

2/11/13

11:26AM

LLC formed in NV on 5/16/12.

Internally elected MTM on May 16, 2012. No 3115 or 481 since first time filer.

Charles Schwab was the only trading account open at Dec. 31, 2012 and taxpayer had no open positions. Total round-trip trades of 604, proceeds of \$1,265,252 and no lapse in trading per TradeLog reports for the eight months of operation in 2012. Based on this info and the intent to run a trading business, the LLC qualifies for trader status for 2012.

Schedule B shows 100% ownership for both members because Member 1 and Member 2 are related individuals; they constructively own 100% of the entity's profits and losses.

Demo

2012

Federal Filing Instructions

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

11:26AM

FORM TO FILE:

Form 1065 - 2012 U.S. Return of Partnership Income

SIGNATURE:

Sign and date Form 1065.

PAYMENT:

No payment is required.

WHEN TO FILE:

On or before April 15, 2013.

WHERE TO FILE:

Department of the Treasury
Internal Revenue Service Center
Ogden, UT 84201-0011

Demo

OTHER INSTRUCTIONS:

You must distribute a copy of the 2012 Schedule K-1 to each partner.
Be sure to give each partner a copy of the Partner's Instructions for
Schedule K-1 (Form 1065).

Form **1065**Department of the Treasury
Internal Revenue Service**U.S. Return of Partnership Income**For calendar year 2012, or tax year beginning 5/16, 2012,
ending 12/31, 20 12.

OMB No. 1545-0099

2012► Information about Form 1065 and its separate instructions is at www.irs.gov/form1065.**A** Principal business activity

Trading

B Principal product or service

Securities

C Business code number

523110

Print
or type.Example LLC (MTM Loss)
Any Street
Houston, TX 77001**D** Employer identification
number

96-9999999

E Date business started

5/16/2012

F Total assets (see instrs)

\$ 103,975.

G Check applicable boxes: (1) ☒ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return(6) ☐ Technical termination — also check (1) or (2)**H** Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☒ Other (specify) ► Sec. 475(f) - Notes**I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year 2**J** Check if Schedules C and M-3 are attached ☐**Caution.** Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

I N C O M E	1 a	Gross receipts or sales	
	1 b	Returns and allowances	
	1 c	Balance. Subtract line 1b from line 1a	
	2	Cost of goods sold (attach Form 1125-A)	
	3	Gross profit. Subtract line 2 from line 1c	
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	
	5	Net farm profit (loss) (attach Schedule F (Form 1040))	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	-633.
S E E I N S T R U C T I O N S F O R L I M I T A T I O N S	7	Other income (loss) (attach statement)	
	8	Total income (loss). Combine lines 3 through 7.	-633.
	9	Salaries and wages (other than to partners) (less employment credits)	
	10	Guaranteed payments to partners	
	11	Repairs and maintenance	
	12	Bad debts	
	13	Rent	
	14	Taxes and licenses	
	15	Interest	
	16 a	Depreciation (if required, attach Form 4562)	1,526.
	16 b	Less depreciation reported on Form 1125-A and elsewhere on return	
	16 c		1,526.
	17	Depletion (Do not deduct oil and gas depletion.)	
	18	Retirement plans, etc.	
19	Employee benefit programs		
20	Other deductions (attach statement) <u>See Statement 1</u>	12,037.	
21	Total deductions. Add the amounts shown in the far right column for lines 9 through 20	13,563.	
22	Ordinary business income (loss). Subtract line 21 from line 8	-14,196.	

**Sign
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager

Date

May the IRS discuss this return
with the preparer shown below
(see instrs)? ☒ Yes ☐ No**Paid
Preparer
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if
self-employed

PTIN

Firm's name ► Green NFH, LLCFirm's EIN ► 45-4365561Firm's address ► PO Box 1198Phone no. (888) 558-5257Robertsdale, AL 36567**BAA** For Paperwork Reduction Act Notice, see separate instructions.

