

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

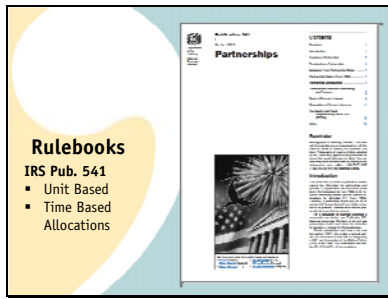
tax form you file is called a 1065 form. It is what is called an informational return. Your club does not have to pay taxes directly. All of the income and expenses are divided up between the members and they report and pay taxes on their share on their personal taxes.

They know how much to report because

you give them a form called a K-1 which is also part of your taxes. It shows each persons portion of your club income and expenses. You also send in all the K-1's with your club tax filings. Each members 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.

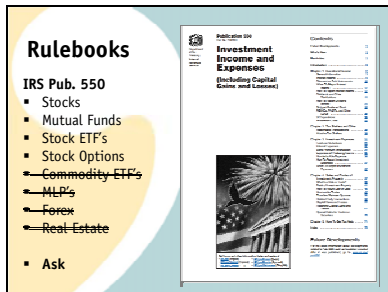
First, it is partnership based accounting-Described in IRS Publication 541

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 portfolio 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

Stock Options, if you have an appropriate bivio subscription level

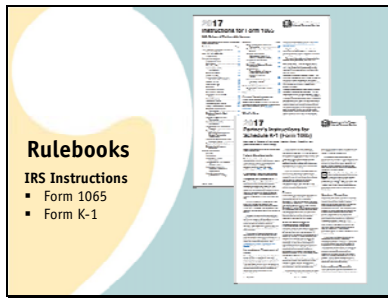
But it will not provide tax reporting for all investments. For example, tax reporting for Commodity ETF's

Publicly Traded Partnerships

Foreign Currency trading

Real Estate and others, is not included

Ask us in support if your club is looking into investing in something that might bring tax reporting issues with it.

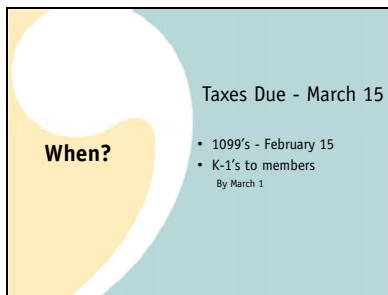


Finally, of course we also have to comply with the instructions for filling in the forms you file. The 1065 and the K-1 forms



Who has to file?

You do. If you have an EIN number you need to file club taxes because the IRS computer will be looking for a filing from you. It does not matter how long your club has been in existence or how much income you have had.

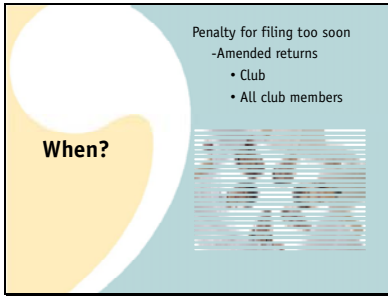


The time line you will be working with involves these dates:  
Your club taxes need to be filed by March 15.

Note that this is a change from previous years when you had until April 15 to get them 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 15 but 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 March 15 to file your club taxes, we don't suggest that you do that or you might have a lot of angry club members.



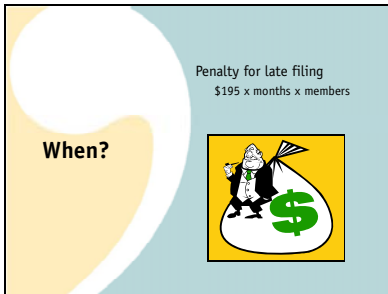
You don't want to file or distribute tax forms too soon. You need to wait for 1099's and verify your club records before you prepare anything. One of the penalties for filing incorrect taxes is that you might have to do it all over again and

File an amended return

Both your club and

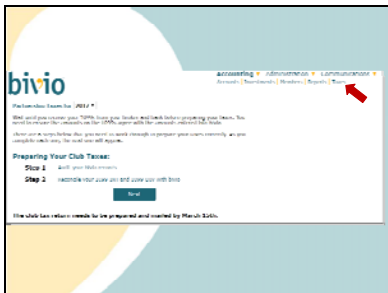
each of your members

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.



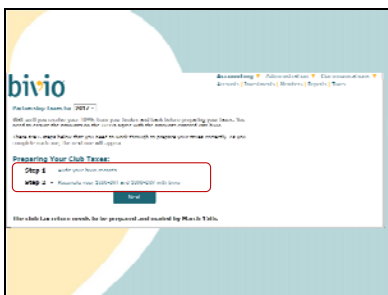
If you file late or not at all or you file forms with missing or incorrect information on them, there is a stiff penalty. It is:

\$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. This adds up quickly. Each year we get questions from clubs that have received tax bills for thousands or tens of thousands of dollars. The IRS was nice last year when the tax filing due date changed, but they will not be as forgiving if you do not file your 2017 returns on time.



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



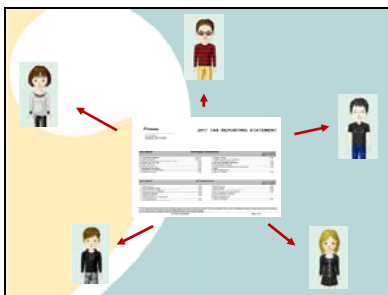
As you can see here, there are steps you will follow to guide you through the tax preparation process. There are 6 Total. When you start you'll see the first two. To prepare correct taxes, you must do each one before you continue to the next one.



