

If you have income,

the IRS wants their share. We need to follow their rules on how to track and report it and pay taxes on it.

Your investment club is a partnership and the

tax form you file is called a 1065 form. It is what is called an informational return. Your club does not have to pay taxes directly. All of the income and expenses are divided up between the members and they report and pay taxes on their share on their personal taxes.

Each member


Receives a form called a K-1 so that he knows what amounts he needs to report

On his personal tax forms to

pay taxes on.

Rulebooks
IRS Publication 541

- Unit Based
- Time Based
- Allocations



The rules we use are detailed in different IRS publications.

First, it is partnership based accounting-Described in IRS Publication 541


It's designed to account for distribution of income and expenses to multiple owners

Specifically, it is unit based partnership accounting. Member percent ownership is tracked using "shares" of total club ownership

It uses time based allocations of income and expenses to members. They are distributed as the transactions occur, based on ownership percentages at the time they happen.

Rulebooks
IRS Publication 550

- Stocks
- Mutual Funds
- ETF's



It is tracking Investment Income and Expenses-(described in IRS publication 550) ,not "club" or business income and expenses. It might help if you think of it as Club Investment Accounting rather than Investment club accounting.

It's only designed to track and prepare taxes for certain types of investments.

Stocks


Mututal Funds

ETF's

Not REITS or Limited Partnerships

Rulebooks
IRS Instructions

- Form 1065
- Form K-1



Finally, of course we also have to comply with the instructions for filling in the forms you file. The 1065 and the K-1 forms

**What Kind of
Income and
Expenses Does
your Club
Have?**

- Interest
- Dividends
- Capital gains and losses from stock sales
- Investment expenses
 - Publication 550

Your club will have this kind of Income that you will be taxed on.

Interest

Dividends

Capital Gains and losses from stock sales

And Investment Expenses

Expenses involved with producing Investment income as defined in IRS Publication 550

**Who has
to file?**



Who has to file?

You do. If you have an EIN number you need to file club taxes. It does not matter how long your club has been in existence or how much income you have had.

A long time ago, BetterInvesting erroneously told clubs they did not have to file taxes. That was also rescinded a long time ago.

When?

- Taxes Due-April 18
- 1099's-February 17
- K-1's to members
- Penalty for filing too soon
 - Amended returns
 - Club
 - All club members
- Penalty for late filing
\$195 x months x members

The time line you will be working with involves these dates:

This year, you actually have until April 18 to get your club taxes filed.

Your taxes will need to agree with the 1099 forms which are sent by the financial institutions to the IRS to report your income. Financial institutions have until February 17 to get these to you.

Your members cannot complete their own personal taxes until you have given them their K-1's. You probably want to get them to them as soon as you can verify your records and prepare your forms

Because you can't finalize anything until you have the 1099's, a reasonable date to tell them they'll have their forms is March 1. While you do have until April 18 to file your club taxes, we don't suggest that you do that or you might have a lot of angry club members.

However, you don't want to file or distribute tax forms too soon. You need to wait for 1099's and verify your club records before you prepare anything. One of the penalties for filing incorrect taxes is that you might have to do it all over again and

File an amended return

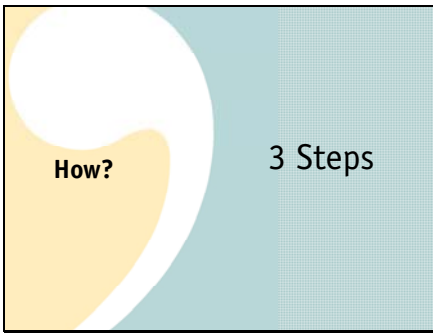
Both your club and

each of your members

Of course, if you file late or not at all or you file forms with missing or incorrect information on them, the penalty is

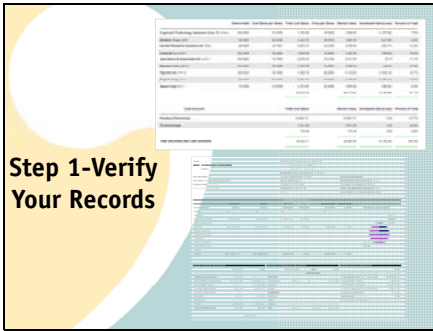
\$195 for each month or part of a month (for a maximum of 12 months) the failure continues, multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year for which the return is due

Investment club members need to understand that being in a partnership means their tax life has become a bit more complicated. Partnerships have to wait for information from other people to prepare the forms they need to prepare their own forms. If things back up down the line, the partnership information will take longer to come out.



The good news is

There are really only 3 steps to doing your taxes. I'm going to give you a brief overview of them and then we'll go into more detail about what you'll be doing.



The first step involves comparing your

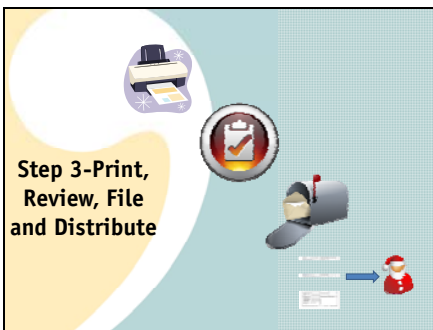
bivio records with your

Brokerage records to make sure your bivio records are accurate.



Once you know your records are accurate,

you will complete a tax "interview". This is a brief series of questions that need to be answered to finalize and confirm the information that will be entered on your tax forms. The tax interview is part of your bivio subscription and is available for you to use in February. You do not want to take it until you have finalized verifying the accuracy of your records.



