Step 6

During the previous step, the system will have created a year-end journal entry. Now you are ready to review and post that entry. As part of month-end processing, the system set the processing date for the General Ledger forward to Jan 2026. Normally, the system would not allow you to post an entry for Dec 2025. However, the system is sophisticated enough to recognize the year-end journal entry and will allow you to post it without adjusting the current process year/month.

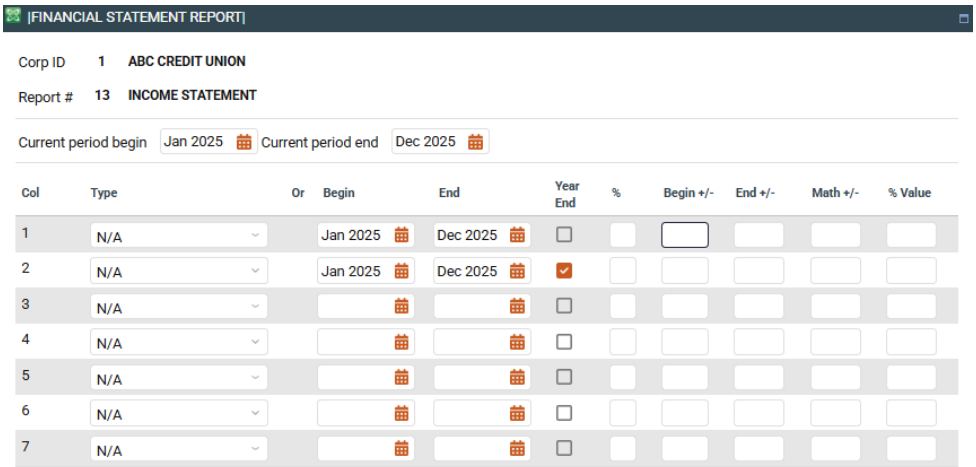
1. Using **Tool #61 *Create/Post GL Journal Entries***, review the system-generated journal entry. The batch entry dated 12/31/25 with a *JEID* of "ZZ" will be waiting to post. Select this journal entry and use *Change* to ensure that the Net is 0.00.

2. Post the system journal entry.

Step 7

Confirm all totals against your financials.

1. First, use **Tool #640 *Print CU Financials*** to view an income statement listing 12/31/25 pre-closing compared to post-closing. When setting up the financial report configuration, use the following as a guide:



Sample Display Report

Description	PERIOD	PERIOD
111-35 INT INCOME - RECREATIONAL VEHI	904,817.14-	.00
111-36 INT INCOME - CLASSIC LOC	9,898.43-	.00
111-37 INT INCOME - BUS REAL ESTATE F	18,426.03	.00
111-38 INT INCOME - SBA LOAN	8,763.90-	.00
111-39 INT INCOME - GOODMONEY PAYDAY	1,923.49-	.00
111-40 INT INCOME - OVERDRAFT PROTECT	96,477.94-	.00
111-41 INTEREST ON GOLD LOC PARTICIPA	406.00	.00
111-42 INT INCOME - HOME EQUITY TC	20,188.02-	.00
111-43 RD MORTGAGE INTEREST INCOME	29,166.58-	.00
111-44 INT INCOME - FIXED RATE MORT 1	194,299.96-	.00
111-45 INT INCOME - FIXED RATE MORT 5	267,214.38-	.00
111-46 INT INCOME - FIXED RATE MORT 5	664,619.36-	.00
111-47 INT INCOME - FIXED RATE MORT 1	45,507.90-	.00
111-48 INT INCOME - FIXED RATE MORT 1	99,874.06-	.00

2. Verify each column's totals. Using the above configuration, Column 1 should represent 2025 YTD figures. Column 2 should be all zeros because it includes the year-end closing batch.

Step 8

If you use the CBX Investments subsidiary system to track investments, the following steps are used to zero out year-to-date income figures from the investments subsidiary ledger. This prevents YTD income from accumulating over multiple years, making it difficult to separate investment income for the year from income over the life of the investment. This feature lets you close the previous year's investment income from the subsidiary ledger much the same as the system automatically does in your General Ledger during the year-end closing process.

After posting any final adjustments to your investment income for 2025, use the following steps to purge year-to-date income from the subsidiary ledger:

1. Access **Tool #764 *Reset YTD Investment Income Tracking***

2. Enter the year for which YTD income should be purged (i.e., 2025) and press Enter.

The system will clear YTD figures from all investments for the year specified and automatically generate the following report showing that each investment was reset:

```
 1/08/25                                  ***** TEST CREDIT UNION *****                        PCYTDI            Page     1
10:59.48                                   Cleared YTD Investment Income for 2025

Invs ID    Description                    Orig. YTD Inc.     2025 YTD Inc.     New YTD Inc.
-------   ------------------------------  ---------------   ---------------   ---------------
BKOFNY    BANK OF NEW YORK                      5,129.78-         4,729.22-           400.56-
BKRTRS    BANKERS TRUST CO                     10,738.53-         9,900.01-           838.52-
FHLBHC    FHLB FLOATING RATE                      985.70-           935.02-            50.68-
FLEET     FLEET NATIONAL BANK                   6,996.00-         5,989.50-         1,006.50-
CUANSW    CU*ANSWERS STOCK                      8,635.56-         7,676.06-           959.50-
CUANS2    CU*ANSWERS DEBENTURE                  6,117.29-         5,622.09-           495.20-

 TOTAL INVESTMENTS       6
```

If your credit union has never cleared investment income YTD totals before, you may need to repeat this process for all previous years for which investment activity exists. To make the report the most meaningful, we recommend starting at your first year of activity and working forward to 2025.

