

This presentation is designed to give you an overview of the tax preparation process so you'll have a good understanding of what is coming and what you might want to take care of before the end of this calendar year.

We're going to discuss six types of information:

First, we're going to go through a brief overview of investment club taxes. What is required and a little bit about the preparation process. We'll show you the forms you need to file, the steps you'll be going through to prepare your taxes and important dates you'll need to know.

Then we're going to discuss what you can do right now to get started and get most of the work out of the way so that your tax preparation will go very quickly once you receive tax documents from your broker and the tax program from us.

We're going to reiterate some of the things you can do in your club to keep your club accounting simple and avoid any tax time issues.

We're going to go over the CPAR audit requirements you'll need to address when you do taxes.

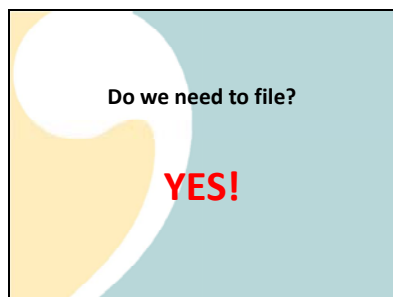
We're going to talk about one small change that will be new for your taxes for 2020

And finally, we're going to touch on a list of things you may need to address prior to the end of the current calendar year. This presentation is only designed to give you an overview. Early next year, we'll be having more in depth webinars which will get into the details of actually getting your tax forms filled out. We'll be touching on a lot of topics tonight. Don't worry that you have to get it all down today.



Let's start with an overview of the process.

What are your tax filing requirements?



One of the first questions investment clubs have, especially new clubs, is whether they have to file.

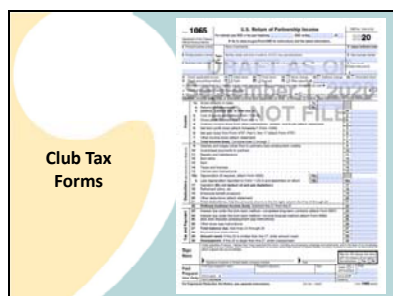
The answer to this question is Yes. If you have an EIN number you need to file club taxes. It does not matter how long your club has been in existence or how much income you have had. Your EIN number is your IRS business identification number. It's similar to a personal Social Security number. You will have needed it when you opened your club brokerage account. You get the EIN number from the IRS. Their computers will be looking for a return to be filed that matches that number. If they don't find one, the computer will generate an automatic note to you telling you that you owe them a hefty late penalty.



Just so you know, the late filing penalty for a partnership return is \$210 for each month or part of a month (up to 12 months) the return is late (or incomplete) multiplied by the total number of persons who were partners in the partnership during any part of the partnership's tax year.

In addition, if you distribute K-1 forms to your members late or fail to include all required, correct information on them by the due date, there is an additional penalty of \$280 per K-1 that is a problem.

This isn't a joke. We have had clubs contact us because they have received notices that they owed amounts in the 10's of thousands of dollars for not filing a return. The fact that they had only had a minimal amount of income was not important. It's easy to prepare your taxes using bivio. Make sure you do it.

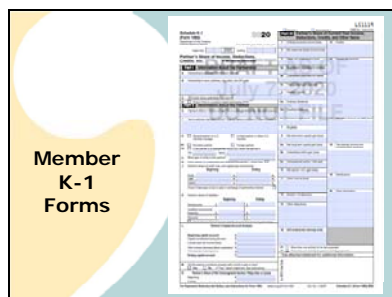


So what forms do you need to file?

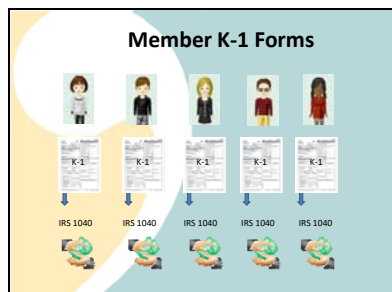
Your investment club is a type of business called a partnership. Each year your club needs to file what is called an informational tax return. For a partnership, this is IRS form 1065. It reports the total income and expenses your club has had for the year. It also reports each members share of the income and expenses. The 1065 is called an informational return because your club does not pay taxes directly. Each member pays taxes on their portion of the club income on their own personal tax forms.

As part of your bivio subscription, you receive a program you can use to prepare your club tax forms from information you have entered and confirmed correct in bivio.

As you can see, this example is just a draft tax form. The IRS has not released final versions of the form yet.



Each member knows what to report because your 1065 includes a form called a K-1 for each partner. You send in copies of all the K-1's in when you file your club taxes and you also give each member his or her personal copy.



Each member will transfer the information

From the K-1 to

their personal tax forms to

pay taxes on. Your club members will not be able to complete their personal taxes until you've provided them with their information from the club.

Member Tax Allocation Report

Name	Qualified Dividend	Short-Term Capital Gain	Misc. Expense	Net Profit
Anderson, Christopher	41.13	(50.35)	(7.98)	(17.19)
Chen, Jessica	49.87	(61.04)	(9.72)	(20.89)
Cramer, Anthony	39.34	(48.39)	(7.04)	(16.09)
Green, Andrew	41.83	(50.24)	(7.83)	(17.14)
Kahn, Rachel	5.12	(10.47)	(3.41)	(8.16)
Shapiro, Janet	41.25	(53.62)	(8.41)	(18.18)
Washington, Ryan	28.76	(36.37)	(5.53)	(13.12)
Winters, Megan	28.99	(46.04)	(7.42)	(14.47)
<b>2008-08</b>	<b>(258.48)</b>	<b>(55.83)</b>	<b>(55.83)</b>	<b>(145.92)</b>

If you'd like to get an idea of what will be reported on each members K-1, there is a report in bivio called the member tax allocation report. It looks like this.

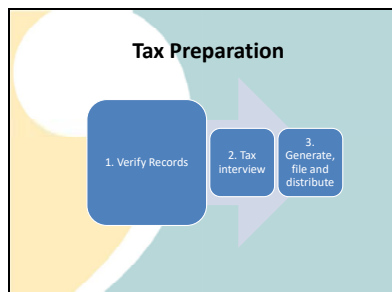
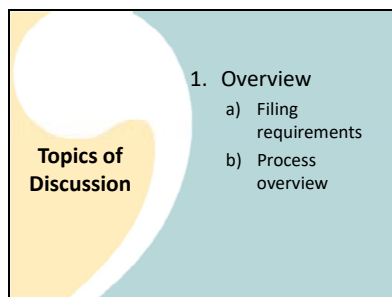
A member of a stock investment club will have these types of income to report.

First, you may have dividend and interest income. Your club amounts will be added to any other dividend and interest income you report on your personal Schedule B.

You may have both short and long term Capital Gains and losses which will be combined with other capital gains and losses on your personal schedule D and

You may have expenses which will be shown for your information only. Since the start of 2018 these are no longer deductible at any level on your personal taxes.