PTPA0105L 01/18/13

Form **1065** (2012)

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:				Yes	No
a <input type="checkbox"/> Domestic general partnership	b <input type="checkbox"/> Domestic limited partnership				
c <input checked="" type="checkbox"/> Domestic limited liability company	d <input type="checkbox"/> Domestic limited liability partnership				
e <input type="checkbox"/> Foreign partnership	f <input type="checkbox"/> Other				
2 At any time during the tax year, was any partner in the partnership a disregarded entity, a partnership (including an entity treated as a partnership), a trust, an S corporation, an estate (other than an estate of a deceased partner), or a nominee or similar person?					X
3 At the end of the tax year:					
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If 'Yes,' attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership					X
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If 'Yes,' attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership				X	
4 At the end of the tax year, did the partnership:					
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (iv) below.					X
(i) Name of Corporation		(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage Owned in Voting Stock	
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v) below					X
(i) Name of Entity		(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital
				Yes	No
5 Did the partnership file Form 8893, Election of Partnership Level Tax Treatment, or an election statement under section 6231(a)(1)(B)(ii) for partnership-level tax treatment, that is in effect for this tax year? See Form 8893 for more details.					X
6 Does this partnership satisfy all four of the following conditions?					
a The partnership's total receipts for the tax year were less than \$250,000.					
b The partnership's total assets at the end of the tax year were less than \$1 million.					
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.					
d The partnership is not filing and is not required to file Schedule M-3				X	
If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item L on Schedule K-1.					
7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?					X
8 During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?					X
9 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?					X
10 At any time during calendar year 2012, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts. If 'Yes,' enter the name of the foreign country. ▶					X

Schedule B Other Information (*continued*)

	Yes	No
11 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions.		X
12a Is the partnership making, or had it previously made (and not revoked), a section 754 election? See instructions for details regarding a section 754 election.		X
b Did the partnership make for this tax year an optional basis adjustment under section 743(b) or 734(b)? If 'Yes,' attach a statement showing the computation and allocation of the basis adjustment. See instructions.		X
c Is the partnership required to adjust the basis of partnership assets under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If 'Yes,' attach a statement showing the computation and allocation of the basis adjustment. See instructions.		X
13 Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly-owned by the partnership throughout the tax year) <input type="checkbox"/>		
14 At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		X
15 If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached. See instructions ▶		
16 Does the partnership have any foreign partners? If 'Yes,' enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership. ▶		X
17 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return. ▶		
18a Did you make any payments in 2012 that would require you to file Form(s) 1099? See instructions.		X
b If 'Yes,' did you or will you file all required Form(s) 1099?		
19 Enter the number of Form(s) 5471, Information Return of U.S. Persons With Respect To Certain Foreign Corporations, attached to this return. ▶		
20 Enter the number of partners that are foreign governments under section 892 ▶ 0		

Designation of Tax Matters Partner (see instructions)

Enter below the general partner or member-manager designated as the tax matters partner (TMP) for the tax year of this return:

Name of designated TMP ▶	LLC Partner One	Identifying number of TMP ▶	957-99-9999
If the TMP is an entity, name of TMP representative ▶		Phone number of TMP ▶	
Address of designated TMP ▶	Any Street Houston, TX 77001		