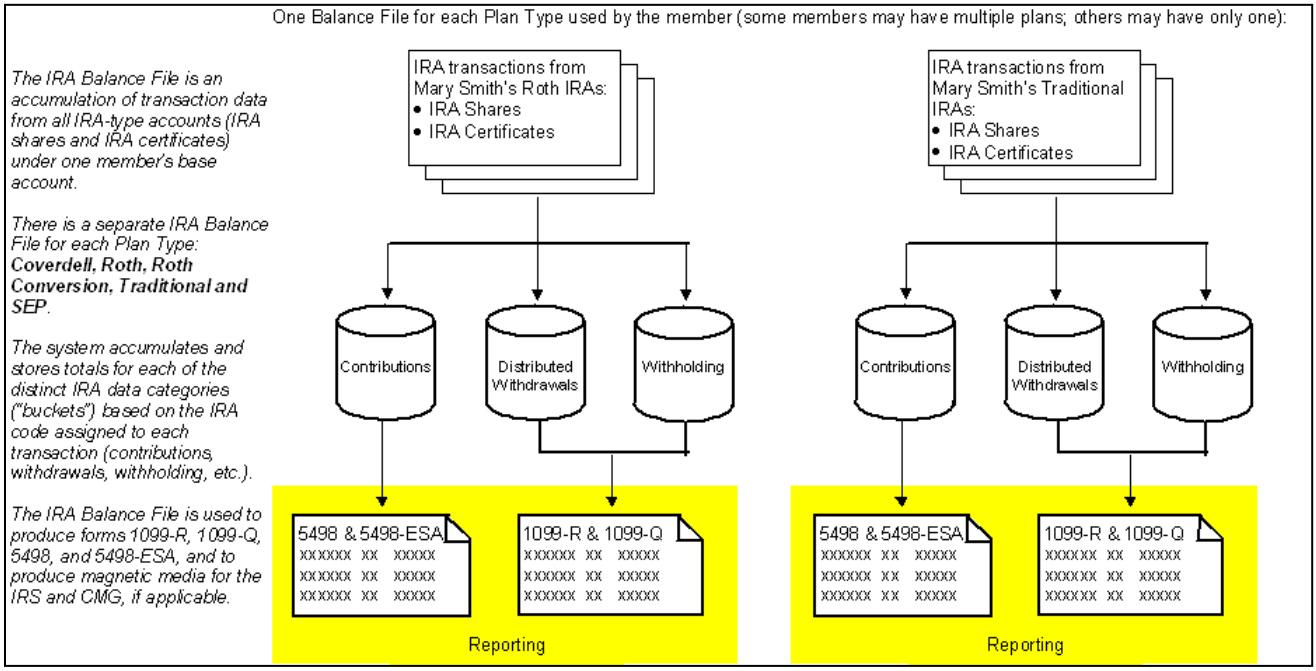
HINT: To view investment income YTD amounts, print an investment Trial Balance (**Tool #408 *Investment Trial Balance Report***). The YTD Income amount is listed as the figure farthest to the right. Next, look at the income history (**Tool #*993 INV 1: Work With CU Investments***, then *View Status*) and add the amounts posted in 2025. The amounts should match. If the amount on the Trial Balance is higher, add the figures for 2024. If these figures are included, you need to close both 2024 and 2025.

IMPORTANT: This step should be done only <u>after</u> you have posted your final income adjustments for the year, and <u>before</u> posting any 2026 income activity or reporting a January month-end analysis. Investment activity records are not affected by this process, only the YTD figures used in reporting and inquiry. Remember, also, that this affects your investments <u>subsidiary</u> ledger only, not the G/L.

Verifying The IRA Balance File

→ **DEADLINE: (Ascensus and Self-Administered)**
→ Verify distribution (1099) data by **January 6**
→ Verify Coverdell contribution (5498-ESA) data by **April 17**
→ Verify contribution data (5498) by **May 1**
→ Verify this information periodically **throughout the year,** especially prior to December statements.

The IRA Balance File contains IRA totals by base account. This is an ongoing file which is updated as transactions are posted to IRA accounts. Unlike the tax file, which is generated from member account files, the IRA balance file is an active file that is affected by each IRA transaction.



This data should be verified on a regular basis (at least monthly) throughout the year, to compare your paperwork against what is recorded in your files, and to make sure the IRA balance file is in sync with your member records. **Remember that since Fair Market Value and other details for IRAs are printed on the year-end statement** (see Pages 47 and 44) **you should verify data during December <u>before</u> statements are produced.** In January, then, you will just need to do one final verification to make sure everything is in place before forms are processed.

To review and verify the data in the IRA Balance File, run the report **Tool #942 *Verify IRA Balances Report***. This option produces two reports. See the following page for a sample of both reports:

Tool #942 Verify IRA Balances Report – Report 1

The first report compares the totals of the members' IRA transactions by IRA Plan Type and Code to the IRA reporting "buckets" in the IRA Balance File and shows those situations where these two totals do not match, broken down by Plan Type.

```
 9/05/25                                    TEST CREDIT UNION                          LIRAVR            PAGE    1
 8:14.03                                IRA VERIFICATION REPORT FOR 2025
                                TRANSACTION TOTALS / IRA BALANCE TOTALS COMPARISON


PLAN TYPE: EDUCATIONAL
                                                 IRA                TRANS            IRA BAL            NET DIF
ACCOUNT NO.       MEMBER NAME                   BUCKET              TOTAL              TOTAL

  5801564         ZACHARY J ANYBODY           OTHER W/D             10.00              65.00              55.00-
  5801564         ZACHARY J ANYBODY           PREV YEAR DEP      1,422.84                .00           1,422.84
  5801564         ZACHARY J ANYBODY           DIVIDENDS PAID        97.09             855.84             758.75-


PLAN TYPE: ROTH
                                                 IRA                TRANS            IRA BAL            NET DIF
ACCOUNT NO.       MEMBER NAME                   BUCKET              TOTAL              TOTAL

  5357163         FRANCIS P AMEMBERSMA        CURR YEAR DEP        350.00                .00             350.00
  5357163         FRANCIS P AMEMBERSMA        OTHER W/D             10.00              65.00              55.00-
  5357163         FRANCIS P AMEMBERSMA        DIVIDENDS PAID       110.18             971.27             861.09-


PLAN TYPE: SEP
                                                 IRA                TRANS            IRA BAL            NET DIF
ACCOUNT NO.       MEMBER NAME                   BUCKET              TOTAL              TOTAL

   527472         DONALD C TESTPERSON         DIVIDENDS PAID        26.94             210.35             183.41-
   527472         DONALD C TESTPERSON         DISTRIBUTED W/D      165.00           1,405.00           1,240.00-


PLAN TYPE: TRADITION
                                                 IRA                TRANS            IRA BAL            NET DIF
ACCOUNT NO.       MEMBER NAME                   BUCKET              TOTAL              TOTAL

   318453         KENNETH W MEMBER            NO IRABL RECORD                                               .00
   325678         CLIFTON E SAMPLE            CURR YEAR DEP      5,000.00           1,000.00           4,000.00
   426352         ARLENE D SAMPLE             CURR YEAR DEP      5,000.00           1,000.00           4,000.00
   429113         PATRICIA J SOMEBODY         NO IRABL RECORD                                               .00
```

Tool #942 Verify IRA Balances Report – Report 2

The second report lists members that show withdrawals flagged as death distributions, compared to the beneficiary distribution records that record which beneficiary received the funds.

```
11/08/25  13:33.46                                TEST CREDIT UNION                          LIRAVR3          PAGE
     RUN ON  11/08/25                        IRA VERIFICATION REPORT FOR 2025
                                           BENEFICIARY DISTRIBUTIONS COMPARISON                                USER DAWNM

PLAN TYPE: TRADITIONAL
************* IRA BALANCE FILE DATA *******************   ************* DISTRIBUTIONS TO BENEFICIARIES **********
ACCT NO.  MEMBER NAME                    DEATH DIST TTL   SSN/TIN     BEFEFICIARY NAME                DIST AMOUNT

        9 TEST A MEMBER                           1.00                **** No Beneficiary ****               .00   * MISMATCH

       35 EDWARD G PERSON                     4,201.70                **** No Beneficiary ****               .00   * MISMATCH

       82 DARRELL H TESTING                     125.00   384-80-9999 CHERYL A SOMEBODY                   130.00
                                                                                                         130.00   * MISMATCH

    15361 KATHY L ANYBODY                     5,028.74   112-12-9999 JOHN A ANYBODY                    4,028.74
                                                         386-83-9999 SUSAN I ANYBODY                   1,000.00
                                                                                                       5,028.74
                                                         ***END OF REPORT***
```

Review each record on both reports and determine what, if any, maintenance needs to be performed.

- **Tool #918 *Update Trans Desc & IRA/HSA Post Codes***
  This option lets you modify the code that was assigned to a transaction, thus correcting both the member's transaction history as well as updating the respective IRA Balance File buckets.

- **Tool #896 *Update IRA Balance Information***
  This method simply changes the totals in the IRA Balance File buckets, without altering

transaction data. This method is especially helpful for handling closed accounts, where transaction data can no longer be altered.

Tool #897 *Update IRA Beneficiary Information* > F15-Distributions
If you see any records marked * MISMATCH on the second report, you will need to maintain the records showing death distributions that were made to beneficiaries. Refer to the "IRA Processing with CBX" booklet for instructions. Once all maintenance has been performed, the report can be run again to provide another comparison to ensure your changes are accurate.

IMPORTANT NOTE: If you do Federal/State withholding for any members, remember that you can record this on the beneficiary distribution records as well.

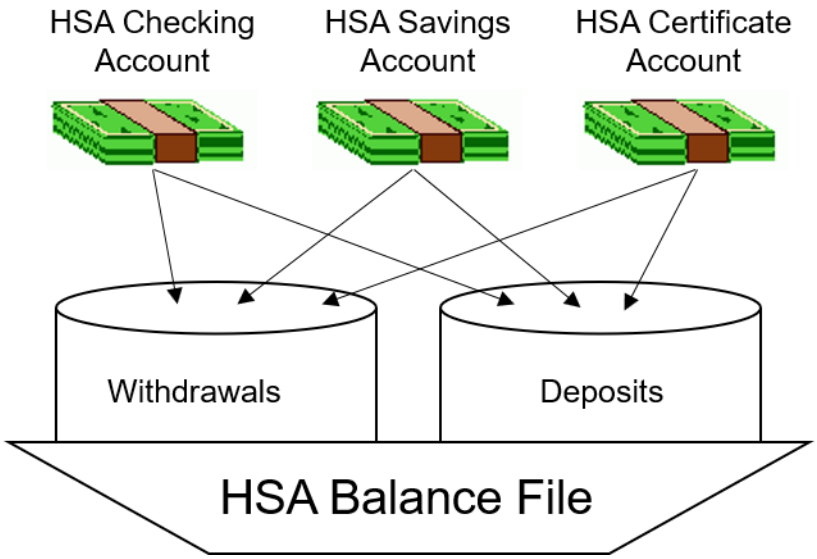
Special Note to Credit Unions Converted During 2025 - If your credit union converted to CU*South during 2025, it may not have been possible to determine amounts to populate the IRA "buckets" from your old data processing system. Therefore, the IRA verification reports may not take into account a full year's worth of activity.

