

GETTING READY FOR YEAR-END & THE 2020 TAX SEASON

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor

Year-end is approaching and being prepared is the best way to make this tax season your easiest yet. Following are important information and tools to help you get ready. As always, meeting with your financial advisor early and often will ensure your questions are answered.

Important Dates and Deadlines

During the 2020 tax season 1099 Consolidated Statements will be mailed in four phases to meet all IRS deadlines, reduce errors, and reduce the need to mail a corrected 1099.

2020 Mailing Schedule	Description
January 31	1099-R Form Mailing First Wave of 1099 Consolidated Forms Mailing - <i>Includes accounts with the simplest tax information and not subject to income reclassification</i>
February 18	Second Wave of 1099 Consolidated Forms Mailing - <i>Includes accounts holding securities that may be subject to income reclassification</i>
February 20	Preliminary 1099 Consolidated Tax Statement – Draft Copy. <i>Includes accounts that will not receive a final 1099 Consolidated Tax Statement until March 2 or March 16.</i>
March 2	Third Wave of 1099 Consolidated Forms Mailing - <i>Includes accounts holding securities that may be subject to income reclassification where investment companies did not furnish tax information to LPL Financial, the broker of record, in time for the February 18 mailing deadline</i>
March 16	Fourth Wave of 1099 Consolidated Forms Mailing - <i>Includes AMBIR information and accounts where investment companies did not furnish tax information to LPL Financial, the broker of record, in time for the February 18 mailing deadline, and any accounts that hold securities that provide mortgage-backed income reporting information</i>
April 15	IRS Tax Filing or Extension Request Deadline
October 15	IRS Extension Tax Filing Deadline

For more information on IRS tax form deadlines go to 2019 General Instructions for Certain Information Returns at [IRS.gov](https://www.irs.gov)

Why are there different mailing dates for 1099 Consolidated Statements?

Similar to other major financial firms' standard protocols and delivery, 1099 Consolidated statements are mailed in waves as information is received from various institutions. For certain security types, final tax information from the bank, institution, or other type of issuer may be received after the standard deadline, resulting in your statement not arriving on the anticipated February date. In these cases, your 1099 tax statement will be mailed between March 2-16, 2020.

Reclassification: What is it and what do I need to know?

Income reclassification is an annual process where security issuers change the tax characterization of distributions that were paid during the tax year. Often, the result of income reclassification is a more favorable tax treatment. The income reclassification process takes place after the end of the tax year, during the first quarter, when security issuers announce their income reclassification for the previous tax year. -The income reclassification process affects income distributions you may have received during the previous tax year. The IRS requires final income reclassification to be reported to you on Form 1099.

Please note: Reclassification is an industry-wide activity. All financial industry firms receive reclassified data from the issuers.

Preliminary 1099 Consolidated Tax Statement: What is it and what do I need to know?

A preliminary 1099 Consolidated Tax Form Statement is an advanced DRAFT copy of your 1099 tax forms. The draft form should NOT be considered final and should NOT be used for the purpose of filing tax returns with the IRS or with any state or other regulatory authority. All pages of the document are for your information only and may assist you with tax preparation. A preliminary 1099 Consolidated Tax form statement will be available on Account View or through your financial advisor. Please be aware that these documents will not be mailed.

Year-End Checklist for Clients for Tax Season 2020

To prepare for tax season, here are a few things you will need to keep in mind. Should any of these circumstances apply to you, please notify your advisor to discuss your account.

- Federal and State Voluntary Withholding** – If you have had a change of address in 2019, you must notify your advisor by December 13, 2019 to ensure that withholding amounts can be corrected within the same tax year. It's recommended that you review your account transactions regularly with your advisor to verify that withholdings on distributions have been properly applied.

LPL is not able to reverse or apply any federal or state withholdings in 2020 on distributions that occurred in 2019 for Individual Retirement Arrangement (IRA) and Qualified Retirement Plan (QRP) accounts. Federal and state withholdings will be reported in boxes 4 and 12, respectively, on IRS Form 1099-R, and these tax payments may be claimed as dollar-for-dollar credits on your tax returns.

- Required Minimum Distribution** – You are required by the Internal Revenue Service (IRS) to take a required minimum distribution (RMD) by April 1 of the year following the calendar year in which you reach age 70½ and by December 31 each subsequent year thereafter from your retirement accounts. The first year following the year you reach age 70½ you will generally have two required distribution dates: an April 1 withdrawal (for the year you turn 70½), and an additional withdrawal by year end (for the year following the year you turn 70½). To avoid having both of these amounts included in your income for the same year, you can make your first withdrawal by year end of the year you turn 70½ instead of waiting until April 1 of the following year. If you're already meeting your RMD requirements elsewhere and therefore do not need to take a distribution from LPL, the IRS still requires that LPL furnish this information. If you need to make an RMD, please contact your financial advisor to help you request this distribution.

RMDs generally are determined by dividing the prior year-end IRA balance by the life expectancy factor (or distribution period), as defined in IRS tables. RMDs during your lifetime are based on a distribution period that can be determined using the Uniform Lifetime Table and your age. The distribution period is not affected by your beneficiary's age unless your sole beneficiary (for the entire year) is your spouse who is more than 10 years younger than you. If these assumptions are not accurate, please contact your financial advisor for a new RMD calculation.

