

For myI CLUB.com Investment Clubs

Club Tax Printer Quick Start Guide

QUICK
START
GUIDE

Estimates Source: Thomson/Zacks

2004 2005 2006 2007 2008





myICLUB.com

Club Tax Printer Quick Start Guide

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Important Notice

We have done the utmost to make certain that the data that appears on tax forms produced by the Club Tax Printer is correct as based on the data in your current myICLUB.com files. ICLUBcentral Inc. does not warrant the accuracy or completeness of the data on the printed tax forms. All responsibility for accuracy and completeness rests with your investment club and with the person who handles the tax matters for your club.

*For more than 20 years, ICLUBcentral has been assisting clubs in preparing their IRS returns and the returns for many states. This **Quick Start Guide** is designed to answer the most common questions and assist you in quickly and accurately preparing your club’s return, and we suggest that you review it carefully.*

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Your Responsibilities

The **myICLUB.com Club Tax Printer** generates Federal and state tax returns based on the information into the club accounting functions of myICLUB.com. As such, the Club Tax Printer relies on the accuracy of the entered data in order to generate accurate results. If your club records are incomplete or erroneous, the results generated in your tax returns may be incomplete or erroneous. If you do not use myICLUB.com to maintain your club’s books, you will not be able to use the Club Tax Printer.

It is important to understand the limitations of myICLUB.com and the Club Tax Printer program. Not all conceivable investment transactions and partnership investment scenarios are supported by the program. You may need to prepare manual supplemental forms or consult a professional tax preparer.

In all cases, it is *your responsibility* to ensure that the underlying data and the generated tax forms are accurate and complete. ICLUBcentral assumes no responsibility for errors or omissions in the generation and transmission of tax forms generated by its programs.

A careful review of this **Quick Start Guide** will answer most user questions and help ensure that your tax returns are accurate and complete.

Unsupported Partner Types & Investments

The **Club Tax Printer** does not support investments in (or in securities that hold) cryptocurrencies, equity options, precious metals, commodities, or master limited partnerships.

In some circumstances, the accounting program at myICLUB.com may be able to accommodate these securities with manual entries made by the individual preparing the return, but services of a professional tax preparer may be required to generate required tax filings.

The **Club Tax Printer** does not support the IRS filing requirements of general partnerships that include corporations or foreign (non-U.S.) individuals or as partners. Consult the IRS website or a professional tax preparer to understand how to accommodate these types of partners.

Closing the Books for the Tax Year

In order to ensure an accurate tax return, follow the steps below to ensure the accuracy of your club's records *before* attempting to complete your Federal or state tax return.

1. Have you attended or watched ICLUBcentral's annual webinar on "Closing the Books?"

Every year, our team presents a webinar on closing the club's books for the year. These webinars provide details of changes to tax code that you should be aware of as well as common problems experienced by clubs. You can find signup information for the webinars, or view the replay on demand, in several places:

- On ICLUB.com, in the Learning tab.
- On YouTube.com, in the ICLUBcentral channel.
- On the BetterInvesting website, in the Events or Video Learning Library section after logging in.

2. Are all transactions entered correctly and all accounts balanced as of 12/31?

Do not enter any withdrawals or other transactions on 12/31 – move them to 12/30.

If you have received distributions paid by a security after January 1 but have been instructed that the distribution is taxable in the previous year, enter them in the books as of 12/30.

Ensure all distribution ex-dividend dates are accurate. If they are not, the amount of qualifying vs. non-qualifying dividends may not be reported correctly to the Tax Printer.

Withdrawals may not be entered on a Valuation Date. Delete and re-enter any partial or full member withdrawals for the day after a Valuation.

3. Does the club own a Real Estate Investment Trust (REIT)?

In your myICLUB.com club website, go to **Accounting > Edit Security Profile** and edit the security to change the **Type** to **Common Stock-REIT**.

Contact the REIT after year-end to learn the classification of distributions paid in the year (usually available on its website), which could include dividends, return of capital, or short- or long-term capital gains. Edit the distributions that were recorded in the club's books during the year to change the classification so that each transaction matches the percentages of the categories as announced by the REIT. Make sure that the total amounts all match for the year and equal the total amount that the club received from the REIT. You may need to round some values.

