



2022 U.S. Federal Tax Guide for Retail Investors

February 2023

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I. Introduction / Overview

This Tax Guide is designed to provide general information about certain tax forms you may receive in connection with your Prosper investments. Specifically, you may receive one or all of the following U.S. federal information returns from Prosper for the 2022 calendar year: Form 1099-OID, *Original Issue Discount*, Form 1099-MISC, *Miscellaneous Income*, and Form 1099-B, *Proceeds from Broker and Barter Exchange Transactions*.

Please note that Prosper is not providing tax, financial or legal advice and this document is not intended to be used for tax, financial or legal advice. As a result, Prosper recommends that you consult with your financial or tax advisor if you have any questions. Additionally, the IRS provides guidance on the back of each Form 1099 designed to describe what is reported in each box on the form and where the amount may be reported on an income tax return.

The 2022 Form 1099-OID will be available to you no later than January 31, 2023, and the 2022 Forms 1099-MISC and 1099-B will be available to you no later than February 15, 2023. It is your responsibility to check your account and review all information provided by Prosper before filing your Federal and State income tax returns (as necessary).

Overview of Tax Forms Provided by Prosper: ¹	
Form Name	Description
⁺ 1099-OID	Reports net accrued interest of \$10 or more received in calendar year 2022
1099-MISC	Reports other income of \$600 or more (such as late fees) received in calendar year 2022
1099-B	Reports gross proceeds from sales or recoveries received in calendar year 2022 from Notes corresponding to loans charged-off in 2022 or prior years

¹ 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 federal income tax return using your tax identification number (e.g., SSN, EIN, ITIN, etc.).

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II. Form 1099-OID (Original Issue Discount)

Investors who earned \$10 or more in “net interest” payments in the 2022 tax year will receive a Form 1099-OID. The amount reported as “net interest” equals the amount of interest income on your investments in Prosper Notes earned in 2022 less any collection or servicing fees deducted by Prosper Funding LLC.

If you are the holder of a taxable OID obligation, such as a Prosper Note, you are generally required to include the amount reported in Box 1 of Form 1099-OID in your annual gross income by reporting it on Line 2b of your Form 1040, and Schedule B (if required). For more details about reporting taxable interest, please see IRS Pub. 550.

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. PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105 4155905625		1 Original issue discount for the year* \$51.58 <small>* This may not be the correct figure to report on your income tax return. See instructions on the back.</small>	OMB No. 1545-0117 Form 1099-OID (Rev. October 2019)	Original Issue Discount
PAYER'S TIN 45-4526070		2 Other periodic interest	For calendar year 2022	
RECIPIENT'S TIN ***-**-****	3 Early withdrawal penalty	4 Federal income tax withheld		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.
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code	5 Market discount	6 Acquisition premium		
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code	7 Description ORIGINAL ISSUE DISCOUNT FOR 2022			
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code	8 Original issue discount on U.S. Treasury obligations *	9 Investment expenses		
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code	FATCA filing requirement <input type="checkbox"/>	10 Bond premium	11 Tax-exempt OID	
Account number (see instructions)	12 State NY	13 State identification no.	14 State tax withheld	

Form 1099-OID (Rev. 10-2019) (keep for your records) www.irs.gov/Form1099OID Department of the Treasury - Internal Revenue Service

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III. Form 1099-MISC (Miscellaneous Income)

If you received \$600 or more of other income (e.g., late fees, etc.) in 2022, then you will receive a Form 1099-MISC.

The amounts you received during the year will be reported as “Other Income” in Box 3 of Form 1099-MISC. This amount must generally be reported as Other Income on Line 8 of your Form 1040. For more details about reporting “Other Income,” see IRS Pub 525.

This type of income is typically taxed as ordinary income (rather than as income from capital gains).

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. PROSPER FUNDING LLC 221 MAIN STREET SUITE 300 SAN FRANCISCO, CA 94105 4155905625		1 Rents	OMB No. 1545-0115 Form 1099-MISC (Rev. January 2022) For calendar year 2022	Miscellaneous Information	
		2 Royalties			
		3 Other income			
PAYER'S TIN 45-4526070	RECIPIENT'S TIN ***-**-****	\$1,431.84	4 Federal income tax withheld	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.	
RECIPIENT'S name, street address (including apt. no.), city or town, state or province, country, and ZIP or foreign postal code		5 Fishing boat proceeds	6 Medical and health care payments		
		7 Payer made direct sales totaling \$5,000 or more of consumer products to recipient for resale <input type="checkbox"/>	8 Substitute payments in lieu of dividends or interest		
		9 Crop insurance proceeds	10 Gross proceeds paid to an attorney		
		11 Fish purchased for resale	12 Section 409A deferrals		
		14 Excess golden parachute payments	15 Nonqualified deferred compensation		
		13 FATCA filing requirement <input type="checkbox"/>	16 State tax withheld		17 State/Payer's state no. <div style="text-align: right;">CA</div>
Account number (see instructions)		18 State income			

Form 1099-MISC (Rev. 1-2022) (keep for your records) www.irs.gov/Form1099MISC

Department of the Treasury - Internal Revenue Service

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IV. Form 1099-B (Proceeds from Broker and Barter Exchange Transactions)

You may receive a Form 1099-B for the 2022 tax year if you:

- (a) held any Notes where the corresponding loans were charged-off in 2022,
 - (b) received any recovery proceeds from Notes where the corresponding loans were charged-off either in 2022 or a prior calendar year, or
 - (c) received gross proceeds from Notes corresponding to charged-off loans that were sold to third parties in 2022.
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You will receive a consolidated Form 1099-B with a detailed breakdown of this information for each Note held.