You may want to show a preliminary copy of this report to your club members at the end of the year. If they have to pay estimated taxes, and your club has had significant income, they may want to include the club income in their income estimate. Just make sure that they understand that all information on the report is preliminary and subject to change as you do your final records verifications.



Now you know what you need to file,

let's discuss briefly the process you'll be using to prepare your tax forms.

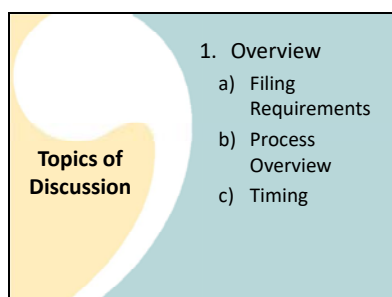
There are really only a few steps to doing your taxes.

First, since your bivio records will be used as the source of information to fill in your tax forms, you need to make sure that what is in bivio is correct. This is the most important step and potentially the one that will take the most time, depending on the state of your bivio records. But it is also one you can begin right now.

Once you verify your records, things will go much more quickly. You'll answer a few simple questions and bivio will finish filling in your club tax forms.

You can then review and file them with the IRS and distribute information to your members.

We will be going through a more extended description of how you complete each step during tax prep webinars we will hold during tax season. The intent of today's presentation is just to give you an idea of how things are going to work.



Of course you need to be aware of

Different timing deadlines you are going to be working with as you move through tax season.



The due date for filing your club 2020 tax forms is

Monday March 15, 2021. If you can't get them in by that date, you'll need to file for an extension or be subject to hefty late filing penalties. Your members need the information you'll give them on K-1's to file their own personal taxes. This way they'll have their club information at least a month before those are due.



To get ready to do your club taxes,

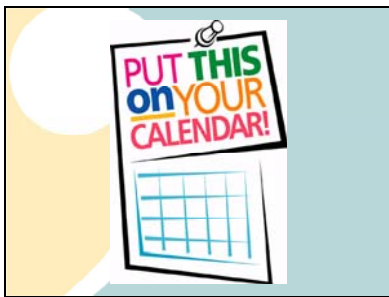
you need to do a records audit in January to confirm your bivio records are in good shape. Your taxes are prepared from the information you have entered in bivio. You need to confirm it is all correct or your taxes won't be correct. This may be the most time-consuming step of getting your taxes done. By scheduling to address it in January, you'll have lots of time to handle any issues you need to get corrected.

Your taxes will also need to agree with 1099 forms which are sent by your broker to the IRS to report your income. Brokers are only supposed to have until February 16, 2021 to get these to you, but make sure to check with them. Some receive extensions to send them later than this. You cannot finalize your taxes until you have them.

Bivio makes the tax program available in mid February for you to use to prepare your taxes. There is nothing extra to purchase. The ability to prepare club Federal taxes is part of your bivio subscription. Your members cannot complete their own personal taxes until you have given them their K-1's. Because you can't finalize anything until you have the 1099's,

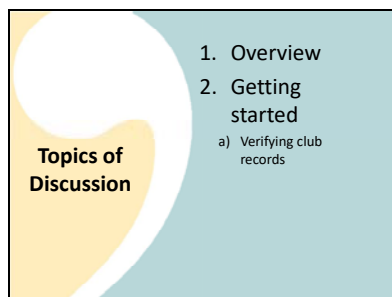
a reasonable date to tell them they'll have their forms is March 1.

This will also mean you'll have them ready to file before the March 15 deadline.



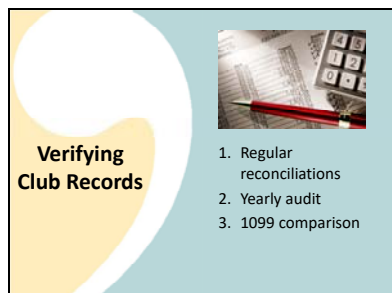
We suggest that before the end of the year that you let your club members know the date they can expect their K-1's. This lets them schedule any appointments they need with personal tax preparers. If a member needs club tax information before you can get the K-1's done, they should be able to make an estimate of what will be coming using the Member Tax Allocations report. However don't give them that unless you have done an audit and have a reasonable expectation that your club records are accurate. Make sure they understand the information on it is subject to change.

---



Now you have an idea of what you're getting into,

Let's talk about what you can start on right away so you can breeze through the tax prep process when the tax program becomes available. As I said earlier, the first step in the process is the most involved. But it is one you can start at any time and you should be keeping on top of each month when you have your club meetings.



It is keeping your bivio records correct. Verifying your records is critical. It is not something bivio does automatically for you. If your records are not correct, your taxes will not be correct. There are three things your club should make a part of your regular operations to make sure the information which will be reported on your taxes is accurate. Each one checks different information.

First, your club treasurer should be reconciling your bivio records with your financial institution statements monthly. If there are any disagreements, this means there is only a single months worth of transactions to go through to find the mistake and make the correction in bivio. Some clubs assume AccountSync is their club treasurer. While it is a good assistant, it is not perfect, it is still up to you to ensure all information has been added correctly. Sometimes brokers make mistakes in the data file it reads. Other times, there is information missing from the AccountSync data that you need to make manual adjustments for. Usually, a quick check each month will quickly bring any issues to light and they can be quickly addressed to keep your records correct. Your club treasurer should be able to demonstrate that bivio agrees with your brokerage statement each month.

Second, club members other than your treasurer should perform a records audit each year. This will reconfirm that all the information that will be used for preparing your tax returns is correct and that your club accounting is correct. The audit confirms additional information that the regular reconciliations may not pick up.

And third, when you receive the 1099 forms which report your income to the government, you'll need to do a final check to make sure they agree with the information recorded in bivio. There are sometimes a few last-minute things such as distributions from mutual funds, ETF's and REIT's which may need to be adjusted based on the 1099 information. These are not known until you get the 1099 form. They may require additional accounting adjustments because what shows on your tax forms needs to agree with is reported to the IRS on your 1099 forms. There are comparison pages provided in bivio as you do your taxes that allow you to check this and make the necessary adjustments. They are not made for you automatically by AccountSync.



I can't stress this enough. It is very important that your bivio records are accurate before you prepare your tax forms.

If they aren't, your taxes will not be correct.



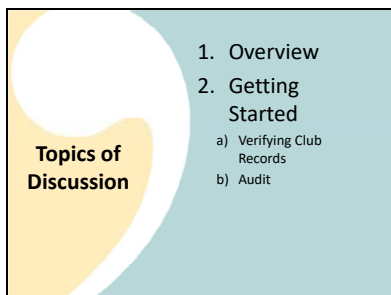
If you're not a club treasurer, please don't close your ears and say "Whew" "I'm glad I don't have to worry about that"



Making sure your club taxes are correct is everyones responsibility. If there is a problem with your taxes, all current and even future members may be on the hook to get it resolved. Though all members may not actually keep the clubs records or prepare the clubs taxes, they should all be asking the right questions so they know taxes have been done correctly.