If **Section 199(A) dividends** are received, no special action is required – the Club Tax Printer will determine the amount based on your entry of **Qualified Dividends** during the **Allocation**. (Note: Total dividends are the sum of Qualified Dividends and Section 199(a) Dividends.

If **Section 1250 Unrecaptured gains** are received, you will enter the amount during the Allocation. (Note: Total Long-Term Gains are the sum of Long-Term Gains Distributions and Section 1250 Unrecaptured gains.)

ICLUBcentral recommends that investment clubs avoid holding REITs due to the above additional complications in recordkeeping and tax preparation.

4. Does the club own a mutual fund or Exchange Traded Fund (ETF)?

For mutual funds, in your myICLUB.com club website, go to **Accounting > Edit Security Profile** and edit the security to change the **Type** to **Mutual Fund**.

For ETFs, in **Accounting > Edit Security Profile**, edit the security to change the **Type** to **Other**.

If shares have been or are expected to be sold using the **Average Cost Basis** method (instead of specific lots or First-In-First-Out), check the box to use the **Average Cost Basis** method. (Once used, no other method can be used for sold lots of that ETF or mutual fund.) If necessary, edit in myICLUB.com any Sell transactions in the year that used the wrong method of identifying lots.

Contact the ETF or mutual fund sponsor after year-end to learn the classification of distributions paid in the year, which could include dividends, return of capital, or short- or long-term capital gains. Edit the distributions that were recorded in the club's books during the year to change the classification so that each transaction matches the percentages of the categories as announced by the fund or ETF. Make sure that the total amounts all match for the year and equal the total amount received. You may need to round some values.

The amount of **Qualifying Dividends** will be entered when the **Allocation** for the year is created.

Special Note: any ETF that holds an underlying commodity directly (such as gold, silver, livestock, coffee, or sugar) are considered by the IRS as if the taxpayer owned the commodity directly, and thus are not subject to the same rules as a stock or other investment security. myICLUB.com does not support the transactions or tax forms required for these commodity ETFs.

ICLUBcentral recommends that investment clubs avoid holding ETFs or mutual funds holding commodities, precious metals, or cryptocurrencies due to the above additional complications in recordkeeping and tax preparation.

5. Does the club own a Master Limited Partnership (MLP), Limited Partnership (LP), or Royalty Trust?

In your myICLUB.com club website, go to **Accounting > Edit Security Profile** and edit the security to change the **Type** to **Other** (*not* Common Stock or Common Stock-Other).

These securities are not supported directly by myICLUB.com. You will *not* be able to e-File a tax return using the Club Tax Printer, and may have to make manual calculations and entries on printed tax forms.

Contact ICLUBcentral support with complete details of the name and symbol of the security, all transactions made in the year for these securities, and all amounts reported on the 1099 or Schedule K-1 received from these securities. On a resource-available basis, we may be able to assist you. You may need

to request an extension to the IRS filing deadline in order to be compliant with IRS rules as these types of securities do not need to report to partners and unit holders until March 15th.

ICLUBcentral recommends that investment clubs avoid holding partnerships or trusts due to the above additional complications in recordkeeping and tax preparation.

6. Does the club own a Foreign Security (a security that is incorporated outside the United States)?

According to the IRS, any company that is incorporated outside the U.S. is considered a **Foreign Corporation**. Income from foreign sources must be reported separately from domestic income on partnership and individual tax returns.

In your club's myICLUB.com website, go to **Accounting > Edit Security Profile** and edit the security to change its **Country** to reflect the country in which the security is incorporated.

Any Foreign Tax that is withheld from these securities in the year must be entered in the myICLUB.com books.

7. Has the club created a Securities Valuation for each month, and for 12/31?

The club should have a Securities Valuations created for each month of the year, on a date and schedule as determined by the investment club's operating documents.