Remember that whatever is shown in the IRA Balance File is what will be reported for the member, even if it does not match transaction history. If complete transaction history was not converted from your previous platform, you will need to include previous history records when verifying the Balance File. Contact support@cusouth.com for assistance verifying your IRA Balance File figures.

Verifying the HSA Balance File

→ **DEADLINE: (Ascensus and Self-Administered)**
→ Verify distribution (1099) data by **January 6**
→ Verify Coverdell contribution (5498-ESA) data by **April 17**
→ Verify contribution data (5498) by **May 1**
→ Verify this information periodically throughout the year, especially prior to December statements.

The HSA Balance File contains HSA totals by base account. This is an ongoing file which is updated as transactions are posted to HSA share and checking accounts. Unlike the tax file, which is generated from member account files, the HSA balance file is an active file that is affected by each HSA transaction.



Deposits and withdrawals on all HSA savings, checking, and certificate accounts are summarized in a single HSA balance file record under each account base. Balance file totals are updated immediately whenever a transaction is posted to a member account.

This data should be verified on a regular basis (at least monthly) throughout the year, to compare your paperwork against what is recorded in your files, and to make sure the HSA balance file is in sync with your member records. **Remember that since Fair Market Value for HSAs is printed on the year-end statement** (see the sample on Page 44)**, you should verify data during December <u>before</u> statements are produced.** In January, then, you will just need to do one final verification to make sure everything is in place before forms are processed. Just like IRAs, whatever is shown in the HSA Balance File is what will be reported for the member, even if it does not match transaction history.

To review and verify the data in the HSA Balance File, run the report **Tool #941** ***Verify HSA Balances Report***. This report is used to compare the totals of the members' HSA transactions to the reporting "buckets" in the HSA Balance File. The report shows those situations where these two totals do not match and corrections are needed.

Tool #941 Verify HSA Balances Report

9/18/25 17:30.52 TEST CREDIT UNION LHSAVR PAGE 1
HSA VERIFICATION REPORT FOR 2025 USER MARYV
TRANSACTION TOTALS / IRA BALANCE TOTALS COMPARISON

ACCOUNT NO.	MEMBER NAME	HSA BUCKET	TRANS TOTAL	HSA BAL TOTAL	NET DIF
444	SUSAN TESTER	DIVIDENDS PAID	342.68	341.00	1.68
2638	WILLIAM L TELL	Invalid Post Code:	367.00	.00	367.00
2638	WILLIAM L TELL	Invalid Post Code:	367.00	.00	367.00
2638	WILLIAM L TELL	Invalid Post Code:	1,539.00	.00	1,539.00
2638	WILLIAM L TELL	Invalid Post Code:	1,539.00	.00	1,539.00
15020	MERRY CHRISTMAS	Invalid Post Code:	3,068.20	.00	3,068.20
15020	MERRY CHRISTMAS	Invalid Post Code:	34,247.23	.00	34,247.23
15020	MERRY CHRISTMAS	Invalid Post Code:	10,000.00	.00	10,000.00
15020	MERRY CHRISTMAS	Invalid Post Code:	3,068.20	.00	3,068.20
15020	MERRY CHRISTMAS	Invalid Post Code:	34,247.23	.00	34,247.23
15020	MERRY CHRISTMAS	Invalid Post Code:	10,000.00	.00	10,000.00
20974	HARLEY PERSON	Invalid Post Code:	348.02	.00	348.02
20974	HARLEY PERSON	Invalid Post Code:	348.02	.00	348.02
20974	HARLEY PERSON	Invalid Post Code:	750.88	.00	750.88

Review each record on the report and determine what, if any, maintenance needs to be performed. Once all maintenance has been performed, the report can be run again to provide another comparison to ensure your changes are accurate. The data can be changed through two methods:

1) **Tool #918 *Update Trans Desc & IRA/HSA Post Codes***
   This option lets you modify the code that was assigned to a transaction, thus correcting both the member's transaction history as well as updating the respective HSA Balance File buckets.

2) **Tool #893 *Update HSA Balance Information***
   This method simply changes the totals in the HSA Balance File buckets, without altering transaction data. This method is especially helpful for handling closed accounts, where transaction data can no longer be altered.

Keep in mind that the following data must be entered manually into the HSA Balance File as applicable, via **Tool #893 *Update HSA Balance Information***:

- Fair Market at Death
- Dividends on Excess Contributions

Special Note to Credit Unions Converted During 2025 - If your credit union converted to CU*South during 2025, it may not have been possible to determine amounts to populate the HSA "buckets" from your old data processing system. Therefore, the HSA verification reports may not take into account a full year's worth of activity. **Remember that whatever is shown in the HSA Balance File is what will be reported for the member**, even if it does not match transaction history. If complete transaction history was not converted from your previous platform, you will need to include previous history records when verifying the Balance File. Contact support@cusouth.com for assistance verifying your HSA Balance File figures.

Verifying The Tax File & Printing the 1099/1098 Tax Info Report

→ **DEADLINE:** Verification/adjustments prior to printing: **Before January 6**
→ Verification/adjustments prior to reporting: **Before March 6**

During Beginning-of-Year processing, the system automatically creates the yearly Tax File for each member. This Tax File contains an accumulation of dividends earned, interest paid, and miscellaneous items such as savings bonds and mortgage points paid.