Here's a very important point. IRS issues should not be something your club has to worry about. If you follow our guidelines for keeping your accounting simple and stay on top of keeping your records reconciled each month, you'll be able to sail through tax season quickly and easily!



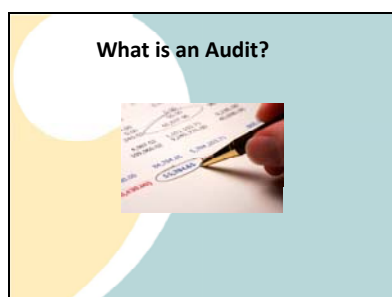
Now that you're ready to pitch in, lets talk briefly about the second type of verification I mentioned,

That is doing an audit. A good time to do one is in January while you are waiting for your 1099's. It's often a less busy month and your end of year brokerage statements will be available.



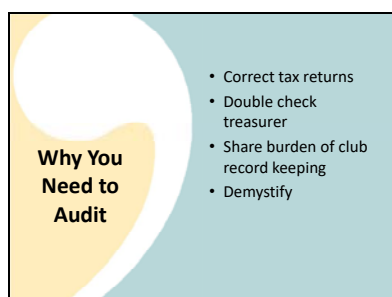


If you need to motivate your club members, there's nothing wrong with making it a party. At bivio, we're declaring the weekend of January 9 and 10, 2021 audit party weekend. We'll be giving a detailed webinar on the steps you need to go through to do your club audit on January 9 and we'll be available all weekend to answer any questions you have as you work through the process. Put this date on your calendar and you can make sure you actually undertake this important club task.



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.



It is not difficult to do an audit but it is important for these reasons.

First, to make sure your taxes are being prepared correctly. As we just mentioned, this is something all club members should be concerned about.

Second, you should all feel comfortable that your treasurer is doing what you think they're doing with your club finances

Third, it allows everyone in the club to share the burden of ensuring your club is doing correct record keeping. It should not be something only your treasurer has responsibility for.

To demystify the whole process- Working through the steps of the audit will help everyone in the club become more familiar with club finances. They are not difficult, but they are a little bit different than some might expect. If everyone has a basic understanding of what is important, the club treasurer does not have to waste time and energy explaining why they are required to do certain things a certain way and why certain investments will cause accounting problems for your club.



bivio provides you with a checklist you should use to work through the steps of your audit. You'll find a link to it on our help page. It's very straightforward and very important to work through. There are things you need to check that will impact your tax returns that are in addition to the regular cash balance and number of shares checks you should do each month. If you do not follow our guidelines, you may miss some important checks.





What is the audit process?

First, pick a date in January to do your audit-It will probably take you around 2 to 3 hours

Pick 2-4 people other than the club treasurer to conduct the audit

Prior to the audit day, the treasurer should gather records that will be needed for comparison from your financial institutions and from bivio.

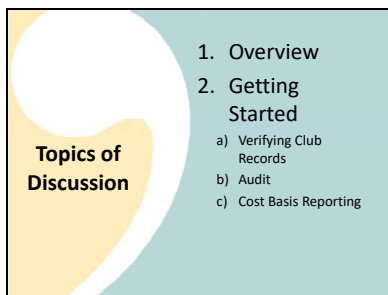
On the audit day the auditors will work through the audit steps, making the records comparisons.

If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

When all the steps are completed, the Auditors and the treasurer will meet to discuss anything that was found

The treasurer will determine what action is needed, make corrections, and record the action taken

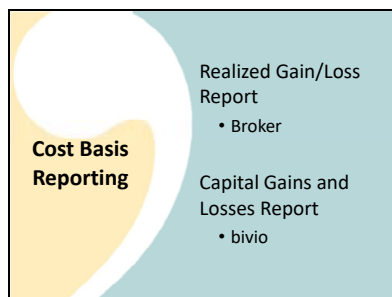
Then the treasurer and the auditors will give the final report to club. It all goes quickly. Once you get done, you'll have done most of the work needed to get your records ready to prepare your club taxes quickly. All you'll need to do is wait for your 1099's to arrive so your treasurer can do a final quick records check.



Along with an annual audit, it's important to keep your records correct during the year. Routine checks help you avoid having to address any time-consuming issues during tax time.

You can check whether bivio is reporting your Capital gains and losses like your broker will as soon as you have a sale. The sooner you check, the more time you have to address any discrepancies before they show up on your 1099 form.

Let's talk now about how you can do this. It is one of the most important tasks your treasurer should be doing.



First a brief background. In 2011 the tax laws changed. Brokers are now required to report your cost basis and capital gains to the IRS on a form called a 1099. You also get a copy of this form. Your club tax return prepared in bivio needs to agree with the information it shows so you need to check that it does.

Fortunately, you don't have to wait until you get your 1099 to do most of these checks. You can get a report anytime during the year from your broker called a "Realized Gain/Loss Report"

You can compare it to the Capital Gains and Losses Report in bivio. The information on both reports should agree.

Here is an example of the bivio Capital gains and losses report

And a Realized Gain/Loss report from a Broker. Yours may not look exactly like this one, but it will have the same information on it.

You need to compare each sale shown on the bivio report

With the same sale shown on the brokerage report.

You should make sure number of shares sold

Acquisition date

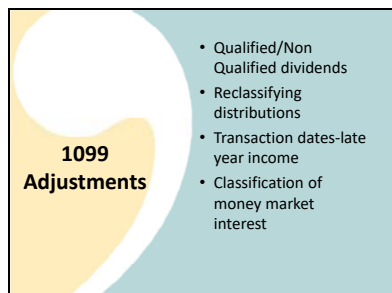
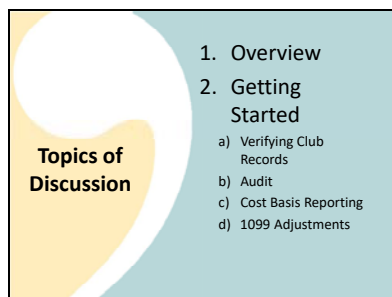
Sale Date

Sales Price

Cost basis

And Gain/Loss

Agree between the two reports. If they do not, or if you see a wash sale noted you need to determine the reasons for the difference. There may be corrections you need to make to your bivio records. The sooner in the year you find them, the more time you have to get any help you need to get them straightened out. This is especially important if you have subsequent transactions for the same stock. One issue can quickly compound into many more if you don't get it fixed in a timely manner. Double checking capital gains and losses right when you sell stocks can also help you get your taxes done more quickly. If you need help from us resolving an issue, it will take much longer to get it in the height of tax season than it will at other times of the year.



Along with cost basis which you should be able to address prior to receiving your 1099's,

there may be other records changes you'll need to make that you won't know about until you do get them.

They will not be automatically made for you in bivio. You will need to make them manually before you can generate correct taxes.

