2026

Instructions for Schedule B (Form 1040)

Interest and Ordinary Dividends

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule B (Form 1040) and its instructions, such as legislation enacted after they were published, go to *IRS.gov/ScheduleB*.

General Instructions

Use Schedule B (Form 1040) if any of the following applies.

- You had over $1,500 of taxable interest or ordinary dividends.
- You received interest from a seller-financed mortgage and the buyer used the property as a personal residence.
- You have accrued interest from a bond.
- You are reporting original issue discount (OID) of less than the amount shown on Form 1099-OID.
- You are reporting interest income of less than the amount shown on a Form 1099 due to amortizable bond premium.
- You are claiming the exclusion of interest from series EE or I U.S. savings bonds issued after 1989.
- You received interest or ordinary dividends as a nominee.
- You had a financial interest in, or signature authority over, a financial account in a foreign country or you received a distribution from, or were a grantor of, or transferor to, a foreign trust.

TIP *You can list more than one payer on each entry space for lines 1 and 5, but be sure to clearly show the amount paid next to each payer's name. Add the separate amounts paid by the payers listed on an entry space and enter the total in the "Amount" column. If you still need more space, attach separate statements using the same format as lines 1 and 5, but show your totals on Schedule B. Put your name and social security number (SSN) on the statements and attach them at the end of your return.*

Specific Instructions

Interest and Ordinary Dividends

Part I. Interest

Line 1. Report on line 1 all of your taxable interest. Taxable interest should generally be shown on your Forms 1099-INT, Forms 1099-OID, or substitute statements. Include interest from series EE, H, HH, and I U.S. savings bonds. Also include any accrued market discount that is includible in income and any gain on a contingent payment debt instrument that is includible in income as interest income. List each payer's name and the amount. Don't report on line 1 any tax-exempt interest. See *Tax-exempt interest*, later, for more information.

For more information on stated interest, original issue discount (OID), market discount, contingent payment debt instruments, and premium, see Pub. 550 and Pub. 1212.

CAUTION *The market discount on a tax-exempt bond is taxable interest income and not tax-exempt interest.*

Seller-financed mortgages. If you sold your home or other property and the buyer used the property as a personal residence, list first any interest the buyer paid you on a mortgage or other form of seller financing. Be sure to show the buyer's name, address, and SSN. You must also let the buyer know your SSN. If you don't show the buyer's name, address, and SSN, or let the buyer know your SSN, you may have to pay a $50 penalty. If you or the buyer do not have an SSN, use the appropriate TIN for the filer or recipient of Form 1098. For more information, see *General Instructions for Certain Information Returns (2026)*.

Nominees. If you received a Form 1099-INT or a Form 1099-OID, as applicable, that includes interest you received (or are treated as having received) as a nominee (that is, in your name, but the interest actually belongs to someone else), report the total on line 1. Do this even if you later distributed some or all of this income to others. Under your last entry on line 1, put a subtotal of all interest listed on line 1. Below this subtotal, enter "Nominee Distribution" and show the total interest you received as a nominee. Subtract this amount from the subtotal and enter the result on line 2.

If you received (or are treated as having received) interest as a nominee, you must give the actual owner a Form 1099-INT or a Form 1099-OID, as applicable, (unless the owner is your spouse) and file Forms 1096 and 1099-INT or 1099-OID, as applicable, with the IRS. For more details, see the General Instructions for Certain Information Returns and the Instructions for Forms 1099-INT and 1099-OID.

Accrued interest. When you buy bonds between interest payment dates and pay accrued interest to the seller, this interest is taxable to the seller. If you received a Form 1099 for interest as a purchaser of a bond with accrued interest, follow the rules earlier under *Nominees* to see how to report the accrued interest. But identify the amount to be subtracted as "Accrued Interest."

Original issue discount (OID). If you are reporting OID in an amount less than the amount shown in box 1 or box 8 of Form 1099-OID, follow the rules earlier under *Nominees* to see how to report the OID. But identify the amount to be subtracted as "OID Adjustment." However, if the payer reported to you a net amount of OID on the bond reflecting the offset of the gross amount of OID by any acquisition premium, no reduction of the amount of OID income reported to you by the payer is permitted on Schedule B for the bond.

Amortizable bond premium. If you elect to reduce your interest income on a taxable bond by the amount of taxable amortizable bond premium, follow the rules earlier under *Nominees* to see how to report the interest. But identify the amount to be subtracted as "ABP Adjustment." However, if the payer reported to you a net amount of interest income on the bond reflecting the offset of the gross amount of interest income by the amortizable bond premium, no reduction of the amount of interest income reported to you by the payer is permitted on Schedule B for the bond.

Tax-exempt interest. If you received any tax-exempt interest (including any tax-exempt OID), such as from municipal bonds, each payer should send you a Form 1099-INT or a Form 1099-OID. In general, your tax-exempt stated interest should be shown in box 8 of Form 1099-INT or, for a tax-exempt OID bond, in box 2 of Form 1099-OID, and your tax-exempt OID should be shown in box 11 of Form 1099-OID. Enter the total on line 2a of your Form 1040 or 1040-SR. However, if you acquired a tax-exempt bond at a premium, only report the net amount of tax-exempt interest on line 2a of your Form 1040 or 1040-SR (that is, the excess of the tax-exempt interest received during the year over the amortized bond premium for the year). Also, if you acquired a tax-exempt OID bond at an acquisition premium, only report the net amount of tax-exempt OID on line 2a of your Form 1040 or 1040-SR (that is, the excess of the tax-exempt OID for the year over the amortized acquisition premium for the year). See Pub. 550 for more information about OID, bond premium, and acquisition premium.