There is one Tax File record for each account held by a member. For example, let's say a credit union has an average of 2.1 accounts per member. This 10,000-member credit union will create a tax file of about 21,000 records, including open (MEMBER*x*) and closed (ACHIST*x*) accounts.

The Tax File contains summary IRS information for each year the account has been on the system. This summary information includes:

1) Year-to-date totals for dividends

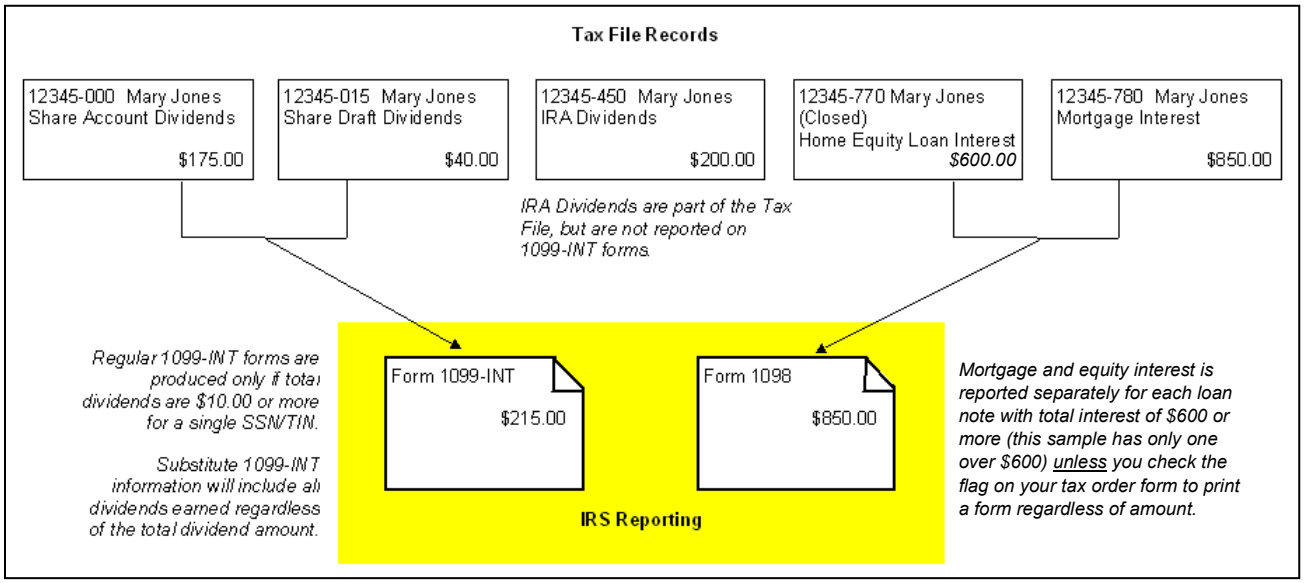
2) Savings bonds interest

3) Backup withholding

4) Loan interest

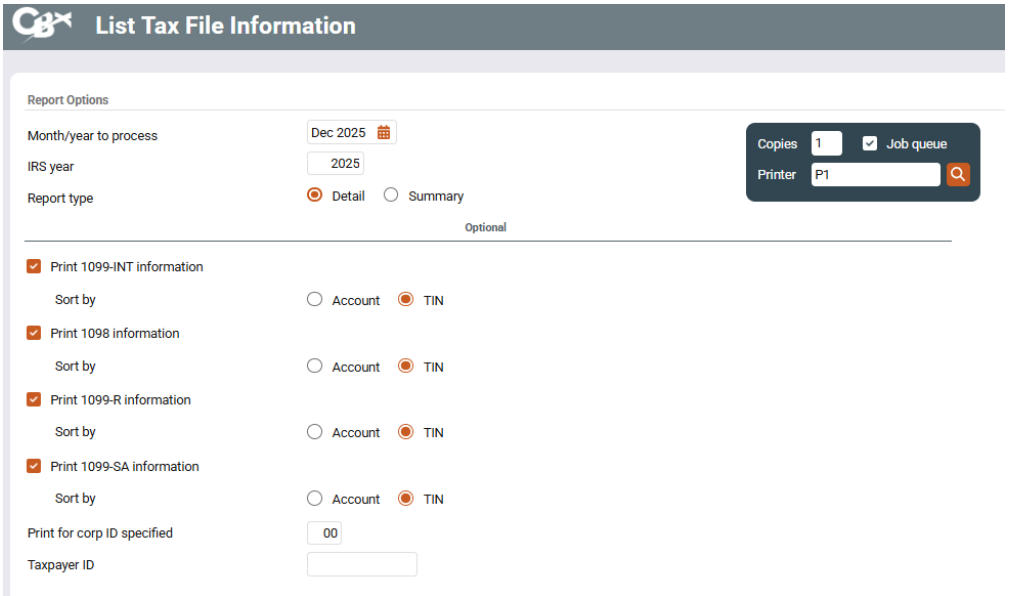
5) CD penalties

6) Mortgage points



Your credit union is responsible for reviewing the accuracy of the data that will be used to produce forms and report to the IRS. This can best be done by generating two tax information reports after January 1, 2025:

1099/1098 Tax Information Report (Tool #1014)



