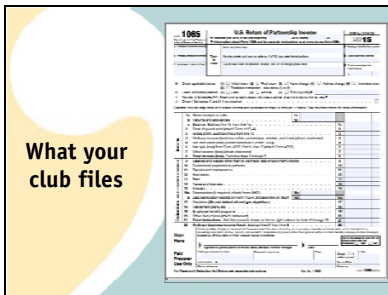




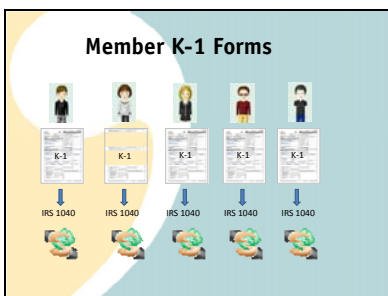
If you have income,

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.

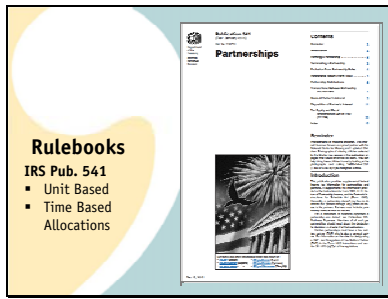


They know how much to report because

they receive a form called a K-1. It shows each person's portion of your club income and expenses. You also send in all the K-1's with your club tax filings. Each member's copy tells what amounts they need to report

On their personal tax forms

That is where the taxes get paid on your club income.



The rules we use are detailed in different IRS publications.

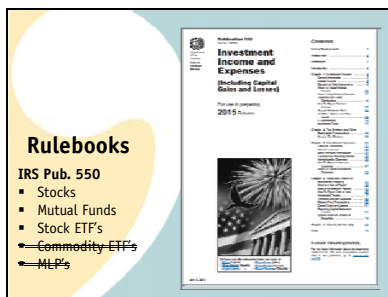
First, it is partnership based accounting-Described in IRS Publication 541

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.



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 income such as dividends, interest and capital gains and losses from certain types of investments such as:

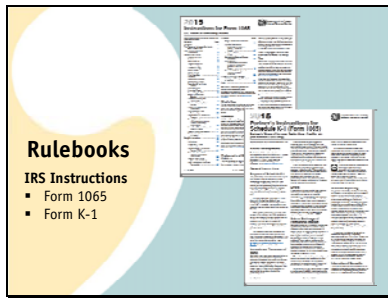
Publicly Traded Stocks

Stock Mutual Funds

Stock ETF's

Not Commodity ETF's or

Publicly Traded Partnerships

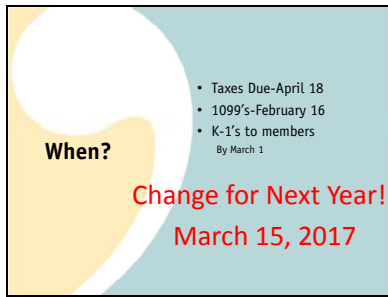


Finally, of course we also have to comply with the instructions for filling in the forms you file. The 1065 and the K-1 forms



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.



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

You actually have until April 18 to get your club taxes filed.

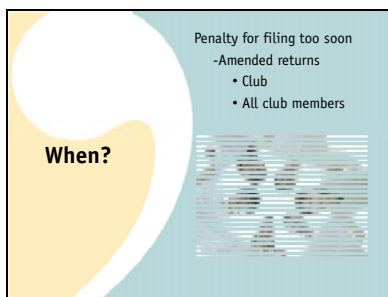
You will not be able to do your taxes until you have received the 1099 forms which are sent by the financial institutions to you and to the IRS to report your income. Financial institutions are supposed to get them to you by February 16 but due to the complexity of the tax law changes some have requested extensions until the end of February. Most brokers have posted when you might expect them on their websites.

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.

Note that due dates will be changing next year when it's time to file your 2016 taxes.

Your club tax returns will be due on March 15 rather than April 15. Hopefully this won't have much impact on your club because you will have been targeting to get them done in early March anyway. But it is important to know in case you are a procrastinator.

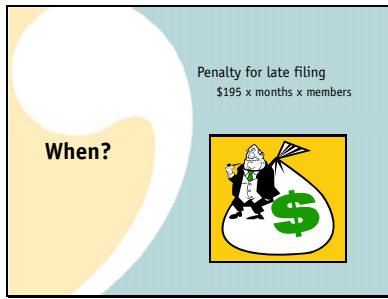


You don't want to file or distribute tax forms too soon. You need to wait for 1099's and verify your club records before you prepare anything. One of the penalties for filing incorrect taxes is that you might have to do it all over again and

File an amended return

Both your club and

each of your members



If you file late or not at all or you file forms with missing or incorrect information on them, there is a stiff penalty. It 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.



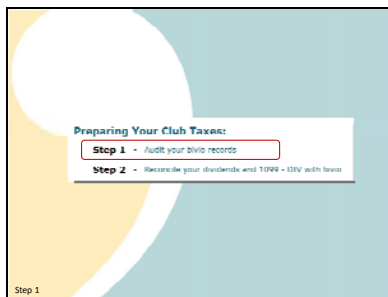
The good news is there are only a few easy steps needed to prepare your taxes. You'll follow them by going to

Accounting>Taxes

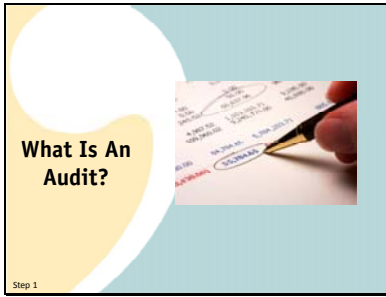


As you can see here, there are steps you will follow to guide you through the tax preparation process. There are 6 Total.

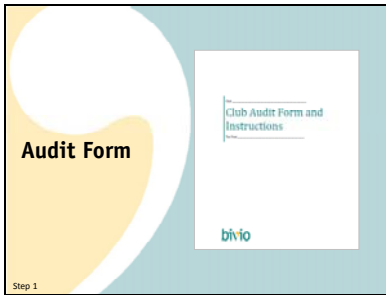
When you start you'll see the first two. To prepare correct taxes, you should do each one before you continue to the next one.



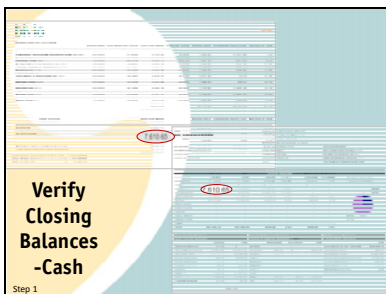
We highly recommend you do a club audit as your first step. Verifying your records is critical. If your records are not correct, your taxes will not be correct. There is no point in using the tax program to prepare your taxes if you do not know your records are correct. There are two parts to ensuring the information which will be reported on your taxes is accurate. The first is an audit of your club records. The second is making any last minute adjustments you find out when you receive your 1099 forms.