In addition, the club should create a year-end valuation in your club's myICLUB.com website at **Accounting > Securities > Create new valuation** with prices as of 12/31. Prices from the close of the most recent trading day on or before 12/31 should be used to create the Valuation.

8. Has the club conducted its annual audit?

Instructions for carrying out a yearly audit of the investment club books are in the **File Storage** section of your club's myICLUB.com website (in the **Resources from ICLUBcentral** folder). These procedures help to ensure the accuracy of the club's records.

9. Have you backed up the club's data for the year?

Backups should be made regularly. Go to the **Backup Manager** in **Accounting > Utilities** and make a backup that will be saved online. You should also periodically download a backup to a local computer for safekeeping.

10. Have you allocated the club's income and expenses for the year?

Each year, after completing all of the "Closing the Books" tasks and confirming that the books are accurate, the club must allocate its income and expense to partners. This determines how tax-related items are shared to club members according to IRS rules.

From **Accounting > Utilities**, select **Allocate Income & Expenses** and follow the prompts. Share the Allocation & Income Report with members, letting them know if it is preliminary and subject to change.

***Tip:** The Allocation Report includes the details of each member's tax impact for the year. The **Member's Tax Summary Report** includes these details in a more accessible format, and members can use this report*

to get a head start on their personal tax returns while they await their Schedules K-1 and K-3 from the club which will include the final figures.

Important: If any transactions in the year are edited or new entries made after the Allocation has been done, you must re-run the **Allocate Income & Expenses** function. You can re-run the Allocation function as often as necessary until you generate your tax returns.

Preparing the Club's Federal Tax Returns

All investment clubs must file a Federal return each year. There are no exceptions or exemptions to this rule, and the IRS will levy substantial fines for late or non-received filings.

The IRS deadline for partnership tax filings is **March 15** (this date is typically adjusted if it falls on a weekend day or holiday). This is also the deadline for your club to provide partners with their personal Schedules K-1 and K-3 forms from the club, which are required to complete their personal tax returns.

In order to ensure an accurate tax return, follow the steps below to ensure the accuracy of your club's records *before* attempting to complete your Federal or state tax return.

1. Have you purchased the Club Federal Tax Printer at ICLUB.com?

The **Federal Club Tax Printers** must be purchased each year since tax forms and rules change annually.

Be sure to use your myICLUB.com login and password to complete your purchase so that your purchase is credited to the correct club and account.

Your purchase will show in your myICLUB.com account in the **Taxes** tab as soon as payment is received (which is immediately after credit card payments are received, while check payments must be received and processed before the Club Tax Printer will be released to you).

If you have completed your purchase, and the Tax Printer does not show as "Purchased" in the Taxes tab, contact ICLUBcentral Support immediately so we can adjust your records. Chances are that you have multiple accounts in our database and you did not log in with the same username and password that you use for your myICLUB.com account to complete your purchase. Our staff can adjust your records.

2. Have you attended or watched ICLUBcentral's annual webinar on "Preparing the Investment Club Taxes?"

Every year, our team presents a webinar on preparing the club's federal and state club tax returns using the myICLUB.com Club Tax Printer. These webinars provide details of changes to tax code that you should be aware of as well as common problems experienced by clubs. You can find signup information for the webinars, or view the replay on demand, in several places:

- On ICLUB.com, in the Learning tab (www.iclub.com/clubs/webinar_information.asp).
- On YouTube.com, in the ICLUBcentral channel (www.YouTube.com/ICLUBcentral/).
- On the BetterInvesting website, in the Events or Video Learning Library section after logging in.

3. Do you have Taxpayer Identification Numbers for the club and for each member?

The club must have an **Employer Identification Number (EIN)** in order to file a return. This must not be a member's Social Security Number. You can apply for an EIN on the Internal Revenue Service website.

You must also have a **Social Security Number (SSN)** for each member. These can be saved in the Member Profiles in the myICLUB.com website or entered during the tax generation process. If you prefer not to enter the numbers during the tax preparation process, you may complete your return and schedules by hand by manually entering the SSNs on the appropriate forms and schedules. You may not e-File your return if you do not enter member SSNs during the tax generation process.

