

Investment Club 2023 Tax Clinic

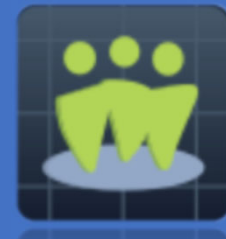
FEBRUARY 2024



Doug Gerlach

Russell Malley

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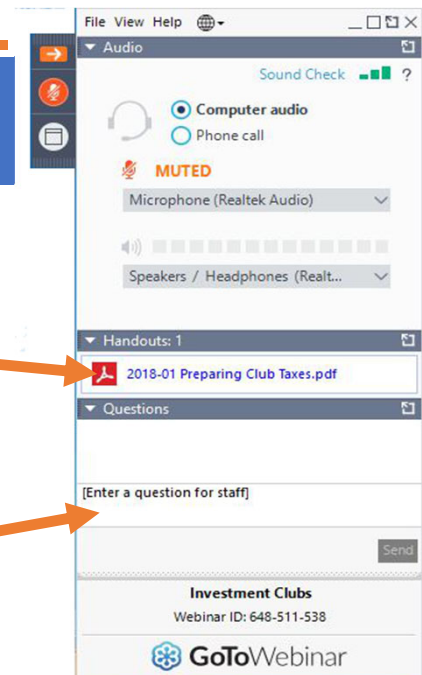


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Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.



Status of myICLUB.com Tax Printers

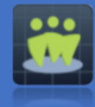


As of 2/20/2024:

- **Club Federal Tax Printer** is released.
 - Paper & e-Filed returns now accepted by IRS.
- **Club State Tax Printers** released for all states **except CO, GA, NY.**
 - Released for AZ, CA, IA, IN, MA, MD, MN, MO, NJ, OK, OR, PA, WI.

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Where You & Your Club Stand...



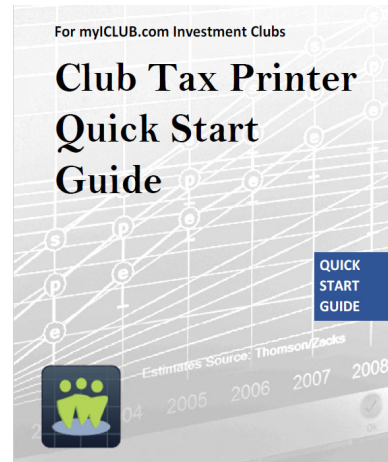
- As of February 20, you should have:
 - Closed books for 2023.
 - Entered all transactions & reconciled all accounts.
 - Received most/all 1099 statements.
 - Convened committee to perform annual audit.
 - Purchased (& tested) myICLUB.com 2023 Club Tax Printer.
 - **Attended or viewed “Closing the Books” AND “Preparing 2023 Club Taxes” webinars.**
 - Completed at least one “dry run”/practice run of 2023 tax return.

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Download Our Quick Start Guide



- Has **useful information** to review before you finalize your club return.
- Available in:
 - **Handouts** tab of this webinar.
 - **Help** links in Club Tax Printer.
 - Directly at:
www.myclub.com/user_quick_start.aspx

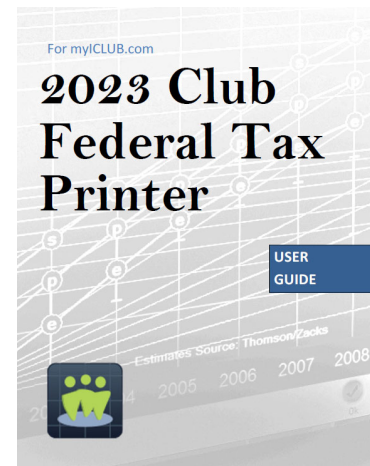


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Download Our Club Tax Printer User Guide



- Many questions can be answered by reviewing the manual.
- Available in:
 - **Handouts** tab of this webinar.
 - **Help** links in Club Tax Printer.
 - Directly at:
www.myclub.com/user_quick_start.aspx



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NEW: Toll-Free Support Hours Extended



- Starting 29 February 2024:
- myICLUB.com Customer Support available by phone on **Thursday evenings** until **9:00 pm ET** (to better support West Coast users).
- 1-877-33-ICLUB or 1-248-654-3100.

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REMINDERS

IRS & STATE FILING DEADLINES FOR PARTNERSHIPS

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IRS Deadline for Partnerships



- Form 1065 & related forms & schedules **must be filed & provided to partners by March 15, 2023.**
 - Ensures partners have details needed for personal returns.
 - Most clubs easily meet this deadline, even though 1099s aren't required to be sent by financial institutions until February 15.
 - Can file for automatic 6-month extension if needed.
 - *Late filings are subject to penalty.*

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Can't Meet IRS Deadline?



