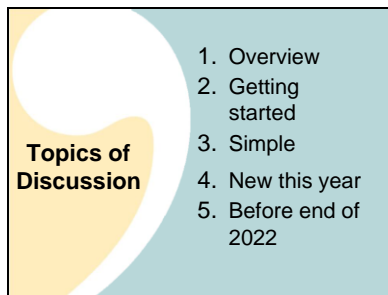


Slide 1



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.

Slide 2



We're going to discuss five 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.

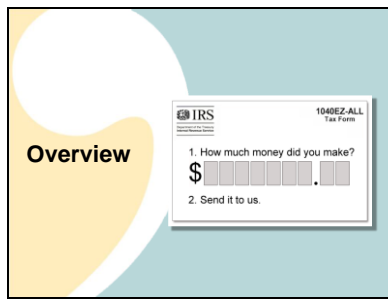
Then we're going to discuss what you can do right now to get started and get most of the work out of the way so that your tax preparation will go very quickly once you receive tax documents from your broker and the tax program from us.

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 talk about one change that will be new for your taxes for 2022.

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. Within a few days after this webinar concludes you will find the webinar handouts and a video (if it turns out) on our bivio help page.

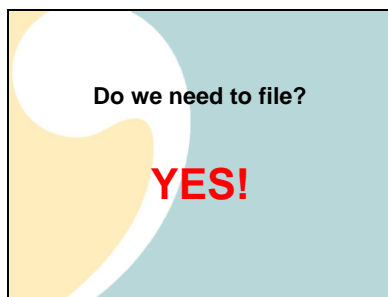
Slide 3



Let's start with an overview of the process.

What are your tax filing requirements?

Slide 4



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.

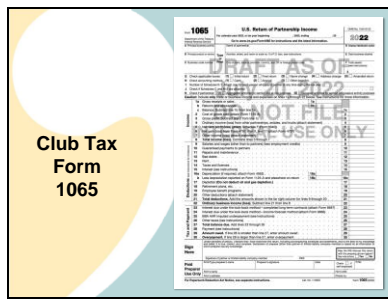
Slide 5



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 tens 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.

Slide 6



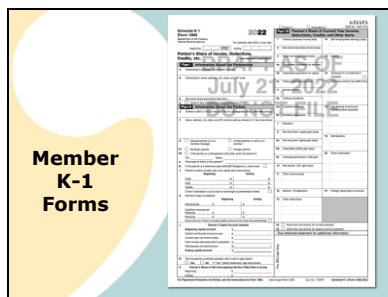
So what forms do you need to file?

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 member's 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.

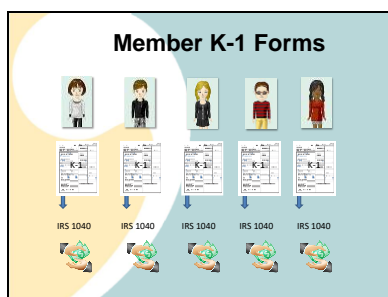
As you can see, this example is just a draft tax form. The IRS has not released final versions of the form yet.

Slide 7



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-1s when you file your club taxes and you also give each member his or her personal copy.

Slide 8



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.

Slide 9

Member Tax Allocation Report

Da Demo Club
Member Tax Allocations
*Using a time-based allocation method

Name	Qualified Dividend	Short-Term Capital Gain	Misc. Expense	Net Profit
Anderson, Christopher	41.12	(50.25)	(7.98)	(17.11)
Chang, Jessica	49.87	(61.39)	(9.72)	(20.89)
Chaetan, Brittany	39.54	(48.59)	(7.64)	(16.69)
Green, Andrew	41.03	(50.24)	(7.93)	(17.14)
Kilmer, Rachel	5.32	(10.87)	(0.81)	(6.36)
Martinez, Justin	43.25	(53.82)	(8.81)	(18.38)
Washington, Ryan	28.76	(36.37)	(5.51)	(13.12)
Wilson, Megan	39.49	(48.41)	(7.43)	(16.35)
	288.38	(358.69)	(55.81)	(125.92)

If you'd like to get an idea of what will be reported on each member's 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 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 if 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.

Slide 10

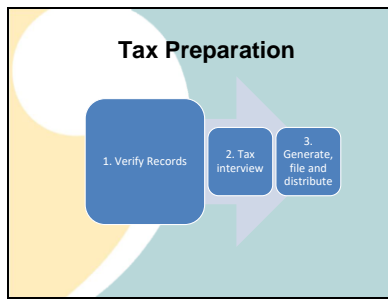
Topics of Discussion

1. Overview
 - a) Filing requirements
 - b) Process

Now you know what you need to file,

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

Slide 11



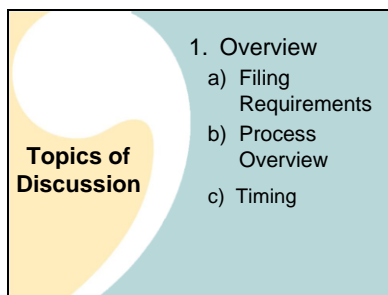
There are really only a few steps to doing your taxes.

