



# 2017 Tax Guide for Retail Investors

January 2018

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# I. Introduction / Overview

In connection with your investment at Prosper, you may receive 1099-OID, 1099-MISC, and 1099-B tax forms for the 2017 calendar year.

This Tax Guide is designed to provide general information about the tax forms and answers to frequently asked tax questions. Prosper does not provide tax, financial or legal advice and this document is not intended to be tax, financial or legal advice. Prosper recommends that you consult with your financial or tax advisor if you have any questions.

The 2017 1099 forms will become available no later than January 31, 2018. It is your responsibility to check your account and review all information provided before filing your tax return.

## Overview of Tax Forms Provided by Prosper: <sup>1</sup>

Form Name	Description
<b>1099-OID</b>	Net interest received in FY 2017
<b>1099-MISC</b>	Other income (such as late fees) received in FY 2017
<b>1099-B</b>	Recoveries, proceeds and cost basis on Notes corresponding to charged-off loans in FY 2017

<sup>1</sup> Note that investors may only receive select forms as applicable to their account and financial situation

The IRS will match the amounts reported on the tax forms listed above to the amounts reported on your tax return through your tax ID number.

## II. Form 1099-OID

Investors who earned \$10 or more in net interest payments in the 2017 tax year will receive a Form 1099-OID.

Form 1099-OID includes interest income minus any collection and servicing fees.

Generally, you are required to report the amount in Box 1 on the interest line of Form 1040EZ, Form 1040A, Form 1040, and (if required) Schedule B. OID is typically taxed at your marginal ordinary income tax rate.

Prosper recommends that you consult your financial or tax advisor if you have any questions.

**Form 1099-OID**

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105</b>		1 Original issue discount for 2017 * <b>\$1,124.72</b>	OMB No. 1545-0117	<b>2017</b> <b>Form 1099-OID</b>	<b>Original Issue Discount</b>
		* This may not be the correct figure to report on your income tax return. See instructions on the back.			
		2 Other periodic interest			
PAYER'S federal identification number <b>45-4526070</b>	RECIPIENT'S identification number	3 Early withdrawal penalty	4 Federal income tax withheld	<b>Copy B For Recipient</b> This is important tax information and is being furnished to the Internal Revenue Service. 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.	
RECIPIENT'S name, street address, city or town, state or province, country, and ZIP or foreign postal code  NAME ADDRESS		5 Market discount	6 Acquisition premium		
		7 Description <b>ORIGINAL ISSUE DISCOUNT FOR 2017</b>			
		8 Original issue discount on U.S. Treasury obligations *	9 Investment expenses		
		10 Bond premium	11 Tax-exempt OID		
Account number (see instructions)		12 State	13 State identification no.	14 State tax withheld	
FATCA filing requirement <input type="checkbox"/>					

Form 1099-OID (keep for your records) [www.irs.gov/form1099oid](http://www.irs.gov/form1099oid) Department of the Treasury - Internal Revenue Service

### III. Form 1099-MISC

You will receive a Form 1099-MISC if you received at least \$600 of other income (such as late fees) in 2017. Box 3 of Form 1099-MISC indicates the amount of other income that you received in 2017. Generally, you are required to report the amount in Box 3 on the Other Income line of Form 1040.

Your income from other income is typically taxed at your marginal ordinary income tax rate. Prosper recommends that you consult your financial or tax advisor if you have any questions.

#### Form 1099-MISC

☐ CORRECTED (if checked)

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no. <b>PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105</b>		1 Rents	OMB No. 1545-0115  <b>2017</b>  Form 1099-MISC	<b>Miscellaneous Income</b>
		2 Royalties		
		3 Other income <b>\$600</b>		
PAYER'S federal identification number <b>45-4526070</b>	RECIPIENT'S identification number	5 Fishing boat proceeds	4 Federal income tax withheld	<b>Copy B For Recipient</b> This is important tax information and is being furnished to the Internal Revenue Service. 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.
RECIPIENT'S name, street address, city or town, state or province, country, and ZIP or foreign postal code  NAME ADDRESS		7 Nonemployee compensation	6 Medical and health care payments	
		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest	
		11	10 Crop insurance proceeds	
Account number (see instructions)		13 Excess golden parachute payments	12	
FATCA filing requirement <input type="checkbox"/>		14 Gross proceeds paid to an attorney	17 State/Payer's state no. <b>FL</b>	
15a Section 408A deferrals	15b Section 408A income	16 State tax withheld	18 State income	