So what is an audit? 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.



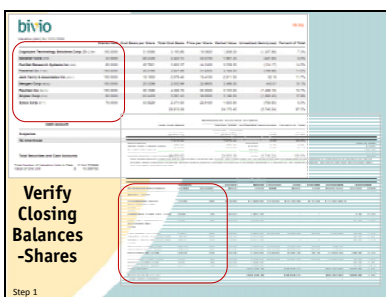
We have prepared a form you can use to guide you through the steps of an audit. The link for step one takes you to a page with a link to it and a presentation about how to use it.



I do want to highlight Step 2 of the audit because it contains two critical checks that will quickly tell you whether you are close to 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.

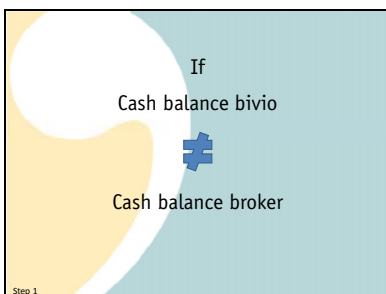


Then, you compare the numbers of shares of each stock you own.

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.

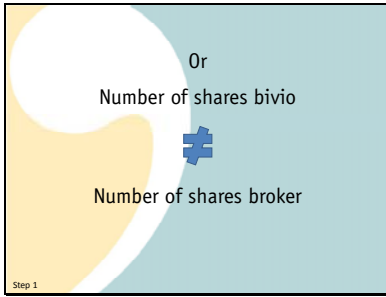


I can't emphasize this step enough. It is a critical point. If the

cash balance in bivio

does not agree with the

cash balance at the broker.



Or,

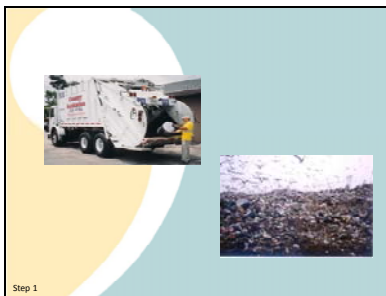
The number of shares in bivio

Does not agree

With the number of shares at the broker.



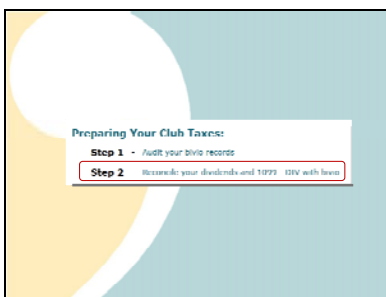
GO NO FURTHER. You need to stop and find and fix the problem. There is no point in preparing your taxes if your bivio transactions are not correct. In fact, if you are a club member, you should make sure that your treasurer can demonstrate that these things agree. You are all responsible if your taxes are filed incorrectly. 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.



Don't forget. 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

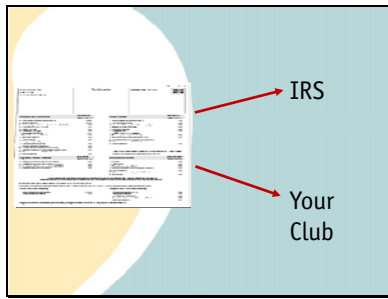
Out



Your audit will verify that most of your bivio records are correct, but even when you know your records agree with your brokerage statements, there is one final verification you will need to do before you are ready to do taxes.

That's comparing your bivio records to your 1099's. There can still be a few things which you might have to adjust in your accounting that you will not know about until you receive them.

In step 2, you'll be checking your dividends against your 1099.

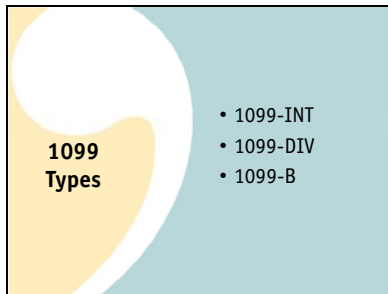


Before we get into the specifics, let's review what a 1099 is.

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.

They also send a copy to you.

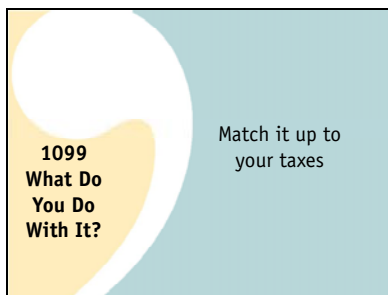


There are many types of 1099's. Income from your investment activities will probably show up on one of three different types:

A 1099 INT will report your interest income

A 1099 DIV will report your dividends

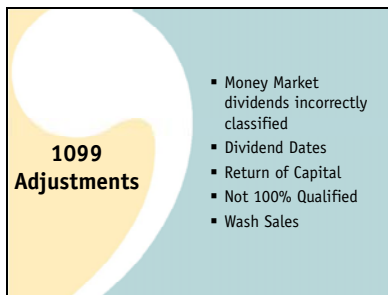
And a 1099 B will report your stock sales and your capital gains and losses



What do you do with your 1099?

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.



These will include things like:

Money market dividends classified incorrectly. 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.

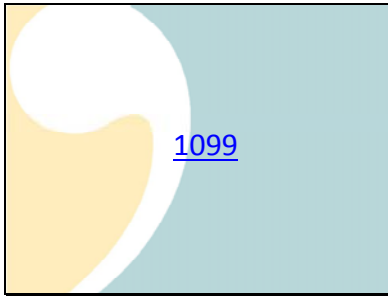
Dividend Dates

Sometimes dividends which your broker credits to your account in January are reported to you as previous year dividends. 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.

If a company doesn't have sufficient earnings to support a dividend, income that was originally reported to you as a dividend, will be reclassified on your 1099 as a Return of Capital. This requires a manual adjustment to your bivio records.

You also might have an investment where you will find not all of the dividend you received can be considered a "Qualified Dividend".

You might have find a wash sale you triggered by buying a stock too close to a sale you had which would have resulted in a loss. Many of these things you won't know about until you get your 1099. But they all require adjustments to your bivio records to produce correct taxes. We'll be going through how you address them later in this webinar.



Here's an example of what your 1099 might look like.