You need to 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. You cannot just assume that the information in bivio is correct, even if you use AccountSync and even if you check your cash balances and number of shares of stock each month like we recommend. There are other parameters affecting your accounting and correct tax reporting that would not be covered in those quick checks. Unless you do the audit we recommend you won't find them. There is a reason there are 6 steps shown to prepare your taxes. You do not want to skip any of them.

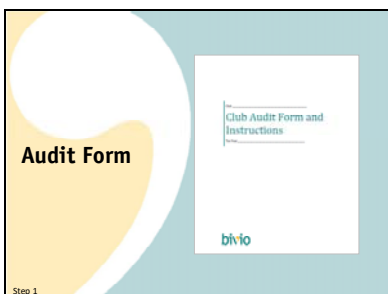


So what is an audit? An audit is an independent comparison of your club records to your financial institution records. It is conducted by club members other than the treasurer. Any discrepancies are noted and then, at the end of the audit, discussed with the treasurer to make any necessary corrections.

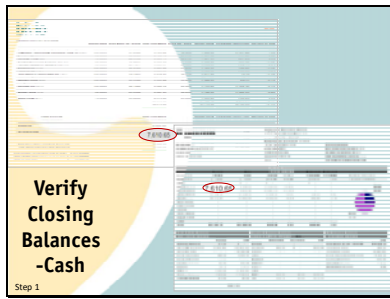


Without an audit, you will not know 2 main things that affect your taxes.

- That the income your club has earned during the year will be reported correctly.
- That your member accounts are being tracked correctly. If not, the income won't be divided up amongst your members correctly and therefore their personal tax reporting will be wrong.



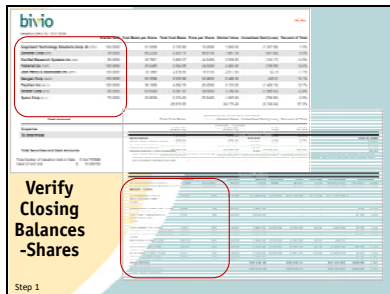
We have prepared a form you can use to guide you through the steps of an audit. The link for tax step one takes you to a page with a link to it and a presentation about how to use it.



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

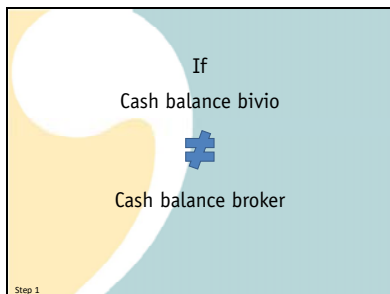


Then, you compare the numbers of shares of each stock you own.

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.

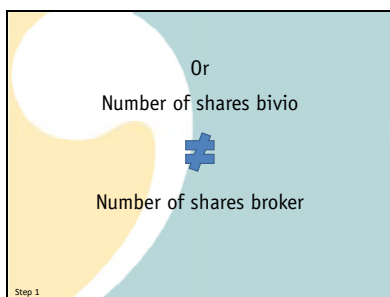


I can't emphasize this step enough. It is a critical point. If the

cash balance in bivio

does not agree with the

cash balance at the broker and you don't have a valid reason such as an outstanding check for this.

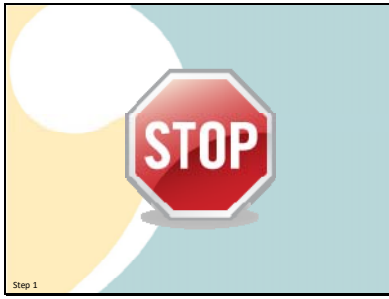


Or,

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. Your taxes will be prepared using your bivio accounting information. There is no point in going any further if it is 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.

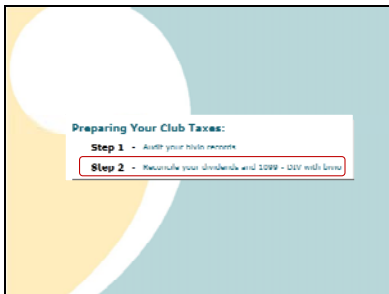
Contact us for support if you don't know what to do. We're a lot friendlier to deal with than the IRS and we're glad to try and help you get your records straightened out.



Don't forget. Just because your bivio site shows a lot of numbers doesn't mean they're useful for anything. Unless you do an audit and verify them your taxes may just be

garbage in

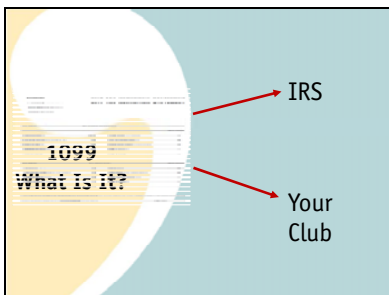
Garbage Out



That is why you need to do step one. An audit can be done at any time once your December 31 brokerage statements are ready. It will verify that your records are correct through that time. All you will then need to do is to check and see whether there were any last minute changes that were reported on your 1099's that you need to adjust for.

Steps 2 and 3 guide you through doing this. 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. This is important because there can be last minute changes in how your broker reports dividends that will affect the cost basis of your stocks. Unless you make the changes in bivio shown on the 1099, when you sell the stocks, the capital gains and losses won't be reported right.

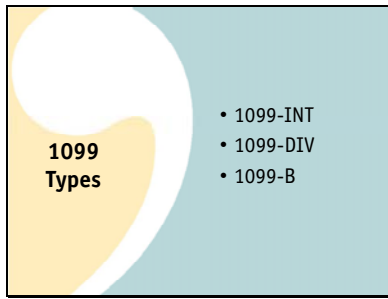


Before we get into the specifics of doing this step, let's review what a 1099 is.