Also include on line 2a of your Form 1040 or 1040-SR any exempt-interest dividends from a mutual fund or other regulated investment company. This amount should be shown in box 12 of Form 1099-DIV.

If an amount is shown in box 9 of Form 1099-INT, you must generally report it on line 2g of Form 6251. See the Instructions for Form 6251 at *IRS.gov/Form6251* for details.

Line 3. If, during 2026, you cashed series EE or I U.S. savings bonds issued after 1989 and you paid qualified higher education expenses for yourself, your spouse, or your dependents, you may be able to exclude part or all of the interest on those bonds. See Form 8815 at *IRS.gov/Form8815* for details.

Part II. Ordinary Dividends

You may have to file Form 5471 if, in 2026, you were an officer or director of a foreign corporation. You may also have to file Form 5471 if, in 2026, you owned 10% or more of the total (a) value of a foreign corporation's stock, or (b) combined voting power of all classes of a foreign corporation's stock with voting rights. For details, see Form 5471 and its instructions at IRS.gov/Form5471.

Line 5. Report on line 5 all of your ordinary dividends. This amount should be shown in box 1a of your Forms 1099-DIV or substitute statements.

Nominees. If you received a Form 1099-DIV that includes ordinary dividends you received as a nominee (that is, in your name, but the ordinary dividends actually belong to someone else), report the total on line 5. Do this even if you later distributed some or all of this income to others. Under your last entry on line 5, put a subtotal of all ordinary dividends listed on line 5. Below this subtotal, enter "Nominee Distribution" and show the total ordinary dividends you received as a nominee. Subtract this amount from the subtotal and enter the result on line 6.

If you received dividends as a nominee, you must give the actual owner a Form 1099-DIV (unless the owner is your spouse) and file Forms 1096 and 1099-DIV with the IRS. For more details, see the General Instructions for Certain Information Returns and the Instructions for Form 1099-DIV.

Part III. Foreign Accounts and Trusts

Regardless of whether you are required to file FinCEN Form 114 (FBAR), you may be required to file Form 8938, Statement of Specified Foreign Financial Assets, with your income tax return. Failure to file Form 8938 may result in penalties and extension of the statute of limitations. See IRS.gov/Form8938 for more information.

Line 7a—Question 1. Check the "Yes" box if at any time during 2026 you had a financial interest in or signature authority over a financial account located in a foreign country. See the definitions that follow. Check the "Yes" box even if you aren't required to file FinCEN Form 114.

Financial account. A financial account includes, but isn't limited to, a securities, brokerage, savings, demand, checking, deposit, time deposit, or other account maintained with a financial institution (or other person performing the services of a financial institution). A financial account also includes a commodity futures or options account, an insurance policy with a cash value

(such as a whole life insurance policy), an annuity policy with a cash value, and shares in a mutual fund or similar pooled fund (that is, a fund that is available to the general public with a regular net asset value determination and regular redemptions).

Financial account located in a foreign country. A financial account is located in a foreign country if the account is physically located outside of the United States. For example, an account maintained with a branch of a U.S. bank that is physically located outside of the United States is a foreign financial account. An account maintained with a branch of a foreign bank that is physically located in the United States isn't a foreign financial account.

Signature authority. "Signature authority" is the authority of an individual (alone or in conjunction with another individual) to control the disposition of assets held in a foreign financial account by direct communication (whether in writing or otherwise) to the bank or other financial institution that maintains the financial account. See the FinCEN Form 114 instructions for exceptions. Don't consider the exceptions relating to signature authority in answering Question 1 on line 7a.

Other definitions. For definitions of "financial interest," "United States," and other relevant terms, see the instructions for FinCEN Form 114.

Line 7a—Question 2. See FinCEN Form 114 and its instructions at *FINCEN.gov* to determine whether you must file the form. Check the "Yes" box if you are required to file the form. Check the "No" box if you aren't required to file the form.

If you checked the "Yes" box to Question 2 on line 7a, you must electronically file FinCEN Form 114 with Treasury's Financial Crimes Enforcement Network. A U.S. person that has a financial interest in or signature authority over foreign financial accounts must file the form if the aggregate value of foreign financial accounts exceeds $10,000 at any time during 2026. Do **not** attach FinCEN Form 114 to your tax return.

For the due date and more information about FinCEN Form 114, see *FINCEN.gov*.



If you are required to file FinCEN Form 114 but don't properly do so, you may have to pay a civil penalty up to $16,536. A person who willfully fails to report an account or provide account identifying information may be subject to a civil penalty up to the greater of $165,353 or 50% of the balance in the account at the time of the violation. Willful violations may also be subject to criminal penalties. The civil penalty amounts listed are subject to adjustment for inflation.

Line 7b. If you are required to file FinCEN Form 114, list the name(s) of the foreign country or countries in the space provided on line 7b. Attach a separate statement if you need more space.

Line 8. If you received a distribution from a foreign trust, you must provide additional information. For this purpose, a loan of cash or marketable securities is generally considered to be a distribution. See the Instructions for Form 3520 at *IRS.gov/Form3520* for details.

If you were the grantor of, or transferor to, a foreign trust that existed during 2026, you may have to file Form 3520.

Don't attach Form 3520 to Form 1040 or Form 1040-SR. Instead, file it at the address shown in its instructions.

If you were treated as the owner of a foreign trust under the grantor trust rules, you are also responsible for ensuring that the foreign trust files Form 3520-A. Form 3520-A is due on March 15, 2027, for a calendar year trust. See the Instructions for Form 3520-A at *IRS.gov/Form3520A* for details.