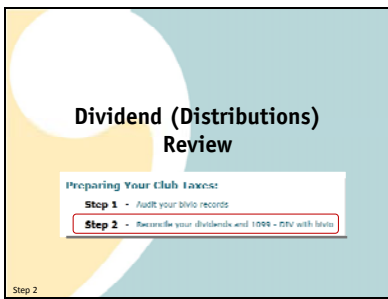
Note that several types of 1099 forms are combined in one sheet.

Here is the 1099 DIV,

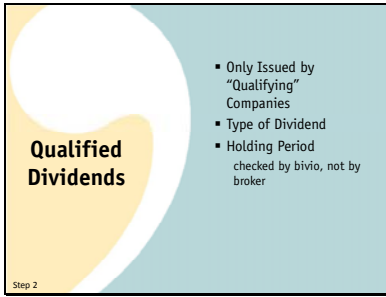
The 1099 INT

And the 1099B

You'll usually have this cover page where everything is summarized and then many pages of supplemental information providing the details. You'll be using all of this as you prepare your taxes.



You'll use this information in the next 2 steps. In step 2, you'll be answering questions and making comparisons that will ensure sure your dividend information is reported correctly. Information on distributions (often referred to collectively as Dividends) may impact your cost basis and ultimately your capital gains and losses. Final tax information on them often doesn't show up until you receive your 1099. Changes are not something that is made automatically for you by AccountSync. It's important that you address anything that needs to be adjusted in your records based on what they show.



You may see notes on your dividend information that describe “Qualified” dividends. What is that?

It’s a good thing. They qualify for a reduced tax rate. For most people, they are taxed as lower long-term capital gains rates rather than at ordinary income rates.

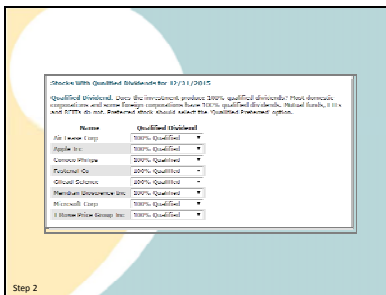
There are certain requirements for a dividend to be considered “Qualified”:

Only US and certain foreign companies can issue Qualified Dividends

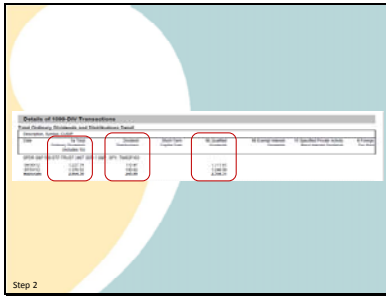
Only certain types of dividends are qualified. Dividends from Money Market Accounts are usually not. Neither are dividends from REIT’s

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 paid 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 runs the holding period check based on the information entered on the ex-dividend page you complete in step 2. It’s important to understand that brokers don’t have to run this check. All they have to do is tell you if a dividend is eligible to be qualified. You may find that this will mean the amount of qualified dividends reported by bivio is different from what your broker shows. If you see differences, make sure you know why. But if there is a good explanation it is OK.



In the tax program, the dividend review section starts here. On this page, you need to make sure you have investments correctly identified as those that pay Qualified dividends or those that do not pay 100% qualified dividends. Those are the ones like REIT’s, ETF’s and many mutual funds. Their distributions are often not just dividends and may be end up having to be split into several different parts. We’ll be showing you how to do this later.

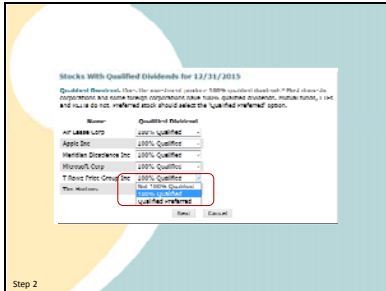


How do you know how to answer a question on this page? Here's a clue. If you see something like this on your 1099-DIV it means that this investment pays "Not 100% Qualified" dividends.

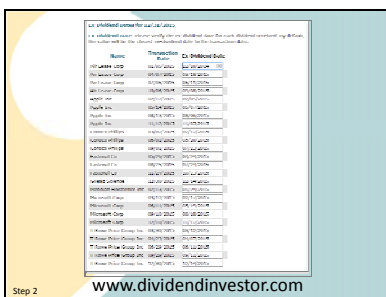
As you can see here for this ETF, the Total dividends

Have been split into an "Ordinary" or "Non-qualified" portion

And another portion that is eligible for Qualified status.



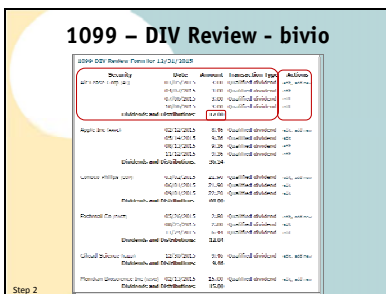
You can open the little drop down menu next to a company if you need to change its designation.



Next, you'll be asked to verify ex-dividend dates. Ex-Dividend dates are used to do the final holding period check needed to determine Qualified/Non-Qualified status. We fill in a default entry which is the date closest to the date you received the dividend. 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

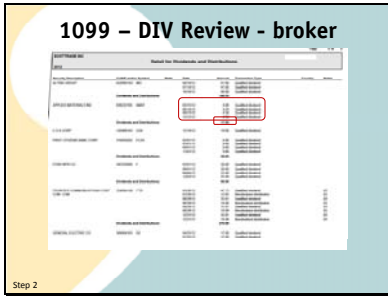
Next you'll come to our 1099-DIV review report. Here is what it will look like:



For each company, you'll see a list of each of the dividends you've entered in bivio. Most brokers provide a corresponding detail list you can compare this against. We'll look at that in a minute.

You'll be able to do a quick initial check by comparing the dividend totals for each company to what is shown on your 1099. If the totals don't agree you can compare each detail to determine where the discrepancy lies.

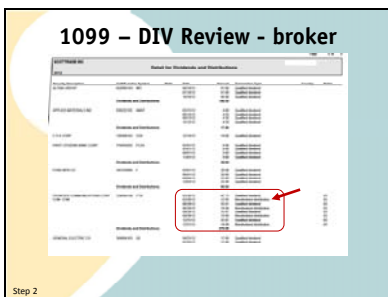
If you need to make any changes you can find a direct link back to your records to edit the transaction.



You'll be checking the bivio information against dividend detail information you can probably find on your 1099 DIV. Many look like this which you can see is very similar to the bivio review page. Or, you may find the same information in a little different format. In either case, this is what you do.

First, look at the dividend totals and compare them to the bivio report.

