2022/2023 TAX SEASON GUIDE

Investor Edition

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.

LPL Financial

INTRODUCTION

To ease some of the burdens of tax season, we've created this helpful guide, which contains all the information you may need to easily address tax issues and questions that you might face. It will assist you in becoming familiar with important dates, deadlines, challenges, and opportunities that may arise during tax season.

Of course, if you have additional questions about anything included in this guide, we're just a phone call away.

We look forward to working with you this tax season!

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Weekly 1099-Consolidated Tax Statement Mailing

1099 Consolidated Tax Statements are mailed weekly in order to meet all IRS deadlines, reduce errors, and reduce the need to mail corrected versions. **Keep this chart handy to see when your final forms for tax year 2022 will be ready.**

Form Name	Mailing Dates	What's Reported
Consolidated 1099 Tax Statement	**January 20 & 27** Accounts with the simplest tax information and not subject to income reclassification. **February 3, 10, 17 & 24** Accounts holding more complex securities, for which issuers provided final tax information after January 28. **March 3, 10 & 17** Accounts where security issuers did not furnish tax information to LPL Financial in time for the anticipated February mailing deadline.	All reportable income and transactions for the year. Depending on your account activity, your 1099 may include: Form 1099-B, Form 1099-DIV, Form 1099-INT, Form 1099-MISC, and Form 1099-OID.
Form 1099-R/Q	**January 20**	Distributions from qualified retirement plans (for example, individual 401[k], profit-sharing, and money-purchase plans), or any IRAs or IRA recharacterizations.
Preliminary 1099 Consolidated Tax Statement	**February 17**	An advanced draft copy of your 1099-Consolidated tax forms. Includes accounts that won't receive a final 1099 Consolidated Tax Statement until all income data is finalized.
Form 5498 IRA	**February 24 & May 31**	Contributions (including rollover contributions) to any IRA.
IRS Tax Filing or Extension Request Deadline	**April 18**	The filing deadline to submit 2022 tax returns or an extension to file and pay tax owed for most taxpayers.
Schedule K-1/Form 1065 Partner's Share of Income, Deductions, Credits, etc.	**LPL Financial does not provide this form.**	Distributions from partnership securities; your partnership administrator should mail your K-1 by April 15. Please note: While the K-1 form itself accounts for distributions or other items being passed through to the partners, proceeds from the sale of partnership units are reported on the 1099-B section of your consolidated 1099.

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TAX SEASON AT-A-GLANCE

2023 Tax Statement Correction Mailing Schedule (For 2022 tax Year)

Week Of	Correction Run Cycle
3/3/2023	1st correction cycle
3/10/2023	2nd correction cycle
3/17/2023	3rd correction cycle
3/24/2023	4th correction cycle
3/31/2023	5th correction cycle
4/7/2023	6th correction cycle
7/14/2023	7th correction cycle
10/6/2023	8th correction cycle

Corrected Forms

Even with our weekly mailing schedule, further delayed reporting and reclassification can sometimes occur, resulting in clients receiving corrected 1099 forms. Some examples include:

- Mutual funds revise their financials to include the amount of gross-ups for foreign withholding, tax-exempt payments subject to alternative minimum tax, and the portion of the distributions derived from U.S. Treasury obligations.
- After year-end auditing, real estate investment trusts determine depreciation and other deductions reduce earnings so that distributions are changed from income to return of capital
- Any corrections to cost basis

Because brokers are required by the IRS to amend any 1099 tax form that has an adjustment greater than $100, your client may receive an amended 1099 tax form after March 16. An income reclassification announcement could prompt an amended 1099 at any point during the year. However, income reclassification events typically occur less frequently after March.

If you need to file an amended tax return, it's recommended you discuss the situation with your tax advisor prior to refiling so they can determine the best course of action based on your individual circumstances.

If you need to request a corrected tax form, please contact your financial professional.

Income Reclassification

What is income reclassification?

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.

When does income reclassification occur?

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.

How does income reclassification Impact my tax statements?

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.

Example: An investor receives a $200 distribution from XYZ Fund on July 1. At the time of the distribution, XYZ Fund characterizes the distribution as a nonqualified dividend. After the end of the year, XYZ Fund announces that the distribution is actually composed of 50% qualified dividend and 50% return of capital; and, your 1099 is amended to reflect the current tax characterization of the distribution.

Which investment types are likely to reclassify each year?