Form 1099-MISC (keep for your records) [www.irs.gov/form1099misc](http://www.irs.gov/form1099misc) Department of the Treasury - Internal Revenue Service

Note: The information in this Tax Guide is directed at retail investors who hold Prosper Notes and file a Federal Form 1040. This Tax Guide is designed to provide general information about the tax forms and answers to frequently asked tax questions. Prosper does not provide tax, financial or legal advice. The information herein is general and educational in nature and is not intended to be, and should not be considered, tax, financial, or legal advice. Prosper recommends that you consult your financial or tax advisor if you have any questions.

## IV. Form 1099-B

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You will receive a Form 1099-B if you:

- (a) held any Notes corresponding to loans that charged-off in 2017,
  - (b) received any recovery proceeds, including proceeds from debt sales, in 2017 from Notes corresponding to loans that charged-off in prior fiscal years, or
  - (c) received any recovery proceeds, including proceeds from debt sales, in 2017 from Notes corresponding to loans that charged-off in 2017.
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You will receive one Form 1099-B with a detailed breakdown of recoveries, sale proceeds, and cost basis from charged-off loans as well as summary information. Information on this form may be categorized as short-term or long-term capital gains or losses, depending on how long an investor held the relevant Notes. Proceeds from recoveries and sales of charged-off loans are generally considered long-term if you have held the corresponding Note for **at least one year**, and short-term if you have held the corresponding Note for **less than one year**.

For charge-offs, Form 1099-B shows cost basis information only. For recoveries and sales, Form 1099-B shows both proceeds and cost basis information. Each transaction will be individually stated on a separate page included with the Form 1099-B. Prosper reports cost basis information to the IRS.

### Charge-offs:

Prosper charges-off loans that are more than 120 days past due, and Prosper may charge off borrower loans that are defaulted prior to 121 days past due where appropriate (for example, where a borrower declares Chapter 7 or Chapter 13 bankruptcy and the bankruptcy is discharged, or the borrower is deceased). You may be able to claim a loss on Notes for which the loan is charged-off.

For each Note, the cost basis reported is the purchase price of the Note minus any principal repaid on the Note.

Box 1e of the Form 1099-B contains your cost basis for Notes corresponding to loans that were charged-off in 2017 as of the date the loan was charged-off.

### Proceeds from Previously Charged-Off Loans:

Prosper may recover subsequent payments of principal, interest, or late fees on a loan that was previously charged-off in a prior year.

Box 1d of the Form 1099-B contains the proceeds you received from any Notes corresponding to loans that were charged-off prior to 2017, minus any Prosper fees. Your cost basis in these Notes is zero.

### Proceeds from Debt Sales:

Prosper may sell charged-off loans to a third party.

Box 1d of the Form 1099-B contains the proceeds you received from any Notes for which the charged-off loan was sold to a third party, minus any Prosper fees.

Box 1e of the Form 1099-B contains your cost basis for such Notes as of the date the corresponding loan was charged-off.

The sample Form 1099-B shown below reflects the recoveries, sale proceeds, or cost basis on Notes corresponding to charged-off loans for FY 2017.