- Submit IRS Form 7004 to request automatic six-month extension to deadline.

www.irs.gov/uac/about-form-7004

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State Partnership Deadlines (ICLUB-Supported)*

■ March 15:

- Arizona
- California
- Georgia
- New York
- Oregon
- Wisconsin

■ April 15

- Colorado
- Indiana
- Iowa
- Maryland
- Massachusetts (April 17 in 2024)
- Minnesota
- Missouri
- New Jersey
- Oklahoma
- Pennsylvania

*** WE DO NOT TRACK FILING REQUIREMENTS OF ALL STATES -- CONFIRM DIRECTLY WITH STATES BOTH ON & NOT ON THIS LIST.**

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Filing Your State Return



- In most cases, state return can easily be filed after IRS return is filed & K-1s are distributed to members.
- Don't panic if ICLUB Club State Tax Printer isn't yet available for your state—you have plenty of time.
- File Federal return now & State return when Tax Printer is available.

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Note about State e-Filings



- Pursuant to state regulations, many states DO NOT allow us to generate paper returns for filing if e-Filing is mandated.
- Especially in Arizona, California, Maryland, Massachusetts, Oklahoma, Wisconsin: myICLUB provides PDF report of values transmitted electronically to state.
 - These MAY NOT be used to send in paper return & will be rejected by state.

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QUESTION BREAK

USE QUESTIONS BOX IN WEBINAR APPLET

The screenshot shows a portion of a webinar applet interface. At the top, there is a menu with 'File', 'View', and 'Help'. Below this is an 'Audio' section with a 'Sound Check' indicator. The audio settings are set to 'Computer audio' and 'Phone call'. A 'MUTED' indicator is visible next to the microphone selection. The microphone is 'Microphone (Realtek Audio)' and the speakers are 'Speakers / Headphones (Real...)'. Below the audio settings is a 'Handouts: 1' section showing a PDF file named '2018-01 Preparing Club Taxes.pdf'. Underneath is a 'Questions' section with a text input field containing '[Enter a question for staff]' and a 'Send' button. At the bottom of the applet, it displays 'Investment Clubs', 'Webinar ID: 648-511-538', and the 'GoToWebinar' logo.

HOT TOPICS FOR 2023 TAX YEAR

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Form 1099s Are Late



- Often, brokerage firms are late releasing Form 1099s for customers.
- If this happens:
 - Request automatic 6-month extension using **IRS Form 7004** if meeting March 15 deadline is at any risk.
 - Use preliminary figures to prepare first draft of Federal/State tax returns using myICLUB.com Club Tax Printer.
 - Share myICLUB.com Member Tax Summary report with members to provide them with preliminary info until K-1 is finalized.
 - When 1099 is released, quickly confirm figures in Club Tax Printer, file return, & distribute K-1s.
- **Do not submit return without receiving 1099s.**
 - If you do & your return is wrong, you may need to file amended return.

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Multiple 1099s Received



- With merger of TD Ameritrade & Schwab, many clubs have received 1099s from both brokerages.
- **Don't overthink it:** use sum of figures on both 1099s, which should match club's books.
- If cost basis of sold securities isn't transferred correctly, **don't sweat it:**
 - Double-check that club records are correct & enter basis as appears in club's books in tax forms.

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Foreign Income Doesn't Match 1099



- myICLUB uses **Country** from **Security Settings** to determine foreign income sources.
 - If **Foreign Income Tax Withholding** is entered or any **income** from foreign company, **Country** must be set for that security.
 - myICLUB.com:Accounting > Securities > Update Security Settings
- Ensure **Country** is correct.
 - TIP: Check Quotes page in myICLUB to see in which country company is domiciled. (Can also check SEC filings to find where company is officially registered.)

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QUALIFYING/ORDINARY DIVIDENDS DO NOT MATCH

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Dividend Amounts Do Not Match



- Rules for determining if dividend is qualifying or not is different for stock than for **problem securities** (REITS, funds, ETFs, MLPs, “other” securities).
- Check **Security Settings** in **myICLUB** to make sure each security **Type** is set correctly.
 - These are NOT set by default when you first buy stock or other security, & must be manually updated.