Registered investment companies (RICs), commonly referred to as mutual funds and REITs, are pass-through vehicles for tax reporting purposes. As such, the tax character of distributions made by these investments is more likely to change at the conclusion of the year than, for example, an equity that pays dividends from current or retained earnings. Additionally, mutual funds must determine the amount of gross-ups for foreign with tax-exempt payments subject to alternative minimum tax, and the portion of the distributions derived from U.S. Treasury obligations.

The table below provides an explanation of why certain investments are more likely to experience income reclassifications and the tax statements that may be impacted. The investment types are listed in the order most likely to receive corrected tax statements due to reclassification.

Income Reclassification

Type of Investment	Reason(s) for Reclassification	Potentially Affected Tax Statements
Unit Investment Trusts (UITs) ▪ Registered Investment Companies (RICs) ▪ Grantor Trusts	**Note**: For UITs taxed as RICs, see “Mutual Fund” information on the next page. The following applies to UITs taxed as Grantor Trusts. LPL receives additional information from the trust regarding: ▪ Fees and expenses paid by the trust and passed to unit holders ▪ Spillover dividend adjustments ▪ Income and/or principal received by the trust and distributed to unit holders may be reclassified as qualified dividend income, return of capital, long- or short-term capital gain, original issue discount, and interest	1099 Consolidated Tax Statement (includes 1099-B and DIV)
Non-Traded Real Estate Investment Trusts (REITs)	Reclassification occurs due to adjustments for the following reasons: ▪ Depreciation ▪ Gain or loss on sale of property Depreciation is a tax deduction available to a taxpayer who owns real estate. It is an annual allowance for the wear and tear, deterioration, or obsolescence of the property, which allows a taxpayer to recover cost or other basis of certain property. Depreciation (or other deductions) may reduce the earnings and profits so much that the REIT may not have sufficient earnings and profits to cover the distributions that have been made to shareholder throughout the year by the REIT. These amounts that have been paid out would be reclassified as return of capital.	1099 Consolidated Tax Statement (includes 1099-B and DIV)
Commodity Trusts Widely Held Fixed Investment Trusts (WHFITs)	Additional information is received from issuers regarding taxable activity and fees within the investments that are passed through to the investors. **Note**: Commodities trusts investing in precious metals may generate capital gains taxed at a special “collectibles” rate (currently 28%), and may reclassify income to (or from) collectibles gain.	1099 Consolidated Tax Statement (includes 1099-B, DIV, and INT)

Income Reclassification *(continued)*

Type of Investment	Reason(s) for Reclassification	Potentially Affected Tax Statements
Mutual Funds	**Note:** Mutual funds invested in municipal tax-exempt bonds and real estate or REITs are the most likely to receive updated tax reporting. ▪ A mutual fund pays out most or all of its earnings each year and does not have current or accumulated earnings available to support dividend payments ▪ Holdings within a mutual fund make adjustments ▪ Individual securities may provide updated income reclassification information (see "Individual Stock" below) ▪ Tax-exempt municipal bond funds update information due to the accounting/tax treatment of market discount (income reclassified from tax-exempt to taxable, or vice versa) ▪ Mutual funds invested in REITs (i.e., Columbia Real Estate Equity Fund) may be affected because the REITs it holds make adjustments (see "REITs" above)	1099 Consolidated Tax Statement (includes 1099-B and DIV)
Individual Stock	Companies that issue stock may make distributions to shareholders during the year ▪ Distributions are treated as dividends to the extent of the corporation's earnings and profits, and are treated as a return of capital to the extent that the distribution exceeds earnings and profits **Dividends** ▪ Reported on Form 1099-DIV ▪ Most are qualified (taxed at long-term capital gains rates), but some are nonqualified (taxed at ordinary income rates) May be paid from current or accumulated earnings and profits If the companies that issue stock determine they do not have enough earnings/profits to cover the distributions during the year, dividend payments may be fully or partially reclassified as return of capital (generally non-taxable)	1099 Consolidated Tax Statement (includes 1099-B and DIV)

All Mortgage-Backed Income Reporting (AMBIR) Information

For tax year 2022, AMBIR reporting will be included within the 1099 Consolidated Tax Statement.

REMICs and mortgage pools have a reporting deadline of March 15. As a result, to capture correct data on the original 1099 Consolidated Tax Statement and to minimize the number of corrected forms you receive, we'll extend the mailing date of original 1099 Consolidate Tax Statements until March 17 for clients who hold particular types of investments.