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.

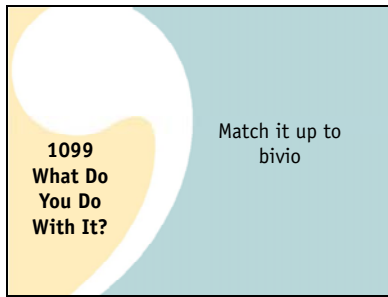


There are many types of 1099's. Income from your investment activities will probably show up on one of three different types:

A 1099 INT will report your interest income

A 1099 DIV will report your dividends

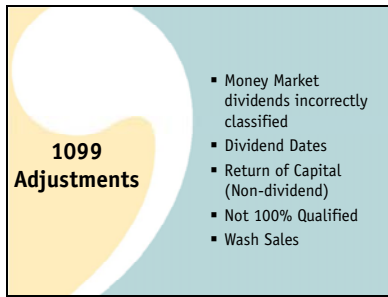
And a 1099 B will report your stock sales and your capital gains and losses



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 know your bivio records agree with them or you have a valid reason for any disagreements. Brokers do make rare mistakes on 1099's but if something differs from your bivio records you need to investigate why. Differences you need to handle may occur even though you have done an audit and are sure your bivio records are correct. Some information doesn't come through until you receive your 1099's. When it does, there are small details that you might need to "fine tune" to make sure things match up correctly. These changes will not be done for you automatically by AccountSync. They are done during step 2 and 3 of the tax prep process.





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. You'll see this when you do step 2.

#### Dividend Dates

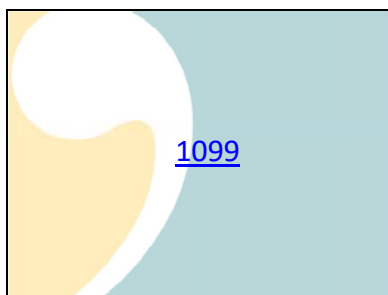
Sometimes dividends which your broker credits to your account in January are reported to you as previous year dividends. If this happens, you want to go into bivio and change the date from a January date to one at the end of December. It is fine to do this and important so your taxes and your 1099's agree. You'll also be able to do this when you do step 2.

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 (also called Non-dividend) distribution. This requires a manual adjustment to your bivio records. This can also be done in step 2.

You also might have an investment where you will find not all of the dividend you received can be considered a "Qualified Dividend". This adjustment can be made in step 2.

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. You'll address this in step 3.

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.

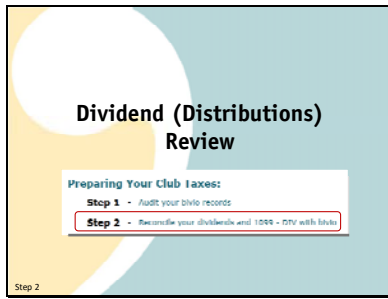
Note that several types of 1099 forms are combined in one sheet.

Here is the 1099 DIV,

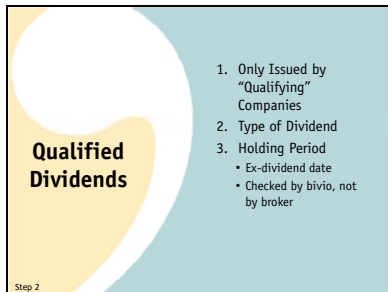
The 1099 INT

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.



Here's how you'll use this information in steps 2 and 3. In step 2, you'll be answering questions and making comparisons that will ensure sure your dividend information is reported correctly. As I was just discussing, 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 the 1099 shows.



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 three 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

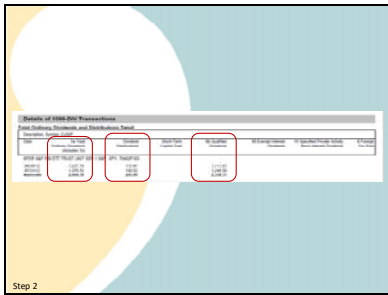
Holding period-You need to have owned the stock paying the dividend for more than 60 days during the 121 days that begin 60 days before the ex-dividend date.

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 checks holding period based on the ex-dividend information you will review in step 2 of preparing your taxes. It's important to understand that brokers are not required 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, step 2, 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.

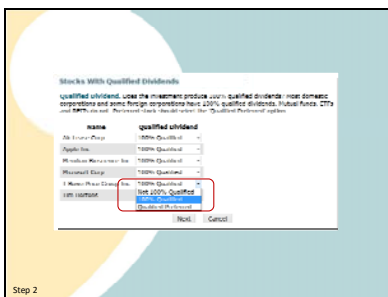


How do you know how to answer a question on this page? Here's a clue. If you see something like this on your 1099 DIV it means that this investment pays "Not 100% Qualified" dividends.

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.

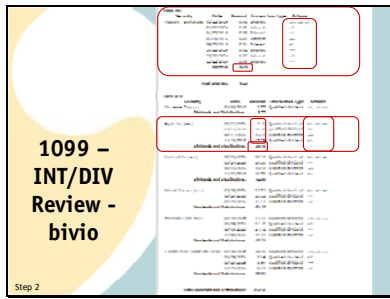


You can open the little drop down menu next to a company if you need to change it's designation.