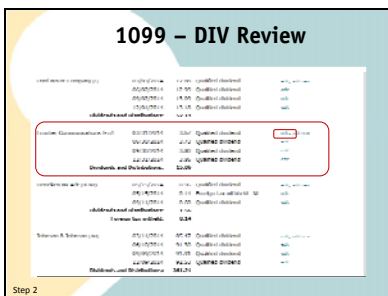
Then, compare all the other details with the bivio report. Most entries should compare pretty quickly.



What you need to be concerned about is information like the entries for this company where some of the distributions have been classified as something other than dividends. In this case, some of the dividends that were paid by Frontier Corporation were reclassified by the company after they closed their books for the year. Only part of the amounts received during the year could be considered a dividend. The rest was a return of capital.

It is called a "Non dividend distribution"

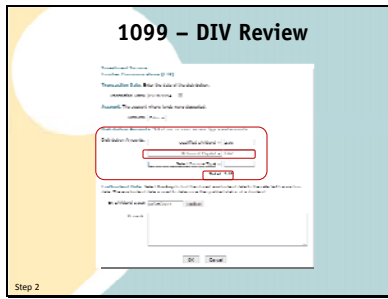
This will mean adjustments will need to be made to your bivio records before you can file your taxes.



In cases like this, you need to

find the stock in question on the bivio 1099 DIV review report.

you need to select the edit link on one of the dividends.

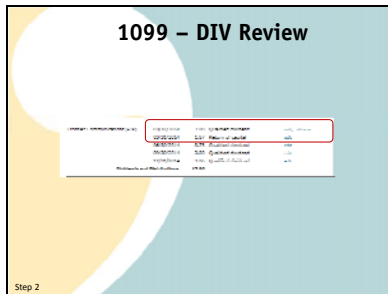


This will open the dividend entry form and

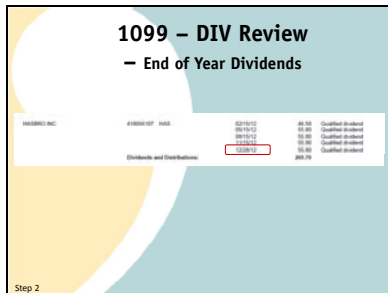
you can split the entry into each of the components shown on the 1099, one for the dividend portion and one for the return of capital. Remember that is the amount shown as the “Non-dividend” portion on the 1099. The

total of the two should still be the same as the original dividend amount.

The return of capital entry is very important. Even though that income is not taxable to you during the current year, it does affect the cost basis of your shares. If you don’t make the entries, you will overpay on your taxes during the current year and your cost basis will not be correct when you sell your shares.

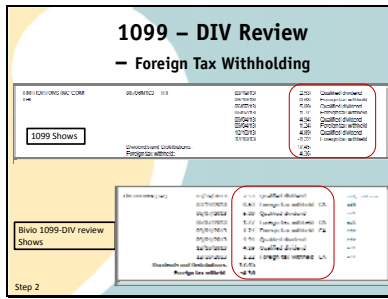


When you return to the 1099 DIV review page, you will now see two entries for that distribution rather than one. You should continue to make adjustments until all the changes have been made in bivio.

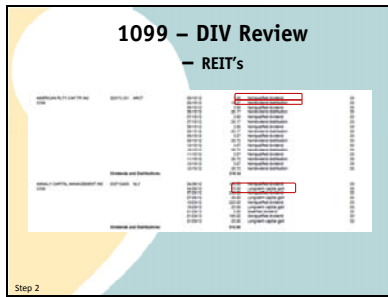


Some other things you might find on 1099 DIV’s that would require adjustments include these.

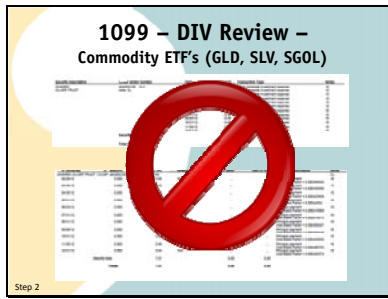
Sometimes an end of year dividend is received and entered in bivio with a date early in the new year, but on the 1099 it is classified as a past year dividend. If you see this, you need to adjust the date the dividend was received so it is reported in the correct tax year.



If you own foreign stocks, you may see entries where foreign tax was withheld on your 1099. You need to make sure those entries also show up on the bivio 1099 DIV review page.



If your club owns REIT's, their distributions usually need to be split into several parts. First, dividends from REIT's are not eligible for qualified status. They may also make Return of Capital distributions Or part of their distributions may be classified as capital gains. These breakups can mean you'll have to edit your bivio records to make 2 or 3 entries where only one "dividend" entry had been made during the year. You also need to make sure any REIT's are identified as "Not 100% Qualified" on the first screen. You won't know these breakdowns until you get your 1099's. In fact, your 1099's may be delayed or you may receive revised ones late in the tax season. Since you can't do your taxes correctly without the information it may delay your filing. This delay and the extra work of splitting up each of your distribution entries into several parts is one of the reasons we advise clubs to avoid investing in REIT's.

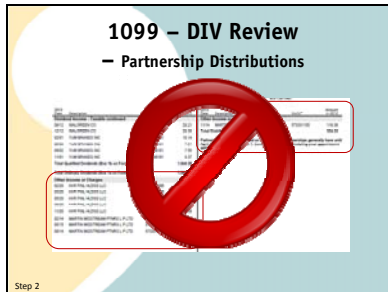


Even more complex than that will be the issues you will face if you own commodity ETF's such as SLV or GLD.

These are actually investments in a commodity, Gold and Silver, not in stock. Each month, some of the commodity, in this case Silver, is sold to pay expenses.

These sales mean many calculations you must make manually and many adjustments you must make to your bivio records. There are manual adjustments to your tax forms required also.

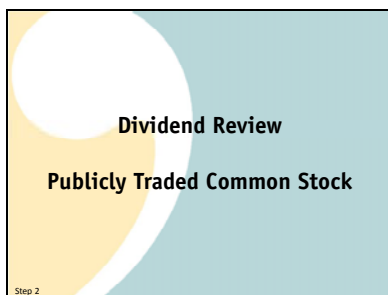
Unless you want to spend lots of time and are very comfortable doing calculations and making accounting entries, you will not want to do what needs to be done if your club invests in these.



Finally, if you see information

like this on your 1099, you have a big problem. You have received income which is classified as a partnership distribution. This requires major adjustments to your club accounting and tax reporting. Unfortunately, handling these things is beyond the scope of the services provided to you by bivio.

You will need to get outside accounting help to get your club taxes done for the year.



