



# 2025 Tax Balancing

**Information & Instructions**

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This document aims to inform our clients of critical tax deadlines, provide essential information regarding tax balancing and reporting, and detail the balancing and reporting processes.

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## Tax Deadlines

**December 31, 2025** - For credit unions that have chosen to include tax forms 1098 and 1099-INT with member year-end statements, taxes must be balanced prior to processing member year-end.

**January 1, 2026** - For credit unions that need to create a 5498 Fair Market Value file, it is created after this deadline.

**January 12, 2026 (5:00 pm MST)** - ALL credit unions must balance taxes after year-end processing. For credit unions using FLEX to report to the IRS, tax files need to be created and an email notification sent to FLEX at [tax\\_eoy@flexcutech.com](mailto:tax_eoy@flexcutech.com).

NOTE: **Data must be received at FLEX no later than January 12, 2026**, to be included in the FLEX reporting file transmitted to the IRS. Data received after this date and time will be considered late and will be processed under the following:

- FLEX will make a best effort but cannot guarantee credit union data will be reported to the IRS by the reporting deadline
- FLEX will make its best effort but cannot guarantee a January 31, 2026 postmark
- As a result of being late, the credit union could be subject to fines from the IRS
- Data received after **January 12, 2026** will be assessed a late fee of **\$500.00**.
- If data has not been received by January 12, 2026, it will be assumed by FLEX that the credit union is using alternative reporting measures. *No additional attempts to confirm this status will be made by FLEX.*

**April 15, 2026** - For credit unions that need to create a 5498/5498-ESA/5498-SA Contribution file, it is created after this deadline.

**For those using a third-party company for printing and/or reporting, please contact the third-party company for deadlines.**

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## Notes & Disclaimers

**NEW FOR 2025 TAX YEAR** - New legislation, effective for the 2025 tax year, has created additional processing guidelines ([Sec. 70203](#)). Individuals with qualifying vehicles may deduct interest paid on said vehicle's purchasing loan. Interest that qualifies must be issued to a loan after December 31, 2024 and/or secured by a lien on the vehicle. The interest on the loan does not qualify for the purchase of used vehicles or those not procured for personal use (e.g., commercial use). Vehicles that qualify must have a gross vehicle weight rating of less than 14,000 pounds, final assembly completed in the United States, and is one of the following: car, minivan, van, SUV, pick-up truck, or motorcycle. To determine the location of the final assembly of the vehicle use the NHTSA [VIN Decoder](#). Both itemizing and non-itemizing taxpayers are eligible for this deduction. Deduction is withdrawn for taxpayers with modified adjusted gross income over \$100,000, \$200,000 for joint filers. The maximum allowable annual deduction is \$10,000. VIN of the vehicle must be included on the return of every claimed year. Lenders and other recipients must file with the IRS information returns on qualified interest, as well as show the total amount of interest to taxpayers by furnishing statements for the taxable year. As of the time of printing, exact details regarding proper filing of these loans is yet to be finalized by the IRS. More information and instruction can be found at the [IRS website](#).

**1042 Forms** - FLEX does not support printing or reporting of 1042 forms

**1098-E Reporting** - FLEX software does not support the tracking of 1098-E Student Loan Interest information

**Data in Standard IRS Format** - All data will be in standard IRS format and the credit union is responsible for ensuring that the third-party processor receives and can process the data

**Exclusion from California State Reporting** - FLEX will automatically report to the state of California provided the primary home office is located within that state. FLEX considers the primary address on file for the credit union to be the address of the home office. If the credit union does not want to participate in this program, please provide the following on credit union letterhead:

- A statement that the credit union wishes to be excluded from the state reporting program
- The name, title, and signature of the authorized credit union representative

Fax this request to the FLEX Tax Department at (801) 545-4991 by 5:00 p.m. MST, January 12, 2026. Upon receipt and review of the statement, an acknowledgement letter will be faxed back to the credit union. Keep this acknowledgement letter. It will serve as proof that FLEX received the credit union request. If the credit union does not receive an acknowledgement letter, the request has not been received by FLEX.

**FMV** - The Fair Market Value (FMV) can be printed on member's December statements. This is controlled in the *Statement Control* option. Putting a 'Y' in the *Print IRA Fair Market Value Disclosure* field will turn on FMV statement printing.

**Stack Codes and Member Statements** - If the credit union prints tax forms with member statements (1098 and/or 1099-INT) and uses stack codes statement processing, be aware that tax forms will ONLY print with stack code one. This means that for members that would only get a statement in the second or subsequent stack codes, these forms will be included separately in stack code one. This will result in individual mailings for statement and tax forms for that member.

**Tax Forms via Internet Banking** - Members will not have access to tax forms via internet banking (FLEXteller or Mobicint) unless the credit union specified including forms as part of member year-end statements. This also limits member access to their applicable 1098 and 1099-INT forms. It will not include 1099-C, 1099-OID, etc.

**Tax Services Requested** - The government reporting files will be created based upon the services the credit union requested in November 2025 within Tax Estimations.