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22).....	1	-14,196.
	2 Net rental real estate income (loss) (attach Form 8825).....	2	
	3a Other gross rental income (loss).....	3a	
	b Expenses from other rental activities (attach stmt).....	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a.....	3c	
	4 Guaranteed payments.....	4	
	5 Interest income.....	5	19.
	6 Dividends: a Ordinary dividends.....	6a	2,418.
	b Qualified dividends.....	6b	
	7 Royalties.....	7	
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)).....	8	
Income (Loss)	9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)).....	9a	
	b Collectibles (28%) gain (loss).....	9b	
	c Unrecaptured section 1250 gain (attach statement).....	9c	
	10 Net section 1231 gain (loss) (attach Form 4797).....	10	
Deductions	11 Other income (loss) (see instructions) Type ▶.....	11	
	12 Section 179 deduction (attach Form 4562).....	12	
	13a Contributions.....	13a	
	b Investment interest expense.....	13b	
Self-Employment	c Section 59(e)(2) expenditures: (1) Type ▶..... (2) Amount ▶.....	13c (2)	
	d Other deductions (see instructions) Type ▶.....	13d	
	14a Net earnings (loss) from self-employment.....	14a	
	b Gross farming or fishing income.....	14b	
Credits	c Gross nonfarm income.....	14c	
	15a Low-income housing credit (section 42(j)(5)).....	15a	
	b Low-income housing credit (other).....	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468).....	15c	
	d Other rental real estate credits (see instructions) Type ▶.....	15d	
	e Other rental credits (see instructions)..... Type ▶.....	15e	
Foreign Transactions	f Other credits (see instructions)..... Type ▶.....	15f	
	16a Name of country or U.S. possession... ▶.....	16a	
	b Gross income from all sources.....	16b	
	c Gross income sourced at partner level.....	16c	
	Foreign gross income sourced at partnership level.....		
	d Passive category ▶..... e General category ▶..... f Other..... ▶.....	16f	
	Deductions allocated and apportioned at partner level.....		
	g Interest expense ▶..... h Other..... ▶.....	16h	
	Deductions allocated and apportioned at partnership level to foreign source income.....		
	i Passive category ▶..... j General category ▶..... k Other..... ▶.....	16k	
Alternative Minimum Tax (AMT) Items	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l	
	m Reduction in taxes available for credit (attach statement).....	16m	
	n Other foreign tax information (attach statement).....		
	17a Post-1986 depreciation adjustment.....	17a	
	b Adjusted gain or loss.....	17b	
	c Depletion (other than oil and gas).....	17c	
Other Information	d Oil, gas, and geothermal properties — gross income.....	17d	
	e Oil, gas, and geothermal properties — deductions.....	17e	
	f Other AMT items (attach stmt).....	17f	
	18a Tax-exempt interest income.....	18a	
	b Other tax-exempt income.....	18b	
	c Nondeductible expenses.....	18c	
Other Information	19a Distributions of cash and marketable securities.....	19a	
	b Distributions of other property.....	19b	
	20a Investment income.....	20a	2,437.
	b Investment expenses.....	20b	
	c Other items and amounts (attach stmt).....		

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l.						1	-11,759.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners. . . .							
b Limited partners. . . .		-11,759.					

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash.					102,776.
2a Trade notes and accounts receivable.					
b Less allowance for bad debts.					
3 Inventories.					
4 U.S. government obligations.					
5 Tax-exempt securities.					
6 Other current assets (attach stmt)					
7a Loans to partners (or persons related to partners)					
b Mortgage and real estate loans.					
8 Other investments (attach stmt).					
9a Buildings and other depreciable assets.				2,725.	
b Less accumulated depreciation.				1,526.	1,199.
10a Depletable assets.					
b Less accumulated depletion.					
11 Land (net of any amortization).					
12a Intangible assets (amortizable only).				7,707.	
b Less accumulated amortization.				7,707.	
13 Other assets (attach stmt).					
14 Total assets.					103,975.
Liabilities and Capital					
15 Accounts payable.					
16 Mortgages, notes, bonds payable in less than 1 year					
17 Other current liabilities (attach stmt)					
18 All nonrecourse loans.					
19a Loans from partners (or persons related to partners)					
b Mortgages, notes, bonds payable in 1 year or more. . . .					
20 Other liabilities (attach stmt)					
21 Partners' capital accounts.					103,975.
22 Total liabilities and capital.					103,975.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return**Note.** Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1 Net income (loss) per books.	-11,759.	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest . . \$	
3 Guaranteed pmts (other than health insurance).		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7.	
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5.	-11,759.
5 Add lines 1 through 4.	-11,759.		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year.	0.	6 Distributions: a Cash.	
2 Capital contributed: a Cash.	115,734.	b Property.	
b Property.		7 Other decreases (itemize):	
3 Net income (loss) per books.	-11,759.	8 Add lines 6 and 7.	
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5.	103,975.
5 Add lines 1 through 4.	103,975.		

**SCHEDULE B-1
(Form 1065)**(December 2011)
Department of the Treasury
Internal Revenue Service**Information on Partners Owning 50% or
More of the Partnership**▶ **Attach to Form 1065. See instructions.**

OMB No. 1545-0099

Name of partnership

Example LLC (MTM Loss)

Employer identification number (EIN)

96-9999999**Part I** **Entities Owning 50% or More of the Partnership** (Form 1065, Schedule B, Question 3a)

Complete columns (i) through (v) below for any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, tax-exempt organization, or any foreign government that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital

Part II **Individuals or Estates Owning 50% or More of the Partnership** (Form 1065, Schedule B, Question 3b)

Complete columns (i) through (iv) below for any individual or estate that owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership (see instructions).

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
LLC Partner One	957-99-9999	United States	100.000
LLC Partner Two	587-99-2211	United States	100.000

BAA For Paperwork Reduction Act Notice, see the instructions for Form 1065.