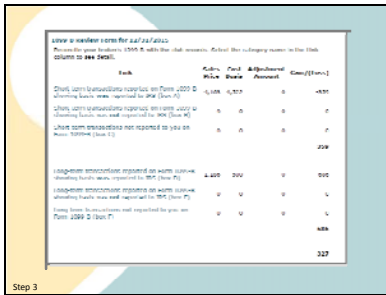
Fortunately most clubs keep things simple and don't have to deal with REIT's or Partnership issues. For regular stocks, if you are using AccountSync and doing a quick cash balance check each month, you'll find that your dividends will line up quickly with what your broker is showing and you'll be able to breeze through tax preparation.



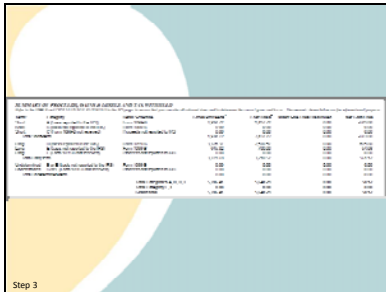
When you finish the second step and have finished comparing and correcting your dividend entries, you'll return to the tax prep screen. You'll see that step 3 is now showing.

It also involves comparing a bivio report with a 1099 form. In this case, your 1099-B which reports your capital gains and losses. Just like dividends, we have a review form that looks similar to what you'll be getting from your broker that will allow you to do this.

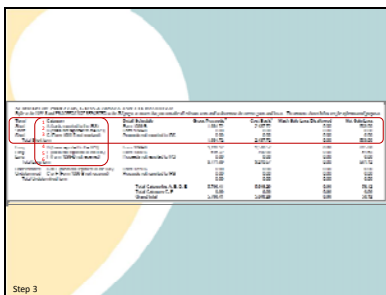
You can get to it from this link.



It looks like this:



It is designed to resemble what your broker will be providing you on your 1099-B which will look something like this.



So what is all the stuff on these forms? If you sell stocks during the year, you will have Capital gain income to report.

On your 1099, your capital gains may be reported in one of 6 different categories

In the first section, you'll have information on Short Term Capital gains. These are gains or losses on sales of stocks you held for 1 year or less.

Step 3

Symbol	Transaction Description	Acquirement Date	Disposal Date	Proceeds	Cost Basis	Capital Gain/Loss	Other
A	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00	50.00	50.00	
B	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00			
C	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00			

A - Cost basis reported to IRS
 B - Proceeds reported but not cost basis
 C - Not reported to IRS

They are divided up into 3 categories

A. For Section A or “Covered” transactions, your broker will be reporting your cost basis to the IRS. That gives them the information they need to do a direct match up to what you report on your taxes. Investment sales in this category will have been investments you purchased since 2011.

B. For Section B, or “Non Covered” transactions, your broker does not have to provide cost basis information, they will just be reporting the total proceeds from these sales. Your broker may show cost basis information on your 1099, but it will not be sent in to the IRS.

C. Transactions not reported as part of a 1099-B Basically any other transactions that don’t fit into the first two categories. (Though they may be shown on your 1099 as supplemental information)

Don’t get the impression that if something is not being reported to the IRS by your broker that you don’t have to report it. You still have the obligation to report correct capital gains and losses on your taxes. It’s just that for sales included in category A, the IRS has a very easy way to compare what you file with what you should have filed.

Step 3

Symbol	Transaction Description	Acquirement Date	Disposal Date	Proceeds	Cost Basis	Capital Gain/Loss	Other
D	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00	50.00	50.00	
E	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00			
F	100 shares of ABC Corp. common stock	1/15/10	1/15/11	100.00			

D - Cost basis reported to IRS
 E - Proceeds reported but not cost basis
 F - Not reported to IRS

There are similar categories in the Long Term Capital gains section. They are labeled D,E and F.

D. Basis reported to IRS

E. Non Covered – Basis not reported to IRS

F. Transactions not reported as part of a 1099-B

1099-B Review - bivio

	Subst. Price	Cost Basis	Wash Sale Adjustment	Gains/(Losses)
Short term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	4,351	9,202	0	-4,851
Short term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	0	0	0	0
Short term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				-4,851
Long term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	868	8,524	0	-7,656
Long term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	13,217	13,209	0	8,013
Long term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				3,357
Total				-1,494

Step 3

You'll see these 6 categories on the 1099 B review report.

The first thing you want to do is to look at the subtotals for each column in a particular category.

1099-B - Broker

	Subst. Price	Cost Basis	Wash Sale Adjustment	Gains/(Losses)
Short term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	4,351	9,202	0	-4,851
Short term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	0	0	0	0
Short term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				-4,851
Long term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	868	8,524	0	-7,656
Long term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	13,217	13,209	0	8,013
Long term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				3,357
Total				-1,494

Step 3

They should agree with the subtotals shown on your 1099 for the same category.

1099-B Review - bivio

	Subst. Price	Cost Basis	Wash Sale Adjustment	Gains/(Losses)
Short term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	4,351	9,202	0	-4,851
Short term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	0	0	0	0
Short term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				-4,851
Long term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	868	8,524	0	-7,656
Long term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	13,217	13,209	0	8,013
Long term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				3,357
Total				-1,494

Step 3

If they don't,

each row label on the 1099 B review report is a link that will take you to the detail of what is being included in the category.

For example, if I click on the first link,

I get to the detail of the Short term capital gains, Section A. "basis is reported to the IRS" category.

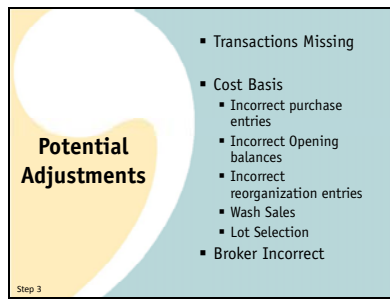
1099-B Broker

	Subst. Price	Cost Basis	Wash Sale Adjustment	Gains/(Losses)
Short term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	4,351	9,202	0	-4,851
Short term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	0	0	0	0
Short term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				-4,851
Long term transactions reported on Form 1099-B showing basis were reported to IRS (Box A)	868	8,524	0	-7,656
Long term transactions reported on Form 1099-B showing basis was not reported to IRS (Box B)	13,217	13,209	0	8,013
Long term transactions not reported to you on Form 1099-B (Box C)	0	0	0	0
Total				3,357
Total				-1,494

Step 3

You can compare this to the detail page for the same category that you will find in your 1099.

Work through the information in each category for each stock to find any stocks where amounts don't agree. If you find one, you'll need to determine why there is a difference.



These are some reasons you might find for differences:

You may have transactions missing. If so, they will need to be added to bivio.