**Tax Services Requested in Error/Not Requested** - If the credit union requested a service in error or did not request a service needed, they should contact FLEX Tax Support for further instructions prior to creating and sending the government reporting files. Absolutely no changes can be made to the service requested once the data has been received.

**Third party for Tax Reporting** - If the credit union is working with a third-party processor for tax reporting, the balancing process must still be completed. The credit union will create the government reporting tax data and it must be sent per the third party instructions. Please verify the date that these files are due at the third-party processor, as deadlines may differ. FLEX does not have access to or the ability to maintain information for any other reporting providers.

## Information to Verify Prior to EOY

*This section can and should be performed throughout the year.*

**Bad Address Accounts** - Run the *Bad Address Accounts Listing* under *Managerial Reports*. If any of the accounts listed on the report will be eligible for government reporting, the credit union will need to research and obtain correct address information. Make sure that the *Tax Address* field matches the address used for government reporting for each account maintained.

**Bad Tax Address** - Obtain the Bad Tax Address Report (GR5001P). This is generated by typing "bad tax" in the FLEX Main Menu and selecting *Bad Tax Address Report* under *Internal Audit*. Correct any information as noted in the *Error* column. If address information is not maintained, this report will continue to generate when any option from the *Tax Balancing* menu is run.

NOTE: Closed accounts may appear on the Bad Tax Address Report. This report may include information about closed accounts for several reasons, including but not limited to:

- The report was designed to be eligible for use at any time during the year
- There may be dividend income yet to be paid
- The account may have been closed, but still has current income to be reported
- If a member re-opens a closed account, the data still needs to be verified

Please be aware that accounts listed on this report will not disallow reporting. This report is generated as a means to ensure the accuracy of reporting data. It will not prevent required data from generating when using the option to build IRS reporting files.

**Dividends** - Obtain the GLBALCOMP Report (MS5120). This report is also known as the YTD Type Analysis report. This is generated during each EOD. Use this report to compare the total amount of dividends on share and certificate accounts to the General Ledger balances noted on the GL Trial Balance Report (GL1600). If the YTD Type Analysis does not balance back to the General Ledger, refer to the Tax Balancing section of this document.

CT1630A	FLEX FEDERAL CREDIT UNION TEST 8.05 Tax Information Maintenance	10/16/25 08:21:08
<u>Payer Information</u>		
Payer's Federal Id Number.. 123456789		
Payer's State Id Number... 12345678901		
Name Line #1.... YOUR CREDIT UNION NAME		
Name Line #2.... C/O SOMEONE ELSE		
Shipping Address.. 123 MAIN STREET		
City, St. Zip... ANYWHERE UT 841211234		
1099-R Withholding Use CU's State Code? .....		
Unless this code is set to Y, state withholding will be reported to the tax authority using the member's state.		
<u>Transmitter Information</u>		
Transmitter Control Code.. 97567		
Name Line #1.... COMPUTER MARKETING CORPORATION		
Name Line #2.... ATTN: TAX DEPARTMENT		
Mailing Address.. 8520 S SANDY PARKWAY		
City, St. Zip... SANDY, UT 84070		

**Payer Information** - Verify that the credit union government information is correct. Access a Telnet session and type 'GO TAX' on a command line, then take *Option 3, Maintain C.U. Tax Information*. Verify that the payer information is correct as well. If FLEX is performing government reporting the "Transmitter Information" should appear as listed below. If the credit union is using a third party, please obtain and enter the appropriate "Transmitter Information."

**Social Security Numbers** - Make sure all social security numbers (SSN) are entered correctly and certified. Select Non-Certified Accounts from the FLEX Main Menu under *Managerial Reports* to run the Non-Certified Account Listing, then resolve any SSN certification problems. **IRS Alert: SSN or Tax Identification Number (TIN) of all 0's, 1's, 2's, etc., will be considered invalid by the IRS.** Make sure every problem SSN/TIN is corrected.

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## Tax Balancing

**1098 & 1099-INT** - For credit unions that have chosen to include tax forms 1098 and 1099-INT with member year-end statements, taxes must be balanced prior to processing member year-end.

**Balancing Assistance** - FLEX Tax Support will provide reasonable assistance with general tax questions, tax reports, and tax program questions, free of charge. *Tax balancing and research is the responsibility of the credit union.* Any tax balancing and research requested of FLEX Tax Support will be charged at the rate of **\$195.00** per hour with a one hour minimum. *Please review the instructions provided entirely and perform all steps listed before contacting FLEX Tax Support for assistance. When calling for assistance, the credit union will be asked for the date of the outage, the amount of the outage, and the reports used showing the outage difference.*

**Changes to Reporting Data** - Changes to reporting data are extremely difficult and involved. If it is determined that changes or corrections are necessary for accurate tax reporting, please note the following:

- Any changes affecting less than 250 accounts per form type must be made and reported manually by the credit union.
- Any changes affecting 250 or more accounts per form type will require maintenance by the credit union on the data, FLEX assistance with generating corrected files, and then sending the corrected files to FLEX. Changes of this nature will be billed at the current rate in effect for time, materials, and postage required to process the replacement file. FLEX cannot ensure a mailing date for any forms generated with corrected files.