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Correctly Identify Types of All Securities



- Check Security settings:
 - myICLUB.com:Accounting > Securities > Update Security Settings
- Ensure “Type” is correct:

Security Type	Set in Program As:
Stocks	Stocks - Common
Mutual Funds	Mutual Fund
Real Estate Investment Trusts (REITs)	Stocks - REIT
Exchange Traded Funds (ETFs)	Other
Limited Partnerships & Other	Other

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Accounting

Summary

Wizards

Securities

Buy

Sell

Cash Distribution

Reinvest

Edit security settings

This page allows you to edit the symbol, name, security type, tax status, and (for mutual funds and fixed cash investments) method used for cost basis calculation.

Basic Settings

Company Name

Symbol [\(What's this?\)](#)

Exchange

Security Type

Advanced Settings

Federal Tax-Free?

Country [\(What's this?\)](#)

Quote Symbol [\(What's this?\)](#)

Distributions from REITs



- Due to Tax Reform Act, REIT income is handled differently starting in 2018.
- REIT distributions that were previously considered non-qualifying dividends now meet requirements to be considered **Qualifying Business Income (QBI)** for purposes of Section 199A deductions.
- Section 199A-qualifying REIT dividends are now reported on Form 1099.
- These dividends will be included on Schedule K-1s to partners as investment income.

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Handling Section 199A Distributions from REIT



- When editing REIT distributions at year end in myICLUB.com, include Section 199A dividends as “Dividends.”
- In Allocation of Income & Expenses, an extra box will appear showing REIT’s name & the total dividends recorded.
 - Enter amount of qualified dividends received from REIT as identified by the REIT.
 - The remainder will be non-qualified dividends that meet section 199A.
- The Allocation will then distribute these dividends to partners & report on line 20 of K-1 with code Z.

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OTHER COMMON PROBLEMS

COMMON PROBLEMS

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IRS e-Filed Return Is Rejected



- IRS will reject your return if EIN and/or club name do not match prior year returns, or 1099 from brokerage, or original EIN application form.
- Make sure both name & EIN are correct on your e-Filed return.
- Watch out if using abbreviations – will probably need to use full name of club.

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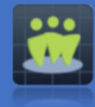
Withdrawal Spans End & Start of Year



- Do not value or enter withdrawals on 12/31 or 1/1.
- Try to complete & date withdrawals before 12/30 or wait until after 1/2.
- Remember not to enter any transactions on 12/31 – move them to 12/30.

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Deduction Eliminated for Investment Expenses



- Tax Reform Act eliminated individual's deduction for investment expenses.
 - Most club members never had enough expenses to deduct any investment expenses, so this change won't impact many.
- Accounting software still allows for entry of "investment" & "non-investment" expenses, but these are not reported on K-1 or 1065.

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COST BASIS REPORTED ON 1099 DOESN'T MATCH CLUB RECORDS

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Cost Basis on 1099 Doesn't Match



- It's not always problem if cost basis of sold security on 1099 doesn't match data in myICLUB.com.
- For instance, brokerage may not know basis because it was purchased prior to 2010/2011 or transferred into account.
- In these cases, follow instructions in Tax Printer & you will be fine.

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Basis is Wrong because Wrong Lots Were Selected



- When selling shares of **stock** that are not all shares held, IRS default is FIFO (First In, First Out).
 - First shares bought are first shares sold & basis is thus calculated.
- If desirable, may identify Specific Lots that are sold.
 - Under IRS rules, must notify brokerage prior to sell order which lots are to be sold.
 - If treasurer records specific lots but brokerage uses FIFO, then basis will be different on 1099.
- **To correct wrong basis because of this: back up club data, delete sell transaction, & re-enter using sale method used by brokerage firm.**

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Basis is Wrong because Security Type Is Wrong



- Rules for calculating cost basis are different for stocks vs. funds, ETFs, other securities.
- myICLUB may not be able to calculate correct basis if Security Type is incorrect.
- **To correct wrong basis because of this: go to myICLUB Accounting > Securities > Update Security Settings & make sure all Security Types are correct.**
 - Show Inactive Securities if necessary.

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Basis is Wrong because of Spinoff/Merger



- When company spins off new company, part of investors' original basis is attributed to new company.
 - **Basis in new company is NEVER \$0 – this is indefensible for tax purposes.**
- However, IRS rules allow for many different ways of calculating cost basis of spinoff.
 - Company may suggest method, but brokerage may use another, & investor might use another – all could be “correct.”
 - ICLUB.com FAQ provides instructions for entering spinoffs, generally based on company's suggested methods—if you follow those instructions, your records will be defensible.
- **When selling, if basis is reported differently by brokerage than in your books, AND you are using a defensible method of calculating basis, then DO NOT WORRY ABOUT DIFFERENCE IN BASIS.**
- **However, if you did not use defensible method of calculating basis, then backup club data in myICLUB, delete spinoff transaction, & re-enter.**