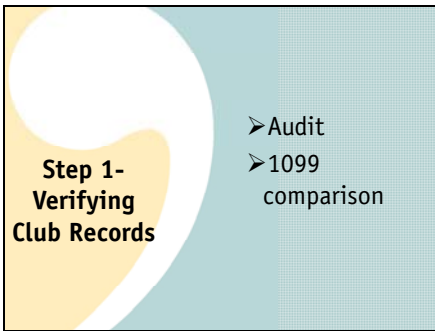
When the tax interview is completed, your forms will be filled in.

All you need to do is print them,

review them,

Send them in to the IRS and

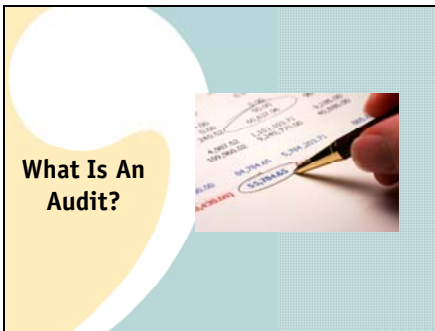
distribute each members K-1 to him or her. You can either give them a hard copy or make them available online when they login to bivio using their account.



We're going to discuss the first step in preparing your taxes the most. Verifying your records is critical. If your records are not correct, your taxes will not be correct. There are two parts to ensuring the information which will be reported on your taxes is accurate.

The first is auditing your records.

The second is making any adjustments required by the 1099 forms you will receive.



An audit is an independent comparison of your club records to your financial institution records. It is conducted by club members other than the treasurer. Any discrepancies are noted and then, at the end of the audit, discussed with the treasurer to make any necessary corrections.

What Your Audit Confirms

- 1) Correct opening balances
- 2) Correct closing balances
- 3) Income received
- 4) Expenses correct
- 5) Stock transactions
- 6) Member contributions
- 7) Withdrawals

Going through the audit steps will confirm the following things:

Cash balances and number of shares of stock –correct as of start of tax year

Cash balances and number of shares of stock-correct as of end of tax year

All income received has been recorded correctly

All expenses have been recorded correctly

Details of stock transactions are entered correctly so capital gains and losses can be calculated correctly

Member contributions have been recorded correctly so each members ownership percentage is being tracked correctly. This also determines how taxable income and expenses are allocated to them.

Withdrawals have been entered correctly so correct taxes are paid by the withdrawing member and the other club members

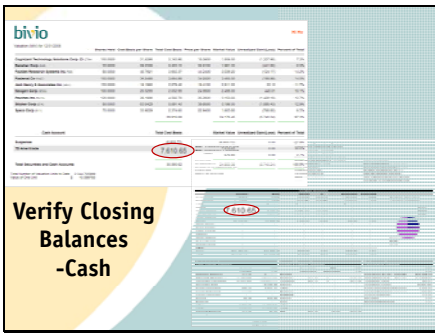
Audit Form

Doing an audit and verifying your bivio records is the major part of doing your club taxes.

We have prepared a form you can use to guide you through the seven steps I just outlined. It is the entire subject of another presentation so we will not go into further details here.

During tax season, you can find a link to the form you will use to conduct an audit

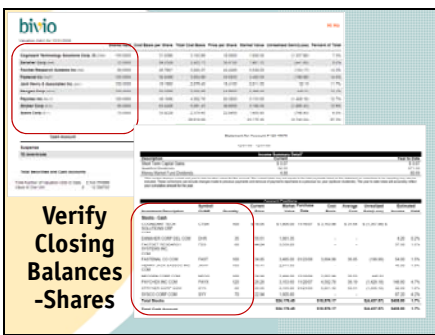
posted on the Club Café page.



I do want to highlight Step 2 of the audit because it contains two critical checks that will quickly tell you whether you are ready to prepare your taxes. This is to verify that your closing balances are correct in bivio.

You do this using a bivio valuation report and your end of year brokerage statement.

First, check that the cash balance shown in bivio as of the end of the year agrees exactly with the balance shown on your end of year brokerage statement.

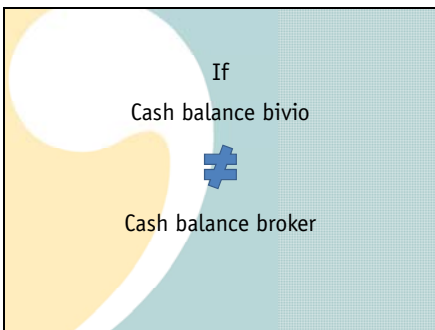


Then, you compare the numbers of shares of each stock you own. First on the valuation statement

then on the brokerage statement

The bivio account should show exactly the same number of shares, that the brokerage account does.

A One Minute Treasurer has been reconciling their bivio accounts with their brokerage statements each month. They know if the cash balances or number of shares doesn't agree that they only have one month of transactions to compare to find where the discrepancy occurred.

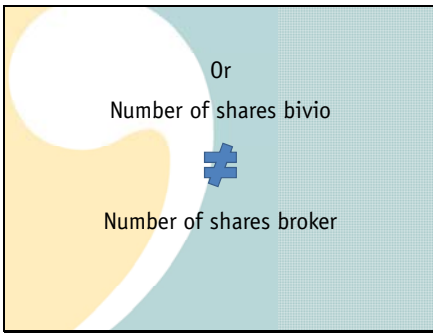


I can't emphasize this step enough. This is a critical step. If the

cash balance in bivio

does not agree with the

cash balance at the broker.