Next, you'll be asked to verify ex-dividend dates. As I explained earlier, 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-INT/DIV review report. Here is what it will look like:

At the top will be a list of any interest entries you've made in bivio. Make sure they are correct and

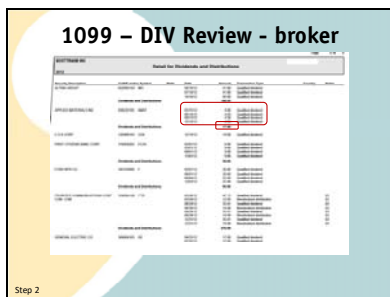
that the total is not included as a dividend on your 1099.

If it is, there are links here that you can use to edit the entry and change it to a money market dividend.

In the bottom section you'll see your dividends listed by company. Most brokers provide a corresponding detail list on your 1099 that 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.

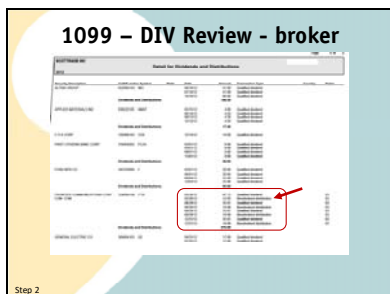
If you need to make any changes you can find a direct link back to your records to edit the transaction.



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. You may also find the same information in a little different format. In any case, this is what you do.

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

Then, compare the dividend dates, amounts and classifications with the bivio report. Most entries should agree.



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 shown as a "Non dividend distribution" on your 1099. This will mean adjustments will need to be made to your bivio records before you can file your taxes.

**1099 – DIV Review**

Post Netco Company (S)	2/15/2018	12.00	Qualified dividend	100	100
	2/15/2018	12.00	Qualified dividend	100	100
	2/15/2018	12.00	Qualified dividend	100	100
	2/15/2018	12.00	Qualified dividend	100	100
<b>Dividend and Distribution:</b> 408.00					

<b>Verizon Communications Inc</b>	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
<b>Dividend and Distribution:</b> 16.00					

Verizon New York (no corp)	2/15/2018	0.00	Qualified dividend	100	100
	2/15/2018	0.00	Qualified dividend	100	100
	2/15/2018	0.00	Qualified dividend	100	100
	2/15/2018	0.00	Qualified dividend	100	100
<b>Dividend and Distribution:</b> 0.00					

Verizon 5% Notebook (no corp)	2/15/2018	88.00	Qualified dividend	100	100
	2/15/2018	88.00	Qualified dividend	100	100
	2/15/2018	88.00	Qualified dividend	100	100
	2/15/2018	88.00	Qualified dividend	100	100
<b>Dividend and Distribution:</b> 352.00					

Step 2

In cases like this, you need to

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

and then you need to select the edit link on the specific dividend that needs to be adjusted.

**1099 – DIV Review**

**Dividend Entry Form**

Transaction ID: 1099-DIV-2018-001

Transaction Date: 2/15/2018

Account: 1099-DIV-2018-001

**Dividend Information**

Dividend Amount: 12.00

Qualified Dividend: 12.00

Return of Capital: 0.00

Capital Gains: 0.00

Dividend and Distribution: 12.00

Step 2

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.

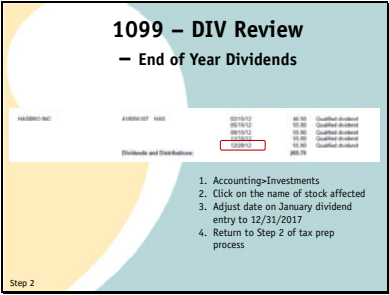
Making this adjustment to add the return of capital entry is very important. Even though that income is not taxable to you during the current year, it does affect the cost basis of your shares. If you don't make the entries, you will overpay on your taxes during the current year and your cost basis will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

**1099 – DIV Review**

<b>Verizon Communications Inc</b>	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
	2/15/2018	4.00	Qualified Dividend	100	100
<b>Dividend and Distribution:</b> 16.00					

Step 2

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. A dividend may be reclassified into between two and as many as 5 different categories. You'll make all the adjustments at once in the same way I just showed.



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. In that case you won't see the dividend listed at all at first on the 1099 DIV review form.

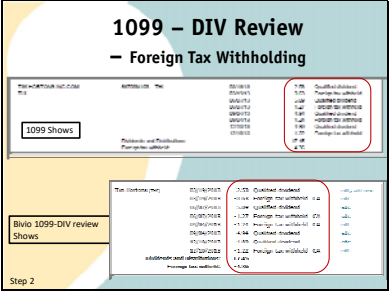
To correct this, you'll need to adjust the date in bivio by doing this.

Leave the tax prep program and go to Accounting>Investments

Click on the name of the stock paying the dividend

Select edit next to the entry affected and change the date on it to 12/31/2017 so it is reported in the correct tax year.

You can then return to step 2 of the tax prep process and continue. You should now see the dividend listed on the 1099-DIV review form just like it is on your brokers form.

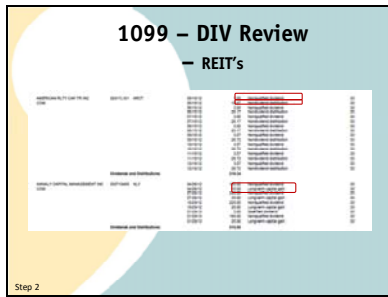


If you own foreign stocks,

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 they don't, you will need to edit the entries to correct this issue. Foreign tax is one of the types of income you can enter on the reclassification page I showed you earlier.

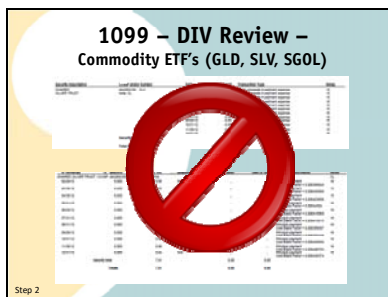


If your club owns REIT's, their distributions usually need to be split into several parts.