**Absolutely no changes can be made to the reporting data once reporting files have been transmitted to the IRS. Any corrections necessary at this point must be processed manually by the credit union.**

NOTE: If any of these reports are run before End-of-Year is complete, the tax information will only be current to that date and time. Transactions occurring after that date and time may affect the actual tax information that is reported.

**Credit union data is updated numerous times during the End-of-Year process and is used for government reporting. If the credit union encounters any problems or errors during End-of-Year processing, contact FLEX Tax Support immediately.**

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## 1099-INT Reporting

Type 'Tax' in the FLEX Main Menu and select *1099-INT Balancing Reports* under *Tax Balancing*. Specify 'S' to generate a summary report. This option will generate up to three reports for balancing.

1. **Errors Report** - indicates accounts with data that must be maintained prior to building the tax files, if the data is to be reported properly. This report will continue to display results until all accounts on the report have been addressed/corrected to meet IRS reporting specifications.
2. **Bonds Report** - used in balancing information for Saving Bonds redeemed. Please refer to the *Bond Interest 1099-INT* section of this document.
3. **Totals Report** - provides aggregate totals to be compared to the GL. It can possibly be the only report needed for this aspect of balancing. The headings of this report are described as follows:

**TOTAL TAXABLE SHARE DIVIDENDS** should balance to the total amount expensed to the General Ledger for the year. If all taxable share dividends (excluding IRAs) are expensed to the GL account, the credit union would then balance to the GL. If not, the credit union will need to research and manually add/subtract the amounts of whatever GL accounts to which the offsets for share dividends are posted.

**SHARE TAXES WITHHELD** should balance to the total amount of share taxes withheld that interfaced to GL account(s), as applicable.

**TOTAL TAXABLE CERTIFICATE DIVIDENDS** should balance to the total amount expensed to the General Ledger for the year, excluding IRA accounts. If all taxable certificate dividends are expensed to the GL account, the credit union would then balance to the GL. If not, the credit union will need to research and manually add/subtract the amounts of whatever GL accounts to which the offsets for certificate dividends posted.

NOTE: The total Taxable Certificate Dividends will not match totals on the YTD Type Analysis (MS5120) if your credit union has OID Certificates.

**CERTIFICATE PENALTIES WITHHELD** should balance to the total amount of certificate penalties charged (excluding IRAs) that interfaced to GL account(s), as applicable.

**CERTIFICATE TAXES WITHHELD** should balance to the total amount of certificate taxes withheld (excluding IRAs) that interfaced to GL account(s), as applicable.

**TOTAL TAXABLE BOND INTEREST** should balance to the total amount of bond interest that interfaced to GL account(s), as applicable.

**TOTAL TAXABLE DIVIDENDS** should balance to the total amount of share and certificate dividends (excluding IRAs) that interfaced to GL account(s). Once all dividends are paid for the year, this will also be the total amount of dividends that will be sent to members as requested for 1099-INTs.

**TOTAL REPORTED** reflects the amount of dividends (excluding IRAs) that the credit union is required to report to the IRS.

**TOTAL NOT REPORTED** reflects the amount of dividends (excluding IRAs) not required to be reported to the IRS. To exclude accounts from tax reporting of 1099-INTs, *Option 6* is available on the TAX menu. This allows the credit union to flag or unflag individual social security numbers (SSNs) as exempt.

NOTE: If an SSN is flagged as exempt, a 1099-INT will NOT be generated for that SSN. This exemption applies only to the forms mentioned. Other forms may still generate. This applies only for valid (non-zero) SSNs and not accounts using Tax ID numbers (TIN). If an account has an all zero SSN (000-00-0000), it will not appear in the list for maintenance.

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**If totals do not balance, perform the following:**

1. Be sure to balance the total amount of dividends for share or certificate accounts (excluding IRAs) that offset to the GL. If the offsets were all configured to post to one GL, balance to that GL. If not, manually add/subtract the offsets for each dividend posting from each applicable GL account.
2. Obtain the YTD Type Analysis (MS5120) and the General Ledger Trial Balance (GL1600P) reports that generate during each End-of-Day. Starting with the last day of the month, working backwards, identify the first day the credit union went out of balance. Check the teller balancing reports and the GL interface reports to ensure there were no errors. If End-of-Month reports are preferred, a General Ledger Trial Balance (GL1600P) report may not be available with the EOM reports.
  - a. A General Ledger Trial Balance (GL1600P) report can be run any time using the *General Ledger Trial Balance Report* option and selecting *No* to pending if the general ledger has not been closed yet for the GL period. If the general ledger period has been closed, refer to the General Ledger Trial Balance (GL1600P) report generated when the general ledger was closed.
  - b. Once an outage has been located, decide if maintaining the member's YTD information is necessary. If it is, maintain the YTD dividend/interest information for the correct year in *Share* or *Certificate Maintenance*. This will vary depending on when the information is maintained (i.e. before or after EOY processing).
    - i. If needed, make an adjusting entry to the general ledger.
3. Run the Tax Fields Audit List of Shares report (type GO TAXREP, select *Option 20*). Also run the Tax Fields Audit List of Certs report (type GO TAXREP, select *Option 21*). These reports will show any changes listed in the audit files for the entire year, similar to the monthly audit reports (MS5400) that generate during each EOM.
  - a. Verify that any changes made to member YTD information have a corresponding entry in the GL, as applicable.
4. Obtain the monthly GL transaction listing that generates during each EGL process.
  - a. Reconcile any manual entries to the GL(s) being balanced.
5. Verify the audit using the *AUDIT* button in FLEX for each share or cert type (excluding IRAs) that pays dividends, penalties, and/or withholding.