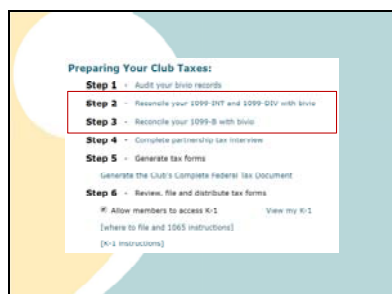
Here are some of the most common ones:

There might be slight changes to make sure Qualified dividends are being correctly reported, especially if you own mutual funds. Some mutual fund dividends are qualified. Others are not.

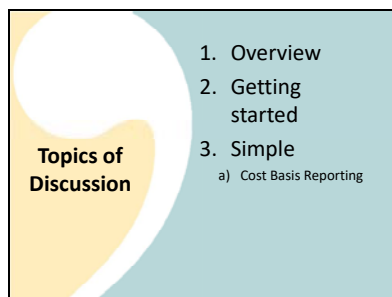
If you have had distributions from mutual funds and REIT's and even from some stocks, some of the distribution amounts may need to be reclassified. If their distributions are not really dividends, but are a return of capital or a long term capital gain, you will have to go back and manually split up each dividend distribution you have received during the year. You won't know what changes to make until the information is reported to you on the 1099. There is a step during the tax prep process where you will compare the bivio amounts to your 1099 and where you can make changes if they are needed. These changes are very important so your taxes are reported correctly. Some of them will also adjust the cost basis of your stocks. If they are not made, the the capital gains and losses when you eventually sell them won't be calculated correctly.

You may need to change the dates on interest or dividend income originally recorded as received early in the new year to a date late in the tax year. It will depend on the year your broker has reported the income received.

If you have been keeping your club cash in a money market fund at your broker, they may have classified your earnings as dividends rather than interest. This is OK, you just need to make sure that your bivio records record the income in the same manner. If you've recorded the earnings as interest, you will have to edit the transactions and call them dividends.

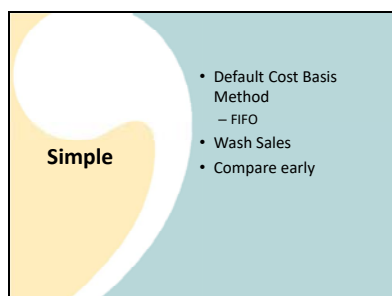


There are steps when you prepare your taxes that guide you through comparing what is in bivio to what is on your 1099. You'll also be able to make any final manual adjustments to dividends at that time. Note that corrections to cost basis and capital gains are done by correcting your bivio entries, not by making adjusting entries when you prepare your taxes. That is why it is good to go through the steps I outlined earlier to find and get those corrected ahead of getting your 1099.



This all sounds like a lot, but there are many things you can do to keep your club record keeping as simple as possible. The more closely you follow these recommendations, the less you'll need to deal with any of the adjustments or corrections that I just discussed. There is no reason to be a club treasurer with a big or complicated job unless you make it that way.

To keep things simple and keep out of having issues with cost basis reporting, here are some suggestions.



First. Make sure you know what Default Cost Basis Method Your broker will be applying. This is important if you own more than one lot of a particular stock or mutual fund. If you have a sale and you don't sell all of it at one time, you, (and your broker) will need to identify which lots were sold. You can tell them to select certain lots at the time of the sale, but if you don't, they will apply a default method.

The IRS assumes and bivio uses, FIFO or first in, first out, as the default method.

To keep things simple, make sure your broker is also using this both for stocks AND for mutual funds and ETF's. I'd recommend you check on this ASAP. It cannot be changed once a sale has happened and if they use something other than FIFO, you will have to make manual adjustments in your bivio records to bring them into agreement.

Make sure you avoid wash sales. Do not make investment purchases within 30 days before or after a sale where you had a loss. Wash sales affect cost basis. They will show up on the brokers realized gain/loss reports as soon as you have a sale. You want to catch them quickly and get them addressed during the year to avoid delays at tax time or cascading problems with subsequent sales. Contact us at support @bivio.com as soon as you have one and we can help you address it.

Please, spend some time now comparing the information your broker has for cost basis with your bivio records. That way if there are issues that need to be investigated, you'll have time to get them straightened out. They sometimes are not simple or quick to work through and, if you will need our help, we are probably going to be very busy during tax season helping clubs address questions. The earlier you can get the questions to us, the quicker we can help you get an answer. As I showed you earlier, you can do these comparisons each time during the year that you have a sale. There is no reason you need to wait until tax time.

1. Overview
2. Getting Started
3. Simple
  - a) Cost Basis Reporting
  - b) Dividend Reinvesting

While we're talking about keeping things simple and making comparisons between bivio and your broker,

let's talk a little about the impact of automatic dividend reinvesting on keeping your club records.

## DRIP's Dividend Reinvesting

Automatic dividend reinvesting means you tell your broker to automatically purchase new shares of a stock when you receive a dividend. We highly recommend against this practice.