Returns filed without all partner SSNs may result in late filing penalties being levied against the club.

4. Do you have Foreign Members in your investment club?

Foreign partners should be identified as such in their myICLUB.com profile in the People section.

If you have foreign citizens (any member who does not have a U.S. taxpayer identification number) as partners in your club, you will be required to manually prepare additional forms and supplements in order to generate your club's returns. **myICLUB.com and the Club Tax Printer do not support the required tax withholding and reporting requirements for foreign partners.**

U.S. resident aliens who have an SSN are *not* considered Foreign Partners.

5. Have you completed the Closing the Books procedures?

In order to ensure an accurate tax return, the "Closing the Books" procedures must be completed, including most especially allocating the income and expenses for the year. These steps will ensure the accuracy of your club's records before attempting to complete your Federal or state tax return.

You can find the current year's "Closing the Books" webinar on ICLUBcentral's channel on YouTube (www.YouTube.com/ICLUBcentral/).

6. Do you have all Form 1099s and Schedule K-1s provided by your brokerage or other financial institution?

Do not file a final return before receiving all required forms from your bank, brokerage, or other financial institutions or accounts.

One or more **Form 1099s** will be generated from your bank, brokerage account, or other financial institution account and provided to both you and the IRS. These forms document the amounts of dividends (both qualifying and non-qualifying), capital gains (short- and long-term), returns of capital, the basis of sold securities (if known), and other information.

Most Form 1099s must be provided by January 31 each year, but if you sold securities in the year, Form 1099-B or a consolidated Form 1099 must be provided to you by February 15. It is important that your tax returns reconcile any discrepancies between your records and these forms, so do not generate a final return until you have these forms.

If you own a publicly-traded partnership (PTP) such as a Master Limited Partnership (MLP) or Limited Partnership (LP), you will receive a **Schedule K-1** for these investments by a deadline of March 15th (though many will try to deliver them to partners before this deadline). If you do not receive a K-1 before March 15th, you may need to request an extension for filing your club's IRS and state returns.

7. Generate the Club's Federal Tax Return.

To get started, go to the **Taxes** tab of your club's myICLUB.com website, and then click the **Go** button for the **Federal** return.

Follow the prompts to provide the required information for your IRS return.

Note: *You can regenerate your club tax return as many times as necessary before preparing your final return. In fact, we recommend doing one or more "trial runs" before generating a final return. You can save your work between sessions.*

*If you spot an error or correct a transaction in the club's books, you can use the **Regenerate** button at the bottom of the Federal Tax module on the myICLUB.com website to redo the forms.*

The Club Tax Printer uses a question-and-answer format to generate your returns, along with the data pulled from the club's myICLUB.com account. Most questions are self-explanatory; see the following for additional details.

a) Double-check the club's name and address.

The club's address on file with the IRS should be the same as the address used on all of the club's financial accounts. If the mailing address or name of the responsible party for the partnership has changed, file Form 8822-B with the IRS **before** submitting your return.

Confirm the club's name is the same as the name used on the club's Employer Identification Number application with the IRS, all financial institution accounts, and as used in past tax returns. Do not use abbreviations, especially in your club's name.

b) Select the Type of Partnership.

"Domestic" partnerships are located in the United States, while "Foreign" partnerships are located elsewhere in the world.

Limited Liability Companies and Limited Liability Partnerships are generally considered to be subject to IRS regulations for partnerships.

c) If *any* members of the club are related, complete the worksheet on "Constructive Ownership."

The IRS requires partnerships to report if any member owns 50% or more of the club on a direct or indirect basis. Indirect ownership is defined as ownership by any family members—spouse; lineal ancestors or descendants such as children, grandchildren, parents, or grandparents; or siblings. In-law relationships (such as a brother-in-law or mother-in-law) and aunt/uncle/niece/nephews are not considered in calculating the ownership percentages).