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 reclassifications 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. Because taxes are due earlier this year than they have been in the past, it may also mean your club will need to file for an extension to wait for the information to become available. 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.

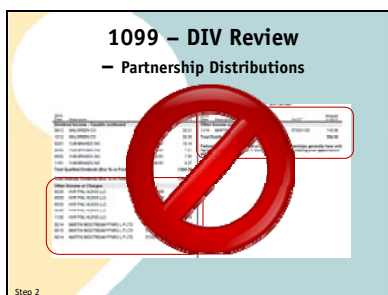


Even more complex than that will be the issues you will face if you own commodity ETF's such as SLV or GLD.

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.





Step 3

So what is all the stuff on these forms? Lets discuss what you should know briefly.

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

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

If we look more closely we see that this section is further 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 had held for one year or less when you sold them.

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

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.

In section D. Basis is reported to IRS

In section E. are the non-covered sales where proceeds but not cost basis are reported to IRS

And in section F. are transactions not reported for various reasons in either of the other two categories.

1099-B Review - bivio

1099-B Brokerage Details

1099-B Review - bivio

1099-B Review - bivio

Link	Income	Cost	Adjusted	Gain/Loss
	AMT	BASE	ADJUST	(Loss) / (Gain)
Short term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	4,542	2,242	0	2,300
Dividend income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Long-term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Other income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
<b>Total</b>	<b>4,542</b>	<b>2,242</b>	<b>0</b>	<b>2,300</b>

Step 3

You'll see these same 6 categories on the opening page of 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

1099-B Brokerage Details

1099-B - Broker

Link	Income	Cost	Adjusted	Gain/Loss
	AMT	BASE	ADJUST	(Loss) / (Gain)
Short term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	4,542	2,242	0	2,300
Dividend income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Long-term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Other income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
<b>Total</b>	<b>4,542</b>	<b>2,242</b>	<b>0</b>	<b>2,300</b>

Step 3

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

1099-B Review - bivio

1099-B Brokerage Details

1099-B Review - bivio

Link	Income	Cost	Adjusted	Gain/Loss
	AMT	BASE	ADJUST	(Loss) / (Gain)
Short term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	4,542	2,242	0	2,300
Dividend income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Long-term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Other income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
<b>Total</b>	<b>4,542</b>	<b>2,242</b>	<b>0</b>	<b>2,300</b>

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

1099-B Brokerage Details

1099-B Review Page - bivio

Link	Income	Cost	Adjusted	Gain/Loss
	AMT	BASE	ADJUST	(Loss) / (Gain)
Short term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	4,542	2,242	0	2,300
Dividend income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Long-term capital gains reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
Other income reported on Form 1099-B (including both items reported to you and those reported to you by others)	0	0	0	0
<b>Total</b>	<b>4,542</b>	<b>2,242</b>	<b>0</b>	<b>2,300</b>

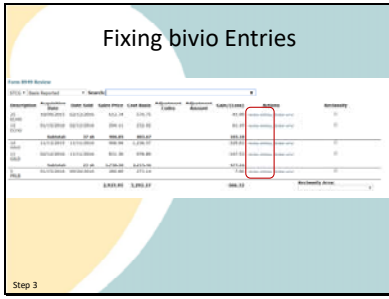
Step 3

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

Start to hone in on the company that the information differs for by comparing the subtotals for each company between the bivio and brokers report.

If the subtotals are the same for a company, it is not the problem. If they do not agree, you will need to compare further details either between the two reports or between bivio and a Realized gain/loss report from your broker to find out what the problem is so you can get it corrected.

Note that if you have done the audit in step 1, you should not find any issues at this point because you would have already found them during the audit and gotten them corrected.

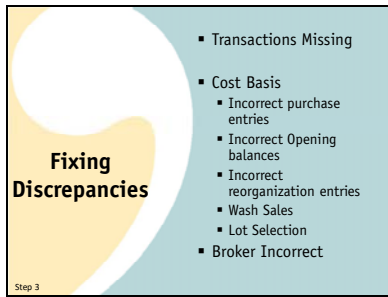


If you need to make corrections in bivio, you can jump back to the transactions that have been entered for the stock if

you select the review entries link.



It will take you to the Investments transaction page or pages for the stock in question. You will need to correct whatever bivio entry or entries were wrong to fix your problem.



These are some reasons you might find for differences. If you do find them, and you know the brokers information is correct, you'll need to make corrections to your bivio entries to fix them and generate correct taxes.

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 and then fix the entries in bivio that are causing the problem. Cost basis differences can be caused by things like:

The incorrect entry of a stock purchase.

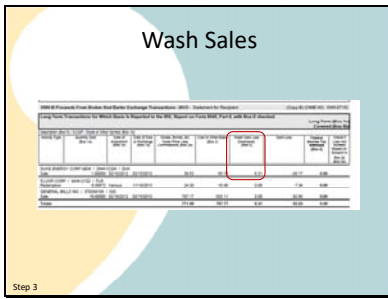
If you switched to bivio after your club had started, there may have been mistakes in your switchover data.

The stock affected may have gone through a reorganization that wasn't accounted for properly in bivio either during the current year or in past years.