You may find that broker cost basis numbers do not agree with your bivio records. If so, you will need to investigate and determine why. Cost basis differences can be caused by things like:

The incorrect entry of a stock purchase.

If you switched to bivio after your club had started, there may have been mistakes in your switchover data.

A reorganization that wasn't accounted for properly in bivio.

You may have had a wash sale. If so, you will find a wash sale adjustment link on the 1099- B Review form which will allow you to add the adjustment to your bivio records.

If you had multiple lots of a stock and you only sold some of them, you would have needed to tell your broker which lots to sell. If you've told them something other than First in First Out, you'll need to edit the sale in bivio so the correct lots are reported sold and the correct gains or losses are calculated.

Don't assume, however that the broker numbers are correct. Prior to 2011, they did not have any obligation to track cost basis correctly. If there is a difference, investigate to figure out why. But if the bivio records are correct, you are all set to proceed with preparing your taxes.

Step 3

Transaction	Acquisition Date	Disposal Date	Sales Price	Broker's Cost Basis	Adjusted Cost Basis	Adjustment	Adjustment	Adjusted Cost Basis	Adjusted Cost Basis	Partially
BUY	08/15/2013	07/16/2013	1,717.77	1,717.77	1,717.77			1,717.77	1,717.77	
BUY	08/15/2013	08/15/2013	2,000.00	2,000.00	2,000.00			2,000.00	2,000.00	
				4,818.04	4,818.04			4,818.04	4,818.04	

For the section A and D (cost basis reported to the IRS), categories, both short term and long term,

the number in the cost basis column needs to agree between this report and the 1099.

If it doesn't, you'll need to use this "adjust" link to show the difference between what you are reporting and the 1099. Make sure you understand that you are not replacing the bivio number with the brokers basis.

The bivio number is the amount that will be used to calculate the gain or loss that is reported on your taxes. You should only be making adjustments if the brokers 1099 information is incorrect.

If the bivio number is incorrect, you need to figure out how to fix your bivio records before continuing on with preparing your taxes .

Step 3

Transaction	Acquisition Date	Disposal Date	Sales Price	Broker's Cost Basis	Adjusted Cost Basis	Adjustment	Adjustment	Adjusted Cost Basis	Adjusted Cost Basis	Partially
BUY	08/15/2013	07/16/2013	1,717.77	1,717.77	1,717.77			1,717.77	1,717.77	
BUY	08/15/2013	08/15/2013	2,000.00	2,000.00	2,000.00			2,000.00	2,000.00	
				4,818.04	4,818.04			4,818.04	4,818.04	

If you had a wash sale during the year,

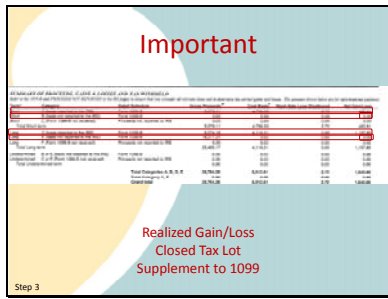
you will see it identified on your 1099.

Step 3

Transaction	Acquisition Date	Disposal Date	Sales Price	Broker's Cost Basis	Adjusted Cost Basis	Adjustment	Adjustment	Adjusted Cost Basis	Adjusted Cost Basis	Partially
BUY	08/15/2013	07/16/2013	1,717.77	1,717.77	1,717.77			1,717.77	1,717.77	
BUY	08/15/2013	08/15/2013	2,000.00	2,000.00	2,000.00			2,000.00	2,000.00	
				4,818.04	4,818.04			4,818.04	4,818.04	

You will need to find the transaction identified on the 1099-B Review report and

Use this link to add the wash sale details to bivio. Bivio is the only investment club software that gives you a tool to use to make wash sale adjustments. However, they can be tricky, so if you have any questions, send us your 1099 information and we'll be glad to help you out.



The transactions we've been talking about

are in the Section A and D categories where all information is reported to the IRS.

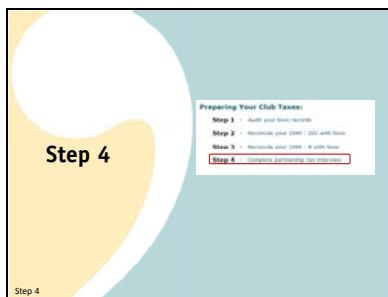
There are also categories like the B and E categories where the information is not reported to the IRS.

This means there are no totals in the gain/loss column for them. We get many questions about this.

Obviously if the total (in this case) long term gains shown on the brokers report is 0, it will not agree with the bivio report. That is not because the bivio report is wrong. It is because the 1099 only shows totals in the reportable categories. Bivio is showing the totals in all the categories because even if your broker doesn't report them to the IRS, you still need to report them on your taxes.

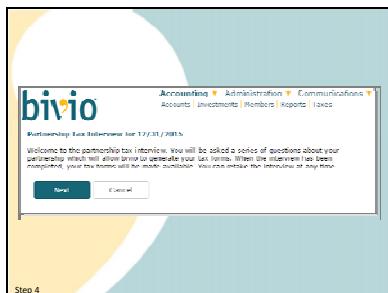
Because you'll be reporting them on your taxes, you still need to check the details of the transactions in these categories against supplemental information from your broker or your original brokerage statements to make sure it is correct in bivio.

Your broker may have a "realized gain/loss" or "Closed tax lot" report you can do this. Some brokers even show all the detail for these categories as a supplement to your 1099 form.



Once you've done these confirmations and not before, you're ready to move into the final steps of preparing your tax forms. These go much quicker.

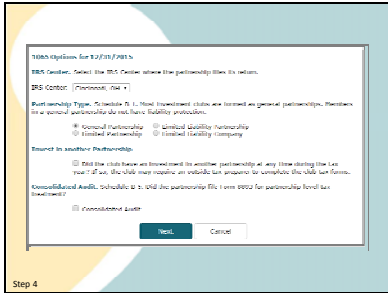
First, you'll take a tax interview to provide the final pieces of information you need to enter. This link will take you to the interview.



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.



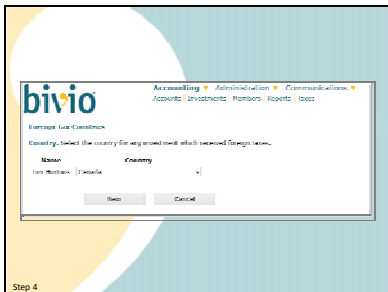
First, confirm basic club information. Your address, EIN Number and Club Start Date. These will probably already be available and filled in from your club records. If not, fill them in here.