With this option, five separate reports can be generated: one for 1099-INT information, one for 1098 information (will also include 1098-E student loans), one for 1099-R (IRA Distribution) and 1099-Q (Coverdell IRA), and one for 1099-SA (HSA Distribution) information. **NOTE: Both the 1099-R and 1099-Q reports are controlled by the same flag on the screen**. *Be patient; the Detail version of these reports can take a few moments to generate.*

```
10/06/25  17:05.44                          BETA TESTING CREDIT UNION                          LTAX1          PAGE    1
     RUN ON  10/06/25                      1099-INT INFORMATION BY TIN                                     USER DAWNM
                                              FOR IRS TAX YEAR 2025

     ACCOUNT    CL                                TAX ID        Y-T-D    BACKUP        CD       SAVINGS
      NUMBER    MT  NAME                          NUMBER      DIVIDEND WITHOLDING    PENALTY     BONDS     MESSAGE

    557947 000  00  JOHN Q MEMBER               999-70-3124       10.79        .00        .00        .00
           001  00                                                  .00        .00        .00        .00
 TOTAL FOR TIN ****                                                10.79        .00        .00        .00    REPORTABLE 1099-INT
    553793 000  00  SARA A DEMEMBER             999-75-7182        9.07        .00        .00        .00
           001  00                                                  .00        .00        .00        .00
           015  00                                                22.64 *      .00 *      .00 *      .00    IRA - NOT IN TOTAL
 TOTAL FOR TIN ****                                                 9.07        .00        .00        .00
```

```
10/06/25  17:02.01                          BETA TESTING CREDIT UNION                          LTAX2          PAGE    1
     RUN ON  10/06/25                      1098 INFORMATION BY ACCOUNT                                     USER DAWNM
                                              FOR IRS TAX YEAR 2025

     ACCOUNT    CL                                TAX ID       Y-T-D     POINTS    REIMBURSE   MORTGAGE
      NUMBER    MT  NAME                          NUMBER      INTEREST    PAID      OVERPAID   INS PREM    MESSAGE

        85 846  00  ALBERT PERSON               999-37-5540        8.53        .00        .00        .00   Interest UNDER $600
       192 846  00  DAWN VANMEMBER              999-33-4419     2569.49        .00        .00        .00    REPORTABLE 1098 I
       299 705  00  WALLACE A TESTING            999-34-2039     5755.63        .00        .00        .00    REPORTABLE 1098 I
```

```
10/06/25 17:07.39                           BETA TESTING CREDIT UNION                          LTAXR          PAGE    1
     RUN ON  10/06/25                        1099-R INFORMATION BY TIN                                     USER DAWNM
                                                   FOR YEAR 2025

   ACCOUNT PLAN                                  TAX ID  (1) GROSS      (2) TAXABLE  (4) FED INCOME  (10) ST INCOME  (7) DIST.
    NUMBER TYPE    NAME                          NUMBER  DISTRIBUTION      AMOUNT     TAX WITHHELD    TAX WITHHELD       CODE

        35  T      EDWARD I TESTING            999-24-9479      4201.70      4201.70                                        4
     18925  T      ANNE A SOMEBODY             999-44-2239      1130.78      1130.78          113.08                        7
    403259  R      CHRISTY A PERSON            999-42-5488       125.00          .00                                        J
            R                                                    258.00          .00                                        T
 ** IRA INFORMATION                           COUNT
    01 - PREMATURE WITHDRAWAL                   20            85824.00     85824.00         8740.41          .00
    02 - PREMATURE WITH EXCEPTION                2            10414.28     10414.28             .00          .00
```

```
10/06/25 17:07.40                          BETA TESTING CREDIT UNION                          LTAXR1          PAGE    1
     RUN ON  10/06/25                       1099-Q INFORMATION BY TIN                                        USER DAWNM
                                                  FOR YEAR 2025

   ACCOUNT PLAN                                 TAX ID  (1) GROSS
    NUMBER TYPE    NAME                         NUMBER  DISTRIBUTION

     30646  E      EMILY E MEMBER            999-04-7289        597.65
      9650  E      AARON R SOMEONE           999-04-5269        700.00
     24454  E      JANE L TESTING            999-23-9229        570.66

 ** ESA INFORMATION                         COUNT
         PREMATURE WITHDRAWAL                  3               2226.76
         PREMATURE WITH EXCEPTION              0                   .00
```

```
10/06/25 17:05.44                          BETA TESTING CREDIT UNION                          LTAXSA          PAGE    1
     RUN ON  10/06/25                        1099-SA INFORMATION BY TIN                                       USER DAWNM
                                              FOR IRS TAX YEAR 2025

     ACCOUNT                        TAX ID        GROSS              EARNINGS ON       DIST        FMV ON
      NUMBER     NAME               NUMBER        DISTRIBUTION       EXCESS CONTR      CODE        DATE OF DEATH

    557947   JOHN Q MEMBER         999-70-4563      1620.79              .00            1            .00
    557947   JANE J PERSON         999-70-3124        84.20              .00            1            .00
    557947   JUNE B TESTER         999-70-9950      9960.78              .00            1            .00
    557947   ADAM P DUDEBO         999-70-3824       620.42              .00            1            .00

Totals:
Summary Totals:
1-   Normal Distribution      70247.28
2-   Excess Contribution                                  150.00
3-   Disability                   .00
4-   Death Dist - Not 6            .00
5-   Prohibited Trans              .00
6-   Death Dist After EOY          .00
```

1099-A,C, MISC, NEC Information Report (Tool #1013)