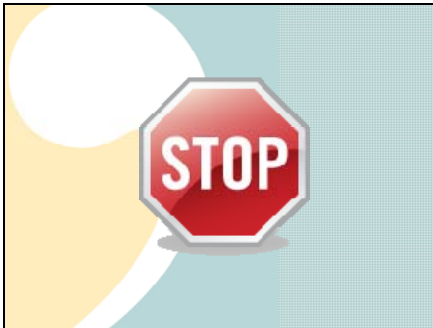


Or,

The number of shares in bivio

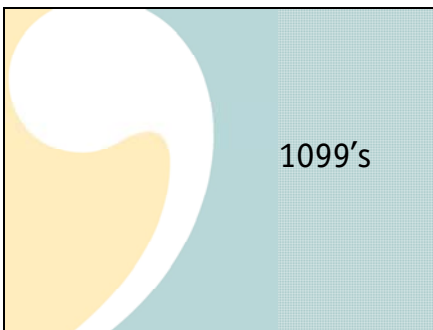
Does not agree

With the number of shares at the broker.

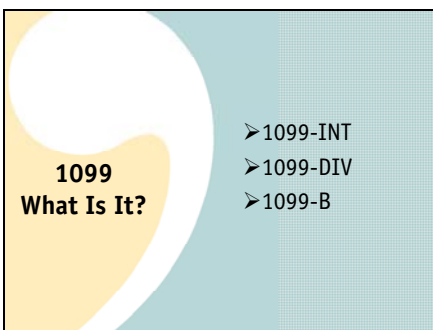


GO NO FURTHER. Stop and find and fix the problem. There is no point in preparing your taxes if your bivio transactions are not correct.

Contact us for support if you don't know what to do. We're a lot friendlier to deal with than the IRS and we're glad to try and help you get your records straightened out.



Once you know your records are correct, There is just one small, final verification you will need to do. That's comparing your records to your 1099's



What is a 1099? A 1099 is a form that your financial institution sends to the IRS telling them how much taxable income you have made during the year.

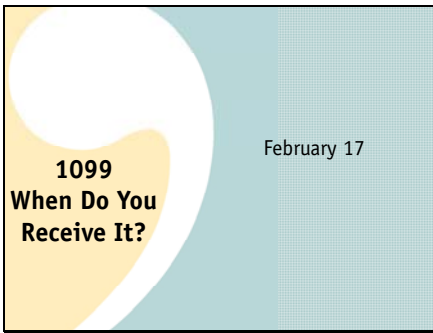
The IRS matches the information with what you report on your tax return.

There are many types of 1099's. Income from your investment activities will probably show up on one of three different types:

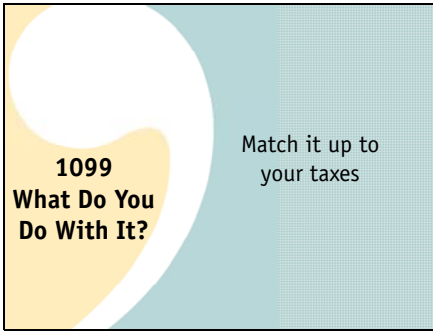
1099 INT

1099 DIV

1099 B



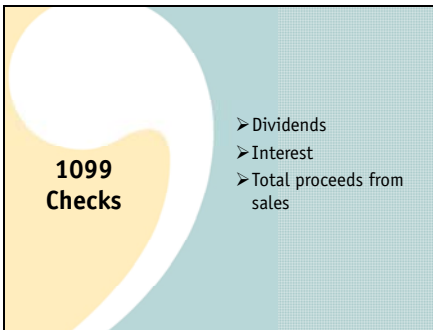
Financial institutions have until Feb 17 to get these to you. You do not want to file your taxes until you've received them and double checked them.



Since the IRS will be matching up the information provided to them on the 1099's with what you report on your taxes, you need to compare your bivio records to them to make sure they agree or you have a valid reason for any disagreements. Brokers do make mistakes on 1099's but if something differs from your bivio records you need to investigate why.

Differences may occur even though you have done an audit and are sure your bivio records are correct. There may be a few small details that you might need to "fine tune" to make sure things match up correctly.

Here are the most common checks and adjustments you might need to make

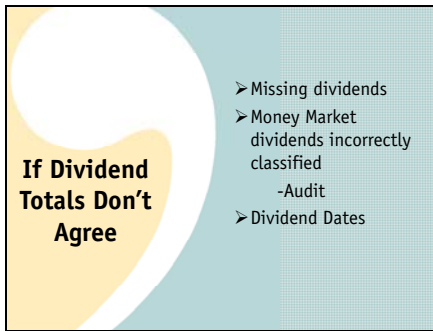


You'll be checking:

Whether the total amount of dividends received agree

Amount of interest received agrees

Total proceeds from sales agrees



If your dividend totals don't agree here are some possible reasons:

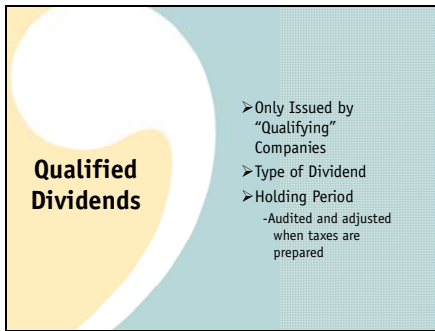
Of course, you may have missed making a dividend entry. If you are doing dividend reinvestments, you still will be reporting each dividend that was reinvested as income so you need to make sure all the entries are there.

We tend to think of distributions from Money market funds where we park our cash as interest but in many cases they are actually dividends. You want to make sure they have been correctly classified in bivio so your taxes will match your 1099 information. If you're using AccountSync, it will do this for you. If they haven't been classified correctly, you will want to edit the entries to make sure they agree with the 1099 information.

Actually any problems in these first two areas should have been picked up when you did your club audit.

Dividend Dates

Sometimes dividends which your broker credits to your account in January are reported to you as previous year dividends. We've recently heard that is the situation with dividends from Becton Dickinson this year. If this happens, you want to go into bivio and change the date from a January date to one at the end of December. It is fine to do this and important so your taxes and your 1099's agree.