If discrepancies are noted, or if a specific member-by-member listing is needed, it may be helpful to run a detailed 1099-INT listing. Using *Option 3* from the GO TAXREP menu, specify 'D'. This will generate the same reports as the summary option, along with a detail report. This report includes a listing for all accounts and/or social security numbers on the system. This listing shows taxable information, whether reporting is required or not.

Once a discrepancy has been located, decide if maintaining the member's information is necessary. If so, maintain the YTD dividend information for the correct year in *Share* or *Certificate Maintenance*. This will vary depending on when the information is being maintained (i.e. before or after EOY processing). If adjusting entries need to be made to the GL, make sure that the entry is made effective for the correct period according to when dividends post to member accounts.

If corrections are made to member account information, GL account information, or both, run another balancing report after making the applicable changes and complete the balancing process again.

NOTE: If the credit union pays dividends on January 1st, the expense figures in the GL may need to be adjusted accordingly. It may be necessary to subtract the dividends paid on January 1, 2026 and add back in the dividends paid effective January 1, 2025.

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## Bond Interest 1099-INT Reporting

NOTE: These instructions apply only to credit unions that redeem bonds through FLEX Bond Redemption. If any other method is used to redeem bonds, FLEX will not be able to generate the applicable reports for balancing and the credit union will need to rely on its own records to balance.

There are several reports used to balance the bond interest for the 2025 government reporting year. To produce these reports, type 'bond' in the FLEX Main Menu and select *Bond Balancing Reports* or *Bond Balancing Reports During Year* under *Tax Balancing*. Specify 'N' to print a detailed report. This will generate different reports as queries of the tax files corresponding to the GL, History, and Bond files:

BOND\_GL\_1: Bond Information in the GLTRAN File

BOND\_GL\_2: Bond Interest in the GLTRAN File

BOND\_GL\_3: Bond Principal in the GLTRAN File

BOND\_GL\_4: Bond Redemption Summary Listing

This step also loads the bond information into the tax reporting system.

Once these reports have been generated, run the 1099-Balancing Reports (if not already done). This will generate the following reports:

ERRORS (F1099INTE): Accounts with Zero Social Security Numbers, Invalid Zip Codes, or Address Errors

TOTALS (F1099INTD/S): Dividend Totals for Tax Year to be reported to the IRS on Form 1099-INT

BONDS (F1099INTB): List of Redeemed Bonds for Tax Year

GR3101P (F109OID): Certificate 1099-OID and 1099-INT Balancing Report

On the TOTALS report, find the total TAXABLE bond interest. Compare this amount against the final interest total on the query of tax information in the BOND\_PFS report. The BOND\_PFS report is generated by running the Bond Balancing Reports. These two should match.

Next verify that all redeemed bonds appear on both the BOND\_PFS report and the query of the GLTRAN file (BOND\_GL\_1, BOND\_GL\_2, and BOND\_GL\_3).

Once the interest matches on the two reports and the redeemed bonds match the corresponding entries in the GL, the credit union has balanced bonds for the 2025 tax year.

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**If the interest totals and items do not match, please use the following checklist:**

1. Check to see if there are accounts on the ERRORS report. If there are items on the list, correct them and run the report again.
2. If items don't balance between the reports, the report containing the unreconciled items will be used first.
  - a. If the GLTRAN query is out of balance, check back through the teller work for the day in question and see if one of the tellers redeemed the bond incorrectly. Use the GLBALCOMP (MS5120P) reports for assistance.
  - b. Additionally, the TELLERTRNS (BE5020P) and the DLYBNDRDMD (BD5002P) reports will be useful for locating the outages.
  - c. These reports may be found in daily EOD reports. If a teller redeemed a bond incorrectly, correcting journal entries may be required to correct the outage in the redemption GL.
  - d. If the items are on the BOND\_PF report, check the EOD reports from the day in question to see if there were any interface errors using the GLINTERFAC (GL3000P) report.
3. Verify the branch code definitions are correct in *Branch Maintenance* under *Operations/Branch Administration* and in *Miscellaneous Information under System Administration/General Configuration*. All the general ledger information should be checked in these options for accuracy.
4. Verify the GL account for bond redemption still exists in the *GL Chart of Accounts*. This is done by searching for the GL account number from *GL/Accounting/General Ledger* from the FLEX Main Menu.
5. If the credit union has recently converted to branch accounting, verify that the applicable branch GL accounts exist in the chart of accounts. Failure to do this may cause balancing problems.
6. Verify the FLEX audit function in the GL chart of accounts under the *General Ledger/Account Details* tab to see if anything has been changed regarding the GL account.
7. Verify the FLEX audit function in *Workstation Configuration* to see if anything has changed for the branch code.
8. Verify the FLEX audit function in *Branch Maintenance* to see if anything has changed on a branch set up.