Please note: If your IRA is holding assets in which the values are not readily ascertainable on an established exchange or generally recognized market, your ability to rely upon the year-end account balance as a basis for computing the required minimum distribution relating to your IRA will depend upon such balance reflecting the fair market value of such assets. Please review the value shown for any such asset on your year-end account statement and provide any other valuation information you may have for such asset to your financial advisor so that a new RMD calculation can be made. [Please note that neither LPL nor the custodian of your IRA is responsible for any loss resulting from the valuation of any such asset.]

- Gifting** – Charitable giving is one way you can positively impact your current tax position. You may gift shares from an LPL account to a third party as a charitable donation using the F172 form. To facilitate a year-end gifting request, please contact your advisor. LPL must receive signed instructions from you no later than December 13, 2019, to ensure that the gifting of shares takes place and settles in the desired account by year-end. Any requests received after December 13, 2019, will be processed on a best-efforts basis. To facilitate a year-end gifting request in a retirement account the CM105 form is required.
- Roth Conversions** – You may want to contact your advisor before the end of the year to discuss the details of converting your existing IRAs to a Roth IRA. You're likely aware of the benefits of Roth IRAs: tax-free

withdrawals in retirement, no required minimum distributions, and the option to leave an income-tax-free legacy to the next generation. To process requests by December 31, 2019, we must receive completed request forms by December 13, 2019. Any requests received after December 13, 2019 will be processed on a best-efforts basis. Due to the Tax Cuts and Jobs Act, a Roth Conversion is irrevocable. What this means is that Roth IRA conversions can no longer be recharacterized. Once you convert you cannot revert the money back to your Traditional IRA.

*Traditional IRA account owners should consider the tax ramifications, age and income restrictions in regards to executing a conversion from a Traditional IRA to a Roth IRA. The converted amount is generally subject to income taxation.

- Cost Basis** - Your cost basis must be adjusted for certain events such as: corporate action, wash sale, return of capital, liquidating distribution, OID accrual, partnership distribution, undistributed capital gain, bond premium amortization, market discount accrual, dividends effective for prior year (i.e. mutual funds), etc.

Also, if you have any securities transferring from another firm, please be sure to have the cost basis transferred before December 13, 2019. Please contact your financial advisor if you have any questions

Finally, please keep in mind that any fixed income elections for the upcoming year (2020) must be made by close of business on December 13, 2019. This may affect tax reporting for fixed income on the 1099-INT. Please contact your financial advisor if you have any questions.

2019 Year-End Deadlines for Clients

2019 Deadline	Method	Description
See Description	Premier Check Writing Distributions	Retirement account distributions taken through the LPL Premier Check Writing program are reported for the tax year that the check is cashed (not the year that check is written).
November 8	In-Kind Distributions of Equities	To withdraw equity positions from a retirement account to be held in direct registration at the transfer agent in an individual name, a distribution request form (CM102) is required. Note: The timeframe can range between 2- 6 weeks to re- register securities to an individual name.
December 6	Plan establishment through Ascensus	For users of the prototype document service, plan establishment paperwork for the current calendar year must be submitted.
December 13	Cash Distributions/ Roth Conversions/ In-Kind Journals	Processing of a 2019 reportable retirement account cash distribution or in-kind journal (including Roth conversion).
December 13	Charitable Giving or Educational or other Gifting Through DTC	A distribution request form (CM105) is required to ensure completion of DTC requests. Note: Cash, fractional share positions, and mutual funds are not DTC-eligible. Any requests received after this date will be processed on a best-effort basis.
December 13	Federal and State Withholding	Unable to reverse or apply any federal or state withholdings in 2020 to any distributions that occurred in 2019 for individual retirement arrangement (IRA) and qualified retirement plan (QRP) accounts.
December 13	Charitable Giving or Educational or other Gifting Through ACAT	An Outgoing Partial Transfer/Gifting form (F172) is required to ensure completion of ACAT requests. Note: Any requests received after this date will be processed on a best-effort basis.
December 20	Disposition request for a Worthless Security Position (receipt of deposit)	To request a receipt of deposit for a security that no longer has a transfer agent, a Disposition Request form (F5) must be received by the Custody department by this date.
1 p.m. PT on December 31	IRA Distribution	In order for 2019 IRA distributions to be included in 2019 tax reporting, all distributions must be made by 1 p.m. PT on December 31.

December 31	Backup Withholding	Submit either an IRS Form W-8/W-9 or an account application prior to this date to satisfy your' IRS W-8/W-9 certification requirement and avoid backup withholding on payments. In 2020, LPL will be unable to reverse backup withholding on transactions that occurred in 2019.
December 31	Required Minimum Distribution	<p>Clients who are 70 ½ years of age or older are required by the IRS to take a required minimum distribution (RMD) from their retirement accounts:</p> <ul style="list-style-type: none"> • If you turned 70 ½ in 2019, the required beginning date for their first RMD is April 1, 2020. • For each year following, the RMD must be taken by the end of the year.
December 31	Trade Settlement and Adjustments	To be reported in 2019 tax forms, trades must trade by this date.
December 31	Courtesy 1099	Submit courtesy requests for non-reportable accounts that have not been set up yet
December 31	Qualified Plan Establishment	New 401(k)/Profit Sharing Plan documents must be adopted by December 31 to be effective for the 2019 plan year.

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