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QUESTION BREAK

USE QUESTIONS BOX IN WEBINAR APPLLET

The screenshot shows a webinar control panel. At the top, there's a 'File View Help' menu. Below it, the 'Audio' section is expanded, showing 'Sound Check' with a green indicator, 'Computer audio' selected, and 'Phone call' unselected. A 'MUTED' indicator is present. Below that, 'Microphone (Realtek Audio)' is selected with a dropdown arrow, and 'Speakers / Headphones (Real...)' is also selected with a dropdown arrow. A volume slider is visible. The 'Handouts: 1' section shows a PDF file named '2018-01 Preparing Club Taxes.pdf'. The 'Questions' section has a text input field with the placeholder '[Enter a question for staff]' and a 'Send' button. At the bottom, it displays 'Investment Clubs', 'Webinar ID: 648-511-538', and the 'GoToWebinar' logo.

FOR DISBANDING CLUBS

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Disbanding Takes Several Months



- Disbanding clubs must file final IRS Form 1065 by **15th day of 3rd month following termination.**
- Club that decides to disband in December not likely able to complete process in time to avoid filing return for next tax year.
- However, disbanding clubs can use prior-year myICLUB Club Tax Printer software to generate “short-year” final return.
- **NOTE:** If current year IRS forms are available by filing deadline (usually late in calendar year), you must use those & not prior year forms (by purchasing Club Tax Printers for next tax year).
- Short year final returns must be submitted on paper & may not e-Filed.
- www.myiclub.com/faq/article.aspx?id=50&category=1&parent=0

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Disbanding Your Club



Watch our helpful video
on disbanding an
investment club.

www.myiclub.com/faq/article.aspx?id=642&category=2&parent=0

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State Requirements



- Most states have requirements for final filings similar to IRS.
- Notable exception is Wisconsin, which requires e-Filing partnership returns but won't accept final short-year e-Filed returns.
 - Contact myICLUB Support if this applies to your club.

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GETTING HELP



Home Club Hub Sign Up Login Buy/Renew Blog Help

Club Basics

How to Start a Club
About myICLUB.com
Why Switch to myICLUB?
Sign Up
Get Free Club e-Books
myICLUB Blog

Club Taxes *

Club FAQs

Club Fundamentals
Club Primers & Tutorials
Club Transactions
myICLUB.com
myICLUB.com Tax Printer
General Technical

Club Support

Club Webinars & Videos
User & Quick Start Guides
Contact Us
About ICLUBcentral
myICLUB & BetterInvesting



Need Help with myICLUB.com?

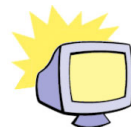
We're here to help myICLUB.com subscribers with questions about investment club accounting and operations, and about using the myICLUB.com website! Here are some resources that can help you quickly find the answers you need.



[Click the Help links on pages for context-sensitive help.](#)



[Download the myICLUB User and Quick Start Guides and other resources.](#)



[Watch our informative videos.](#)



[Check our answers to Frequently-Asked Questions.](#)



[Submit a support request online.](#)



[Contact us by telephone.](#)

New Support page on myICLUB.com with even more options for self-help & learning.

Where to Get Help



- myI CLUB Frequently Asked Questions (FAQ)
 - www.myiclub.com/faq/
- User & Quick Start Guides:
 - www.myiclub.com/user_quick_start.aspx

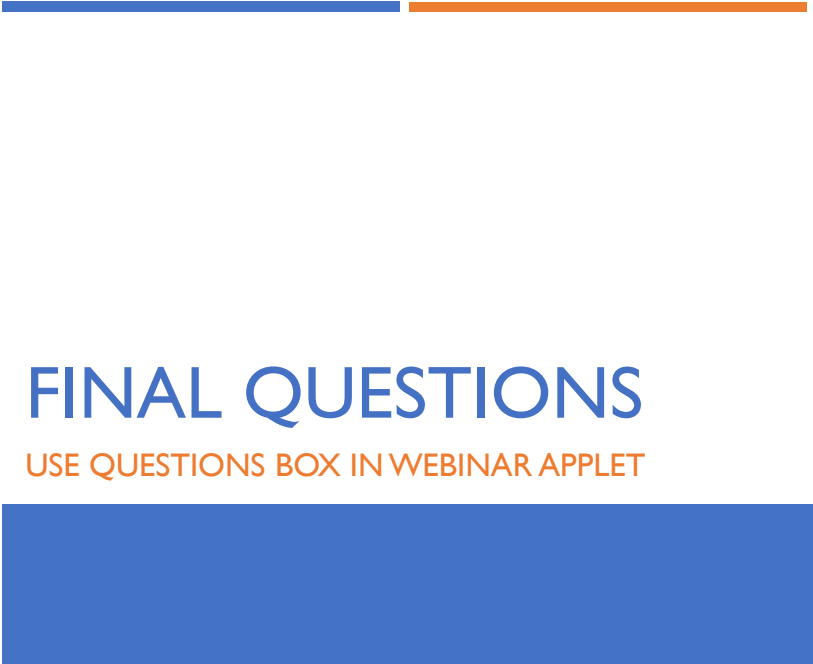
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myI CLUB.com Technical Support