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.

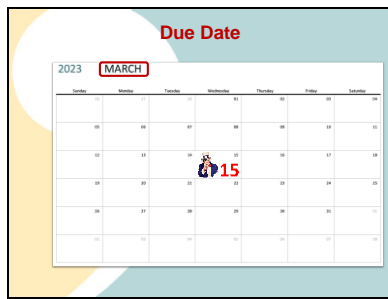
Slide 12



You do need to be aware of

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

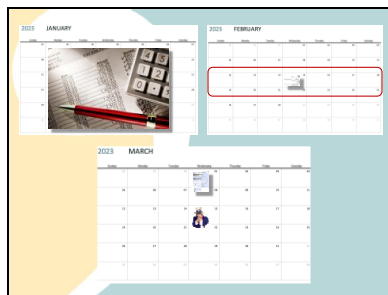
Slide 13



The due date for filing your club 2022 tax forms is

Wednesday, March 15, 2023. If you can't get them in by that date, you'll need to file for an extension or be subject to significant late filing penalties. Your members need the information you'll give them on K-1s to file their own personal taxes. This way they'll have their club information at least a month before those are due.

Slide 14



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 will not 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 15, 2023 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.

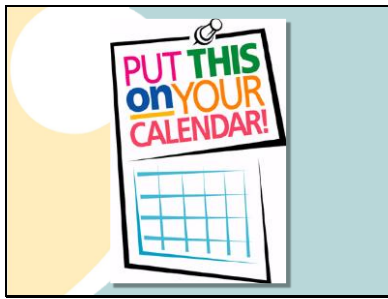
Bivio makes the tax program available in mid February for you to use to prepare your taxes. There is nothing extra to purchase. The ability to prepare club Federal taxes is part of your bivio subscription.

Your members cannot complete their own personal taxes until you have given them their K-1s. Because you can't finalize anything until you have the 1099s,

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

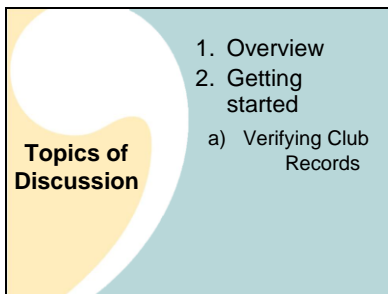
This will also mean you'll have them ready to file before the March 15 deadline.

Slide 15



We suggest that before the end of the year that you let your club members know the date they can expect their K-1s. 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-1s done, they should be able to make an estimate of what will be coming using the bivio 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.

Slide 16

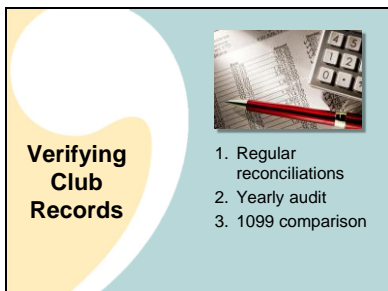


Now you have an idea of what you're getting into,

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.

Slide 17



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 month's 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 bring any issues to light and they can be easily 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 re-confirm 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, ETFs and REITs which may need to be adjusted based on the 1099 information. These are not known until you get the 1099 form. And they may require additional accounting adjustments because what shows on your tax forms needs to agree with what 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.

Slide 18



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

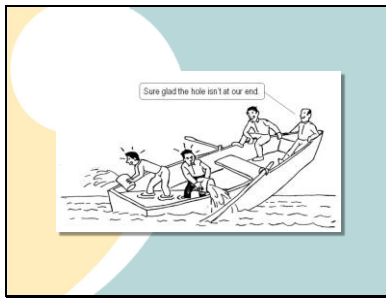
If they aren't, your taxes will not be correct.

Slide 19



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

Slide 20



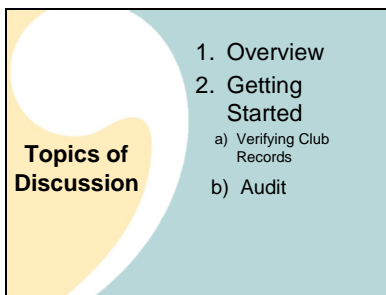
Making sure your club taxes are correct is everyone's responsibility. If there is a problem with your taxes, all current and even future members may be on the hook to get it resolved. Though all members may not actually keep the club's records or prepare the club's taxes, they should all be asking the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

Slide 21



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!

Slide 22



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

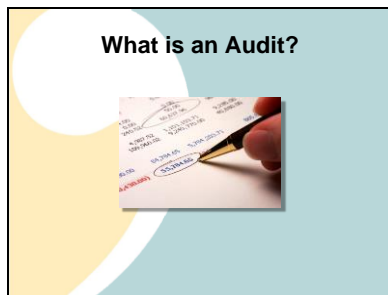
That is doing an audit. A good time to do one is in January while you are waiting for your 1099s. It's often a less busy month and your end-of-year brokerage statements will be available.