Complete the worksheet, and if any member's calculated ownership is greater than 50%, answer **Yes** to the question; otherwise, answer **No**.

d) Review the following definitions if you are unclear about the questions that arise when completing the Tax Printer Wizard:

Total receipts are defined as the sum of all stock sales, dividends and distributions, interest, and other income.

Schedule M-3 is required if the partnership has assets of \$10 million or more, or receipts of \$35 million or more, or includes a “reportable entity partner” (REP) (a partnership or corporation) that controls 50% or more of the partnership. Most BetterInvesting-style investment clubs will not meet any of these requirements.

“Tenancy-in-common or other undivided interest in property” typically applies to real estate property and is not supported by myICLUB.com for investment club transactions in securities.

“An interest in or a signature or other authority over a financial account in a foreign country” refers to financial accounts such as bank or brokerage accounts, not to securities owned directly as shares or as American Depository Receipts (ADRs).

A **“foreign disregarded entity”** is a business entity that is separate from its owner, but is considered to be the same as the owner for federal tax purposes. For foreign disregarded entities, the IRS considers transactions between the foreign business and the owner to be taxed as the owner’s income.

Foreign partners are any member who does not have a U.S. taxpayer identification number. These members require tax withholding and additional manually prepared forms and supplements in order to generate your club’s IRS return. myICLUB.com and the Club Tax Printer **do not** support the required tax withholding and reporting requirements for foreign partners. U.S. resident aliens who do have an SSN are *not* considered Foreign Partners.

Form 8865 is used to report transfers of cash to foreign (non-U.S.) partnerships, or changes in ownership in foreign partnerships. This form is not part of the **Club Tax Printer**.

e) Schedules K-2/K-3 Opt-Out

Schedules K-2 and K-3 are used to report foreign source income. The IRS allows partnerships to opt out of generating these lengthy schedules if four conditions are fully met:

1. The partnership has no or limited foreign activity.
 - If there is activity, it must be passive (such as investment income).
 - Taxes paid (or withheld) and/or accrued must be less than \$300.
 - A payee statement (such as a brokerage firm's Form 1099) must be received.
2. The partnership's partners are restricted to the following:
 - U.S or resident alien individuals.
 - Domestic trusts (grantor or non-grantor).
 - Domestic estates of deceased persons.
 - Not a foreign estate or trust.
 - Not a foreign individual (an individual who does not have resident alien status).
3. All partners must be notified the partnership intends to exclude Schedule K-3 from its Form 1065 filing no later than when a club furnishes schedule K-1 to partners.
4. No partner requests a Schedule K-3 before one month prior to the club filing form 1065.

ICLUBcentral recommends that investment clubs opt out of these schedules if at all possible. Foreign source income and tax withholding is reported to partners on Schedule K-1 which should be more than adequate for most individuals.

If an investment club meets the above criteria, a club administrator may use the notification system in the club's myICLUB.com website to notify members of its intent to not file Schedules K-2 and K-3. This tool is available in the Taxes tab of the club's website.

If a member **does** request a Schedule K-3 (for instance, if they have a significant amount of foreign income to report on their personal return and are claiming a personal foreign tax paid credit using IRS Form 1116), then the myICLUB.com Club Tax Printer can generate a K-3 for that partner only as well as the Schedule K-2 for the club return.

f) 1099-B Cost Basis Reconciliation Worksheet

When securities are sold, a brokerage is required to report to the IRS the proceeds of the sale and the cost basis of the sold securities. However, there are circumstances in which a brokerage won't know the basis of the securities that were sold (if the securities were purchased before the applicable regulations went into effect, for instance, or if the securities were transferred into the brokerage account from another brokerage).

For this reason, taxpayers must reconcile the basis and proceeds reported by the brokerage firm on the taxpayer's 1099-B with their own records. There are many permutations in how brokerage firms might report the basis and proceeds of sold securities. If the basis is not known, the brokerage may report the proceeds but label the security as "non-covered" or report the basis as "0" or some other inaccurate figure. The brokerage might also aggregate a number of lots into those with short-term and those with long-term gains, and then report the basis of the selected lots with an acquisition date of "Various."