Tax Year 2017 Combined Form	
<b>PROSPER FUNDING LLC</b> 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105	This is important tax information and is being furnished to the Internal Revenue Service. 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.
<b>Recipient's Information</b> NAME ADDRESS	<b>Payer's Information</b> PROSPER FUNDING LLC Federal ID Number: 45-4526070
Taxpayer ID Number: Account Number: XXXXXX	
<b>Form 1099-B: Proceeds From Broker and Barter Exchange Transactions</b>	
<b>Box</b> <b>Description</b> 1a. Description of property (Example 100 sh.XYZ Co.) <b>**</b> 1b. Date acquired <b>**</b> 1c. Date sold or disposed <b>**</b> 1d. Proceeds   \$89.54 1e. Cost or other basis   \$852.50 1f. Accrued market discount 1g. Wash sale loss disallowed 2 Short-term gain or loss <b>**</b> Long-term gain or loss <b>**</b> Ordinary <b>**</b> 3 If checked, basis reported to IRS <b>**</b> 4 Federal income tax withheld 5 If checked, noncovered security <b>**</b> 6 Reported to IRS: Gross proceeds <b>**</b> Net proceeds <b>**</b>	<b>Original</b> <b>Box</b> <b>Description</b> 7 If checked, loss is not allowed based on amount in 1d <b>**</b> 8. Profit or (loss) realized in 2017 on closed contracts 9. Unrealized profit or (loss) on open contracts - 12/31/2016 10. Unrealized profit or (loss) on open contracts - 12/31/2017 11. Aggregate profit or (loss) on contracts 12. Check if proceeds from collectibles <b>**</b> 13. Bartering 14. State name <b>**</b> 15. State identification no. <b>**</b> 16. State tax withheld <b>**</b> CUSIP number <b>**</b> FATCA filing requirement <b>**</b> Applicable check box on Form 8949 <b>**</b>
<b>** See Details</b>	

The following sample shows the total proceeds received categorized as short-term. The totals are located at the end of each section.

1099-B

(OMB No. 1545-0715)

Short-term transactions for which basis is not reported to the IRS--Report on Form 8949, Part I, with Box B checked.

1c. Date sold or disposed	1b. Date acquired	1d. Proceeds	6. Reported to IRS	1a. Description of property	Other
					Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
04/26/2017	08/28/2016		NOTE XXX-XX	CHARGEOFF	Box 1e. \$22.63 Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
10/31/2017	01/05/2017		NOTE XXX-XX	CHARGEOFF	Box 1e. \$23.93 Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
01/11/2017	08/14/2016		NOTE XXX-XX	CHARGEOFF	Box 1e. \$24.64 Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
01/12/2017	07/15/2016		NOTE XXX-XX	CHARGEOFF	Box 1e. \$24.43 Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
11/28/2017	01/05/2017	\$2.67	NOTE XXX-XX	DEBTSALE	Box 2. Short-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 B
\$16.86					

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The following sample shows the total proceeds received categorized as long-term. The totals are located at the end of each section.

1099-B					(OMB No. 1545-0715)
Long-term transactions for which basis is not reported to the IRS--Report on Form 8949, Part II, with Box E checked.					
1c. Date sold or disposed	1b. Date acquired	1d. Proceeds	6. Reported to IRS	1a. Description of property	Other
					Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 E
11/25/2017	06/29/2016			NOTE XXXX-XX CHARGE OFF	Box 1e. \$21.85 Box 2. Long-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 E
12/31/2017	12/06/2016			NOTE XXXX-XX CHARGE OFF	Box 1e. \$23.11 Box 2. Long-term Box 3. No Box 5. No Box 7. No Box 12. No Box 14. CA FATCA filing requirement No Applicable check box on Form 8949 E
\$72.68					

#### General Commentary on Gain and Loss:

Prosper Notes are generally considered capital assets because they are owned for investment purposes. Generally, gains and losses from recoveries, sales or charge-offs related to Prosper Notes are reported for tax purposes as capital gains or losses on Schedule D and Form 8949 (if required in addition to Schedule D).

Typically, realized capital losses are first offset against realized capital gains. For individuals, any excess capital losses may generally be used to offset ordinary income up to \$3,000 (\$1,500 if married filing separately). Capital losses in excess of this limit may be carried-forward to subsequent years to reduce capital gains or ordinary income until the full balance of these capital losses is utilized.

You may be subject to special tax rules if, among other things, you are not a resident of the United States, you are a securities dealer or broker, or you hold the Notes as part of a straddle or hedge. For more information, please consult your financial or tax advisor.