Slide 23



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 7 and 8, 2023 bivio's annual 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 7 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.

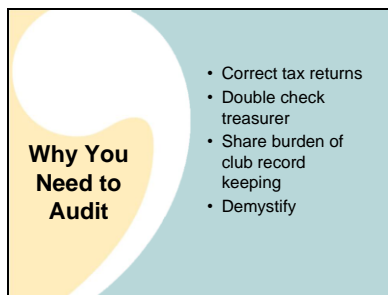
Slide 24



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.

Slide 25



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.

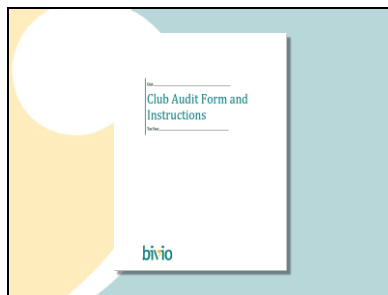
Second, you should all feel comfortable that your treasurer is doing what you think they're doing with your club finances.

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.

Fourth, 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

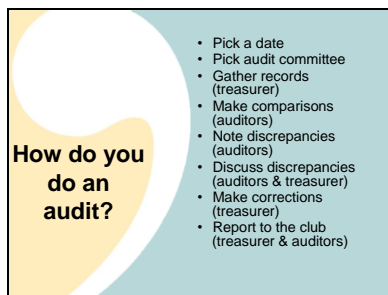
waste time and energy explaining why they are required to do certain things a certain way and why certain investments will cause accounting problems for your club.

Slide 26



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.

Slide 27



How do you do an audit?

First, pick a date in January to do the 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.

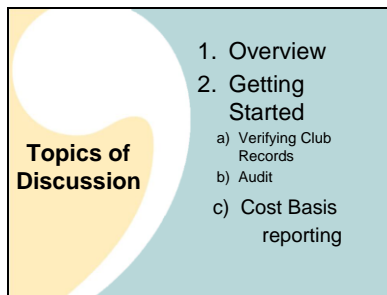
If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

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

Slide 28

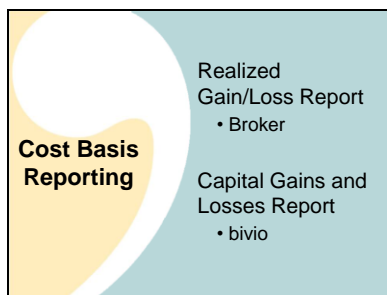


Along with an annual audit, it's important to keep your records correct during the year. Routine checks help you avoid having to address any time-consuming issues during tax time.

You need to 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.

Slide 29



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 the 1099 shows, and 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.

Short-Term Capital Gains					
Description	Acquisition Date	Date Sold	Sales Price	Cost Basis	Gain/(Loss)
Microsoft Corp (MSFT)	01/01/2011	01/01/2012	\$100.00	\$100.00	\$0.00
Microsoft Corp (MSFT)	01/01/2011	01/01/2012	\$100.00	\$100.00	\$0.00
Microsoft Corp (MSFT)	01/01/2011	01/01/2012	\$100.00	\$100.00	\$0.00
Total					\$107.53

Description	Acquisition Date	Date Sold	Sales Price	Cost Basis	Gain/(Loss)
Microsoft Corp (MSFT)	01/01/2009	01/01/2012	\$100.00	\$100.00	\$0.00
Microsoft Corp (MSFT)	01/01/2010	01/01/2012	\$100.00	\$100.00	\$0.00
Microsoft Corp (MSFT)	01/01/2011	01/01/2012	\$100.00	\$100.00	\$0.00
Total					\$445.14

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 your brokerage report.

You should make sure number of shares sold

Acquisition date

Sale Date

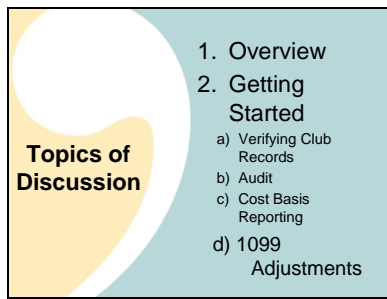
Sales Price

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 the 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.

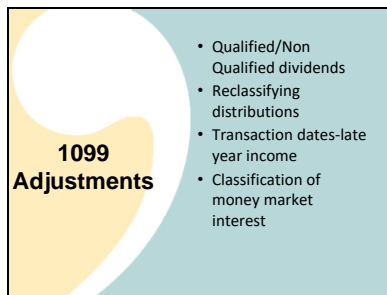
Slide 31



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

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.