Global Market Performance Report - Q3 2023									
Company Name	Symbol	Exchange	Market Cap	Revenue	Profit	EPS	P/E	Dividend	Yield
Apple Inc.	AAPL	NASDAQ	1.1T	229.0B	20.0B	1.50	15.0	0.80	0.52%
Microsoft Corp.	MSFT	NASDAQ	780.0B	168.0B	14.0B	1.10	18.0	0.70	0.71%
Amazon.com Inc.	AMZN	NASDAQ	560.0B	137.0B	9.0B	0.90	20.0	0.00	0.00%
Google Inc.	GOOGL	NASDAQ	450.0B	103.0B	11.0B	1.00	22.0	0.00	0.00%
Facebook Inc.	FB	NASDAQ	250.0B	59.0B	4.0B	0.40	25.0	0.00	0.00%
Twitter Inc.	TWTR	NASDAQ	12.0B	5.0B	0.2B	0.20	12.0	0.00	0.00%
LinkedIn Corp.	LNKD	NASDAQ	10.0B	4.0B	0.3B	0.30	10.0	0.00	0.00%
Slack Technologies Inc.	SLCK	NASDAQ	5.0B	2.0B	0.1B	0.10	5.0	0.00	0.00%
Zoom Video Communications Inc.	ZM	NASDAQ	4.0B	1.0B	0.1B	0.10	4.0	0.00	0.00%
Dropbox Inc.	DBX	NASDAQ	3.0B	0.8B	0.05B	0.05	3.0	0.00	0.00%
Box Inc.	BOX	NASDAQ	2.0B	0.6B	0.02B	0.02	2.0	0.00	0.00%
OneDrive Inc.	OD	NASDAQ	1.0B	0.3B	0.01B	0.01	1.0	0.00	0.00%
Google Cloud Platform	GCP	NASDAQ	0.5B	0.1B	0.005B	0.005	0.5	0.00	0.00%
Microsoft Azure	AZ	NASDAQ	0.4B	0.1B	0.005B	0.005	0.4	0.00	0.00%
Amazon AWS	AWS	NASDAQ	0.3B	0.1B	0.005B	0.005	0.3	0.00	0.00%
IBM Watson	WAT	NASDAQ	0.2B	0.05B	0.002B	0.002	0.2	0.00	0.00%
Oracle Cloud	OC	NASDAQ	0.1B	0.02B	0.001B	0.001	0.1	0.00	0.00%
SAP HANA	HANA	NASDAQ	0.05B	0.01B	0.0005B	0.0005	0.05	0.00	0.00%
Microsoft Dynamics 365	D365	NASDAQ	0.02B	0.005B	0.0001B	0.0001	0.02	0.00	0.00%
Amazon SageMaker	SM	NASDAQ	0.01B	0.002B	0.00005B	0.00005	0.01	0.00	0.00%
Google AI	AI	NASDAQ	0.005B	0.001B	0.00001B	0.00001	0.005	0.00	0.00%
Microsoft Research	MR	NASDAQ	0.002B	0.0005B	0.000005B	0.000005	0.002	0.00	0.00%
Amazon Alexa	ALEXA	NASDAQ	0.001B	0.0002B	0.000001B	0.000001	0.001	0.00	0.00%
Google Assistant	ASST	NASDAQ	0.0005B	0.0001B	0.0000005B	0.0000005	0.0005	0.00	0.00%
Microsoft Cortana	CORTANA	NASDAQ	0.0002B	0.00005B	0.0000002B	0.0000002	0.0002	0.00	0.00%
Amazon Echo	ECHO	NASDAQ	0.0001B	0.00002B	0.0000001B	0.0000001	0.0001	0.00	0.00%
Google Home	HOME	NASDAQ	0.00005B	0.00001B	0.00000005B	0.00000005	0.00005	0.00	0.00%
Microsoft Surface	SURFACE	NASDAQ	0.00002B	0.000005B	0.00000002B	0.00000002	0.00002	0.00	0.00%
Amazon Kindle	KINDLE	NASDAQ	0.00001B	0.000002B	0.00000001B	0.00000001	0.00001	0.00	0.00%
Google Pixel	PIXEL	NASDAQ	0.000005B	0.000001B	0.000000005B	0.000000005	0.000005	0.00	0.00%
Microsoft Lumia	LUMIA	NASDAQ	0.000002B	0.0000005B	0.000000002B	0.000000002	0.000002	0.00	0.00%
Amazon Fire	FIRE	NASDAQ	0.000001B	0.0000002B	0.000000001B	0.000000001	0.000001	0.00	0.00%
Google Nexus	NEXUS	NASDAQ	0.0000005B	0.0000001B	0.0000000005B	0.0000000005	0.0000005	0.00	0.00%
Microsoft HoloLens	HOLOLENS	NASDAQ	0.0000	0.0000	0.0000	0.0000	0.0000	0.00	0.00%

## Why is that?

Because each dividend that you reinvest is a new lot of stock with its own cost basis. Each lot has a separate purchase date, number of shares and cost basis. You could end up having to verify an awful lot of transactions.

Here is a capital gains list from a real club that was doing dividend reinvestment. But this is only page 1

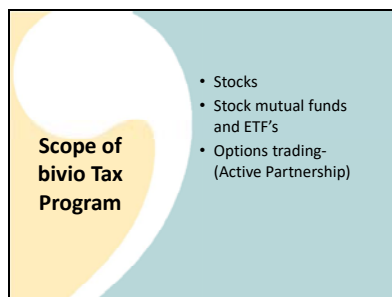
[illegible]

It goes on...

Contract Name	Contract Number	Contract Date	Contract Value	Contract Type	Contract Status
Contract 1	1000000001	2010-01-01	1.00	Fixed Price	Completed
Contract 2	1000000002	2010-01-01	2.00	Fixed Price	Completed
Contract 3	1000000003	2010-01-01	3.00	Fixed Price	Completed
Contract 4	1000000004	2010-01-01	4.00	Fixed Price	Completed
Contract 5	1000000005	2010-01-01	5.00	Fixed Price	Completed
Contract 6	1000000006	2010-01-01	6.00	Fixed Price	Completed
Contract 7	1000000007	2010-01-01	7.00	Fixed Price	Completed
Contract 8	1000000008	2010-01-01	8.00	Fixed Price	Completed
Contract 9	1000000009	2010-01-01	9.00	Fixed Price	Completed
Contract 10	1000000010	2010-01-01	10.00	Fixed Price	Completed
Contract 11	1000000011	2010-01-01	11.00	Fixed Price	Completed
Contract 12	1000000012	2010-01-01	12.00	Fixed Price	Completed
Contract 13	1000000013	2010-01-01	13.00	Fixed Price	Completed
Contract 14	1000000014	2010-01-01	14.00	Fixed Price	Completed
Contract 15	1000000015	2010-01-01	15.00	Fixed Price	Completed
Contract 16	1000000016	2010-01-01	16.00	Fixed Price	Completed
Contract 17	1000000017	2010-01-01	17.00	Fixed Price	Completed
Contract 18	1000000018	2010-01-01	18.00	Fixed Price	Completed
Contract 19	1000000019	2010-01-01	19.00	Fixed Price	Completed
Contract 20	1000000020	2010-01-01	20.00	Fixed Price	Completed
Contract 21	1000000021	2010-01-01	21.00	Fixed Price	Completed
Contract 22	1000000022	2010-01-01	22.00	Fixed Price	Completed
Contract 23	1000000023	2010-01-01	23.00	Fixed Price	Completed
Contract 24	1000000024	2010-01-01	24.00	Fixed Price	Completed
Contract 25	1000000025	2010-01-01	25.00	Fixed Price	Completed
Contract 26	1000000026	2010-01-01	26.00	Fixed Price	Completed
Contract 27	1000000027	2010-01-01	27.00	Fixed Price	Completed
Contract 28	1000000028	2010-01-01	28.00	Fixed Price	Completed
Contract 29	1000000029	2010-01-01	29.00	Fixed Price	Completed
Contract 30	1000000030	2010-01-01	30.00	Fixed Price	Completed
Contract 31	1000000031	2010-01-01	31.00	Fixed Price	Completed
Contract 32	1000000032	2010-01-01	32.00	Fixed Price	Completed
Contract 33	1000000033	2010-01-01	33.00	Fixed Price	Completed
Contract 34	1000000034	2010-01-01	34.00	Fixed Price	Completed
Contract 35	1000000035	2010-01-01	35.00	Fixed Price	Completed
Contract 36	1000000036	2010-01-01	36.00	Fixed Price	Completed
Contract 37	1000000037	2010-01-01	37.00	Fixed Price	Completed
Contract 38	1000000038	2010-01-01	38.00	Fixed Price	Completed
Contract 39	1000000039	2010-01-01	39.00	Fixed Price	Completed
Contract 40	1000000040	2010-01-01	40.00	Fixed Price	Completed
Contract 41	1000000041	2010-01-01	41.00	Fixed Price	Completed
Contract 42	1000000042	2010-01-01	42.00	Fixed Price	Completed
Contract 43	1000000043	2010-01-01	43.00	Fixed Price	Completed
Contract 44	1000000044	2010-01-01	44.00	Fixed Price	Completed
Contract 45	1000000045	2010-01-01	45.00	Fixed Price	Completed
Contract 46	1000000046	2010-01-01	46.00	Fixed Price	Completed
Contract 47	1000000047	2010-01-01	47.00	Fixed Price	Completed
Contract 48	1000000048	2010-01-01	48.00	Fixed Price	Completed
Contract 49	1000000049	2010-01-01	49.00	Fixed Price	Completed
Contract 50	1000000050	2010-01-01	50.00	Fixed Price	Completed
Contract 51	1000000051	2010-01-01	51.00	Fixed Price	Completed
Contract 52	1000000052	2010-01-01	52.00	Fixed Price	Completed
Contract 53	1000000053	2010-01-01	53.00	Fixed Price	Completed
Contract 54	1000000054	2010-01-01	54.00	Fixed Price	Completed</

And on...