Some of your dividends are being referred to as “Qualified” dividends.

This is good. They qualify for a reduced tax rate. They are taxed as lower long-term capital gains rates rather than at ordinary income rates.

There are certain requirements for Qualified Dividends:

Only US and certain foreign companies can issue Qualified Dividends

Only certain types of dividends are qualified. Dividends from Money Market Accounts are usually not. Neither are dividends from REIT’s

Holding period-You need to have owned the stock paying the dividend for more than 60 days during the 121 days that begin 60 days before the ex-dividend date. What is an ex-dividend date? When a dividend is declared by a company they also specify that it will be payed to owners of record as of a certain date. The stock exchanges determine who these are by establishing an “ex-dividend” date. It’s usually 2 business days before the record date. If you buy and own a stock before the ex-dividend date, you get the dividend. If you buy it on or after that date, you don’t.

bivio audits all dividends for qualified status when you complete the tax interview at tax time. Until this check is done, do not worry about whether a dividend is showing in your records as Qualified or not.

Qualified Dividends and Mutual Funds

- Won't know split until 1099 received
- Edit each dividend transaction
 - Dividend
 - Qualified Dividend
- "Not 100% Qualified"

If you own mutual funds

you will probably not receive information about the Qualified/non Qualified status of any dividends you received until you get your 1099. This is because the fund itself has to do an end of year check.

To correct your bivio records, you will have to go through each dividend transaction you've entered for the fund and split it into two parts. One part will be recorded as a

Dividend and the other you will identify as a

Qualified dividend.

This will mean you will end up with two dividend transactions for each date you received a dividend from the mutual fund

Because of this, as we will see when we go through the questions in the tax interview, you also need to make sure that all your mutual funds are identified as securities whose Dividends are "Not 100% Qualified"

Hi Ho

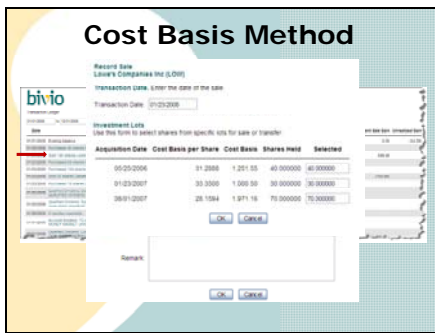
Income Statement from 01/01/2008 to 12/31/2008

Income	
Dividend	
TD Ameritrade	80.76
Total Dividend	80.76
Qualified Dividend	
Bank of America Corp (BAC)	44.80
Danone Corp (DAN)	9.28
Applied Research Systems Inc (ARS)	54.90
Federal Co (FEDT)	79.90
General Electric Company (GE)	101.48
Gold Mining & Resources Inc (GOLD)	45.00
Loews Companies Inc (LOW)	11.20
Psychel Inc (PSYI)	146.90
Stamps Corp (STAM)	61.60
Walgreen Co (WAG)	24.20
Total Qualified Dividend	671.46
Short-Term Capital Gain	(3,311.75)
Long-Term Capital Gain	(3,288.84)
Total Income	(3,929.03)
Expense	
Investment Expense	104.43
Total Expense	104.43
Net Profit/(Loss)	(4,033.46)

After you have prepared your taxes, you will find your Income statement has been updated to show the final

Qualified/

Non Qualified status of all your dividends. Note that the amount of qualified dividends may not agree with what is on your 1099. In this case, that is fine. Most brokers do not perform the holding period check. They're only required to make an effort to try and produce correct information. It's still your responsibility to make sure that what you report is accurate. If the purchase and/or sale dates for all your securities have been entered correctly, bivio has calculated the Qualified/non qualified status correctly.



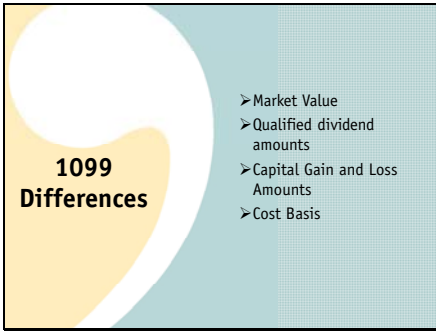
This is going to be increasingly important in coming years as brokers are going to start reporting capital gains to the IRS starting in 2011. This means your tax basis in bivio needs to be correct. Tax basis is something you need to keep track of when you own stock. It is determined by the purchase price, any commissions paid and may also be affected by any reorganizations that have happened.

If you have purchased the same stock at several different times, you will have multiple lots of stock to track, which all will have different bases.

Don't worry. Tracking all of this is one of the services bivio does for you. All you need to do is to make sure you enter the purchases and sales correctly. If you have bought stock on several different dates, and you sell some of it, the lots you have sold will need to be identified. By default, bivio picks the oldest ones first. This is called First In First Out. If, you have a sale and you have told your broker to use a cost basis method which is different from First In First Out, you will need to make sure the correct lots have been chosen in bivio to record the sale. This will require manual adjustments to your bivio records, even if you are using AccountSync. Here is how you will make these adjustments.

Brokerages are only required to report numbers starting in 2011 though they may show you capital gains and losses now. Just a heads up that the amounts they show may not be correct. This often happens when you have changed brokers or there have been reorganizations that affect your stock. If you know you have all the transactions recorded correctly in bivio, bivio will report the correct amounts for gains and losses and you don't need to worry about what the brokerage is showing.

If something doesn't agree and you have questions about it, feel free to contact us in support and we will help you double check that your records are correct.



To summarize, it is important to make sure your 1099's agree with your tax forms or to know why they don't so you can respond if you are questioned. There are several valid differences that might appear.