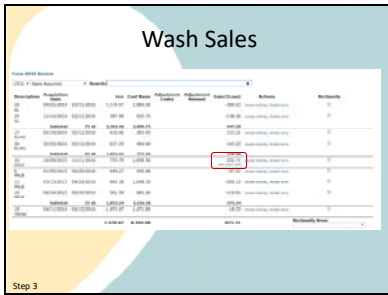
You may have had a wash sale this year or in the past. If so, you will find a wash sale adjustment link on the 1099- B Review form for the current year which will allow you to add the adjustment to your bivio records. If the problem was for a past year, you'll need to go back and make the correct adjustment and then reenter the stock transactions since that date.

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. Again, this may apply to the current year, or you may find proper adjustments hadn't been made for this in past years. You'll need to go back and correct them first and then re-enter all the subsequent stock transactions.

There is a small possibility the brokers numbers are incorrect. For sales of stock you purchased prior to 2011, they did not have any obligation to track cost basis correctly. You should not, however, assume any information they provide is wrong. If there is a difference, you need to investigate to figure out why. If you can prove the bivio records are correct, you will not want to be matching incorrect broker numbers. It will be safe to proceed using the bivio numbers.

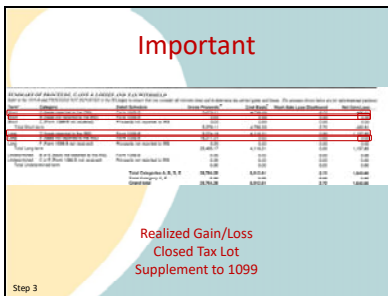


If you had a wash sale during the year, you will see it identified on your 1099.



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.



The transactions we've been talking about where the broker has to provide information you can compare to bivio

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

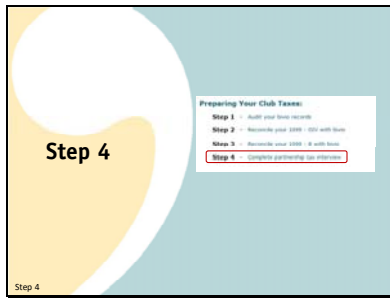
There are also categories like the B and E categories where the information is not reported to the IRS.

This means there may be no totals in the gain/loss column for them. We get many questions asking whether bivio should show a 0 there also.

Obviously if the total gains shown on the brokers report is 0 it is not correct. The bivio report will show the correct number if your bivio entries are correct. The reason the brokers report might show 0 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 use to do this. Some brokers even show all the detail for these categories as a supplement to your 1099 form. This check is also performed as one of the steps of doing your club audit.

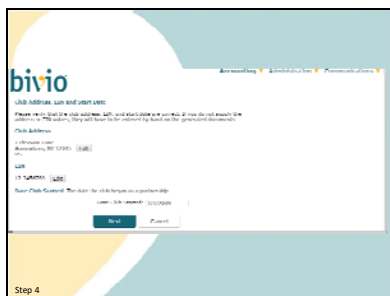


Once you've done these confirmations and not before, you're ready to move into the final steps of preparing your tax forms. These go much quicker.

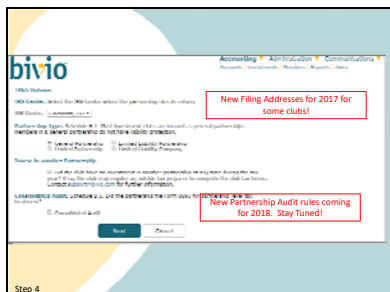
First, you'll take a tax interview to provide the final pieces of information you need to enter. This link for step 4 will take you to the interview.



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 because they are necessary for you to continue.

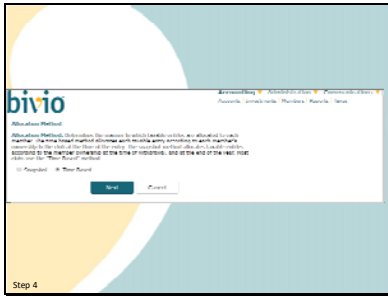


Next, the IRS center the return will go to and the type of Partnership. You'll also need to know whether or not you've invested in a partnership during the year. If you have, you'll need to work with an accountant to file correct tax forms.

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.

Note that the IRS has changed the filing address for some clubs this year. Make sure you check the filing instructions on our help page so you know where your return will be mailed.

Note also that there are new partnership audit rules which will apply in 2018 and which will require your club to make some decisions and possible changes to your partnership agreements and even your club rosters. We will be discussing these in further detail once 2017 tax season ends so make sure you are signed up to receive regular bivio bulletins so you won't miss important information.



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. It means income and expenses are allocated to your members based on their ownership percentage on the date that they occur.

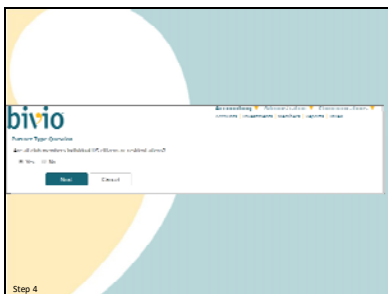


If your club owns a stock in a foreign company you will be asked to enter the country where the company is located.

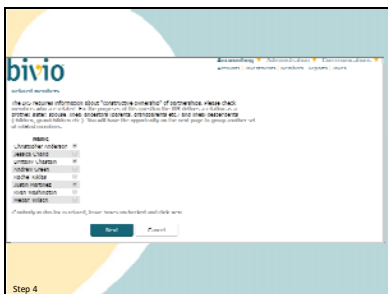


This page shows you the member information that is needed for the tax forms. You can enter any missing information here or write it in on the K-1's after they are printed.

If you don't enter it at this point, don't forget to enter it before you send in your tax forms. 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.