You can choose whether to print all reports or just individual reports for 1099-A, 1099-C, 1099-NEC, or 1099-MISC data. On the 1099-MISC and 1099-NEC reports, an asterisk * will appear next to any vendors that do not have a Tax ID # and therefore will not be reported to the IRS.

```
10/06/25  13:53.00                         BETA TESTING CREDIT UNION                          LTAX1099        Page    1
     RUN ON  10/06/25                       1099-A TAX INFORMATION RECORDS                                   USER DAWNM
                                                       2025

        ACCOUNT   ACQUISTION  BAL OUTSTANDING     GROSS       APPRAISAL  LIABLE   PROPERTY
           BASE      DATE        PRINCIPAL     FORECLOSURE       VALUE FOR DEBT  DESCRIPTION

      111111111      5/16/17        3,542.41           .00     2,000.00     N     TESTING

                                                  ***END OF REPORT***
```

```
10/06/25  13:53.00                         BETA TESTING CREDIT UNION                          LTAX1099        Page    1
     RUN ON  10/06/25                       1099-C TAX INFORMATION RECORDS                                   USER DAWNM
                                                       2025

        ACCOUNT    DEBT          DEBT        DEBT        DEBT  DEBT                 DEBT                 DEBT   FAIR MARKET
           BASE    DATE        AMOUNT     INTEREST   PENALTIES  DESCRIPTION #1       DESCRIPTION #2        Y/N        VALUE

      111111111   4/16/25     5,000.00       675.00         .00  TEST DESCRIPTION                            N       4,000.00

                                                  ***END OF REPORT***
```

```
10/06/25  13:53.00                         BETA TESTING CREDIT UNION                          LTAX1099        Page    1
     RUN ON  10/06/25                       1099-M TAX INFORMATION RECORDS                                   USER DAWNM
                                                       2025

       ACCOUNT/        RENTS    ROYALTIES        OTHER      FED W/H      FISHING      MEDICAL       NONEMP     SUB PYMT  DIR. SALES
        VEND NO                                 INCOME                  PROCEEDS      /HEALTH   COMP (OLD)   IN LIEU OF   >= $5000

      123456789     10000.00          .00          .00          .00          .00          .00          .00          .00        N

 * = Vendor has no tax ID number.  Vendors without tax ID numbers do not get reported to IRS.

                                                  ***END OF REPORT***
```

```
 10/17/25  13:53.00                          BETA TESTING CREDIT UNION                          LTAX1099         Page    1
    RUN ON   10/17/25                        1099-NEC TAX INFORMATION RECORDS                                  USER DAWNM
                                                     2025

      ACCOUNT/       NONEMP      FED W/H
       VEND NO         COMP

     123456789     10000.00          .00

* = Vendor has no tax ID number.  Vendors without tax ID numbers do not get reported to IRS.

                                                 ***END OF REPORT***
```

In addition to scanning data for obvious errors (unusually large dividend or interest amounts, for example), look for situations where there are two loan accounts for the same member, where both represent equity loans tied to the same property (may indicate a rewritten loan; see Page 28 for more information on combining YTD interest amounts from both loans).

Making Corrections

You can review and update your credit union's tax file (refer to the instructions on Page 31) at any time up until printed forms are produced. Once forms have been created, tax file updates can still be performed until **March 6**.

Review the messages on each report and determine if a member correction needs to be made on the member record. Look for net differences, which is the difference between transaction totals and what the IRA buckets say – you may want to check those codes and make sure you have that right.

If an update is done after the form has been sent to the member, but prior to creating the IRS file, a corrected paper form should be sent to the member. If an update is done after the form has been sent to the member and the data sent to the IRS, a corrected paper return should be prepared by your credit union and sent to both the member and the IRS. **Don't forget to take into account ALL of the accounts under the member's SSN/TIN!**

IMPORTANT: If you printed substitute 1099-INTs on your year-end member statements, if you need to make any adjustments to the tax file for 1099-INT information after December 31, you must also manually create a corrected paper form (include all accounts under that member's SSN/TIN) to be sent to the member.

Form 1099-R/1099-SA Instructions: Ascensus-Administered

→ **DEADLINE:** Will be reported to Ascensus by **January 9**

If your credit union's IRA and/or HSA programs are administered by Ascensus, you can choose to have us report 1099-R distribution data (for HSAs and for non-education IRAs) to Ascensus during January.

NOTE: 1099-Q information (Coverdell Education IRAs) cannot be submitted to Ascensus via a file. You must work with Ascensus and use their procedures to report this information.

Before CU*South reports to Ascensus, your credit union must perform a final verification of IRA distribution data. Use **Tool #1014** ***1099/1098 Tax Information Report*** and select the *Print 1099-R information* and *Print 1099-SA Information* option. If the information shown on these reports is incorrect, you may either change the appropriate IRA Code associated with the transaction **Tool #918** ***Update Trans Desc & IRA/HSA Post Codes***) or update the IRA Balance File (**Tool #896** ***Update IRA Balance Information***). See Pages 55 and 58 for additional instructions.

Before CU*South reports to Ascensus, your credit union must also perform a final verification of HSA distribution data. Use **Tool #941** ***Verify HSA Balances Report*** to review the information. If the information shown on this report is incorrect, you may either change to the appropriate HSA Code associated with the transaction via **Tool #918** ***Update Trans Desc & IRA/HSA Post Codes*** or update the HSA Balance File via **Tool #893** ***Update HSA Balance Information***. See Pages 55 and 58 for additional instructions.

Remember that **it is <u>your</u> responsibility to contact Ascensus** and tell them exactly how and what data will be reported to them this year, even if CU*South is sending the data for you. Ascensus will <u>ignore</u> data we send unless they have instructions from you on what to do with it and will charge you a fee if they have to make special correction arrangements after the fact!