Market Value-There may be slight variations in market value (a few pennies). If there is a big difference, you should investigate further to make sure you do not have unlisted investments without current prices. There is no reason to change anything if you are just a few pennies different.

Qualified Dividend Amounts- as we discussed, if you have not met the holding period for any of the stocks you received dividends from, the bivio amounts will correctly disagree with your 1099's

Capital Gain and Loss Amounts
As we discussed, brokers may not have all the information they need to determine these correctly. If they are different, it is important to investigate. If you have told your broker to use a cost basis method other than First In First Out, you will need to manually adjust your bivio records to reflect this.

Cost Basis
This may differ for the same reasons the capital gain and loss amounts may be incorrect.

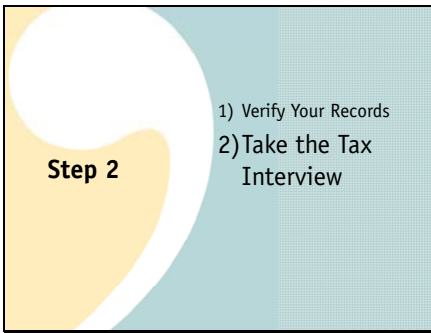


We've spent a lot of time talking about Step 1 because it is the most important part of preparing taxes and may take the most time. But it doesn't make any sense to proceed with any other steps until you are sure this one is complete.

Just because your bivio site shows a lot of numbers doesn't mean they're useful for anything. Without verification your taxes may just be

garbage in

garbage out



Once you've confirmed your records, you're into the final steps of preparing your tax forms. These go much quicker.

First, you'll take a tax interview to provide the final pieces of information necessary to complete your tax forms.



You can get to the tax interview

by going to Accounting>Taxes



Your tax forms will be generated using your club data after you answer a few questions. You can retake this interview as many times as you'd like. In fact, if you change anything after you run it the first time, it is important to retake it to update the tax forms before you give them to anyone.



First, confirm basic club information. Your address, EIN Number and Club Start Date



Next, the IRS center the return will go to, the type of Partnership, whether the club is a partner in another partnership.

Most clubs should go with the default entries for questions during the tax interview. If you know a different answer applies or you are worried a different answer applies to your club, feel free to email us in support for clarification or discussion of your situation.



Next, is the method that is used to allocate or divide up your club income and expenses between the members. We suggest you accept the default which is time based allocation. It represents the current recommendation of the Investment Club community



On this screen you identify whether a company is one that pays qualifying dividends. As I mentioned earlier, if you own any mutual funds, they should be identified as “Not 100 Percent Qualified” In addition you also should have gone back through your records and manually split any dividend entries into two entries based on your 1099 information, one for the qualified portion and one for the non qualified portion..



This page asks you to verify the ex-dividend dates. Bivio enters these for you. The default is the date closest to the transaction date. Make sure they look OK. For a particular company they should be all different and also fairly close in time to the transaction date. If you want to double check anything, Dividendinvestor.com has ex dividend dates. Ex Dividend dates are used to do the final holding period check on your dividends to determine their Qualified/Non Qualified status.



This page shows you the member information that is needed for the tax forms. You can enter any missing information here or write it in on the K-1's after they are printed.

If you decide to write information in later, Don't forget! You will be charged the late filing penalties if incomplete returns are sent in. And we all remember how painful they are!

Accounting Administration Communications
Accounts Investments Members Reports Taxes

Partner Type Question for 12/31/2010

Are all club members individual US citizens or resident aliens?

Yes No

OK Cancel

Indicate whether all club members are US Citizens or Resident aliens.

Accounting Administration Communications

Related Members for 12/31/2010

The IRS requires information about "constructive ownership" of partnerships. Please check the members who are all related (spouse, child, grandparent, etc.) to each other. You will have the opportunity on the next page to group another set of related members.

Name	
Hector Gonzalez	<input type="checkbox"/>
Mary Chavez	<input type="checkbox"/>
Nick Chavez	<input type="checkbox"/>
Elaine Dougherty	<input type="checkbox"/>
Michele Fallon	<input type="checkbox"/>
Linda Leung	<input type="checkbox"/>
Martin Samaly	<input type="checkbox"/>
Samantha Smith	<input type="checkbox"/>
Marianne Sweater	<input type="checkbox"/>

If nobody in this list is related, leave boxes unchecked and click OK.

OK Cancel

Next, you need to indicate if any of your club members are related. If they are, you will have further questions to define who is related to who. A relation is defined as brothers, sisters, spouse, ancestors and lineal descendants. If related parties own together more than 50% of your club assets, it is called constructive ownership and an additional form, Form B-1, will be generated. That's about the end of what will happen with your answers to this question. Investment clubs that can use bivio for their accounting, typically are not involved in any transactions where the answers to this question will matter but the proper information has to be reported nonetheless on your taxes.

Accounting Administration Communications

Related Members for 12/31/2010

The IRS requires information about "constructive ownership" of partnerships. Please check the members who are all related (spouse, child, grandparent, etc.) to each other. You will have the opportunity on the next page to group another set of related members.

Name	
Hector Gonzalez	<input type="checkbox"/>
Elaine Dougherty	<input type="checkbox"/>
Michele Fallon	<input type="checkbox"/>
Linda Leung	<input type="checkbox"/>
Martin Samaly	<input type="checkbox"/>
Samantha Smith	<input type="checkbox"/>
Marianne Sweater	<input type="checkbox"/>

If nobody in this list is related, leave boxes unchecked and click OK.

OK Cancel

After you identify the first set of relationships, you will be presented the remaining members to identify any remaining family relationships. You will keep being presented with these until you have no more to enter.

This is the last of the questions that you need to answer for the federal return.

