



The Empowered Future Report

Short-term thoughts about long-term matters...

February 6, 2008

Important Tax Notice on LPL 1099s

This notice was sent out late in 2007 but I thought it would be good to remind you given that you may wish to be getting your tax returns done soon.

LPL Financial receives tax reporting information from investment providers and compiles them into a consolidated 1099 Tax Information Statement for each account. Mutual Fund Companies, Real Estate Investment Trusts (REITs) and Unit Investment Trusts (UITs) are pass-through vehicles for tax reporting purposes. After the conclusion of the year, these companies often amend the tax reporting information that was originally provided to LPL Financial on income distributions. In an effort to reduce the number of 1099 corrections, LPL Financial has applied for and has been granted an extended deadline with the Internal Revenue Service (IRS) to mail the 1099 Tax Information Statements. While the extension will not completely eliminate the need for corrections, we anticipate a reduction in the overall forms reissued by 80%. The 1099 Tax Information Statements will be mailed to you by February 15, 2008. This extension will not have an effect on the mailing date for the 1099-R or 1099-Q, which will remain the standard deadline of January 31, 2008.

You may be asking why these companies are taking longer to get their tax reporting information out. It really boils down to the fact that, in recent years, there has been a heavier regulatory burden placed on corporations and their officers to ensure the accuracy of financial reporting. This is viewed by some as a good thing – holding corporate leaders accountable for the actual performance of their organizations. However, this is offset by the increased costs for precision and decreased risk-taking (and consequently lower innovation) that these companies are willing to take. This is also why we run up against this deadline and have the tradeoff of meeting it and

possibly sending corrected 1099s or asking for an extension, hoping the additional time means more accuracy and needing to wait a little longer to get information to tax preparers.

Thank you for your patience in this regard and please call me if you have any questions.

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