As background, the gains or losses resulting from sales or recoveries of charged-off loans may be categorized as either short-term or long-term capital gains or losses, depending on how long you held the corresponding Notes. Specifically, if you held the corresponding Notes for **at least one year**, then the capital gains or losses will be considered long-term. In contrast, if you held the corresponding Notes for **less than one year**, then the capital gains or losses will be classified as short-term.

The Form 1099-B may also contain information related to your adjusted basis in the Notes. See below for further detail.

Charge-offs:

As a matter of policy, Prosper generally charges-off all loans that are at least 120 days past due. In some cases, it may charge-off loans before this date if a borrower declares bankruptcy or Prosper learns of the borrower's death. You may be able to claim a loss for federal income tax purposes if any of the Notes you held were charged-off during the calendar year.

In such case, the adjusted basis of any Notes corresponding to charged-off loans will be reported in Box 1e. The adjusted basis generally equals the purchase price of the Note, less any repaid principal on the Note.

Proceeds from Previously Charged-Off Loans (i.e., Recoveries):

In certain cases, Prosper may recover a portion of the principal, interest, or late fees associated with a loan that was charged-off in a prior year.

The proceeds received from any recoveries will be reported in Box 1d of Form 1099-B and will include the total gross proceeds received from any Notes corresponding to loans that were charged-off prior to 2021 (less applicable recovery fees). The adjusted basis associated with these Notes will be zero. Prosper will also indicate whether the gains or losses associated with these sales are short-term or long-term (Box 2).

Proceeds from Debt Sales:

In certain cases, Prosper may sell charged-off loans to a third party. The gross proceeds received from these sales will be reported in Box 1d of Form 1099-B. The amount reported will equal the gross proceeds received from the sale less any applicable fees. The adjusted basis associated with these Notes will be reported in Box 1e. Prosper will also indicate whether the gains or losses associated with these sales are short-term or long-term (Box 2).

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The sample Form 1099-B shown below reflects how recoveries, sales proceeds and adjusted basis information may be reflected on your consolidated Form 1099-B.

PROSPER FUNDING LLC
 221 MAIN STREET SUITE 300
 SAN FRANCISCO CA 94105

Tax Year 2022 Combined Form

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 Information

Payer's Information

PROSPER FUNDING LLC
Federal ID Number: 45-4526070

Taxpayer ID Number:
Account Number:

Form 1099-B: Proceeds From Broker and Barter Exchange Transactions

Original

Box	Description		Box	Description	
1a.	Description of property (Example: 100 sh.XYZ Co.)	**	7	If checked, loss is not allowed based on amount in 1d	**
1b.	Date acquired	**	8.	Profit or (loss) realized in 2022 on closed contracts	\$0.00
1c.	Date sold or disposed	**	9.	Unrealized profit or (loss) on open contracts - 12/31/2021	\$0.00
1d.	Proceeds	\$65.01	10.	Unrealized profit or (loss) on open contracts - 12/31/2022	\$0.00
1e.	Cost or other basis	\$401.33	11.	Aggregate profit or (loss) on contracts	\$0.00
1f.	Accrued market discount	\$0.00	12.	If checked, basis reported to IRS	**
1g.	Wash sale loss disallowed	\$0.00	13.	Bartering	\$0.00
2	Short-term gain or loss	**	14.	State name	**
	Long-term gain or loss	**	15.	State identification no.	**
	Ordinary	**	16.	State tax withheld	**
3	If checked, proceeds from Collectibles	**		CUSIP number	**
	If checked, proceeds from QOF	**		FATCA filing requirement	**
4	Federal income tax withheld	\$0.00		Applicable check box on Form 8949	**
5	If checked, noncovered security	**			
6	Reported to IRS:				
	Gross proceeds	**			
	Net proceeds	**			

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** See Details

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The following sample form shows how information may be reported to you if your capital gains / losses are classified as short-term.

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
08/16/2022	09/10/2021	\$0.00		1621429-380 CHARGEOFF	Box 1e. \$42.85 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B
06/24/2022	10/05/2021	\$6.11		1633939-711 DEBTSALE	Box 1e. \$0.00 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 3. Collectibles Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B
05/01/2022	10/05/2021	\$0.00		1633939-711 CHARGEOFF	Box 1e. \$47.70 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Short-term Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 B

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The following sample form shows how information may be reported to you if your capital gains / losses are classified as long-term.

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
12/14/2022	11/18/2020	\$0.00		1470263-37 CHARGEOFF	Box 1e. \$63.61 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Long-term Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 E
08/14/2022	11/18/2020	\$0.00		1483893-82 CHARGEOFF	Box 1e. \$54.20 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Long-term Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 E
12/09/2022	08/03/2021	\$10.33		1596050-356 DEBTSALE	Box 1e. \$0.00 Box 1f. \$0.00 Box 1g. \$0.00 Box 2. Long-term Box 4. \$0.00 Box 5. No Box 7. No Box 12. No Box 13. \$0.00 Box 14. CA Box 16. \$0.00 FATCA filing requirement No Applicable checkbox on Form 8949 E

General Commentary on Gain and Loss:

The Notes you purchase from Prosper are generally considered capital assets because they are owned for investment purposes. Therefore, gains and losses from recoveries, sales or charge-offs related to Prosper Notes are generally characterized as capital gains or losses for federal income tax purposes and are reported on Schedule D and Form 8949 (if required) of Form 1040.

Typically, capital losses are first offset against 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 the capital losses are utilized.