Accounting Administration Communications

Accounts Investments Members Reports Taxes

State Tax Information for 12/31/2010

Did you file a NY5 partnership return for 2008?

Did you file a NY5 partnership return for 2009?

If no, state reason: _____

OK Cancel

If your club is in a state for which we provide state taxes, you may have a few extra questions before you are through.



You're done!

Time to click here to generate the tax return.



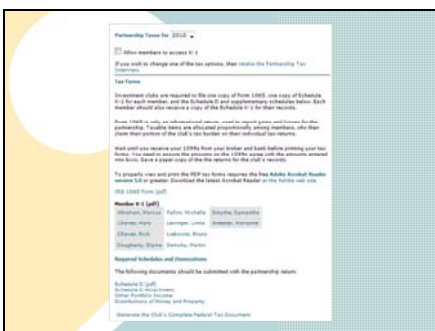
A single PDF file containing all the documents you need to file is produced

When it is done, you will be asked if you'd like to download it to your computer.



You can return to the Taxes page at any point to retake the tax interview or reproduce your forms. As I mentioned before, if you change any club data, make sure to retake the interview. However, once you've filed them and distributed forms to your members, you shouldn't make any more changes to the forms or to your club records for 2010 or prior years.

Everyone always wants to know what checking the expert taxes box does. Go ahead! You're a tax expert, aren't you?



It lists all the pages which are part of the total package in case you want to print any of them individually.

Step 3

- 1) Verify Your Records
- 2) Take the Tax Interview
- 3) Print, Review, Distribute, File

Your forms have been generated so you're ready for step 3 of the tax preparation process. First you should review what was entered on your forms.

The image shows the top portion of a 1065 tax form. Red boxes highlight the following areas: the top header section with the form number 1065 and the title 'U.S. Return of Partnership Income'; the 'Partnership Information' section where 'Club name and mailing address' are filled in; the 'Partnership Information' section with items A through J; and the signature line at the bottom with a red box containing the text 'Don't Forget!!!'.

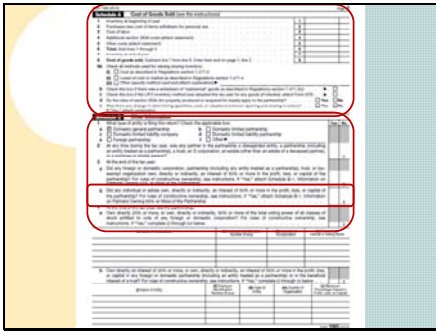
Here's the first page of your 1065. It looks kind of empty but that's ok, here's what you need to see.

In the top section these items are filled in. Club name and mailing address. Items A through J. Item F will be blank unless you have answered yes to question 6 on Schedule B. More on that later but just to let you know, most clubs do not answer yes to this question so section F is blank for most clubs.

The whole middle section, lines 1-22 will be blank. Don't worry, you haven't been cheated, that is correct.

But, DON'T FORGET to SIGN HERE at the bottom. Leave the "Paid Preparer's Use Only" section blank.

Don't send in the form without signing it or those nice penalties will start to apply to you.



Page 2-

Schedule A should be blank.

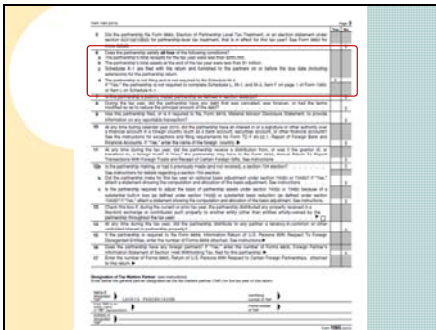
All Schedule B questions are answered.

Question 1 depends on how your club is organized.

“1a” is the most common answer.

For investment clubs whose activities are covered by bivio services, questions 2, 3a and 4 will be answered no.

Remember the related parties question? Question 3B is answered yes if any people you identified as being related members of your club owned, in total, more than 50 percent of your club assets. If this is answered yes, make sure you have the form B-1 to send in with your tax filing.



For investment clubs whose scope is covered by bivio services, on the third page of your return, most questions will be answered no. There will be no answer at all for questions 13 and 17.

Question 6, however, is answered “Yes” by most clubs.

**1065
Schedule B,
Question 6**

Does the partnership satisfy all four of the following conditions?

- The partnership's total receipts for the tax year were less than \$250,000
- The partnership's total assets at the end of the tax year were less than \$1 million
- Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return
- The partnership is not filing and is not required to file Schedule M-3

Question 6 is answered yes because your partnership satisfied all of these conditions.

The partnership's total receipts for the tax year were less than \$250,000

The partnership's total assets at the end of the tax year were less than \$1 million

Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return

The partnership is not filing and is not required to file Schedule M-3

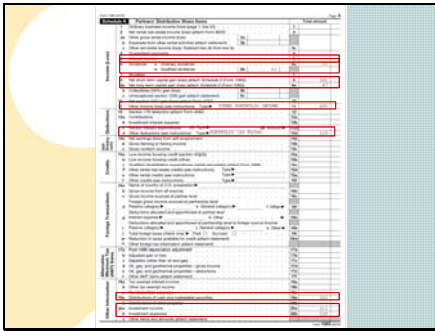
Schedule M-3 is only required for corporations with assets in excess of 10 million dollars.

Don't we wish it applied to our investment clubs!

At the bottom of the third page you'll also find an area where you can enter information about a

“Tax matters partner” This is the person that the IRS will contact if they have any questions about the return. Designation of a Tax Matters Partner is optional if your club has less than 10 members.

If your club has 10 or more members, a tax matters partner must be filled in and will be shown at the bottom of the page. By default, you will see the name of the person who is preparing the return. You should also make sure their Social security number and address is entered. Put them in manually if you don't store these pieces of information in bivio. The IRS needs good contact information if it has any questions about the information you have reported on your return.