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Here are some of the most common ones:

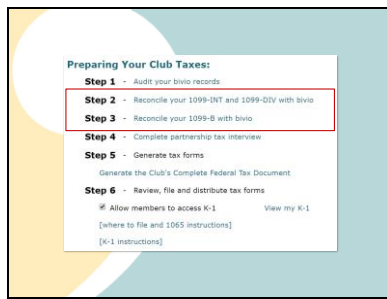
Check to make sure Qualified dividends are being correctly reported, especially if you own mutual funds. Some mutual fund dividends are qualified. Others are not.

If you have had distributions from mutual funds and REITs 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'll have to go back and manually split up each dividend distribution you've 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 those reclassifications are not made, then the capital gains and losses when you eventually sell those stocks 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, back 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 those 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.

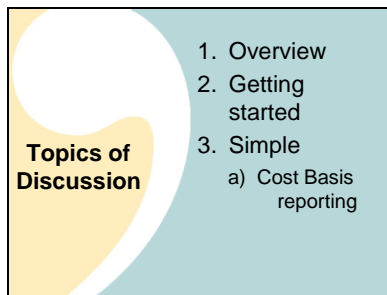
Slide 33



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 outlined earlier to find and get those corrected ahead of getting your 1099.

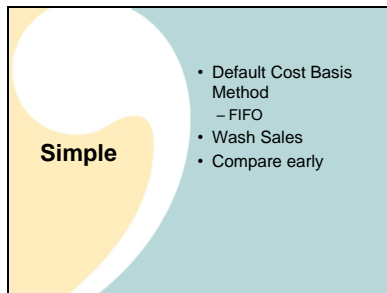
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This all sounds like a lot, but there are many things you can do to keep your club record keeping as simple as possible. The more closely you follow these recommendations, the less you'll need to deal with any of the adjustments or corrections that were 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 avoid having issues with cost basis reporting, here are some suggestions.

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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 the stock at one time, you (and your broker) will need to identify which lots were sold. You can tell your broker to select certain lots at the time of the sale, but if you don't, your broker will apply a default method.

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

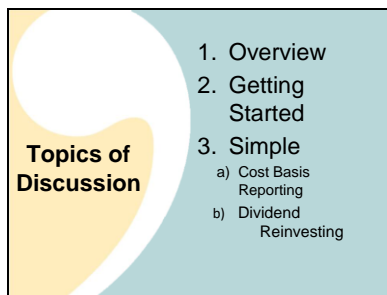
To keep things simple, make sure your broker is also using this both for your stocks AND for any mutual funds and ETFs. I'd recommend you check on this as soon as possible. It cannot be changed once a sale has happened and if your broker uses something other than FIFO, you will have to make manual adjustments 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 broker's realized gain/loss reports as soon as you have a wash 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 see a wash sale 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 we 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.

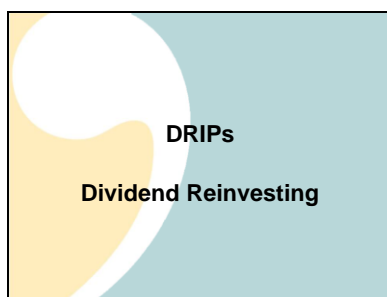
Slide 36



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

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

Slide 37



Automatic dividend reinvesting (also called DRIP investing) means you tell your broker to automatically purchase new shares of a stock when you receive a dividend. We highly recommend AGAINST this practice.

Slide 41

[illegible]

And on...

Slide 42

[illegible]


And on...

(and the year wasn't even over yet)

Comparing each one of these transactions with the broker's information is an awful lot of work for a club treasurer

for only \$345.62 in gains for this club. If your club is doing DRIP investing, you will need to do this. We can tell you from experience in working with many clubs, that the work involved in keeping the records correct for these is not worth the time it takes. By far, the majority of clubs that have problems at tax time are those doing automatic dividend reinvesting.

Slide 43

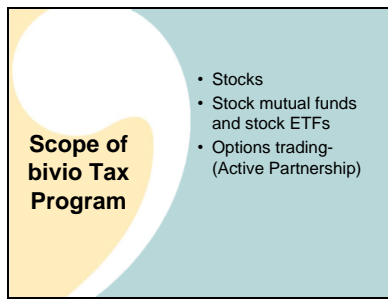


Topics of Discussion

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

It's all about keeping things simple. We want you to be able to have a club and to spend your time and energy learning about investing, not partnership accounting. If you follow our guidelines you can do this. Here is another important thing I want to remind you of, because despite our treasurer training, we still have clubs every year that have issues with this.

That is the kinds of investments you can account for using bivio. If you own any of these, unfortunately you are going to have the issues described for your 2022 taxes. But at least 2022 isn't over yet. If you sell them before the end of the year, you won't have the problems again for next year.