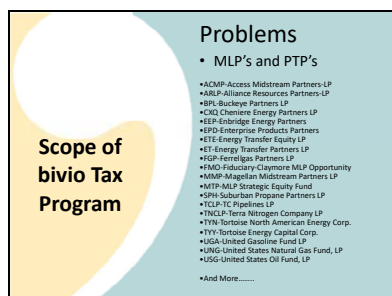


It is important to understand that different types of investments have different types of tax reporting requirements. bivio is designed to let you have a simple way to have an investment club and easily comply with tax requirements. Because of this, the types of investments you can own in your club are limited. bivio is only designed to do the accounting and tax preparation for clubs holding certain types of investments.

Basically, these are publicly traded stocks and

stock mutual funds and stock ETF's (Exchange traded funds)

And, in addition, if you have an Active Partnership subscription, you can account for options trading. Our Preferred level subscription also lets you account for up to 10 options transactions.



If your club holds any of the investments we're going to discuss next, you will, at a minimum, have a lot of extra accounting and tax preparation work to do. In some cases, you will not even be able to use bivio to prepare your taxes.

Let's start with the big no-no:

These are MLP's and PTP's. They are Master Limited Partnerships and Publicly Traded Partnerships such as Energy Transfer Partners, ET. Their distributions bring many special tax reporting issues which are not addressed as part of the bivio tax software. If you own any of these, you'll need to find an accountant to help get your club taxes correct before they are filed. You'll also need to use our Concierge service to adjust your bivio accounting records based on information your accountant will need to provide so they will be correct going forward.



**Scope of bivio Tax Program**

**Problems**

1. Name
2. K-1 Distributions
3. Before You Invest
4. Red Highlight – Accounting>Investments Page
5. Note on tax cover page

How will you know if you own any of these?

- It may have the word Partnership, LP or Partners in its name.
- It will pay distributions that are reported to you on a K-1 form rather than a 1099.
- We have a help page called “Before You Invest” that will take you to a comprehensive list of tickers of these investments.
- We try and highlight them in Red on the Accounting>Investments page in bivio.
- When you generate your tax forms, you will find a note on the cover page telling you that the forms prepared in bivio are not correct and should not be filed as prepared. You’ll need to work with an outside accountant to prepare your club taxes correctly.

**Scope of bivio Tax Program**

**Problems**

- Commodity ETF’s
  - GLD
  - SLV
- Cryptocurrency (such as Bitcoin) Trust ETF’s

Other problems investments include Commodity ETF’s. All ETF’s are not the same. ETF’s that hold commodities rather than stock such as

GLD and

SLV bring extra tax issues with them. Addressing them requires many manual calculations for each month you owned them. You then need to make many changes to your bivio records and to your tax forms. They are not easy, and they are not made automatically for you. You probably want to stay away from investing in them.

You’ll have the same issues with Bitcoin and other Cryptocurrency Trust ETF’s.

**Scope of bivio Tax Program**

**Problems**

- REIT’s

And more....

Investments in REIT’s which are Real estate investment trusts are also problematic.

There are many of these. You’ll also find a link to a list of them on the “Before you invest” page.

Here are just a few examples. You can account for them in bivio, but they require extra adjustments to your records during tax preparation. You won’t know what adjustments are needed until you get your 1099 forms. (or you may get late season adjustments you need to handle). If you do not feel comfortable making manual accounting changes in your records, you’ll probably want to steer clear of investing in REIT’s. We’ve had experience with many many treasurers working through the end of year REIT adjustments who tell us they are going to tell their clubs to "Sell the REIT asap" and not buy any more in the future.



- Foreign Companies
- ADR's
  - Reorganizations

You can often invest in the stock of foreign companies by purchasing what are called ADR's on the US exchanges. These are not usually an issue for your club accounting.

Problems sometimes come up however if the companies you have invested in go through any sort of reorganization such as splits, spinoffs and mergers. These can have tax implications you need to address. While we try and help you work through what you need to do, we find that there is a wide variation in the completeness of information that is provided by the companies for handling US tax issues. This can create delays or uncertainty in handling your taxes.

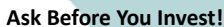


- Forex-multiple currencies
- Section 1256
- Cryptocurrencies
- Real Estate

## Forex trading-Foreign currency exchange trading

## Cryptocurrency

And investments in real estate



## What if I already did?

**Sell it before the end of the year!**

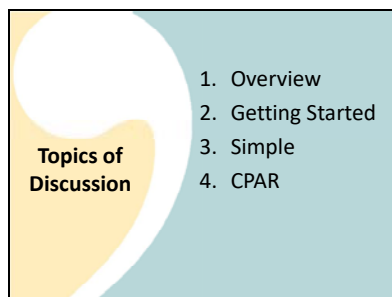
If you have any questions about something your club is about to invest in, please ask us before you buy it. We will be glad to research it for you and let you know if it will cause you any problems in your accounting or your taxes.

As I've been discussing, you can find a specific list of some of the investments we know cause trouble

at this link on our help page labeled “Before You Invest”

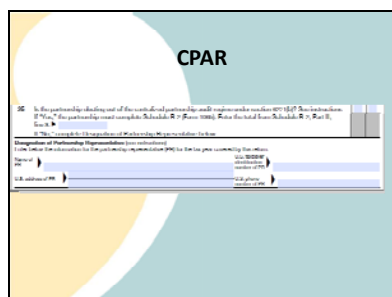
There are always clubs that find out the hard way that they have purchased an investment that will create problems. And, they often do not have enough of it to make dealing with the tax implications worth it. Unfortunately once you have purchased it your stuck with the problems for the current tax year. The problems will compound the longer you hold on to it, so make sure to sell it as soon as you find out about it to minimize them for the current year.

If you'd like to be able to use bivio for your taxes next year, you should sell problem investments prior to the end of this calendar year.