If you invested in any of the securities listed below, the original 1099 Consolidated Tax Statement will be mailed by March 17, 2023.

- Unit investment trusts organized as grantor trusts
- Royalty trusts
- Commodity trusts
- Holding company depositary receipt trusts
- Mortgage-backed pass-through pools

Filing Extensions

How to know if you should file an extension

It's always a good idea for you to maintain an open line of communication with your financial professional and your tax advisor throughout the year in order to ensure the best tax strategy and outcomes for you. This dialogue will help us decide if filing an extension is the best course of action. There are many reasons why filing an extension might make sense for you. For example, the volume of data or complexity of certain transactions inside or outside your account may require additional time to address. Also, if you're expecting to receive your 1099 in the third or fourth mailing wave in March, it may be reasonable to consider filing an extension to allow sufficient time for your tax advisor to accurately complete your tax return forms. LPL Financial does not have a method to verify in advance which mailing wave your account(s) will fall under.

What filing an extension accomplishes

Filing an extension grants additional time (six months) to submit a complete and accurate tax return. However, you'll still need to estimate whether you'll owe any taxes and pay that estimated balance by April 15. Extending the return allows you and your tax advisor more time to prepare and ensure filing of an accurate tax return. In many cases, you may still be waiting for additional information, such as your Schedule K-1 or corrected 1099s, to complete your tax return.

Benefits of extending a tax return

Filing an extension allows additional time to file returns without penalty when you're waiting for missing information or tax documents (such as corrected 1099s).

Please remember: An extension provides additional time to file, but not additional time to pay. Penalties may be assessed if sufficient payment is not remitted with the extension. It's often less expensive (and easier) to file an extension rather than rushing to meet the deadline and having to amend the tax return later.

Extensions and Audits

Extending will not increase the likelihood of being audited by the IRS. It's better to file an extension rather than to file a return that's incomplete or doesn't give you adequate time to review carefully before signing.

Should I do anything differently if I'm filing an extension?

No; you should give your tax advisor whatever information you have as early as possible or as soon as it becomes available. You should expect to pay any anticipated taxes owed by April 18.

If you're required to make quarterly estimated tax payments, your first quarter estimated tax payment is still due April 18. Your tax advisor may recommend that you pay the balance due for last year and your first quarter estimated tax payment for this year with the extension.

If you're anticipating a large refund, your tax advisor will likely try to get the extended return done as soon as possible once all tax information is available. Your tax advisor may also want to discuss tax planning opportunities with you so that in future years, you don't give the IRS an interest-free loan!

For more information on filing extensions, please visit www.irs.gov

FREQUENTLY ASKED QUESTIONS

Preliminary Tax Statement

What is a Preliminary 1099-Consolidated Tax Information Statement?
A preliminary 1099-Consolidated Tax Information Statement is an advanced draft copy of your 1099-Consolidated tax forms.

Can I use the preliminary 1099-Consolidated Tax Information Statement to file my taxes?
No; this 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 this document are for informational purposes only and may assist you with tax preparation.

Even though this is a preliminary 1099C Consolidated Tax Statement, is this information final?
No; your 1099 Tax Information Statement is not finalized because your account holds certain securities that are subject to income reclassification and/or subject to special reporting requirements.

Before your statement can be finalized, additional tax reporting information is required from these securities and has not yet been provided by the issuers of these securities.

When will the preliminary 1099C Consolidated Tax Statement be available?
The advanced preliminary draft copy of your 1099C tax form will be available on Account View on February 17.

If I received a preliminary 1099C Consolidated Tax Statement, when will I receive the original tax form?
You will receive your original tax forms between February 24 and March 17.

Will the preliminary 1099C Consolidated Tax Statement be mailed?
No, the preliminary 1099C Consolidated Tax Statement will not be mailed.

Will the preliminary 1099C tax form be viewable on a 3rd party tax accounting site? No, the preliminary 1099C Consolidated Tax Statement will not be viewable on 3rd party tax accounting site.

Will I receive a preliminary tax statement for any other tax forms?
No, preliminary tax statements are ONLY available for 1099C Consolidated Tax Statement.

How will I know which document is the preliminary 1099C Consolidated Tax Statement in AccountView?
The preliminary tax statements will be watermarked with the message “Preliminary- Do not use for tax return.”

FREQUENTLY ASKED QUESTIONS

Tax Season

Why did I receive a 1099 Consolidated Tax Statement this year?
You received a 1099 this year because you received more than $10 in taxable income this year in the form of dividend income, interest income, or proceeds from share sales income.