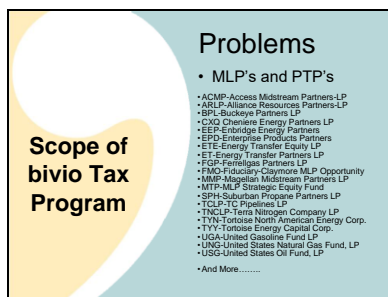


It is important to understand that different types of investments have different types of tax reporting requirements. bivio is designed to let you have a simple way to have an investment club and easily comply with tax requirements. Because of this, the types of investments you can own in your club are 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 ETFs (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 your records will be correct going forward.

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**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.

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**Scope of
bivio Tax
Program**

Problems

• REITs

- AMT American Trust
- DRE-Duke Realty Corporation
- EQR-Equity Property Trust
- FRT-First Republic Real Estate Trust
- IRE-Invitation Homes (REIT) (NYSE: IHI)
- KIMCO-Kimco Realty Corporation
- NTR-Northstar Capital Management
- NNN-National Retail Properties Inc.
- O-Realty Income Corp.
- OGI-Corporate Properties Trust, Inc.
- PDR-Pennwoods Real Estate Trust
- REX-REX (NYSE: REX)
- RPT-Republic Real Estate Trust
- WDC-Washington Real Estate Investment Trust

And More...

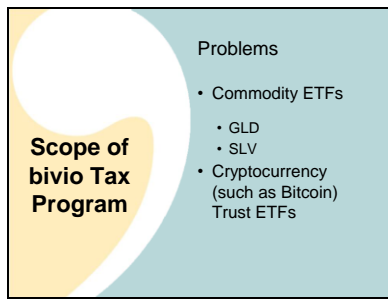
Investments in REITs which are Real estate investment trusts are also problematic.

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 REITs.

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.

Slide 48



Other problem investments

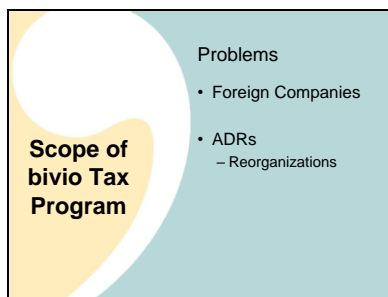
include Commodity ETFs. All ETFs are not the same. ETFs that hold commodities rather than stock such as

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 ETFs.

Slide 49



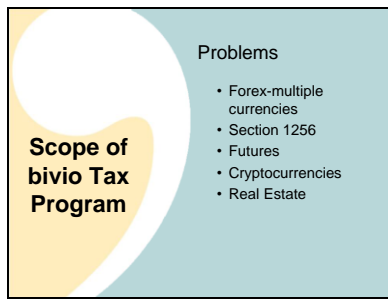
Investments in

Foreign Companies.

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 these companies for handling US tax issues. This can create delays or uncertainty in handling your taxes.

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Other investments which you are not able to handle with bivio include:

Forex trading-Foreign currency exchange trading

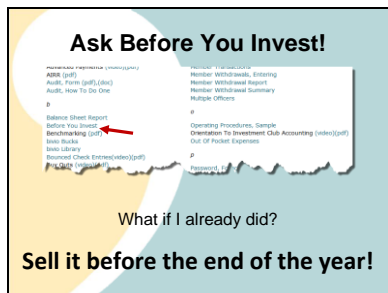
Section 1256 Contracts

Futures

Cryptocurrency

And investments in real estate

Slide 51



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.

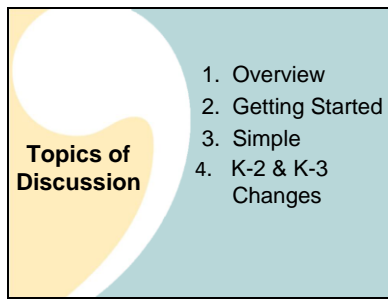
As I've been discussing, you can find a specific list of some of the investments we know cause trouble

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 you're 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 the problems 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.

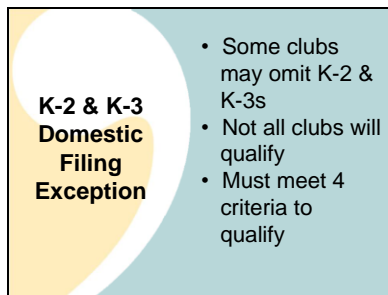
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If you've prepared your club taxes in the past, you'll find most things will be the same as last year.

You probably remember that in 2021 there were significant reporting changes regarding investments in foreign company stocks. Your club filed Schedule K-2 and Schedule K-3s. This year the IRS announced new instructions regarding reporting this foreign income.

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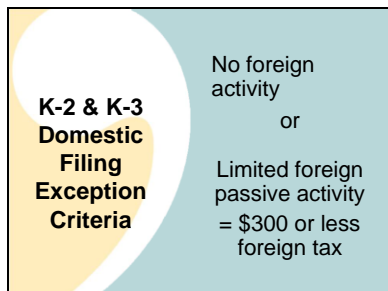
The 2022 draft IRS instructions now include a K-2 & K-3 domestic filing exception.