NOTE: If any changes need to be made to the bond information, the records need to be maintained using the *Bond Balancing* tab in the *Teller Balancing* option. Then the bond reports MUST be re-run.

**The above steps may need to be completed several times before the credit union may consider the bond interest balanced.**

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## 1098 Interest Reporting

To verify points and/or premiums paid for 1098 reporting, type 'points' in the FLEX Main Menu and select *Points Paid* under *Loans Reports* and take 'Option 7' from the GO TAXREP menu if using TELNET. Unless you are working with large quantities of loans, specify 'D' to generate a detailed report.

If necessary, key in any "Points Paid" or Premiums Paid" on mortgage loans.

- To enter points or premiums, select *Maintain 1098 Point/Premiums* from the FLEX Main Menu or from TELNET type 'GO TAX', 'Option 5', and press [ENTER].
- Select the member account number, select *loan suffix*. Press F6 to add tax year, then key points or premiums paid in that year.

NOTE: This information can be added or maintained throughout the year.

To verify the list of accounts with mortgage late fees for 1098 reporting, select *EOD Reports* in Document Manager. LATCHG1098 report will list all accounts with mortgage late fees and totals YTD.

Double check to make sure each loan that needs a 1098 has the "1098 Eligible" flag set to "Y" in loan maintenance. This will need to run twice - once for all open loans, and again for any loans closed in 2025.

To get a report of all loans currently flagged as 1098 reportable use the file export utility in FLEX. Please contact Software Support for assistance with file export utility. A report is also generated every EOD, INT1098 will list all 1098 reportable loans and their interest balances YTD.

Take 'Option 6' from the GO TAXREP menu to create the 1098 reports. Specify 'S' to generate a summary report. This option will generate up to two (2) reports for balancing.

1. **Errors Report** - indicates accounts with data that will need to be maintained prior to building your tax files, if the data is to be reported properly. This report will continue to generate until all accounts on the report have been addressed/corrected to meet IRS reporting specifications.
2. **Totals Report** - will provide aggregate totals that may be readily compared to the GL. It can possibly be the only option needed. The heading of this report are described as followed:

**TOTAL TAXABLE INTEREST** should equal the total amount of interest income for 1098 loans posted to your GL for the year. If all taxable 1098 interest posted to the GL account, the credit union would then balance to that GL. Otherwise, the credit union will need to research and manually add/subtract the amounts of whatever GL account(s) the offsets posted to.

**TOTAL REPORTED** figure refers to the amount of interest that the credit union is required to report to the IRS. Please note that late fees are included in the reportable amounts per IRS guidelines.

**TOTAL NOT REPORTED** amount refers to interest not required to be reported to the IRS.

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**If the interest totals and items do not match, please use the following checklist:**

1. Verify the total amount of interest for the 1098 eligible loans. If all taxable loan interest is expensed to one GL, the credit union would then balance to the GL. If not, the credit union will need to research and manually add/subtract the amounts of whatever GL accounts to which the offsets for loan interest posted.
2. Obtain the GL Comparison and Analysis Report (MS5120) that generates during each EOD process. Check to see if there are any differences. If there are differences, determine which month they occurred.
3. Once the months are discovered in which the differences occurred, take the daily MS5120 report from the last day of the month, working backwards, identify the first day the credit union went out of balance. Check the teller balancing reports and GL interface reports to ensure there were no errors.
4. Run the Listing of Changes Made to Loan Records report (type GO TAXREP, select *Option 23*). This report will show any changes listed in the audit files for the entire year, similar to the monthly audit reports (MS5400) that generate during each EOM.
5. Verify that any changes made to member YTD information have a corresponding entry in the GL, as applicable.
6. Obtain the monthly GL transaction listing that generates during each EGL process. Reconcile any manual entries made to the GL(s) being balanced.
7. Check the system audit for each loan type that is 1098 eligible. Reconcile any changes made to the GL accounts used for interest income.
8. If discrepancies are noted, or if a specific member-by-member listing is needed, it may be helpful to run a detailed 1098 listing. Using the same option (type GO TAXREP, select *Option 6*), specify 'D'. This will generate a Detail report that is a listing for all accounts on the system that have suffixes flagged for 1098 reporting. The listing shows taxable information, whether reporting is required or not.
9. Once a discrepancy has been located, decide if maintaining the member's information is necessary. If so, maintain the YTD interest information for the correct year in loan maintenance.
  - a. This will vary depending on when the information is maintained (e.g., before or after EOY processing).
  - b. If an adjusting entry needs to be made to the GL, make sure that the entry is made effective for the correct period.
10. If corrections are made to member account information, GL account information, or both, run another balancing report after making the applicable changes and complete the balancing process again.

