The following scenario applies to a full withdrawal only. The rules for partial withdrawals are completely different. Please email support@bivio.com prior to transferring stock in a partial withdrawal

Assume a 3 person partnership: A puts in $80 and B and C each put in $10. Their contributions purchase units worth $10 each. Therefore A has an 80% ownership share, and B and C each own 10%.

The Partnership buys a stock for $100. They put in nothing more for 10 years. After 10 years, the stock is worth $500.

A submits his withdrawal effective at the meeting date July 1, 2013. The partnership uses that date as the valuation date to value what he is owed. He will be withdrawn effective July 2 (this will be the transaction date for his withdrawal). The partnership sells stock on July 3 to pay his withdrawal in cash as their partnership agreement dictates.

In 2014, B and C decide to close the club.

Here is how all this plays out with taxes:

1. Beginning of club

Member	Basis in Club	Market Value of Account
A	80	80
B	10	10
C	10	10

2. After 10 years and purchase of $100 stock that has increased to $500

Member	Basis in Club	Market Value of Account
A	80	400
B	10	50
C	10	50

3. Member A Withdraws prior to sale of stock in 2013

A's K-1 will just show that he got a partnership distribution of $400. It will not show the LTCG in the separately stated items section like will show for B and C. The withdrawal report he will get will show that he has a gain on his investment in the partnership of $400-$80=$320. This will need to be reported on his personal schedule D for 2013 as a "Disposal of partnership interest" and he will be taxed on it. Because he has been in the partnership over a year, it will be a long term capital gain.

Because B and C were the only members of the club when the gain on their stock was realized (the stock was sold), they will share the total gain that needs to be reported in 2013 for the sale of the stock. B and C's K-1 will each show $200 LTCG that they will be taxed on. It will increase their basis in the club.

Their Accounts will now stand like this:

Member	Basis in Club	Market Value of Account
B	210	50
C	210	50

4. Club Closes in 2014

B and C's K-1's will show 0 as the LTCG in the separately stated items section of the K-1, but, $50 will be shown as their distribution from the partnership. On their withdrawal reports, it will show they each have a loss on their disposal of partnership interest of $160. ($50-$210) This will be reported as a Long Term Capital Loss on their personal schedule D's with the label "Disposal of partnership interest".

Between the gain they had to recognize in 2013 of $200 and the loss they are recognizing in 2014 of $160, they will both have a net gain from being in the club of $40. It just will be taxed earlier than it would have been if they had transferred appreciated stock for the withdrawal.

5. If they had Transferred Appreciated Stock

If they had transferred appreciated shares, A's basis in the club of $80 would have become the basis in the shares he received. This is because you only have to recognize a gain on your taxes at the point in time when it becomes cash. He wouldn't have to recognize any gain on his taxes until he sold the shares. B and C would not have had any gain to report in 2013 and their basis in the club would not have changed.

If B and C received the remaining shares when they closed the club in 2014, their basis in the club of $10 would have transferred to the shares and they could also postpone recognizing their gain on their personal taxes until they sold the shares.