The domestic filing exception is a way for many clubs to omit the Schedules K-2 and K-3 from your 2022 tax filing.

Not all clubs will qualify.

The IRS draft instructions for the exception say that if ALL four criteria are met, then domestic partnerships are NOT required to complete and file the Schedules K-2 and K-3 with the IRS.

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First criteria is

The partnership has no foreign activity

or limited foreign passive activity.

Limited passive activity is defined as generating \$300 or less of foreign tax.

Slide 55

K-2 & K-3 Domestic Filing Exception Criteria

U.S. citizens or resident alien partners

The second criteria is

All partners are US citizens or resident aliens, domestic decedent estates, or certain domestic trusts, including revocable living trusts. There can not be any corporate partners and any other pass through entities as partners.

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K-2 & K-3 Domestic Filing Exception Criteria

Notify partners before filing date including extensions

- Written notice
- By mail or email
- No K-3 unless partner requests

Third criteria is

The partnership must send a specific written notification to all partners before the filing date of the partnership return, including extensions.

delivered by mail or electronically and it can be an attachment to Schedule K-1

stating that "partners will not receive Schedule K-3 from the partnership unless the partners request the schedule."

Slide 57

K-2 & K-3 Domestic Filing Exception Criteria

No partner requests a K-3 by 1-month before actual timely filing date

- includes extensions

Fourth criteria is

No partner specifically requests Schedule K-3 from the partnership by the "1-month date". Meaning, 1-month before the actual timely filing date of the partnership return,

including extensions. For most clubs the 1-month date will be February 15, 2023. The last possible request date is August 15th if club files an extension request.

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K-2 & K-3 Domestic Filing Exception Criteria

1. No or limited foreign activity
2. U.S. citizen / resident alien partners
3. Partners notified before actual filing date of club return
4. No partner requests K-3 by 1-month date before actual filing of club return

Here are the 4 exception criteria again:

If you meet all four criteria and no partner requests a Schedule K-3, your club does not need to file Schedule K-2 or K-3.

If your club anticipates that you will meet the qualifications in items 1 and 2, then it is very important that before actually filing your club partnership return, your club needs to send out a written or email notification to all partners.

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K-2 & K-3 Domestic Filing Exception - Notification

Notification Example:

Partners will not receive Schedule K-3 from the partnership unless the partner requests the schedule in writing

Here is a simple notification that partnerships can send to all partners if your club wants to meet the notification criteria and have the opportunity to omit Schedules K-2 and K-3

"Partners will not receive Schedule K-3 from the partnership unless the partner requests the schedule in writing."

The notification wording should be different for any clubs with foreign taxes above \$300.

Slide 60

If Partner Specifically Requests Schedule K-3

- Club may need to file K-2 and K-3s
- Filing procedure varies based on when the member requests the K-3

If a partner in your club does request a Schedule K-3,

then your club may need to file a form K-2 and will need to provide a K-3 to the member.

The filing requirements vary depending on whether the partner's request was made before or after the 1-month date.

bivio's tax software will step you through this process and you can learn more about it in the bivio tax preparation webinar scheduled for February 13, 2023.

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**K-2 & K-3
Form 1116
Exception**

1. Partner no or limited foreign activity
2. U.S. citizen / resident alien partners
3. Partners notified before actual filing date of club return
4. Partnership notified by 1-month date, partner is not filing Form 1116

If your club has more than \$300 foreign taxes, the IRS has provided one other exception for domestic partnerships. It is the Form 1116 exemption exception.

The “limited foreign activity” criteria is applied at the partner level, not the partnership level. The activity is limited to passive category foreign income which generates no more than \$300 of foreign income taxes.

In order to qualify for this exception the club still has to meet criteria 2 and 3.

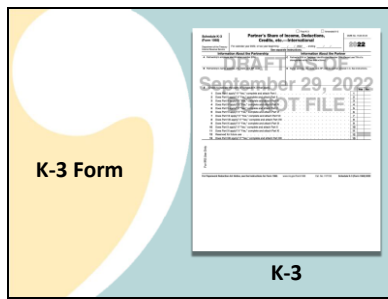
Criteria 4 is changed. Before the 1-month date, members must notify the club that they will not be filing Form 1116. This will exempt the club from preparing Schedule K-3 for only those members. The club will still have to prepare and file Schedules K-2 and K-3 for any member that doesn't notify the club.

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Form K-2

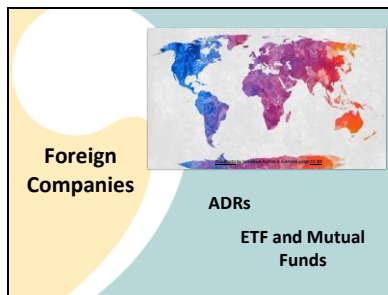
If your club said “no” to any of the exception criteria, or if a member requests it, your club filing may still need to include the K-2 form again in 2022. It will have several pages.