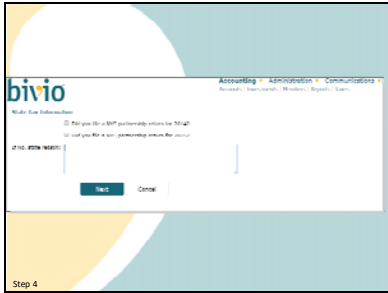


Next, you need to indicate if any of your club members are related. If they are, you will have further questions to define who is related to who. A relation is defined as brothers, sisters, spouse, ancestors (parents, grandparents etc.) and lineal descendants(children, grandchildren etc.). If related 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 to answer before you are through.



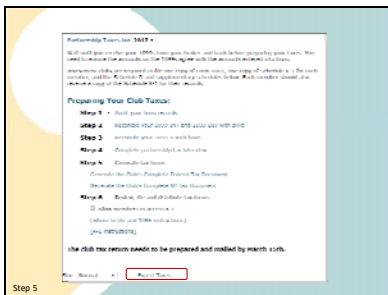
After you answer the final questions, you'll be returned to the tax page.

You click here to generate your entire federal 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 2017 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. If you do end up having to later correct something in bivio, you will need it to compare your revised tax return to what you filed.

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

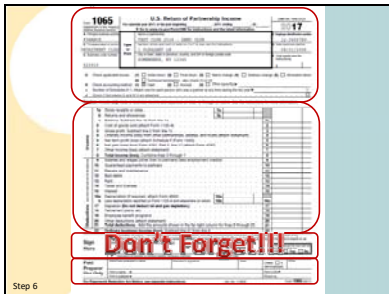




It lists all the pages which are part of the total package in case you want to print any of them individually.



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

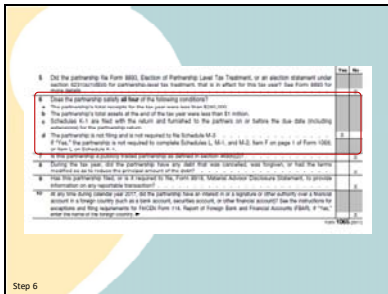


All Schedule B questions are answered on page 2. Here is the top part of that page.

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.

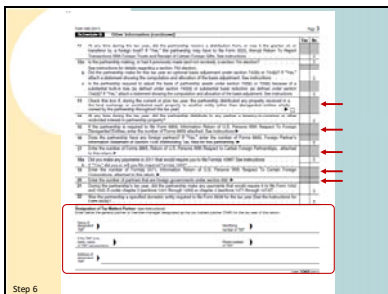
For investment clubs whose activities are covered by bivio services, questions 2, 3a and 4 will be answered no.

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, you will have a form B-1 included in your tax packet that you need 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 because most clubs meet all the conditions listed.



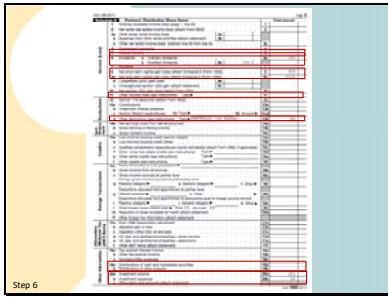
On the third page, most questions will be answered no.

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. If you have 10 or more partners in your club, your return will not be considered complete without this section filled in.



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.

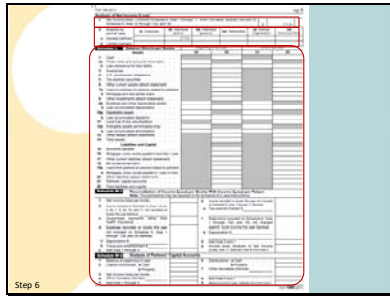
Your short and long term capital gains and/or losses are reported on lines 8 and 9a. You will have entries here if you have sold stock or received capital gains distributions from a mutual fund or from a class action settlement from a company whose stock you owned in the past. You may also have capital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

If you have any expenses they will be reported on line 13d and 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. Note that for 2018 none of these expenses will be deductible so this is probably a portion of the tax form that will be changing for next year.

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.

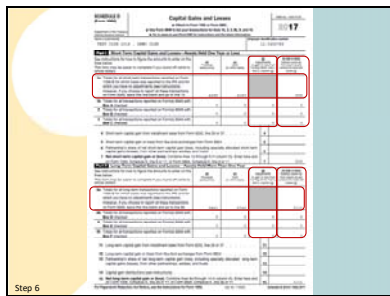
Line one Analysis of Net Income (Loss) is filled in.

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).



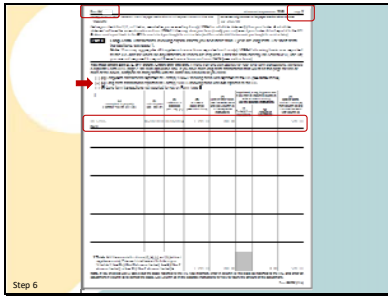
Clubs have sold stocks during the tax year will have entries on a Schedule D. This is one of the places where the information from 1099 B review process ultimately ends up.

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 indicated that the broker has reported something incorrectly on your 1099 as we discussed earlier. If they haven’t made any mistakes, you shouldn’t see any adjustment entries here. If bivio doesn’t agree with what they show, and you think they are right, you need to fix your bivio transactions before you file your taxes or give members their K-1’s. Don’t forget 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 what is being reported as your taxable income, not the brokers numbers.



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

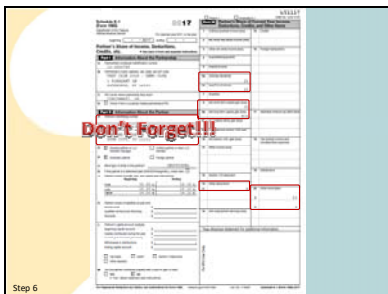
non-“Covered” categories on your 1099 form, you will also have some pages of a

Form 8949 that you need to file. The club I’ve been showing you actually didn’t have any for tax year 2016 so they wouldn’t have had this form included in their tax packet. I just include it here to show you what it would look like if they had.

