

# GETTING READY FOR YEAR-END & THE 2017 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. Below are some of the important information and tools you will need 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 2017 tax season, in order to meet all IRS deadlines, reduce errors, and reduce the need to mail corrected versions, the 1099 Consolidated Statements will be mailed in four phases.

2017 Deadlines	Description
<b>January 31</b>	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>
<b>February 15</b>	Second Wave of 1099 Consolidated Forms Mailing - <i>Includes accounts holding securities that may be subject to income reclassification</i>
<b>March 1</b>	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 15 mailing deadline</i>
<b>March 15</b>	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 15 mailing deadline, and any accounts that hold securities that provide mortgage-backed income reporting information</i>
<b>April 17</b>	IRS Tax Filing or Extension Request Deadline
<b>October 16</b>	IRS Extension Tax Filing Deadline

## 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 tax 1099 tax statement will be mailed between March 1- 15, 2017.

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

Income reclassification (sometimes called income reallocation) refers to changes that security issuer companies (such as outside banks and institutions) make to all or part of previously reported distribution income to some other tax classification. Your annual 1099 tax statements report information received from these outside issuer companies. After issuers complete year-end audit and reporting processes, this information may change, which is referred to as income reclassification. Income reclassification information is then applied to accounts that are impacted by the securities changes and a new 1099 statement is generated and mailed to you in the next correction mailing.

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

## Year-End Checklist for Clients for Tax Season 2017

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 2016, you must notify your advisor by December 30, 2016 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 and state withholding in 2017 on distributions that occurred in 2016 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 each year thereafter from your retirement accounts. 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 the values of which 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 Financial 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. To facilitate a year-end gifting request, please contact your advisor. LPL must receive signed instructions from you no later than December 16, 2016, to ensure that the gifting of shares takes place and settles in the desired account by year-end. Any requests received after December 16, 2016, will be processed on a best-efforts basis
- 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, 2016, we must receive completed request forms by December 15, 2016. Any requests received after December 15, 2016 will be processed on a best-efforts basis.

\*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.