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## 1099-C Reporting

FLEX offers the ability for credit unions to record the FMV for canceled loans and will include this amount, if entered, on the balancing reports. This will show in box '7' on tax forms sent to members and in the reporting file sent to the IRS.

Form 1099-C has a box entitled "Personal Liability Indicator"

- It will be up to the credit union to decide which canceled debts the members are personally liable for. Based on how the credit union flags the account, the indicator will be marked or left blank.
- All 1099-C accounts need to be marked with either a Y (Yes) or N (No) using the TAX Balancing menu option 'Maintain 1099-C Information'.
- The 1099-C balancing report will indicate which accounts have not been marked.
- If the credit union chooses to not mark accounts, those accounts will be reported as personally liable. Only an 'N' indicator will exclude an account from reporting as personally liable.

To begin balancing, take *Option 9* from the GO TAXREP menu to create the 1099-C report. This report will provide aggregate totals which may be readily compared to the GL. The headings of this report are described as follows:

**TOTAL CANCELED** should equal the total amount of loan debt that the credit union canceled/forgave during the year.

**TOTAL REPORTED** is the total amount of forgiven debt that will be reported to the IRS. The credit union is only required to report to the IRS if the forgiven loan amount equals \$600.00 or more. If a loan was canceled/forgiven during the year but will not be reported to the IRS, the detail record for the loan will indicate this with a message of 'Not Reported'.

**TOTAL NOT REPORTED** indicates the amount of forgiven loans that will not be reported to the IRS. Verify that all forgiven loans that the credit union does not wish to report to the IRS, have a forgiven amount of less than \$600.00 and appear on this report. Please verify that the reported forgiven amount for each loan is correct.

If the loans or the amounts listed are incorrect, perform the following: Make sure each loan was forgiven correctly. Access Charged Off Maintenance under Collections for the FLEX Main Menu. Select the record to review and ensure that the 1099-C information for the year 2025 is correct by clicking the *Forgiven* tab.

If the credit union needs to forgive, un-forgive, or maintain the forgiven amount of a charged off loan, it will need to be done within Charged Off Maintenance. If forgiving or un-forgiving a loan, the credit union will need to maintain the 1099-C record to ensure that the 1099-C reporting year listed is 2025.

If corrections are made to charged off loan information, government reporting information, or both, run another balancing report after making the applicable changes. Complete the balancing process again.

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## 1099-OID Reporting

1099-OID eligible certificates are certificates that have a term greater than one year and only pay interest at maturity. This report generates as part of EOY processing but may be recreated at any time. Take *Option 11* from the GO TAXREP menu to create the 1099-OID report. The headings of this report are described as follows:

**10 YTD INTRST** indicates the aggregate total amount of interest that was earned on certificates during the year.

**19 1099 INTRST** indicates the total amount of interest that was earned on certificates during the year that will be reported to the IRS on form 1099-INT.

**10 OID INTRST** indicates the total amount of interest that was earned on certificates that will be reported to the IRS on form 1099-OID.

Verify that all 1099-OID eligible certificates are listed on this report and verify the amount of interest to be reported is correct. If corrections are made to member account information, GL account information, or both, run another balancing report after making the applicable changes. Complete the balancing process again.

To exclude accounts from tax reporting of 1099-OIDs, *Option 6* is available on the TAX menu. This allows the credit union to flag or unflag individual social security numbers (SSNs) as exempt.

NOTE: If an SSN is flagged as exempt, a 1099-OID will NOT be generated for that SSN. This exemption applies only to the forms mentioned. Other forms may still generate. This applies only for valid (non-zero) SSNs and not accounts using Tax ID numbers (TIN). If an account has an all zero SSN (000-00-0000), it will not appear in the list for maintenance.

## 1099-R Reporting

After correcting any unknown distribution codes, take *Option 15* from the GO TAXREP menu to create the 1099-R reports. Specify 'S' to generate summary report. The 1099-R Summary Report lists aggregate totals for distributions, Federal withholding and State withholding. Some totals may be compared directly to the GL and may be the only option needed for balancing. The headings of this report are described as follows:

**DISTRIBUTION AMOUNT** should equal the total amount distributed from all members' accounts for the year. This will not tie back to the GL account since the funds are distributed from member accounts. Review member accounts for accuracy. If using Ascensus or a third party for 1099-R reporting, review against their records.

**FEDERAL/STATE WITHHOLDING** should equal the total amount of federal/state taxes withheld for IRA accounts for the year. If all federal/state withholding for IRA accounts posts to one GL account, balance to the GL. If not, research and manually add/subtract the amounts of the GL account to which the offsets posted.

It may be helpful to run a detailed 1099-R listing. This report may assist in research and balancing. A detailed report will include all transactions processed as IRA distributions. This report will show the member account information, distribution amount, Federal withholding, State withholding, along with the IRA code indicated.

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## 1099-MISC and 1099-NEC Reporting

**1099-NEC (Non-employee Compensation) replaces 1099-MISC boxes '7' and '14'. The IRS has separated the reporting of some payments to non-employees from Form 1099-MISC. Form 1099-NEC will be used to report any compensation given to non-employees.**

NOTE: 1099-MISC/1099-NEC instructions pertain only to those using the FLEX Accounts Payable module.

