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2020/2021 TAX SEASON GUIDE

INVESTOR EDITION

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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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.

TAX SEASON AT-A-GLANCE

Weekly Tax Form Mailings - *New This Year*

Starting in January LPL will issue 1099-Consolidate Tax Statements on a weekly basis. Forms will be available based on finalization of all 2020 information including securities subject to income reclassification or return of capital.

Tax Season Essentials

During the 2021 tax season, in order to meet all IRS deadlines, reduce errors, and reduce the need to mail corrected versions, LPL will be mailing the 1099 Consolidated Tax Statements in weekly phases.

Staggered Mailing Schedule for 1099-C Forms

Week Of	Description
January 22 & 29 - Consolidated 1099 Tax Statement	Includes accounts with the simplest tax information and not subject to income reclassification
February 5, 12, 19 & 26	Accounts holding more complex securities, for which issuers provided final tax information after January 31
February 19 - Preliminary 1099 Consolidated Tax Statement	Draft Copy. Includes accounts that will not receive a final 1099 Consolidated Tax Statement until all income data is finalized
March 5 & 12	Includes tax information that investment companies did not furnish to LPL Financial, the broker of record, in time for the February 19 mailing deadline, such as: Accounts holding securities that may be subject to income reclassification Accounts holding securities that provide mortgage-backed income reporting information (AMBIR)

Important Dates and Deadlines

Mail Date	Description
January 22 & 29	First wave of 1099 Consolidated Forms mailing
January 29	1099-R Form Mailing
February 5, 12, 19, 26	1099-Consolidated Form Mailing
February 19	Preliminary 1099 Consolidated Tax Statement (AccountView only)
March 5 & 12	1099-Consolidated Form Mailing
April 15	IRS tax-filing or extension request deadline
October 15	IRS extension tax-filing deadline

2021 Tax Statement Correction Mailing Schedule

Correction Run Cycle	Week Of
1st Correction Run	3/5/2021
2nd Correction Run	3/12/2021
3rd Correction Run	3/19/2021
4th Correction Run	3/26/2021
5th Correction Run	4/2/2021
6th Correction Run	4/9/2021
7th Correction Run	7/9/2021
8th Correction Run	10/8/2021

TAX SEASON 2021

Income Reclassification

Investment Types Most Likely to Reclassify Each Year

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.

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.

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

<table>
<tr><th>Type of Investment</th><th>Reason(s) for Reclassification</th><th>Tax Statements Which are Potentially Affected</th></tr>
<tr><td>Unit Investment Trusts (UITs)
Registered Investment Companies (RICs)
Grantor Trusts</td><td>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-term capital gain or short-term capital gain, original issue discount, and interest</td><td>Form 1099-B
Form 1099-DIV
Form 1099-INT
Form 1099-OID</td></tr>
<tr><td>Non-Traded Real Estate Investment Trusts (REITs)</td><td>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.</td><td>Form 1099-B
Form 1099-DIV</td></tr>
<tr><td>Commodity Trusts

Widely Held Fixed Investment Trusts (WHFITs)</td><td>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.</td><td></td></tr>
</table>

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)	Form 1099-B Form 1099-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)	Form 1099-B Form 1099-DIV

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, you 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.

All Mortgage-Backed Income Reporting (AMBIR) Information

For tax year 2021, AMBIR reporting will be included within the standard 1099 composite statement.

REMICs and mortgage pools have a reporting deadline of March 15. As a result, to capture correct data on the original 1099 composite statement and to minimize the number of corrected forms you receive, we'll extend the mailing date of original 1099 composite statements until March 12 for clients who hold these particular types of investments.

If you were invested in any of the securities listed below, the original 1099 composite statement will be mailed by March 12, 2021.

- 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 me 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 what 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.

Primary 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). In addition, you may be eligible for additional retirement planning opportunities or additional time to fund certain types of retirement plans, such as a SEP IRA.

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 still should give your tax advisor whatever information you have as early as possible or as soon as it becomes available, and should expect to pay any anticipated taxes owed by April 15.

If you're required to make quarterly estimated tax payments, your first quarter estimated tax payment is still due April 15. 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 https://www.irs.gov/formspubs/ extension-of-time-to-file-your-tax-return.