Next, the IRS center the return will go to and the type of Partnership. You'll also need to know whether or not you've invested in a partnership during the year. If you have, you'll need to work with an accountant to file correct tax forms. Most clubs should go with the default entries that have already been made for you for the 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 default IRS required methodology.



If your club owns a stock in a foreign company you will be asked to enter the country where the company is located.



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.

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!



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



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 (parents, grandparents etc.) and lineal descendents(children, grandchildren etc.). 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 you still have to file form B-1

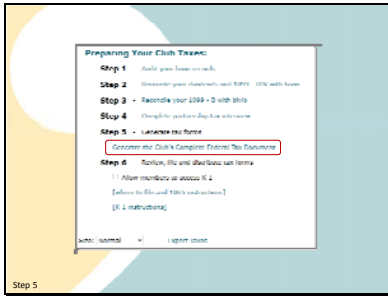


After you identify the first set of relationships, you will be presented the remaining members to identify any remaining family relationships. You will keep being presented with these until you have no more to enter.

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



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



After you answer the final questions, you'll be returned to the tax page.

You click here to generate your entire tax return.



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

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

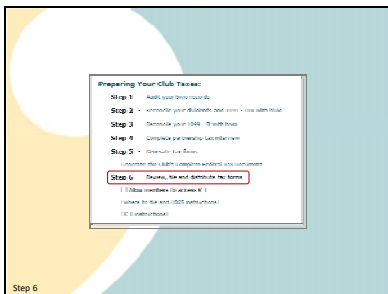


You can return to the Taxes page at any point to repeat any of the steps. As I mentioned before, if you change any club data, make sure to redo your taxes before filing. However, once you've filed them and distributed forms to your members, you shouldn't make any more changes to the forms or to your club records for 2014 or prior years. You should keep a paper or PDF copy of the exact return you file either in your records or in your bivio file storage area.

Everyone always wants to know what clicking on this Expert taxes link does. Go ahead! You're a tax expert, aren't you?

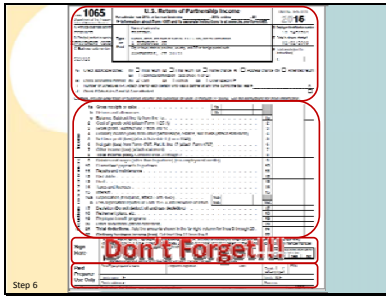


It lists all the pages which are part of the total package in case you want to print any of them individually.



Once Your forms have been generated so you're ready for the final step

of the tax preparation process which is to review, file and distribute your tax forms. First you should review what was entered on them.



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.

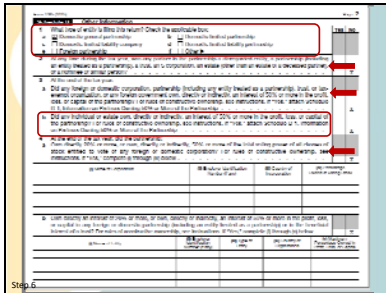
Items A through J. Item F will be blank unless you have answered no to question 6 on Schedule B. More on that later but just to let you know, most clubs answer yes to this question so section F is blank for most clubs.

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

DON'T FORGET to SIGN HERE

at the bottom before sending in your taxes or those nice penalties we discussed at the beginning will start to apply to you.

Leave the "Paid Preparer's Use Only" section blank.

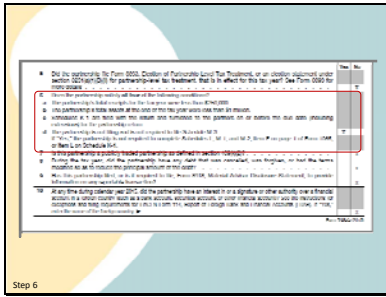


All Schedule B questions are answered on page 2. Here is the top part of that page.

The answer to Question 1 depends on how your club is organized. "1a" is the most common answer. Most investment clubs are organized as domestic general partnerships.

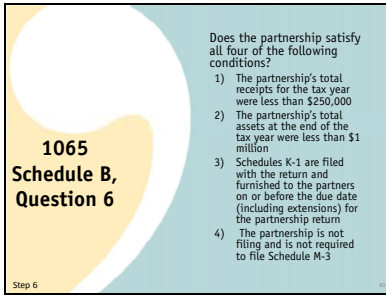
For investment clubs whose activities are covered by bivio services, questions 2, 3a and 4 will be answered no.

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 bottom half of page 2, most questions will be answered no.

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



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!

The image shows a portion of a tax form with several red arrows pointing to specific sections. The arrows point to sections 13, 14, 15, 17, 19, and 20. At the bottom of the page, there is a highlighted area with a red border containing the following text:

Step 6

Designation of Tax Matters Partner

Enter the name of the partner designated as the tax matters partner for the return. If the club has 10 or more members, this information is required. If the club has fewer than 10 members, this information is optional. If you do not enter this information, the IRS will use the name of the partner who prepared the return.

Name of Tax Matters Partner: _____

SSN: _____

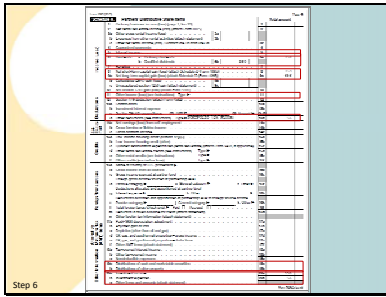
Address: _____

On the third page, most questions will be answered no.

There will be no response for questions 13, 15, 17, 19 and 20.

At the bottom of the third page you'll 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. The IRS can contact any member of your club they can reach if they have any questions.

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 club member who prepared 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 is Schedule K. It is where your total club information will be filled in. This is the information that is divided up between the members and reported to them on their K-1's. 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 lines 6a and b. The amount on line 6b is included in the amount on line 6a.

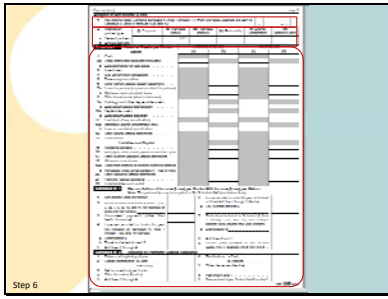
Your short and long term capital gains and/or losses are reported on lines 8 and 9a. You will have entries here if you have sold stock or received capital gains distributions from a mutual fund or from a class action settlement from a company whose stock you owned in the past. You may also have capital gains if a company you owned went through a taxable reorganization such as a cash plus stock merger or a re-domicile to a foreign country.

In most cases, there should not be an entry on line 11. 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. They are labeled 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.

If someone has withdrawn from your club, you should see an amount in line 19a if you paid them any cash and also an amount in line 19b if you gave them any stock.