Page 4-Schedule K is where your total club information will be filled in. Most clubs will have only a few entries. Just a note that all the entries you will see on our tax forms are rounded to the nearest dollar.

If you've had 50 cents or more of interest income, you'll see it on line 5.

Your qualified and non qualified dividends will be entered on line 6.

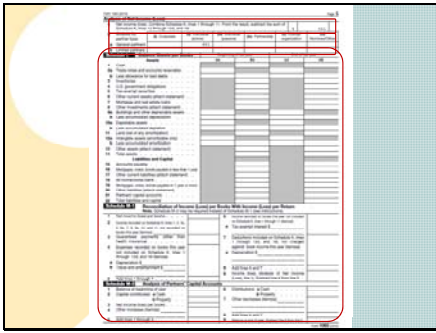
Your short and long term capital gains and/or losses are reported on lines 8 and 9. You will only have entries here if you have sold stock or received capital gains distributions from a mutual fund or from a class action settlement from a company whose stock you owned in the past.

This club happened to have won a prize in a portfolio contest so they have an entry on line 11 for "Other portfolio income". In most cases, there should not be an entry on this line. If there is, you may have recorded something incorrectly in your records and you should investigate and fix it before finalizing your forms.

Your investment expenses are reported on line 13d. Note the explanation, Portfolio 2% floor, this is because investment expenses are entered as miscellaneous deductions on your personal Schedule A. They are only deductible to you personally if the total you have in that category exceeds 2 percent of your Adjusted Gross Income.

Other than that, the only other entries you might see are an amount on line 19a if you've had someone withdraw from the club

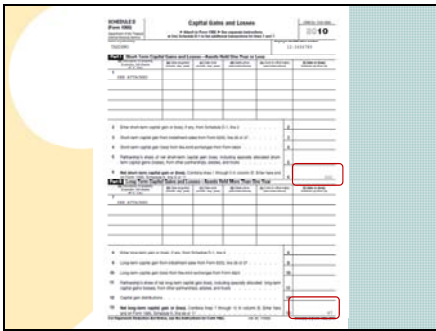
For reasons known only to the IRS, your total income and expenses are also shown again on lines 20a and b.



Page 5-This page show the total income or loss for your club this year.

Line one Analysis of Net Income (Loss) is filled in. For line 2, only the box for General partners, Individual (active) is filled in with the same information from Line 1. Note that each person’s share of this total is allocated to them each year and either increases or decreases their tax basis in their investment in the club. Why is this important? Because when you ultimately withdraw money from your club, you will pay a capital gain or loss based on the difference between what you withdraw and your basis in the club.

For most clubs, Schedules L, M-1, and M-2 will be blank. Why? Because most clubs answer “Yes” to question 6 on Schedule B (1065 page 3).



Clubs have sold securities during the tax year will have entries on a Schedule D <click><click>which will need to be attached to your filing. bivio produces Schedule D and a separate page with the actual information. The club must file both pages



Here is the supplemental page with the schedule D information on it. It shows the details of all of your sales.

SCHEDULE K (Form 1065) Line 11 Other portfolio income 2010		
Date	Remark	Amount
12/30/2010	Prize from Portfolio Contest	200.00
		200.00

SCHEDULE K (Form 1065) Line 12E Deductions related to portfolio income 2010		
Date	Remark	Amount
11/15/2010	kuise Subscription	129.00
		129.00

SCHEDULE K (Form 1065) Line 13a Distributions of cash and marketable securities 2010		
Date	Recipient	Amount
09/14/2010	Linkville Bruce	221.87
		221.87

Schedule B-1

In addition, you may have some other supplemental forms which will be part of your tax package.

Such as a description of any miscellaneous income you've had (this isn't very common)

A list of any expenses you're deducting

And a list of any distributions (withdrawals) your club paid.

If any of your related members owned, in total, more than 50 % of your club, there will also be a Schedule B-1 for you to send in with your taxes.

Don't Forget!!!

Here is a K-1. You will have one of these for each member that you will send in with your club return and you will also give each member one, showing their share of club income and expenses. They need to report the information on this form on their personal taxes.

IF you did not enter member addresses and SS numbers when you took the tax interview,

DON'T FORGET TO FILL IN THE PARTNER'S SS NUMBERS ON THE COPIES YOU SEND IN.

You will have the same penalty as the late filing penalty if you file on time but are missing this information.

The numbers from each line of this report will be similar to the type of entries as were on the Schedule K

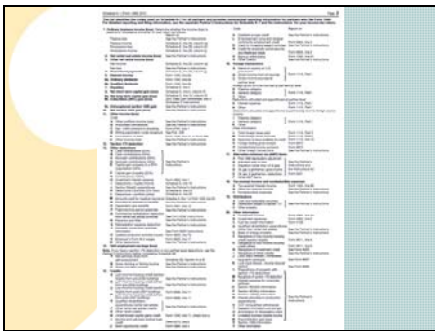
Dividends

Capital Gains

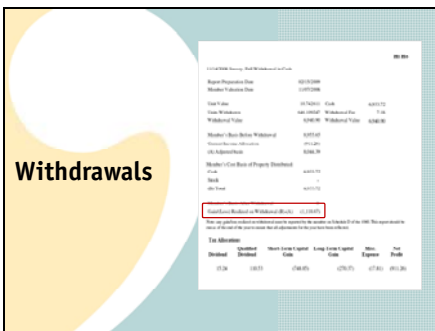
Any other income

Expenses

The codes for lines 13 and 20 are shown in the instruction attachment page that must be provided with the K-1 to each member



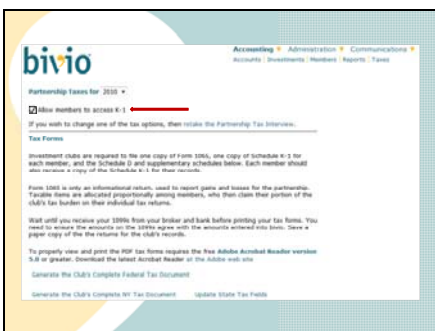
Here is what that page looks like. You need to give one of these to each member but you don't have to print out a copy of the instructions for each K-1 you send in as part of the complete club tax packet. The IRS already knows what the instructions for the form are.



