

Commodity ETF Investment Club Reporting Instructions

Ex: SLV, GLD, SGOL etc.

You first need to go to the website for the investment and get whatever instructions they have provided for calculating your expenses, capital gains and basis adjustments for each month. (note that the examples given sometimes show the calculations for totals for the year. However, since your club allocates income and expenses as they occur, you will need to calculate and enter the information separately for each month)

For example, here is a link to where you can find the Instructions provided by IShares to calculate the values you'll need to do the calculations for tax year 2012 for GLD and SLV:

http://us.ishares.com/library/kits/tax_2012_kit.htm

Adjustments that need to be made to your bivio records after amounts above are calculated:

1. Expenses and Capital gains/losses: Each month you've paid an expense. They were each paid by a sale of Silver. You will have a Capital gain or loss for each of these sales. You need to use the information provided above to determine the amount of your expense for the month and the Capital gain/loss on the sale. You will need to separate it out by long term and short term gains/losses. Enter the expense amount each month using the Expense button on the Accounting>Accounts page. Enter the gain/loss and the type using the Income Button on the Accounting>Investments page.

Keep track of the capital gains/losses and whether they are short or long term, you will need to know the total of all the months later. You will also need to further differentiate your short/long term gains/losses between covered (sales related to shares purchased in 2011 and later) and non-covered (sales related to shares purchased prior to 2011)

2. Basis Adjustments: You will also be calculating the basis amount of silver sold each month using the information provided by the fund. This will be an adjustment to your cost basis each month. Enter a Return of Capital for each basis adjustment amount for each month using the Income button on the Accounting>Investments page.
3. Summary: For each month you will have three entries, an expense, a long or short term capital gain or loss and a Return of capital. The total expense each month will equal the sum of each months Return of capital and the capital gain amount.

Tax Filing Manual Adjustments:

Doing the correct tax reporting is beyond the scope of your bivio services. You will need to make manual adjustments to your tax forms to report everything correctly.

1. Schedule K Manual Adjustments

You will need to sum the long term gains calculated in step 1 and manually add them to line 9b of your Schedule K.

2. Schedule K-1 Manual Adjustments

You'll also have to divide up the line 9b amount by member and you need to make the same manual adjustments for their portion of the gains/losses on their schedule K-1's, on line 9b. The total amount should be the sum of the long term gains allocated to them based on their percentage of ownership on the date the gain was realized.

3. Form 8949 Changes

You will need to add each expense sale transaction to the form 8949 in the appropriate section depending on whether it is covered or non-covered. You will need to put a C in column f and an -0- in column g.

You'll need to change the totals in each column for each section you have added transactions to.

4. Schedule D Manual Adjustments

You need to change the short term totals in each column affected, on lines 1,2 and 3 in part one to agree with your revised 8949 form.

You need to change the long term totals in each column affected, on lines 1,2 and 3 in part two to agree with your revised 8949 form.

You will need to subtract the Long term capital gains totals from the amount shown on line 14.

Note that if you have purchased multiple lots of your ETF at different times, you will need to determine the expenses, capital gains and basis adjustments for each lot for each month and then total each item and make a total entry for the month.

Accounting and Tax Reporting When Shares Are Sold

If you sell any of your shares during the tax year, you will need to make additional adjustments after you've made the adjustments above. Before you sell, make sure you are aware of the lot selection issues discussed in Note 1 below.

1. Schedule K Manual Adjustments

Any total long term gains will need to be manually added to line 9b of your Schedule K.

2. Schedule K-1 Manual Adjustments

You'll also have to divide up the line 9b amount by member and you need to make the same manual adjustments for their portion of the gains/losses on their schedule K-1's, on line 9b. The total amount should be the sum of the long term gains allocated to them based on their percentage of ownership on the date the gain or loss was realized.

3. Form 8949 Changes

You will need to add each sale transaction to the form 8949 in the appropriate section depending on whether it is covered or non-covered. You will need to put a C in column f and an -0- in column g (see note 1)

You'll need to change the totals in each column for each section you have added transactions to.

4. Schedule D Manual Adjustments

You need to change the short term totals in each column affected, on lines 1,2 and 3 in part one to agree with your revised 8949 form.

You need to change the long term totals in each column affected, on lines 1,2 and 3 in part one to agree with your revised 8949 form.

You will need to subtract the Long term capital gains totals from the amount shown on line 14.

Other notes:

1. Since these are ETF's, the broker is allowed to use a default cost basis method of average cost rather than FIFO to determine lots in a sale. To keep your bivio record keeping easier, it is important that you tell your broker to change the cost basis method to FIFO prior to any sale closing. You can change their default so you don't have to worry about it for each sale.
2. Withdrawals. There are also tax consequences if you have a member withdraw while you own shares of these ETF's which are not handled by bivio. If you are in this situation, you will have further calculations and tax reporting to handle. Contact us for further details.