Schedule **B-1** (Form 1065) (12-2011)

Amended K-1

2012

For calendar year 2012, or tax

year beginning 5/16, 2012
ending 12/31, 2012

Department of the Treasury
Internal Revenue Service

Partner's Share of Income, Deductions, Credits, etc. ▶ See separate instructions

► See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

96-99999999

B Partnership's name, address, city, state, and ZIP code

Example LLC (MTM Loss)
Any Street
Houston, TX 77001

C IRS Center where partnership filed return
Ogden, UT

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

957-99-9999

F Partner's name, address, city, state, and ZIP code

LLC Partner One
Any Street
Houston, TX 77001

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? (see instr) **Individual**

12 If this partner is a retirement plan (IRA/SEP/Keogh/etc), check here (see instructions).....

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	50 %
Loss	%	50 %
Capital	%	49.999519 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	_____
Qualified nonrecourse financing	\$	_____
Recourse	\$	_____

L Partner's capital account analysis:

Beginning capital account	\$	0.
Capital contributed during the year	\$	57,867.
Current year increase (decrease)	\$	-5,880.
Withdrawals and distributions	\$	
Ending capital account	\$	51,987.

☒ Tax basis ☐ GAAP ☐ Section 704(b) book

☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No

If 'Yes', attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) -7,098.	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income 9.		
6 a	Ordinary dividends 1,209.		
6 b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9 a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9 b	Collectibles (28%) gain (loss)		
9 c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction		
13	Other deductions	20	Other information
		A	1,218.
14	Self-employment earnings (loss)		

*See attached statement for additional information.

FOR IRS USE ONLY

Amended K-1

2012

For calendar year 2012, or tax

year beginning 5/16, 2012
ending 12/31, 2012

Department of the Treasury
Internal Revenue Service

Partner's Share of Income, Deductions, Credits, etc. ▶ See separate instructions

► See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
96-9999999

B Partnership's name, address, city, state, and ZIP code

Example LLC (MTM Loss)
Any Street
Houston, TX 77001

C IRS Center where partnership filed return
Ogden, UT

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
587-99-2211

F Partner's name, address, city, state, and ZIP code

LLC Partner Two
Any Street
Houston, TX 77001

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? (see instr) **Individual**

12 If this partner is a retirement plan (IRA/SEP/Keogh/etc), check here (see instructions). ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	50 %
Loss	%	50 %
Capital	%	50.000481 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	_____
Qualified nonrecourse financing	\$	_____
Recourse	\$	_____

L Partner's capital account analysis:

Beginning capital account	\$	0.
Capital contributed during the year	\$	57,867.
Current year increase (decrease)	\$	-5,879.
Withdrawals and distributions	\$	
Ending capital account	\$	51,988.

☒ Tax basis ☐ GAAP ☐ Section 704(b) book

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No

If 'Yes', attach statement (see instructions)

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) -7,098.	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income 10.		
6 a	Ordinary dividends 1,209.		
6 b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
9 a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9 b	Collectibles (28%) gain (loss)		
9 c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
		19	Distributions
12	Section 179 deduction		
13	Other deductions	20	Other information
		A	1,219.
14	Self-employment earnings (loss)		

*See attached statement for additional information.

FOR IRS USE ONLY

Form **4562**Department of the Treasury
Internal Revenue Service (99)**Depreciation and Amortization**
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

OMB No. 1545-0172

2012Attachment
Sequence No. **179**

Name(s) shown on return

Example LLC (MTM Loss)

Identifying number

96-9999999

Business or activity to which this form relates

Form 1065

Part I Election To Expense Certain Property Under Section 179

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	500,000.
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	2,000,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ..	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2013. Add lines 9 and 10, less line 12	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.) (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	1,363.
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Do not include listed property.) (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here. <input type="checkbox"/>		

Section B — Assets Placed in Service During 2012 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19 a 3-year property						
b 5-year property		873.	5	HY	200DB	116.
c 7-year property		489.	7	HY	200DB	47.
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs		S/L	
h Residential rental property			27.5 yrs	MM	S/L	
i Nonresidential real property			27.5 yrs	MM	S/L	
			39 yrs	MM	S/L	

Section C — Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System

20 a Class life				S/L	
b 12-year			12 yrs	S/L	
c 40-year			40 yrs	MM	S/L

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions	22	1,526.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

BAA For Paperwork Reduction Act Notice, see separate instructions.