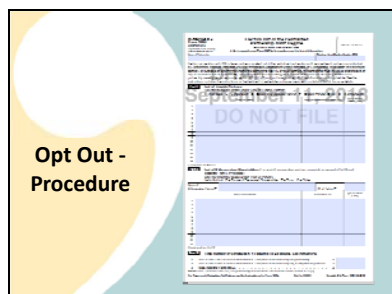
There is an issue you need to address with your entire club prior to the end of the calendar year and it relates to something called CPAR.

CPAR stands for Centralized partnership audit regime. It is the rules on the process that will be used if your club is ever audited by the IRS. The IRS changed the rules on this in 2018. The new rules make it easier for them to audit partnerships such as your investment club.

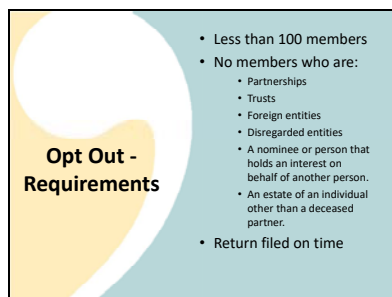


If you meet certain requirements, you'll be able to opt out of being covered by the new rules. Why do you want to do this? Because, who wants to make it easier for the IRS to audit them?

When you prepare your taxes you will be asked to designate if you want to opt out of the new rules. If you cannot opt out, you will need to designate a "partnership representative". In the event of an audit of your taxes, they will be the single person the IRS will work with and make agreements with in the event of an audit. If any issues are found, any taxes, interest and penalties due are assessed to the club during the year the audit is conducted.



If you opt out, there is a form, form B-2, that will be included when you prepare your taxes. You'll answer questions when you run the bivio tax program which will provide the information needed to fill in this form.



The requirements you need to meet to be eligible to opt out are these.

Less than 100 members

You can only have certain types of members.

No members who are:

Partnerships

Trusts

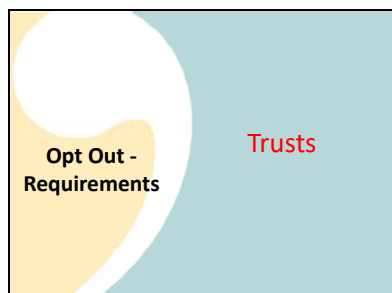
Foreign entities

Disregarded entities such as IRA's

A nominee or person that holds an interest on behalf of another person such as a Uniform Gift to Minors Account

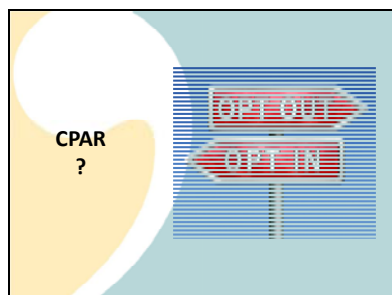
An estate of an individual other than a deceased partner.

Your return also has to be filed by March 15 or, if you properly file an extension, the extended due date of your return.

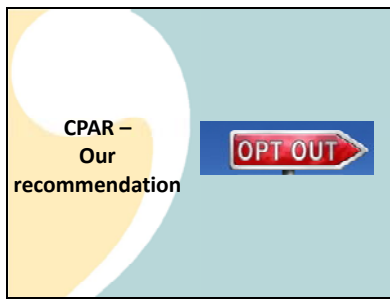


The main one investment clubs might run into that would make them ineligible are

trusts. If any of your members hold their club ownership in a trust, you won't be able to opt out. You'll be required to designate a partnership representative for the tax year and if your club was audited, it would be conducted under the new procedures.

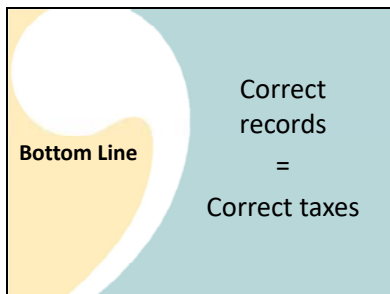


How should your club address this?



We recommend that if your club qualifies to opt out, that you do so. If you opt out, it doesn't mean your club can't get audited. It just means that if it does, the IRS will have more work to do to conduct the audit and collect back taxes, interest and penalties from members of your group. If you opt out, you don't have to designate a partnership representative.

In addition, if you opt out and later have to file an amended return for some reason, the process will be simpler and something you should be able to handle yourselves. If you have not opted out, you will need to work with an accountant to file an amended tax return.



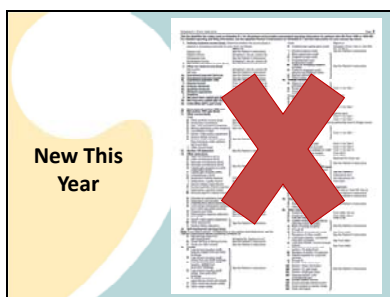
Since we are talking about IRS audits, this all sounds scary. but... the bottom line is this.

If your taxes are correct, which they should be if you follow our guidelines for operating and instructions for preparing correct tax forms, it won't matter if you get audited. There won't be anything to find.

Focus on making sure that happens and whether or not your club can opt out will be a moot point.



If you've done club taxes in the past, you'll find most things will be the same as last year. There is only one small reporting change that is new this year that you will notice.



In the past, there has been a second page that went along with the K-1's you distribute to your members.

It looked like this. Some of the information on the K-1 has codes associated with it. This page explained what those codes meant.

This page is no longer part of the K-1. If you need to know, the codes can be looked up in the Schedule K-1 instructions posted online

**Topics of Discussion**

1. Overview
2. Getting Started
3. Simple
4. CPAR
5. New this year
6. Before end of calendar year
  - a) Tax loss harvesting

**Tax Loss Harvesting**

- Net gains
- Losses offset gains
- \$3000

**Tax Loss Harvesting**


- What does this mean?

Loss  
AND  
Recognized gains

- Sell losers to offset gains

**Tax Loss Harvesting**

- Caveat
- Wash Sale



The final things I wanted to talk about tonight are a few things that should be addressed prior to the end of this calendar year if they apply to your club.

One of them some clubs consider is called Tax loss harvesting.

Tax loss harvesting is when you sell stocks in which you are showing a loss in order to offset capital gains you've had on other stocks you've sold. You only pay taxes on your

net gains,

Net gains are the difference between any gains you had and any losses.

In addition, on your personal taxes, up to \$3000 in losses can be used to offset income you've earned in other ways, such as your regular salary income from your regular job.

So what does this mean for you?

If you have stocks which are showing a loss

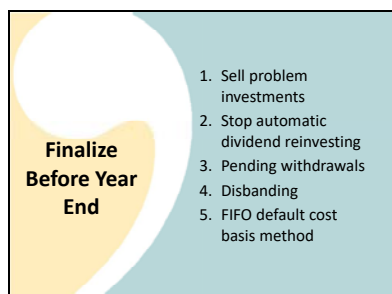
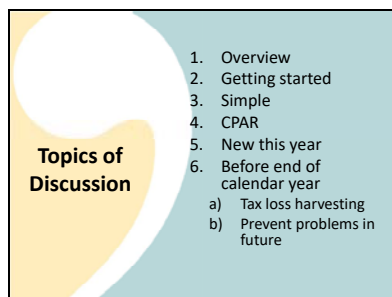
AND

You have sold stocks and are showing a net gain on your sales,

you might want to sell some of the losers so you can lower the amount of gain you will be taxed on.