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Also, if your club said “no” to any of the criteria, or if a member requests a K-3 form, then some or all of your club members may once again receive a K-3 form in addition to their K-1 form. This is the first of several pages they will receive. A copy of all of these will also be included in your total club filing.

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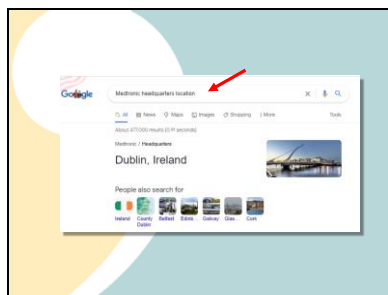


Does your club own any stocks that are headquartered outside of the United States?

For example, you might own foreign companies that are traded on the US exchanges as ADR’s

or, you may own ETFs or mutual funds that invest in foreign companies.

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In order for the bivio tax program to fill in your tax forms correctly, you need to identify the country where each of your stocks is headquartered or incorporated.

If you are unsure what country that is, then do a simple Google search using the company name and “headquarters location” or try “incorporation location”.

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[illegible]

You may also find this information on a 1099 form from a prior year or on a new 1099 that you will receive in early 2023.

If you still have a question, email us at support@bivio.com and we can help you find the information.

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Foreign Companies

Report Date: 11/1/2011

☒ Valuation (NAV)
☐ Member Status
☐ Transaction History
☐ Performance Benchmarks

Report Year: 2012

☐ Investment Performance
☐ Member Performance
☐ Investment Status
☐ Investment List Cost Basis

Additional Reports

☐ Balance Sheet
☐ Income Statement
☐ Transaction Analysis
☐ Member Tax Allocations
☐ LIFE INCOME Statement
☐ Capital Gains and Losses
☐ Income and Expense History
☐ Member Contributions and Withdrawals
☐ Gift & Bequest

When you have identified the country where the company is incorporated, you need to enter this country code in bivio

on the 1099-INT/DIV review report, found on the Accounting>Reports page.

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[illegible]

On that form,

you will find a column which indicates Country.

Here is an example where US is listed for BP. If you do research, you will find that BP is headquartered in the United Kingdom..

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If you own any mutual funds or ETFs that hold foreign companies, you will need to select

“RIC -Regulated Investment Company” from the list of country choices. You just continue this process until you’ve correctly identified the country for each stock your club owns. It’s best to do this now to avoid any delays at tax time. This information will be used to prepare the K-2 and K-3 forms when you do your club taxes.

Slide 73

- Topics of Discussion**

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

The final things we 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.

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- Tax Loss Harvesting**

- Net gains
 - Losses offset gains
 - \$3000

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.

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Tax Loss Harvesting

What does this mean?

Stocks with Losses
AND
Realized Gains

Sell losers to offset gains!

So what does this mean for you?

If your club has stocks which are showing a loss

AND

Your club has already sold stocks this year (or plans to) and is showing a net gain on these sales,

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

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Tax Loss Harvesting

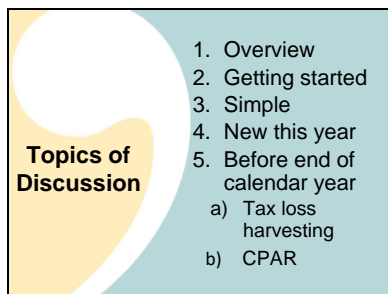
Caveat:
Beware of Wash Sales!



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.

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Topics of Discussion

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

Another issue you may need to address with your entire club prior to the end of the calendar year is related 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. These rules make it easier for them to audit partnerships such as your investment club.

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If you meet certain requirements, you'll be able to opt out of being covered by these 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 these rules. If you cannot opt out, you will need to designate a "partnership representative". In the event of an audit of your 2022 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.

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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

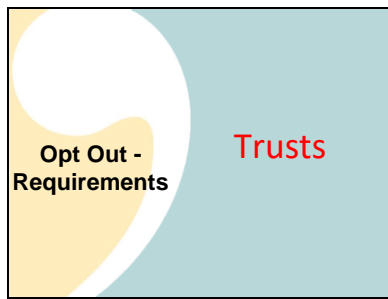
Disregarded entities such as IRA's

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.

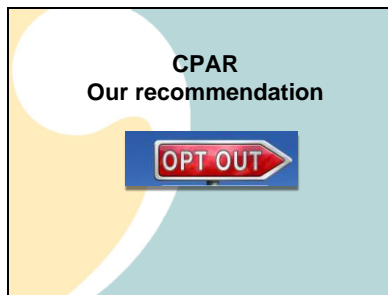
Your return also has to be filed by March 15 or, if you properly file an extension, the extended due date of your return.

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If any of your members hold their club ownership in a trust, your club 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.