And finally, 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.

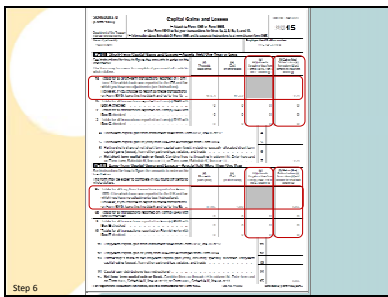
Line one Analysis of Net Income (Loss) is filled in.

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. This is one of the places where the information from 1099 B review process ultimately ends up.

The summary information in the “Covered” categories for which you haven’t made any adjustments goes directly on the Schedule D. You will not find it on the form 8949 we will discuss in a minute.

If you have made adjustments or have information for other than the “Covered” categories, you will have entries in this section and you will also have pages of a form 8949 filled in.

As we have said, it is important that this information reflect what is shown on your 1099 form or

that you have good reasons for any variances. If you don’t, you need to fix them before you file your taxes or give members their K-1’s. It’s also important that you understand that any adjustments shown here are adjusting your brokers numbers to agree with bivio, not the other way around.

The bivio numbers are being used to calculate your taxable income.

Step 6

If you have made adjustments to your brokers numbers or you have transactions reported in the

non-“Covered” categories on your 1099 form, you will also have some pages of a

Form 8949 that you need to file.

This will list the details of your transactions as well as any adjustments that were made between what the broker reported on the 1099 and what you are reporting as cost basis. You only need to file the pages of the form 8949 that have entries on them.

As you can see, this club only had to file page 2. It seems like page 1 is missing, but this is OK.

Don't Forget!!!

Step 6

Your club income and expenses are divided up and each member receives a form showing their portion. It is called a K-1. You will have one of these for each member. You send them all in with the club return and you also give each member their copy. They need to report the information on this form on their personal tax returns.

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 AND ADDRESS IN THIS SECTION 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

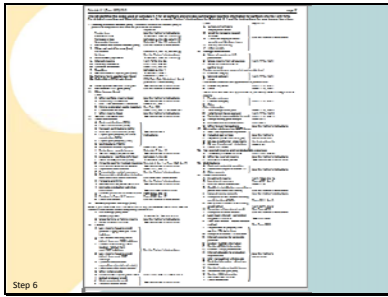
Dividends

Capital Gains

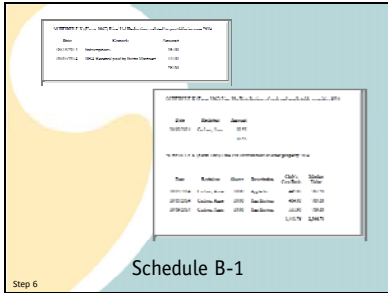
Expenses

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.

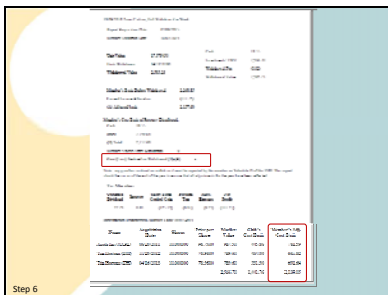


Your complete tax package may also include some other supplemental forms which you need to send in with your club filing.

You may have schedules for lists of any expenses you're deducting

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

If, when you identified your related parties, 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.



In addition to a K-1 Form, a member who has withdrawn assets during the year may 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. This information is shown on their withdrawal report.

If they received shares of stock, it will show their cost basis in those shares. It is important that they receive a copy of this 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.

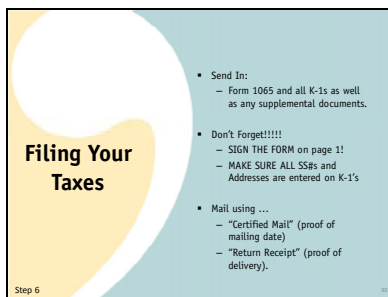
You do not have to send in the withdrawal forms with your club tax filing. Just keep them for your records and distribute them to the individuals affected.



If you've reviewed everything and are sure it's correct, it's time to print out your return, sign it, add SS numbers if needed, 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.

If you are mailing or emailing copies of K-1's to your members, make sure you also include the K-1 Instructions you can find here. Members who login to get their forms will be given a link to download them for themselves.



The complete tax package link includes everything you need to send in to file your club taxes. This includes:

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

Don't Forget!!!!!

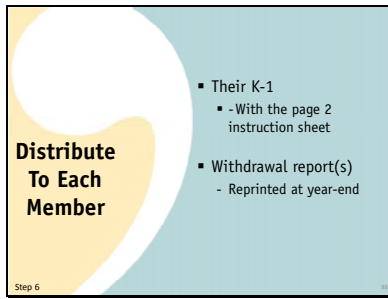
SIGN THE FORM on page 1!

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

Any withdrawal report(s) pertaining to them

Reprinted at year-end



Records you should keep:

A paper or pdf copy of all the forms in your complete tax package

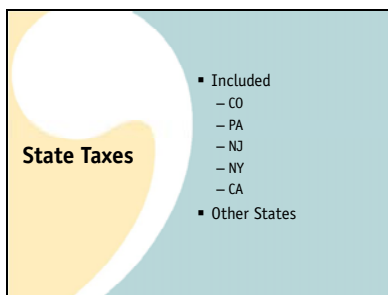
Copies of all withdrawal reports (reprinted at year-end)

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.



Some states require you to file state partnership returns as well as your federal ones.

We provide return programs for

CO,

PA,

NJ,

NY

and CA

For other states, it is often very simple to transfer your federal information to the state forms.



In addition, we offer you a cost effective option for having your state tax forms prepared. If you go to our Club Café page, you will

find two links on the right side that discuss state tax filing.



The first will take you to this page which gives you a table showing state tax requirements.



The second will take you to this page which describes an option we offer if you need state taxes prepared and your state is not included in bivio.



In Summary, remember to keep your club accounting simple and your tax time peaceful
 You can have a great club and comply with IRS regulations without any elaborate accounting knowledge
 All you need to do each year is:

Stick with basic investments-stocks and mutual funds.

Check your records at least once a month to make sure they are staying correct and up to date.

If you do so, preparing your taxes can be done with three simple steps

Verify your records

Take a tax interview

Print, Review, Distribute, File tax forms



If you have a question about reconciling your bivio records with your 1099, please email us a copy of your 1099 along with your question. Do not try and type details into your email but do identify the stocks you have a question about. We can work on things most quickly if we can look at what you are looking at.



Thank you for coming. We're looking forward to helping you work through a simple and stress free tax season!