Just a caveat about doing this, however:

Make sure you have not purchased any shares of the same stock less than 30 days before the sale. And, if you want to purchase it back, do not do so within 30 days after the sale. If you don't leave these 30-day buffers between your purchases and your loss sales, you will trigger the wash sale rule and your loss will be disallowed. That means you won't be able to use it to offset your gains. This is another reason not to do automatic dividend reinvesting. It is not unusual to receive dividends after sales. If they are automatically reinvested, it is a purchase. If any of the shares you sold produced a loss, you'll end up with a wash sale you'll have to account for and that isn't easy when you are DRIP investing.



In addition to tax loss harvesting,

there are some other things you can do now to minimize or prevent an impact on future years taxes.

Sell any problem investments such as MLP's, REITS and commodity ETF's prior to year end to avoid tax headaches next year. You will probably find that the amount of income you have received from them this year does not justify the extra expense you will have to incur to get your club taxes prepared correctly by an outside source. If you own them now, you'll be stuck with the headaches for this tax season. But if you sell them before the end of the year you will be able to avoid having the same problems next year.

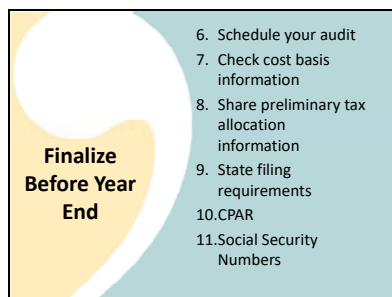
Consider selling DRIP's and/or discontinuing automatic dividend reinvestments. As you saw, it gives you a lot more work to do to keep your club records correctly. You'll also have more chances of triggering a wash sale ( and the accounting complications that come along with it) if you sell any of your holdings. With brokerage commissions low or nonexistent, simplify your club accounting and improve your portfolio management by accumulating dividends. Invest regularly by consciously making a decision for each purchase rather than doing it automatically in extremely small amounts.

Pay out pending withdrawals- Otherwise the withdrawing members will have tax consequences on next years taxes as well as this years.

If you are going to disband you must complete all of your transactions before the end of the calendar year. If transactions occur into the new year, you will be dealing with taxes for both this year and next year. This may or may not be possible if you are already scheduled to receive dividends from any of your investments. They will need to be reported in the tax year you actually receive them.

Make sure your broker is using FIFO as your default cost basis method for not only stocks, but also mutual funds and ETF's.





Put your audit on your schedule for January so your members can plan to be available.

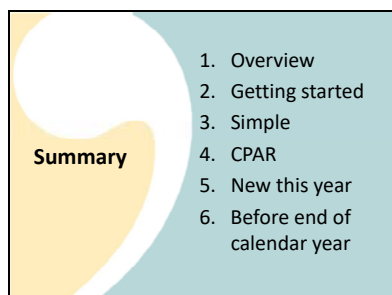
Just to reiterate, check your cost basis information. The sooner you check it, the less chance any issues you find will delay your tax filing.

Share preliminary tax allocation information with members-This may be needed by those that have to file estimated taxes or fill in things like financial aid applications or Farm returns. Make sure to make it clear that amounts are preliminary and subject to final records verification.

Make sure you know what kind of state tax filing requirements you might have. Bivio provides some state tax forms and offers you a very cost-effective approach for handling club taxes for states we don't provide.

Discuss the new audit requirements with your club. Determine if you will be making the election to "opt out". If not, determine who you will be designating as your partnership representative.

You will need Social Security numbers for each of your members to be able to prepare your taxes. Make sure you work on getting them if you don't have them already.



To summarize, we've touched on a lot of information tonight.

We've given you an overview of the tax forms you need to file and how you'll use bivio to prepare them.

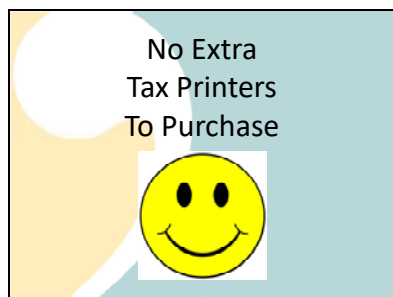
We've covered the importance of making sure your bivio records are correct and steps you can take right now to ensure that.

We've touched on things you should do to make sure your club record keeping is kept as simple as possible to help you avoid tax headaches.

We've gone through an overview of the new IRS audit procedure requirements.

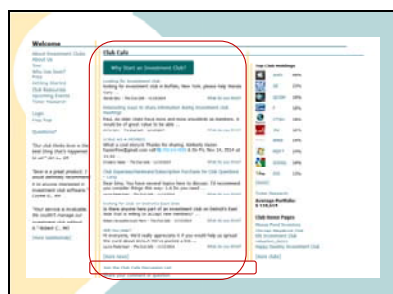
We've mentioned what is new this year

And we've highlighted some things you should make sure you get done before the end of this calendar year.



Don't forget! Federal Tax preparation software is already included in your annual bivio subscription.

As long as you have an active bivio subscription at tax time, you do not need to worry about purchasing a separate "tax printer" program to do your club taxes.



Finally, just a reminder that bivio is committed to providing you information about a variety of opportunities to learn about both club operations and investing.

We encourage you to join our Club Café discussion list. We send out regular hints and tips about running your club, preparing your taxes and choosing your investments. If you'd like to discuss an issue your club has with other clubs, you can post your question here to get some feedback.

You'll need to join the list to participate, but its easy to do by going to the link you'll find here on our homepage



You can also follow our activities and receive timely tips and information on Facebook , and on twitter.



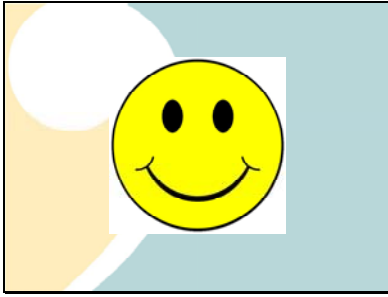
We're here to support you during tax season. The quickest way to get answers to many questions is to go to our help page. You'll find a link to it at the bottom of your screen when you are logged in to your club.



If you can't find an answer there, email your question to:

[support@bivio.com](mailto:support@bivio.com)

Just a note. Cost basis issues can take us a while to help you work through. The sooner you ask them, the quicker you'll have an answer. If you sent in any questions when you registered and we haven't answered them tonight, send them to that address and we'll help you with your club specific issues.



You've done the right thing to spend a little time with us today getting oriented about what is involved with getting your records ready and preparing your club taxes.

If you take a little time now taking care of anything I mentioned that applies to you prior to the end of the calendar year,



You'll be able to relax and spend your time enjoying the holiday season!