This is especially important for credit unions with special situations, such as a credit union with multiple TIN information, as forms can have multiple reporting IDs, but are sent with only one ID per CU. In this case, if you receive a call from Ascensus stating your file is missing, please ask Ascensus to look for the data by credit union name or provide Ascensus with your secondary file ID. Once Ascensus locates the data, you must authorize Ascensus to process using the master ID number.

Form 5498/5498-SA/5498-ESA Instructions: Ascensus-Administered

→ **DEADLINE:**
→ Final changes to IRA Balance File (Coverdell, 5498-ESA) by **April 17**
→ Verify IRA and HSA contribution data (5498) by **May 1**

Forms **5498** and **5498-ESA** (Coverdell) are used to report IRA plan contributions. These forms will also include Rollover IRA Contributions and Fair Market Value as of December 31, 2025. Form 5498-SA is used to report HSA plan contributions.

Before CU*South reports to Ascensus, your credit union must perform a final verification of IRA contribution data. Use **Tool #413** ***IRA Govt. Report/5498.*** If the information shown on this report is incorrect, you may either change the appropriate IRA Code associated with the transaction or update the IRA Balance File. See Pages 55 and 58 for additional instructions.

Before CU*South reports to Ascensus, your credit union must also perform a final verification of HSA contribution data. Use **Tool #398** ***HSA Govt. Report/5498.*** If the information shown on this report is incorrect, you may either change the appropriate HSA Code associated with the transaction or update the HSA Balance File. See Pages 55 and 58 for additional instructions.

NOTE: If your credit union reports to Ascensus via paper, CU*South will not be reporting to Ascensus for you. You will still need to verify IRA and HSA balance information.

Remember that **it is <u>your</u> responsibility to contact Ascensus** and tell them exactly how and what data will be reported to them this year, even if CU*South is sending the data for you. Ascensus will <u>ignore</u> data we send unless they have instructions from you on what to do with it and will charge you a fee if they have to make special correction arrangements after the fact!

This is especially important for credit unions with special situations, such as a credit union with multiple TIN information, as forms can have multiple reporting IDs, but are sent with only one ID per CU. In this case, if you receive a call from Ascensus stating your file is missing, please ask Ascensus to look for the data by credit union name or provide Ascensus with your secondary file ID. Once Ascensus locates the data, you must authorize Ascensus to process using the master ID number.

Members have until **April 15, 2026,** to make contributions for 2025. **Final adjustments to the IRA and HSA Balance Files must be done before <u>May 1, 2026</u>,** in time for CU*South to submit the data to Ascensus by their deadlines.

Form 5498/5498-SA/5498-ESA Instructions: Self-Administered

→ **DEADLINES:**
→ Final changes to IRA Balance File (Coverdell, 5498-ESA) by **April 17**
→ Verify IRA and HSA contribution data (5498) by **May 1**
→ CU*South will submit 5498-ESA forms to members by **April 30**
→ CU*South will submit other 5498 forms to members by **May 31**
→ 5498 reporting to IRS by **May 31**

Forms **5498** and **5498-ESA** (Coverdell) are used to report IRA plan contributions. These forms will also include Rollover IRA Contributions and Fair Market Value as of December 31, 2025. Form 5498-SA is used to report HSA plan contributions.

Before CU*South generates the 5498 forms, your credit union must perform a final verification of IRA contribution data. Use **Tool #413** ***IRA Govt. Report/5498.*** If the information shown on this report is incorrect, you may either change the appropriate IRA Code associated with the transaction or update the IRA Balance File. See Pages 55 and 58 for additional instructions.

Before CU*South generates the 5498 forms, your credit union must also perform a final verification of HSA contribution data. Use **Tool #398** ***HSA Govt. Report/5498.*** If the information shown on this report is incorrect, you may either change the appropriate HSA Code associated with the transaction or update the HSA Balance File. See Pages 55 and 58 for additional instructions.

Members have until **April 15, 2026**, to make contributions for 2025. **Final adjustments to the IRA and HSA Balance Files must be done before May 1, 2026.** CU*South will print and mail the forms directly to your members and report to the IRS.

How many tax files were sent to the IRS?

Each year, CU*South receives this question from credit unions who are researching for both their own benefit, as well as at the behest of auditors.

The reports that list total tax form numbers are P1099x, P1098x, and P5498x. These reports are sent to CU*Spy and/or your in-house archive server when the tax files are submitted to the IRS, bundled with the reports for that day (verify the date the files are submitted via the CU*South's Alerts page, where a notification is posted). Please note that these reports are also sent to the in-house eDOC server, if that applies to your credit union.

If the P1099x and P1098x reports are no longer in CU*Spy, you may need to review your archive CD of March reports. The P5498x reports will be on the May reports CD.

Additionally, the Tax CD (see page 14 for pricing details) contains the LTAXx reports, as well as the LGVIRA and LGVHSA reports to assist in determining the number of tax forms submitted to the IRS.

Using Smart Operator to Review Tax File Transmissions

Questions about when CU*South completed a specific tax file transmission? **Tool #822** ***Smart Operator: Daily Ops Log*** will now contain information as it relates to data center tax processing. Simply access the tool and use the **Process Lookup** button to select one of the process codes below to view processing date and time information for the following tax processes:

PROCESS CODE	PROCESS DESCRIPTION
ASCFMVCRT	Ascensus FMV file created
ASCDSTCRT	Ascensus Distrib file created
ASCCONCRT	Ascensus Contrib file created
VND1099CRT	1099/1098 Print file created
VND5498CRT	5498 Print file created
IRSMISCCRT	1099MISC IRS file created
IRS1099CRT	1099/1098 IRS file created
IRS5498CRT	5498 IRS file created
IRS1042CRT	1042 IRS file created