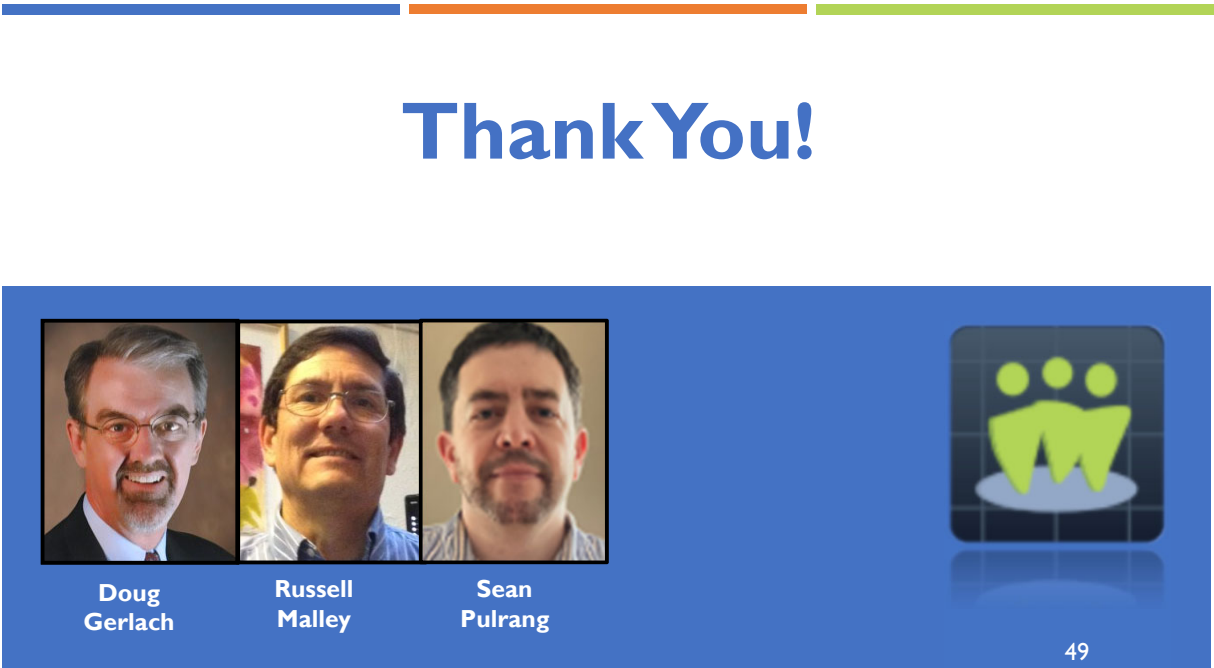
- Online:
 - www.myI CLUB.com/support
- Frequently Asked Questions:
 - www.myI CLUB.com/faq/
- Telephone:
 - 1-877-33-ICLUB
 - Mon, Tues, Wed, Fri: 9:30 AM to 6:00 PM Eastern Time.
 - Thur: 9:30 AM to 9:00 PM Eastern Time (beginning 2/29/2024).

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FINAL QUESTIONS
USE QUESTIONS BOX IN WEBINAR APPLET

The screenshot shows a GoToWebinar interface. On the left, a blue bar contains the text "FINAL QUESTIONS" and "USE QUESTIONS BOX IN WEBINAR APPLET". On the right, a sidebar contains several panels: "Audio" (with "MUTED" status and microphone/speaker settings), "Handouts: 1" (showing a PDF titled ".2018-01 Preparing Club Taxes.pdf"), "Questions" (with a text input field and a "Send" button), and "Investment Clubs" (with "Webinar ID: 648-511-538" and the GoToWebinar logo).



Thank You!

Doug Gerlach **Russell Malley** **Sean Pulrang**

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The slide features a blue background with a horizontal bar at the top consisting of blue, orange, and green segments. The text "Thank You!" is centered in large blue font. Below it are three portrait photos of the speakers: Doug Gerlach, Russell Malley, and Sean Pulrang. To the right of the photos is a green icon of three stylized figures. The number "49" is in the bottom right corner.