Didn't I previously receive my 1099-C forms at the end of January? Why did it change?
In the fall of 2008, the IRS recognized there wasn't sufficient time to make the necessary changes, verify the data, print the forms, and mail them by January 31, so the IRS filing deadline was changed from January 31 to February 15. Additionally, many brokers, including LPL also request a 30-day filing extension which extends the filing date to March 15. However, for clients with the simplest holdings, LPL Financial will mail your 1099 Consolidated Tax Statement shortly after data is finalized, often before March 15

Can I download my tax data to TurboTax®?
You'll need to have an active Account View profile to upload your tax data into TurboTax®.

Forms will be available for download once all of the forms for your account(s) are available. We recommend you wait to download your tax forms until you've received your tax statements in the mail in order to compare the data and ensure the TurboTax® download is complete and accurate.

For technical questions, please contact Intuit TurboTax® or visit http://turbotax.intuit.com/support/.

Will I be able to import the cost basis information from the Realized Gains and Losses statement from Account View into TurboTax®?
No. The cost basis data is imported into TurboTax® from your 1099 Consolidated tax statement. To ensure accuracy, compare the data imported into TurboTax® to data shown on your 1099 Consolidated Tax Statement.

REQUIRED MINIMUM DISTRIBUTIONS

Helpful Information

Required minimum distributions (RMDs) are minimum amounts a retirement plan account owner must withdraw annually starting with the year they reache age 72; or later for employer-sponsored plans where participants are allowed to defer RMDs until the year in which the participant retires or separates from service.

Important information regarding required minimum distributions from your IRA Required minimum distributions (RMDs) are mandatory annual withdrawals that must be taken from your traditional, SEP, or SIMPLE Individual Retirement Account (IRA). Due to tax law changes contained in the SECURE Act which became effective on January 1, 2020, if you reach age 70 ½ in 2020 or later, you are required by the Internal Revenue Service (IRS) to begin taking RMDs by April 1 of the year after you turn age 72. Subsequent RMDs must be taken by December 31 of each year. If you are already meeting your RMD requirement elsewhere, you do not need to take a distribution from your LPL IRA.

Are there deadlines for taking your RMD each year?

You must satisfy your RMD by December 31 of each year. There's an IRS provision that applies to the first year in which you must take out a RMD, where the IRS provides you with the option to defer your first RMD to be taken by April 1 of the following year.

For example, you turned age 72 in 2022 and are now required by the IRS to take a RMD. You have the option of deferring your first RMD until April 1 of 2023 instead of taking it by December 31 of 2022. Please note that if you choose to postpone your first RMD withdrawal to April 1 of the following year, you will have to take out a second RMD by December 31. This would mean that you are taking two RMD withdrawals within the same tax year, which could potentially cause a taxable issue for you. We recommend that you consult with a tax professional before implementing this strategy.

How much do I need to take out of my IRA?

Your RMD is calculated by dividing the market value of your IRA as of December 31 of the prior year by your life expectancy factor taken from the IRS's Uniform Lifetime Table. If you have multiple IRAs, you must calculate your RMD separately for each one, but you may combine your RMD amounts and take a distribution from one IRA or across several IRA accounts (excluding inherited IRAs). Your quarterly statements from LPL include a section specific to your RMD to help you track your year - to - date distributions. We encourage you to meet with your financial professional or tax advisor to evaluate your individual situation and help you make an informed decision about your IRAs and your RMDs.

What action is required on my part?

We cannot make distributions from your IRA without specific directions from you. If you don't take your RMD in a timely manner, you may be subject to a 50% penalty assessed by the IRS on the amount you should have withdrawn. Please speak to your financial professional about your RMD and withdrawal options.

REQUIRED MINIMUM DISTRIBUTIONS

How do I request my RMD?

If you have a pre-existing arrangement with your financial professional to meet your RMD, no further action should be required from you. Otherwise, your financial professional can help you determine the best method to meet your specific needs and assist you with setting up your RMD withdrawal.

I'm older than 70½, can I still make a contribution to my IRA?

Due to the tax law changes contained in the SECURE Act which became effective on January 1, 2020, there is no age limit for making regular contributions to a traditional or Roth IRA.

Where can I obtain additional information about RMD requirements?

Your financial professional can provide you with additional information. We also encourage you to discuss your specific needs with your financial professional and tax advisor.

If you have any other questions, please contact your financial professional.

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