In order to provide the maximum amount of flexibility for each credit union using the Accounts Payable module, 1099-MISC and 1099-NEC forms are issued by vendor key, not by Social Security Number/Tax Identification Number. This means that a vendor or individual contractor with multiple vendor keys could be issued more than one 1099-MISC or 1099-NEC form, one for each vendor key. If it is desired to have FLEX system track a vendor's 1099-MISC or 1099-NEC income by SSN/TIN, only one vendor record for each SSN/TIN should be set up.

The 1099-MISC and 1099-NEC Report will reflect all vendors with noted income regardless of whether or not the credit union chooses to report all eligible invoices or only those required by the IRS (\$600.00 or greater). Take 'Option 13' from the GO TAXREP menu to create the 1099-MISC and 1099-NEC report. The headings of this report are described as follows:

**TOTAL REPORTED** indicates the total number of vendors reported to the IRS. There will be a dollar amount noted on the far right of this line. This number should equal the total amount of reportable income for eligible invoices for each vendor.

**TOTAL NOT REPORTED** indicates the total number of vendors the credit union is not required to report to the IRS. There will be a dollar amount noted on the far right of this line. This number should equal the total amount of income that is not required to be reported to the IRS.

**TOTAL VENDORS** indicates the aggregate total of all vendors on the system. There will be a dollar amount noted on the far right of this line. This number should equal the total amount of income which could be considered eligible income for vendors.

### **If totals do not balance, perform the following:**

1. Obtain a listing of all eligible invoices for the vendor(s) being balanced using the Invoice History Report under "Accounts Payable Reports".
2. Verify the total amount for each vendor key on the Invoice History Report matches the total amount listed for each vendor key on the 1099-MISC/1099-NEC Summary Report.
3. Obtain the monthly GL transaction listing that generates during each EGL process. Reconcile any manual entries made to the GL(s) to which are being balanced.
  - a. The GL accounts being balanced to may need to have non-eligible 1099-MISC and 1099-NEC transactions subtracted out of the total manually.
  - b. Depending on the number and range of GL accounts used in the invoices, multiple GL accounts may need to be reconciled.
4. Verify the system audit for each invoice in question. Reconcile any changes made.

When a discrepancy is located, the credit union will need to decide if maintaining/voiding/ re-issuing invoice(s) is necessary. If an adjusting entry is needed to the GL, make sure that the entry is made effective for the correct period. If corrections are made to invoice(s), GL account information, or both, run another balancing report after making the applicable changes and complete the balancing process again.

## IRA Tax Balancing

If the credit union offers IRA accounts to its members, create the detail listing for Invalid IRA Distribution Codes report. Access Telnet, type 'GO TAXREP' on the command line and press [ENTER]. Select *Option 18* to create the Unknown Distribution Codes list. Any transactions listed in this report will need to be corrected. The information can be maintained by accessing *IRA/HSA Maintenance* under *Shares* in the FLEX Main Menu.

Below is a table of valid IRA distribution codes and how they will be reported to the IRS. When a Tax Advisor provides information regarding the proper code for recording a distribution, they will be providing the value in the second or third column and this code will need to be entered in the first column accordingly. Shaded boxes indicate the IRS code differs from the transaction entry code. Verify that all IRA codes used are correct.

Transaction Entry Code	Trad/SEP/SIMPLE 100-R Value	Roth 1099-R Value
1	1	J
2	2	T
3	3	T
4	4	T
5	Not Reported	Not Reported
7	7	Q
8	8	8
E	E	
G	G	
I		T
J		J
N	N	N
P	P	P
Q		Q
X	S	
Y	R	R
Z		T

NOTE: The IRS defines and regulates IRS transaction codes. FLEX cannot advise which transaction codes to use.

If an incorrect IRA code was used or there are transactions that do not have a valid IRA code, perform the following:

1. Obtain all information relevant to the transaction and decide what IRA code should have been used.
2. Depending on which transaction(s) caused the discrepancy, a 1099-R Detail Report, a 1099-Q Detail Report, or a 1099-SA Detail Report will be used.
  - a. These reports will list each IRA distribution transaction for the year, individually.

The tax file build process will not proceed if errors exist on the 1099-R error listing (type GO TAXREP, select *Option 18*). All distributions must have a valid distribution code. (Code 5 is to be used if the distribution is not to be reported.)

IRA transaction code information will need to be modified in IRA/HSA maintenance. Make sure the transaction information is modified for the correct year. This is done by selecting the current reporting year, then selecting the code that was keyed incorrectly. This will prompt a detailed record that can then be corrected.

If corrections are made to IRA codes, another Unknown Distribution Code report will need to be run, and all corrections will need to be verified.

**Contribution Recaps** - Contribution Recaps for each Tax Year will be generated for the credit union at the time of reporting. A recap will be generated for any form type/service requested from FLEX by the credit union, with the estimation process in November.