The myICLUB.com Federal Club Tax Printer includes a tool to reconcile the basis of sold securities between the club's records and the details reported by the brokerage firm to the IRS. If your brokerage firm reports numerous lots that were sold on a single date, you can select the included lots and click the "Group" button, and the program will calculate the basis for the selected grouping. In this way you can easily calculate and compare the basis reported by the brokerage to the club's records. After you have grouped lots that match the 1099-B, click the Save button to save the details. This is especially useful when saving data in between work sessions.

g) Elect In or Out of the Centralized Partnership Audit Regime.

We recommend electing **Yes**. If you have any trusts as members of your club, you will be unable to opt out and must select **No**. Selecting No allows the IRS to collect any past liabilities of the partnership from current partners.

h) Designate a Partnership Representative.

If the partnership elects **Yes** to opt out of the IRS centralized partnership audit regime, then it does **not** need to designate a partnership representative. If the partnership **does not** make a valid election out of the centralized partnership audit regime, then it **must** designate a partnership representative. The designation of a partnership representative for one taxable year is effective only for

that taxable year. The partnership representative must have a substantial presence in the United States, but does not have to be a member of the partnership (such as a club's accountant or tax preparer).

i) Review or Enter Tax ID Numbers & Select Partner Entity Types.

Enter the Social Security Numbers for all members, if needed, and select the Entity Type for each. Note that most clubs automatically withdraw deceased members, so it is rare that the **Estate of Deceased Member** would be allowed to continue as a partnership in the club

e-Filing Your Return

e-Filing is included at no additional charge with your purchase of the myICLUB.com Club Federal Tax Printer program, and is recommended.

To e-File, scroll to the bottom of the Tax Printer results page and click the **e-File** button.

1) Review Club Details and Address

This section is self-explanatory. Ensure that your club name and address match the information on your club's brokerage account and on the club's original application for an Employer Identification Number or subsequent change of address made using IRS Form 8822-B.

2) Provide Details of Preparer, Set PIN, and Authorize e-Filing

Most items here are self-explanatory.

The e-Filing PIN is 5 digits and is created here, so simply choose your own PIN and enter it.

ICLUBcentral must keep a copy of your signature on file, so use your computer mouse to add your signature in the box provided. You can clear your signature and try again if necessary.

3) Review Names, Addresses, and Social Security Numbers of Partners

This section is self-explanatory. Confirm all member names, addresses, and Social Security Numbers.

4) Submit Return

When ready, click the **e-File the Return** button.

Once submitted, return to the Club Federal Tax Printer page where your e-File Status is displayed.

You will receive an email message when your return is accepted by the IRS, but you may also return to this page at any time to review the status. Most returns are accepted within a few minutes, but the IRS servers do occasionally become unavailable, and during busy times it may take longer for a return to be accepted.

If your return is rejected, our team will be notified and will contact you with guidance on the reasons for the rejection and what you can do to re-file your return.

If You Need Help

If you encounter issues in closing the books or generating your tax forms, please follow these steps:

1. Review the steps in this **Quick Start Guide**, which cover the most common problems and situations encountered by clubs.
2. Review the **Club Tax Printer User Guide**, which is available from the Taxes tab of myICLUB.com or from the Downloads area of ICLUB.com.
3. Review the webinar video replays for ICLUBcentral's "**Closing the Books**" and "**Preparing Club Taxes**" presentations. These provide step-by-step demonstrations of the required tasks.
4. Review the answers in the ICLUB.com **Frequently Asked Questions (FAQ)** at www.ICLUB.com/faq/. Chances are good that others have had the same question and the answer can be found here.
5. Post your question in the **Clubhouse** section of **StockCentral.com** (for StockCentral.com subscribers only).
6. Post your question to the **Club Treasurers List** hosted on the BetterInvesting website where other knowledgeable club treasurers can provide help.
7. Contact our Support team online at www.ICLUB.com/support/. Please provide as much detail as possible when submitting your question.
8. Contact our Support team by telephone at 1-877-33-ICLUB, Monday-Friday 9:30 am – 6:00 pm ET.