In addition to a K-1 Form, a member who has withdrawn assets during the year will have additional tax liabilities and will have additional information that does not appear on their K-1

to report on their personal 1040 Schedule D form. They should receive a copy of their Withdrawal report along with their K-1 at the end of the year. Be sure to reprint all Withdrawal reports at the end of the year.

You do not have to send in the withdrawal forms with your club tax filing. Just keep them for your records and distribute them to the individuals affected.



If you're reviewed everything and are sure it's correct, it's time to print out your return, sign it, add SS numbers, mail in the full package and distribute individual K-1's.

You can check this box

to allow club members with online access to login to bivio and print out their own copy. They will only see their own K-1 when they login with their own ID. Only the club treasurer, administrator and president can see everyone's information.

Filing Your Taxes

- Send In:
 - Form 1065 and all K-1s as well as any supplemental documents.
- Don't Forget!!!!
 - SIGN THE FORM on page 1!
 - MAKE SURE ALL SS#s and Addresses are entered on K-1's
- Mail using ...
 - "Certified Mail" (proof of mailing date)
 - "Return Receipt" (proof of delivery).

Send In:

Form 1065 and all K-1s as well as any supplemental documents.

Don't Forget!!!!

SIGN THE FORM on page 1!

MAKE SURE ALL SS#s and Addresses are entered on K-1's

Mail using ...

"Certified Mail" (proof of mailing date)

"Return Receipt" (proof of delivery).

Distribute To Each Member

- Their K-1
 - With the page 2 instruction sheet
- Withdrawal report(s)
 - Reprinted at year-end

Their K-1

With the page 2 instruction sheet

Any withdrawal report(s) pertaining to them

Reprinted at year-end

Records to Keep

- Copy of Form 1065 and all K-1s
- Copies of all withdrawal reports (reprinted at year-end)
- Full transaction ledger (Jan - Dec)
- Year end valuation statement and member status report
- Brokerage statements and 1099's

Copy of Form 1065 and all K-1s

Copies of all withdrawal reports (reprinted at year-end)

Full transaction ledger (Jan - Dec)

Year end valuation statement and member status report

Brokerage statements and 1099's

I'd suggest you keep these things as long as your club is in existence. Your current club records are still being affected by many things in the past. If you ever have questions about something, it may be important to look up some old information.

State Taxes

- Included
 - CO
 - PA
 - NJ
 - NY
 - CA
- Other States
 - Contact bivio support
 - Do you need to file state taxes?
 - Links to state forms and instructions
 - Possible assistance

Some states require you to file state partnership returns as well as your federal ones. We provide returns for CO, PA, NJ, NY and CA

For other states, it is usually very simple to transfer your federal information to the state forms. If you have any questions, feel free to contact us in bivio support. We can determine

Whether you need to file state taxes

Give you links to the state forms and instructions and

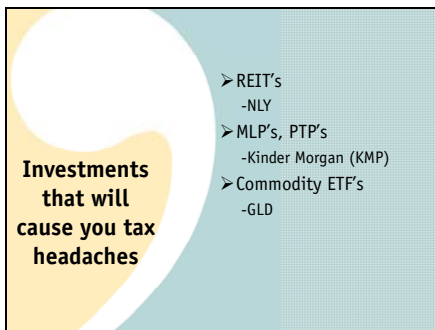
Sometimes help to answer questions you may have filling them out.

Investments that will cause you tax headaches



Please bear with me a minute as I get up on my

soapbox to try and reinforce that it's important to understand the scope of the bivio program. Different types of investments require different accounting and tax reporting. Your bivio subscription does not include the ability to report taxes correctly for any type of investment you could possibly make. Unfortunately, if you own any of them, you will probably need to use an outside tax preparer to complete your club taxes this year.



Here are some of the types of investments which will cause you problems:

REIT's (Real Estate Investment Trusts)

An example of a REIT is Annaly, ticker symbol NLY. The problem with REIT's is that if they do not distribute enough of their capital gains, you will receive a form 2439 reporting this. These can come out at any time of the year and the information on them might mean you'd need to file an amended return. But, more importantly, your software is not designed to handle the tracking for the issues this type of distribution brings with it.

MLP's and PTP's (Master Limited Partnerships and Publicly traded limited partnerships)

An example of this is Kinder Morgan, ticker symbol KMP. Master Limited partnership distributions may require both your club and all your members to file state taxes in all the states they do business in. In addition, the income they have is reported to you on a K-1 rather than a 1099. You are lucky if you receive these prior to April 15. Bivio doesn't do any of the accounting and tax prep you need to track and report on these correctly.

Commodity ETF's (Exchange traded fund) are another problem. All ETF's are not equal.

A popular commodity ETF these days is the Spider Ishares Gold Trust, ticker symbol GLD. If you own this, you actually own gold bullion and are selling portions of it during the year to pay expenses. You will not know the details of these sales until after the end of the tax year and the income produced is taxed at a different tax rate than other investment income. Bivio does not account for or track that type of income nor offer you a simple way to record the sales of the commodity to pay the ongoing fund expenses.

Hope you all have a stress free and peaceful tax season.
Thank you for attending.