FREQUENTLY ASKED QUESTIONS

Preliminary Tax Statement

Q: What is a Preliminary 1099-Consolidated Tax Information Statement?

A: A preliminary 1099-Consolidated Tax Information Statement is an advanced draft copy of your 1099-Consolidated tax forms.

Q: Can I use the preliminary 1099-Consolidated Tax Information Statement to file my taxes?

A: 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.

Q: Even though this is a preliminary 1099C tax form, is this information final?

A: 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.

Q: When will the preliminary 1099C tax form be available?

A: The advanced preliminary draft copy of your 1099C tax form will be available on Account View on February 19.

Q: If I received a preliminary 1099C, when will I receive the original tax form?

A: You will receive your original tax forms between February 26 and March 12.

Q: Will the preliminary 1099C tax form be mailed?

A: No, the preliminary 1099C tax form will not be mailed.

Q: Will the preliminary 1099C tax form be viewable on TurboTax?

A: No, the preliminary 1099C tax form will not be viewable on TurboTax.

Q: Will I receive a preliminary tax statement for any other tax forms?

A: No, preliminary tax statements are ONLY available for 1099-Consolidated.

Q: How will I know which document is the preliminary 1099C tax form in AccountView?

A: The preliminary form will be watermarked with the message "Preliminary- Do not use for tax return."

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.

Tax Season

Q: Why did I receive a 1099 this year?

A: 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
- Proceeds from share sales income

Q: Didn't I previously receive my 1099-C forms at the end of January? Why did it change?

A: In the fall of 2008, the IRS recognized that there was not sufficient time to make the necessary changes in January, verify the data, print the forms, and mail them by January 31, so it changed the deadline from January 31 to February 15. However, for clients with the simplest holdings, the IRS still wants to mail as early as possible, so those forms are mailed January 31.

Q: Can I download my tax data to TurboTax®?

A: 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/.

Q: Will I be able to import the cost basis information from the Realized Gains and Losses statement from Account View into TurboTax®?

A: No, but the cost basis will be automatically imported from the 1099 consolidated form. You should refer to your mailed hard-copy statements for accuracy.

APPENDIX

Helpful Information and Tables

Required Minimum Distributions (RMDs) generally are minimum amounts a retirement plan account owner must withdraw annually starting with the year he or she reaches 72 (70½ if you reach 70½ before January 1, 2020); if later, the year in which he or she retires.

The CARES Act temporarily waives RMDs for all types of retirement plans (including IRAs, 401(k)s, 403(b)s, 457(b)s, and inherited IRA plans) for the calendar year 2020. This includes the first RMD, which individuals may have delayed from 2019 until April 1, 2020.

Retirement Plan and IRA Required Minimum Distributions FAQs

RMD Life Expectancy Tables

Mailings or Statement Inserts That You May Receive

Important Information Regarding Required Minimum Distributions from Your IRA

Required minimum distributions are mandatory annual withdrawals that must be taken from your Traditional, SEP, or SIMPLE Individual Retirement Account. These distributions start the year in which you turn 72 (70½ if you reach 70½ before January 1, 2020). There is a required minimum distribution (RMD) amount you will be required to withdraw in order to avoid IRS penalties; however, you can always take more than your RMD amount.

Are there deadlines for taking a RMD each year?

You must withdraw at least the required minimum distribution amount by December 31 each year. There is an exception that applies the year you turn 72 (70½ if you reach 70½ before January 1, 2020), in which the IRS allows you the option to defer your RMD to be taken by April 1st of the following year. However, if you choose to postpone your first RMD withdrawal to the following tax year, you will still be required to take the current year's RMD by December 31. This would mean that you are taking two payments within the same tax year.

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

Your RMD is calculated by dividing the market value of your retirement account as of December 31 of the prior year by your life expectancy factor taken from the Uniform Lifetime Table. If you have multiple IRAs, you must calculate your RMD separately for each one, but you may combine your distribution amount and take from one IRA or across several accounts (excluding inherited IRAs).Your month-end statements from LPL include a section specific to your RMD to help you track 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 IRA(s) and your RMD(s).

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.

How do I request my RMD?

If you have a preexisting 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 am older than 70½, can I still make a contribution to my IRA?

Beginning with tax year 2020 and later, there is no age limit on making regular contributions to traditional or Roth IRAs.

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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