FDIZ0812L 08/19/12

Form **4562** (2012)

Part V Listed Property (Include automobiles, certain other vehicles, certain computers, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A – Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? <input type="checkbox"/> Yes <input type="checkbox"/> No						24b If 'Yes,' is the evidence written? <input type="checkbox"/> Yes <input type="checkbox"/> No			
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/ investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost	
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use (see instructions).....						25			
26 Property used more than 50% in a qualified business use:									
27 Property used 50% or less in a qualified business use:									
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1						28			
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1							29		

Section B – Information on Use of Vehicles

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

30	(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
Total business/investment miles driven during the year (do not include commuting miles)						
31 Total commuting miles driven during the year						
32 Total other personal (noncommuting) miles driven						
33 Total miles driven during the year. Add lines 30 through 32						
	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours?						
35 Was the vehicle used primarily by a more than 5% owner or related person?						
36 Is another vehicle available for personal use?						

Section C – Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		

Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2012 tax year (see instructions):					
Start up Cost	5/16/12		195		
Organizational Expenses	5/16/12		709		
43 Amortization of costs that began before your 2012 tax year				43	
44 Total. Add amounts in column (f). See the instructions for where to report.				44	

Form **4797**Department of the Treasury
Internal Revenue Service**Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))
▶ Attach to your tax return.▶ Information about Form 4797 and its separate instructions is at www.irs.gov/form4797.

OMB No. 1545-0184

2012Attachment
Sequence No. **27**

Name(s) shown on return

Identifying number

Example LLC (MTM Loss)

96-9999999

1 Enter the gross proceeds from sales or exchanges reported to you for 2012 on Form(s) 1099-B or 1099-S
(or substitute statement) that you are including on line 2, 10, or 20 (see instructions) 1 1,265,252.**Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft – Most Property Held More Than 1 Year** (see instructions)

2	(a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) Subtract (f) from the sum of (d) and (e)
3	Gain, if any, from Form 4684, line 39						3
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37						4
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824						5
6	Gain, if any, from line 32, from other than casualty or theft						6
7	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows:						7
Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below.							
Individuals, partners, S corporation shareholders, and all others. If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.							
8	Nonrecaptured net section 1231 losses from prior years (see instructions)						8
9	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions)						9

Part II Ordinary Gains and Losses (see instructions)

10 Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

Schwab - trading a/c	Various	Various	1,265,252.		1,265,885.	-633.

11	Loss, if any, from line 7	11
12	Gain, if any, from line 7 or amount from line 8, if applicable	12
13	Gain, if any, from line 31	13
14	Net gain or (loss) from Form 4684, lines 31 and 38a	14
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	15
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	16
17	Combine lines 10 through 16	17 -633.
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:	
a	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from 'Form 4797, line 18a.' See instructions	18a
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b

BAA For Paperwork Reduction Act Notice, see separate instructions.Form **4797** (2012)

2012

Federal Statements

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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Statement 1
Form 1065, Line 20
Other Deductions

Organization Expenditures.....	\$	2,717.
Start-up Costs.....		4,990.
Trading communication.....		350.
Trading data feeds.....		1,300.
Trading information services.....		2,200.
Trading internet.....		480.
Total	\$	<u>12,037.</u>

Demo

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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Note to Form 1065 and Form 4797-Part II in connection with taxpayer's business activity: "trader in securities"

This limited liability company (LLC) is in the business of trading securities, as defined below. For tax purposes the LLC is being treated as a partnership. The members report their respective Schedule K-1s on their individual income tax returns.

Taxpayer operated a trading business, in accordance with the definition below, for the time period of May through December 2012. Considerable time spent every trading day, consistent and frequent number of trades, and trading proceeds all support taxpayer's rising to the level of conducting this activity as a business.

Taxpayer's business activities are described in IRS Publication 550, Chapter 4 - Special Rules for Traders. We excerpt these rules below (and add some notes in parenthesis). This is a trading limited liability company but the business activity is explained in IRS Publication 550 written for individuals and therefore mentions Form 1040.

Special Rules for Traders in Securities.

IRS Publication 550 - Chapter 4, "Special Rules for Traders," applies to individuals and trading companies. We excerpt these rules below (and add some notes in parenthesis).