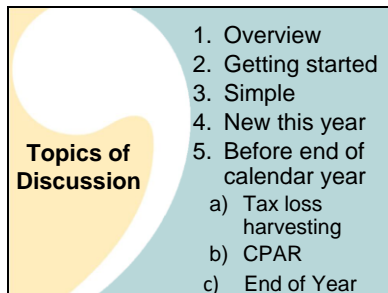
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We recommend that if your club qualifies to opt out, that you do so. If you opt out, it doesn't mean your club can't get audited. It just means that if it does, the IRS will have more work to do to conduct the audit and collect back taxes, interest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

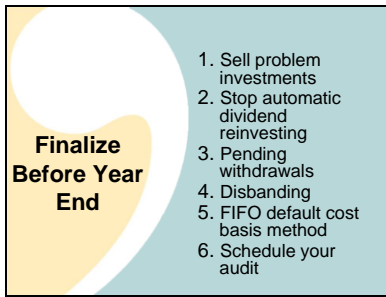
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In addition to these things,

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

1. Overview
2. Getting started
3. Simple
4. New this year
5. Before end of calendar year
 - a) Tax loss harvesting
 - b) CPAR
 - c) End of Year



**Finalize
Before Year
End**

1. Sell problem investments
2. Stop automatic dividend reinvesting
3. Pending withdrawals
4. Disbanding
5. FIFO default cost basis method
6. Schedule your audit

First,

sell any problem investments such as MLPs, REITs and commodity ETFs 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.

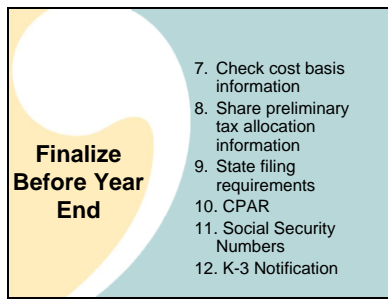
Consider selling DRIP's and/or discontinuing automatic dividend reinvestments. As you saw, it gives you a lot more work to do to keep your club records correctly. You'll also have more chances of triggering a wash sale (and the accounting complications that come along with it) if you sell any of your 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 make sure you can complete all of your transactions before the end of the calendar year. If you will receive income or have expenses in the new year, you will be dealing with taxes for both this year and next year. You need to check the ex-dividend dates for all your stocks. If your club owns them on the date they go ex-dividend, you will be receiving the dividends. 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 ETFs.

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.

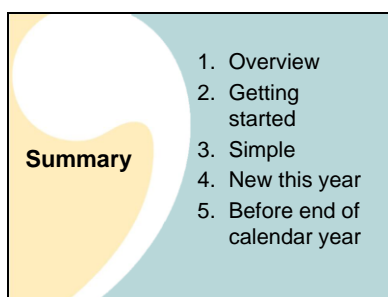
Share preliminary tax allocation information with members-This may be needed by those that have to file estimated taxes or fill in things like financial aid applications or Farm returns. Make sure to make it clear that amounts are preliminary and subject to final records verification.

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 CPAR requirements with your club. Determine if you can make 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.

If your club may qualify, make sure to send all partners written notice that K-3s will not be issued unless the partner notifies the club in writing before the 1-month date.



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.

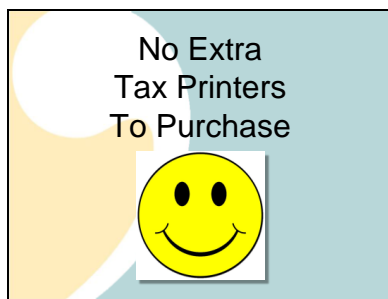
We've covered the importance of making sure your bivio records are correct and steps you can take right now to ensure that.

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 discussed 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.

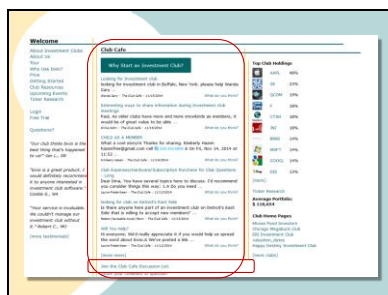
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Don't forget! Federal Tax preparation software is already included in your annual bivio subscription.

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.

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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.

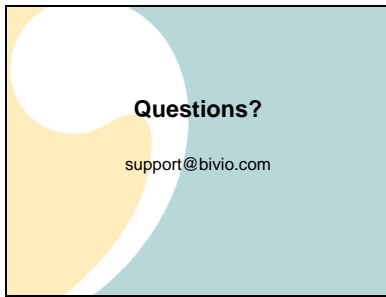
You'll need to join the list to participate, but it's easy to do by going to the link you'll find here on our homepage

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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.

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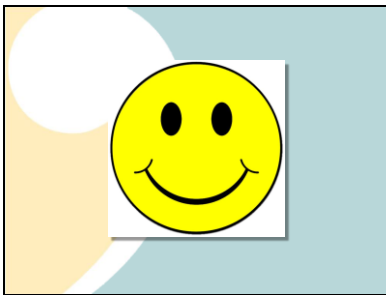


If you can't find an answer there, email your question to:

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.

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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,

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