- Recap information may be necessary for IRS Form 1096, Annual Summary and Transmittal of U.S. Information Returns. Recaps are generated by FLEX to reflect IRS reporting data specific to the credit union, as processed by FLEX.
- These recaps will be archived ONLY in Document Manager under the Tax Reporting Recaps (TAXR) document group, for January 31st of the current tax reporting year.

NOTE: Recap reports will not be reflective of data processed by a third-party reporting service, nor data reported manually by the credit union.

**RMD** - The IRS requires disclosure of the RMD for all IRA accounts for members that are 73 or older. To have RMD information printed on member's EOY statements, select 'Y' for the *Print IRA Minimum W/D Notice* field found in the *Statement Control* option.

FLEX will be using Alternative 2 to disclose the RMD to members. This option tells the member they are required to take an RMD, when the RMD must be distributed and an offer to produce the RMD amount to the member. There are two different disclosures based on when the member turns 73:

1. For members who are 73 before 2025, the disclosure on the statement will be similar to as follows:

*"Based on the information previously provided to us, you must take a required minimum distribution (RMD) to tax year 2025 from your IRA to avoid a penalty. Upon your request, we will provide you with your RMD calculation based on IRS regulations.*

*You have until December 31, 2026 to take your RMD. You may satisfy your RMD for this IRA by directing us to distribute your RMD or by taking your RMD from another IRA with us or with another custodian/trustee. Your RMD status for each calendar year will be reported according to IRS regulations."*

2. For members who turn 73 during 2025, the disclosure on the statement will be similar to as follows:

*"Based on the information previously provided to us, you must take a required minimum distribution (RMD) for tax year 2025 from your IRA to avoid a penalty. Upon your request, we will provide you with your RMD calculation based on Internal Revenue Service (IRS) regulations.*

*Since you attained the age of 73 during 2025 you have until April 1, 2026, to take your first year's RMD. All subsequent distributions must be taken by December 31st of each year. You may satisfy your RMD for this IRA by directing us to distribute your custodian/trustee."*

RMD status for each calendar year will be reported according to IRS regulations. The *IRA/HSA Maintenance* option has implemented life expectancy tables to allow your credit union to calculate and then display or print the RMD. In order to calculate the correct RMD, you will need to update the joint or single account flag and the joint birth date, if needed.

## Ascensus IRA Tax Reporting

Credit unions that have contracted with Ascensus for IRA maintenance and reporting will be able to generate files on FLEX that are then transmitted to Ascensus. These files are built in standard IRS reporting format. FLEX has already tested with Ascensus; therefore, a test file will not be necessary.

Credit unions that need to generate a Fair Market Value/All-In-One reporting file, for Ascensus to use for calculation of minimum distribution amounts, will need to do the following:

1. After EOY, verify IRAs have been balanced according to the *IRA Tax Balancing Instructions* section of these instructions.
2. Maintain the Transmitter Information to reflect Ascensus's information.
  - a. Access Telnet. Type 'GO TAX5498' on a command line and press [ENTER]. Use 'Option 3' and maintain the transmitter information. The information will need to be obtained from the Third Party
3. Take Option 4 to 'Create 5498 Fair Market Value Report (Jan)'.
4. The file will be copied to the TAX5498.23 folder. The file will be named 5498FMV.IRS
  - a. Follow instructions from Ascensus to have these files transmitted to them.

**Credit union data is updated numerous times during the End-of-Year process and is used for government reporting. If the credit union encounters any problems or errors during End-of-Year process, contact FLEX Tax Support immediately.**

## Saving Government Reporting Files

After balancing is complete for all applicable forms, the government reporting files need to be built by the credit union.

### CREDIT UNIONS REPORTING THROUGH FLEX

Access Telnet. On a command line type 'GO TAX'. Use *Option 14* to "Save Tax Files to I:".

This will immediately begin building the files needed for government tax reporting. The files will be saved to the I: Drive for retrieval and transmission. Report any errors or problems to FLEX Tax Support immediately.

Notify FLEX that tax reporting files are complete by emailing FLEX Tax Team at [tax\\_eoy@flexcutech.com](mailto:tax_eoy@flexcutech.com). It is strongly recommended that a copy of this email notification is maintained as a reference if there are any questions about the timing and availability of the data file.

### CREDIT UNIONS REPORTING WITH A THIRD PARTY

Maintain the "Transmitter Information" to reflect the third-party processor.

Access Telnet. Type 'GO TAX' on a command line and press [ENTER]. Use *Option 3* and maintain the transmitter information. The information will need to be obtained from the third party.

From the FLEX homescreen, access Telnet. Type 'GO TAX' on a command line and press [ENTER]. Use *Option 14* to "Save Tax Files To I:". This will immediately begin building the files needed for government tax reporting. These files will be saved to the I: Drive for retrieval and transmission.

- The files will be copied to the TAX.25 folder. The files will be named separately by form ID (e.g., F1098.IRS, F1099.IRS). All reporting files will have an ".IRS" extension.
- All other files in the TAX.25 folder are for FLEX use only. Please do not delete or otherwise attempt to work with these files.
- Follow instructions from the third-party processor to have these IRS files transmitted to them.

## Still have questions?

Contact the FLEX Tax Team