"Special rules apply if you are a trader in securities in the business of buying and selling securities for your own account. To be engaged in business as a trader in securities, you must meet all the following conditions. (Taxpayer met all the following conditions for time period of May - December 2012).

..You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation.

..Your activity must be substantial.

..You must carry on the activity with continuity and regularity.

The following facts and circumstances should be considered in determining if your activity is a securities trading business.

..Typical holding periods for securities bought and sold. (Taxpayer had very short holding periods).

..The frequency and dollar amount of your trades during the year. (Taxpayer traded frequently with lower dollar amounts, and thus had a high turnover).

..The extent to which you pursue the activity to produce income for a livelihood. (Taxpayer's intention is to earn a living from this trading business activity).

..The amount of time you devote to the activity. (Taxpayer spends a good part of every day on this activity).

Note.

You may be a trader in some securities and have other securities you hold for investment. The special rules discussed here do not apply to the securities held for investment. You must keep detailed records to distinguish the securities. The securities held for investment must be identified as such in your records on the day you got them (for example, by holding them in a separate brokerage account). If taxpayer has investment securities they are clearly "segregated" from trading securities in accordance with current IRS regulations.

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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How To Report.

Transactions from trading activities result in capital gains and losses and must be reported on Schedule D (Form 1040). Losses from these transactions are subject to the limit on capital losses explained earlier in this chapter.

Mark-to-market election made. (This new taxpayer internally elected mark-to-market accounting for 2012).

If you made the mark-to-market election, you should report all gains and losses from trading as ordinary gains and losses in Part II of Form 4797, instead of as capital gains and losses on Schedule D. In that case, securities held at the end of the year in your business as a trader are marked to market by treating them as if they were sold (and reacquired) for fair market value on the last business day of the year. But do not mark to market any securities you held for investment. Report sales from those securities on Schedule D, not Form 4797.

Expenses.

Interest expense and other investment expenses that an investor would deduct on Schedule A (Form 1040) are deducted by a trader on Form 1065, Profit or Loss From Business, if the expenses are from the trading business. Commissions and other costs of acquiring or disposing of securities are not deductible but must be used to figure gain or loss. The limit on investment interest expense, which applies to investors, does not apply to interest paid or incurred in a trading business. (Taxpayer duly reported the trading business expenses on Form 1065: trader in securities).

Self-employment tax.

Gains and losses from selling securities as part of a trading business are not subject to self-employment tax. This is true whether the election is made or not.

How To Make the Mark-to-Market Election for New Taxpayers.

If you are not required to file a 2011 income tax return, you make the election by placing the above statement in your books and records no later than March 15, 2012. Attach a copy of the statement to your 2012 return.

Revenue Procedure 99-17, 1999-1 C.B. 503, 2/09/1999, IRC Sec 475(f) Mark-to-market election rules for dealers in securities-election for traders and dealers.

Section 5.03(2)

New taxpayers.

A new taxpayer is a taxpayer for which no federal income tax return was required to be filed for the taxable year immediately preceding the election year. A new taxpayer makes the election by placing in its books and records no later than 2 months and 15 days after the first day of the election year a statement that satisfies the requirements in section 5.04 of this revenue procedure. To notify the Service that the election was made, the new taxpayer must attach a copy of the statement to its original federal income tax return for the election year. (This is the first tax year for the trading LLC. The LLC elected mark-to-market accounting under section 475(f) for tax year 2011 internally within 2 months and 15 days of forming the entity(Elected 5/16/12). A copy of that election is included at the bottom of this footnote, which is being attached to the initial LLC company's return).

Once you make the election, it will apply to 2012 and all later tax years, unless you get permission from IRS to revoke it. The effect of making the election is described under mark-to-market election made, earlier.

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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For more information on this election, see Revenue Procedure 99-17, 1999-1 C.B. and sections 475(f).

Copy of LLC's internal election for mark-to-market accounting.

The new taxpayer made the election by placing the below statement in the company's books and records within 2 months and 15 days of forming the entity.

"Pursuant to IRC Section 475(f), the Taxpayer hereby elects to adopt the mark-to-market method of accounting for the tax year ended Dec. 31, 2012 and subsequent tax years. The election applies to the following trade or business: Trader in Securities as a limited liability company."