It lists 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’ll only have pages of the form 8949 that apply to you. For example, if you didn’t have an long term non-covered transactions, you won’t have a form 8949 for that category.

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



As part of your tax package you will have a form called a K-1 for each member. It will report their portion of your club income and expenses. You send a copy of each one in with the club return and you also give each member the copy that contains their information. They need to report it 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 the members portion of the totals that were shown on schedule K. Typically you’ll see amounts for:

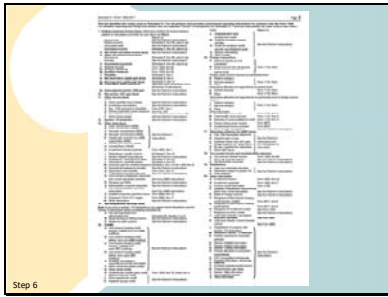
Dividends

Capital Gains

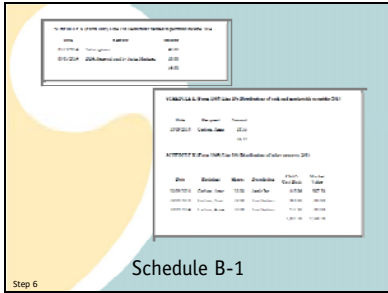
And Expenses – (if you had any)

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.

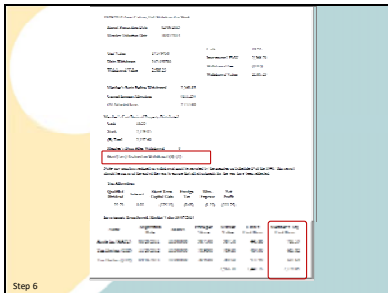


Your complete tax package may also include some other supplemental forms which you need to send in with your club filing.

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.

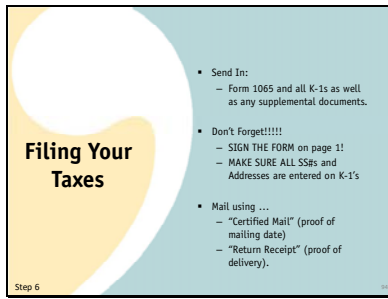
You do not have to send in the withdrawal forms with your club tax filing. Just keep them for your records and distribute them to the individuals affected.



And that completes the form review. If you are sure everything is correct, it's time to file your return and give your members their K-1 forms.

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 members have made any withdrawals that have tax consequences, they will also find a link to their withdrawal report.

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!!!!

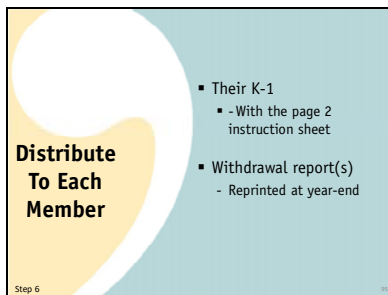
SIGN THE FORM on page 1!

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

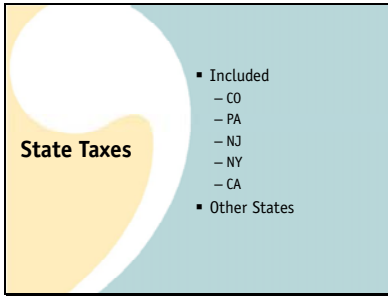
Copies of all withdrawal reports (reprinted at year-end)

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.

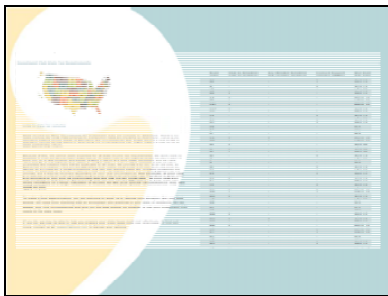
We provide return programs for  
CO,  
PA,  
NJ,  
NY  
and CA

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

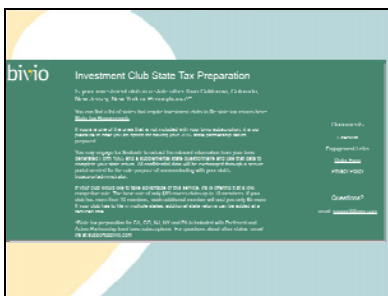


In addition, we offer you a cost effective option for having your state tax forms prepared for the states we don't provide. If you go to our Club Café page, you will

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. New this year is a list of the state due dates. Some of the states are following the federal due date change. Others have not changed yet. These are still evolving so if your state is still showing an April 15 due date, check with them to make sure it hasn't been updated since we prepared this.



The second link on the club café page 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 stock mutual funds and ETFs

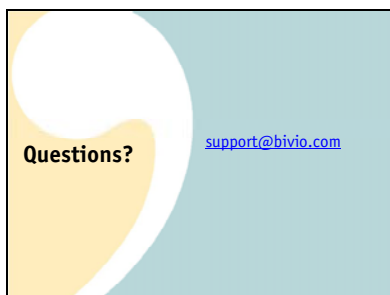
Check your records at least once a month to make sure they are staying correct and up to date.

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



As always, if you have a question as you go through this process, email to it at [support@bivio.com](mailto:support@bivio.com). If your question is about reconciling your bivio records with your 1099, please email us a copy of your 1099 along with your specific questions. 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!