Demo

2012

General Information

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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Forms needed for this return

Federal: 1065, Sch B-1, Sch K-1, 4562, 4797

Carryovers to 2013

None

Demo

2/11/13

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Computation of Ending Depreciable Assets
Form 1065, Schedule L, Line 9a

Beginning depreciable assets.....	\$	0.
Depreciable assets placed in service in current year.....		2,725.
Depreciable assets sold during current year.....		0.
Ending depreciable assets.....	\$	<u>2,725.</u>

Computation of Ending Accumulated Depreciation
Form 1065, Schedule L, Line 9b

Beginning accumulated depreciation.....	\$	0.
Current year book depreciation.....		1,526.
Accumulated depreciation on assets sold this year.....		0.
Ending accumulated depreciation.....	\$	<u>1,526.</u>

Demo

2012

Schedule K-1 Allocation Summary

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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Ptr# Name

1 LLC Partner One
2 LLC Partner Two

Line	Item	Total on Schedule K	Partner 1	Partner 2
----	-----	-----	-----	-----
L	Profit Sharing Alloc. Percentage		50.000000	50.000000
L	Loss Sharing Alloc. Percentage		50.000000	50.000000
1	Ordinary business income (loss)	-14,196.	-7,098.	-7,098.
5	Interest income	19.	9.	10.
6a	Ordinary dividends	2,418.	1,209.	1,209.
20	Investment income	2,437.	1,218.	1,219.

Demo

2012

Partners' Allocation Percentages

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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Partner Number	Partner Name	Partner Identification Number	Partner Percentage of Profit Sharing	Partner Percentage of Loss Sharing	Partner Percentage of Ownership of Capital
1	LLC Partner One	957-99-9999	50.000000	50.000000	50.000000
2	LLC Partner Two	587-99-2211	50.000000	50.000000	50.000000
		Totals	<u>100.000000</u>	<u>100.000000</u>	<u>100.000000</u>
PTPL0401L 06/01/12					

2012

Capital Account Reconciliation

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

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FEDERAL ANALYSIS OF PARTNERS' CAPITAL ACCOUNTS

Partner Number	Partner Name	Beginning Capital Account	Capital Contributed during the year	Partner's share of lines 3, 4, and 7 Fm 1065, Sch. M-2	Withdrawals and Distributions	Ending Capital Account
1	LLC Partner One		57,867.	-5,880.		51,987.
2	LLC Partner Two		57,867.	-5,879.		51,988.
	Totals		115,734.	-11,759.		103,975.

Demo

12/31/12

2012 Federal Depreciation Schedule

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Form 1065																
Amortization																
3	Start up Cost	5/16/12		4,990						4,990	0		S/L			0
4	Organizational Expenses	5/16/12		2,717						2,717	0		S/L			0
	Total Amortization			7,707		0	0	0	0	7,707	0	0				0
Furniture and Fixtures																
2	Chair	5/16/12		979			490				489		200DB HY	7	.28571	47
	Total Furniture and Fixtures			979		0	490	0	0	0	489	0				47
Machinery and Equipment																
1	Computer	5/16/12		1,746			873				873		200DB HY	5	.40000	116
	Total Machinery and Equipment			1,746		0	873	0	0	0	873	0				116
	Total Depreciation			2,725		0	1,363	0	0	0	1,362	0				163
	Grand Total Amortization			7,707		0	0	0	0	7,707	0	0				0
	Grand Total Depreciation			2,725		0	1,363	0	0	0	1,362	0				163

12/31/12

2012 Federal Alternative Minimum Tax Depreciation Schedule

Page 1

Client EX2-LLC

Example LLC (MTM Loss)

96-9999999

2/11/13

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No.	Description	Date Acquired	Date Sold	AMT Basis	AMT Prior Depr	AMT Method	AMT Life	AMT Rate	AMT Depr	Reg. Depr	Ownr. Pct	Post-86 Depr Adj	Real Prop Pref	Leas Pers Prop Pref	59 (e)(2) Amort
Form 1065															
Furniture and Fixtures															
2	Chair	5/16/12		489		200DB HY	7	.28571	47	47					0
	Total Furniture and Fixtures			489	0				47	47		0	0	0	0
Machinery and Equipment															
1	Computer	5/16/12		873		200DB HY	5	.40000	116	116					0
	Total Machinery and Equipment			873	0				116	116		0	0	0	0
	Total Depreciation			1,362	0				163	163		0	0	0	0
	Grand Total Depreciation			1,362	0				163	163		0	0	0	0

Demo