

2012

Federal Supplemental Information

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

EX14F-CA

Taxpayer had gains in 2012 which are reported on Form 4797, Part II. Since the taxpayer was considered a full time trader and elected mark-to-market during the period of the securities gains, these gains are ordinary income. Note that since the taxpayer had trading gains, a portion of these gains have been transferred to the Schedule C to zero out any negative income which would have been reported on page 1 of the 1040 for the Schedule C.

Demo

2012

Federal Filing Instructions

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

FORM TO FILE:

Form 1040 - 2012 U.S. Individual Income Tax Return

SIGNATURE:

Sign and date Form 1040, page 2.

PAYMENT:

There is a balance due of \$80,122. Make your check payable to the "United States Treasury". Write your social security number, daytime phone number, and "2012 Form 1040" on the check. Do not attach the check to Form 1040 or Form 1040-V. Instead, place it loose in the envelope and also enclose Form 1040 and Form 1040-V.

WHEN TO FILE:

On or before April 15, 2013.

WHERE TO FILE:

Internal Revenue Service
P.O. Box 7704
San Francisco, CA 94120-7704

Demo

For the year Jan 1 - Dec 31, 2012, or other tax year beginning , 2012, ending , 20
Your first name and initial Last name
See separate instructions.
Your social security number

EX14F-CA, Fulltime Securities, MTM gain
If a joint return, spouse's first name and initial Last name
999-99-9999
Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apartment no.
Any Street
▲ Make sure the SSN(s) above and on line 6c are correct.

City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).
Beverly Hills, CA 90210
Foreign country name Foreign province/state/county Foreign postal code
Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund? Checking a box below will not change your tax or refund. ☐ You ☐ Spouse

Filing Status 1 ☒ Single 4 ☐ Head of household (with qualifying person). (See instructions.) If the qualifying person is a child but not your dependent, enter this child's name here . ▶
2 ☐ Married filing jointly (even if only one had income)
3 ☐ Married filing separately. Enter spouse's SSN above & full name here . ▶ 5 ☐ Qualifying widow(er) with dependent child
Check only one box.

Exemptions 6a ☒ Yourself. If someone can claim you as a dependent, do not check box 6a. 6b ☐ Spouse
c Dependents:
(1) First name Last name (2) Dependent's social security number (3) Dependent's relationship to you (4) ☒ if child under age 17 qualifying for child tax or (see instrs)
If more than four dependents, see instructions and check here . . . ☐
Boxes checked on 6a and 6b . . . 1
No. of children on 6c who:
• lived with you. . . .
• did not live with you due to divorce or separation (see instrs). . . .
Dependents on 6c not entered above . . .
Add numbers on lines above . . . ▶ 1
d Total number of exemptions claimed. . . .

Income 7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7 1,958.
8a Taxable interest. Attach Schedule B if required. 8a 2,177.
b Tax-exempt interest. Do not include on line 8a. 8b
9a Ordinary dividends. Attach Schedule B if required. 9a 1,296.
b Qualified dividends St. 1 9b
10 Taxable refunds, credits, or offsets of state and local income taxes. 10
11 Alimony received. 11
12 Business income or (loss). Attach Schedule C or C-EZ. 12
13 Capital gain or (loss). Att Sch D if reqd. If not reqd, ck here. ▶ ☐ 13 23,746.
14 Other gains or (losses). Attach Form 4797. 14 281,408.
15a IRA distributions. 15a b Taxable amount. 15b
16a Pensions and annuities. 16a b Taxable amount. 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E. 17
18 Farm income or (loss). Attach Schedule F. 18
19 Unemployment compensation. 19
20a Social security benefits. 20a b Taxable amount. 20b
21 Other income. 21
22 Combine the amounts in the far right column for lines 7 through 21. This is your total income. ▶ 22 309,289.

Adjusted Gross Income 23 Educator expenses. 23
24 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ. 24
25 Health savings account deduction. Attach Form 8889. 25
26 Moving expenses. Attach Form 3903. 26
27 Deductible part of self-employment tax. Attach Schedule SE. 27
28 Self-employed SEP, SIMPLE, and qualified plans. 28
29 Self-employed health insurance deduction. 29
30 Penalty on early withdrawal of savings. 30
31a Alimony paid b Recipient's SSN. . . . ▶ 31a
32 IRA deduction. 32
33 Student loan interest deduction. 33
34 Tuition and fees. Attach Form 8917. 34
35 Domestic production activities deduction. Attach Form 8903. 35
36 Add lines 23 through 35. 36 0.
37 Subtract line 36 from line 22. This is your adjusted gross income. ▶ 37 309,289.

Tax and Credits**Standard Deduction for —**

• People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions.

• All others:

Single or Married filing separately, \$5,950

Married filing jointly or Qualifying widow(er), \$11,900

Head of household, \$8,700

38	Amount from line 37 (adjusted gross income)	38	309,289.
39a	Check <input type="checkbox"/> You were born before January 2, 1948, <input type="checkbox"/> Blind. Total boxes checked. <input type="checkbox"/> 39a		
	if: <input type="checkbox"/> Spouse was born before January 2, 1948, <input type="checkbox"/> Blind. 39b		
b	If your spouse itemizes on a separate return or you were a dual-status alien, check here		
40	Itemized deductions (from Schedule A) or your standard deduction (see left margin)	40	28,178.
41	Subtract line 40 from line 38	41	281,111.
42	Exemptions. Multiply \$3,800 by the number on line 6d	42	3,800.
43	Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-	43	277,311.
44	Tax (see instrs). Check if any from: a <input type="checkbox"/> Form(s) 8814 c <input type="checkbox"/> 962 election b <input type="checkbox"/> Form 4972	44	71,533.
45	Alternative minimum tax (see instructions). Attach Form 6251	45	7,178.
46	Add lines 44 and 45	46	78,711.
47	Foreign tax credit. Attach Form 1116 if required	47	
48	Credit for child and dependent care expenses. Attach Form 2441	48	
49	Education credits from Form 8863, line 19	49	
50	Retirement savings contributions credit. Attach Form 8880	50	
51	Child tax credit. Attach Schedule 8812, if required	51	
52	Residential energy credits. Attach Form 5695	52	
53	Other crs from Form: a <input type="checkbox"/> 3800 b <input type="checkbox"/> 8801 c <input type="checkbox"/>	53	
54	Add lines 47 through 53. These are your total credits	54	
55	Subtract line 54 from line 46. If line 54 is more than line 46, enter -0-	55	78,711.
56	Self-employment tax. Attach Schedule SE	56	
57	Unreported social security and Medicare tax from Form: a <input type="checkbox"/> 4137 b <input type="checkbox"/> 8919	57	
58	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	58	
59a	Household employment taxes from Schedule H	59a	
b	First-time homebuyer credit repayment. Attach Form 5405 if required	59b	
60	Other taxes. Enter code(s) from instructions	60	
61	Add lines 55-60. This is your total tax	61	78,711.

Payments

If you have a qualifying child, attach Schedule EIC.

62	Federal income tax withheld from Forms W-2 and 1099	62	
63	2012 estimated tax payments and amount applied from 2011 return	63	
64a	Earned income credit (EIC)	64a	No
b	Nontaxable combat pay election	64b	
65	Additional child tax credit. Attach Schedule 8812	65	
66	American opportunity credit from Form 8863, line 8	66	
67	Reserved	67	
68	Amount paid with request for extension to file	68	
69	Excess social security and tier 1 RRTA tax withheld	69	
70	Credit for federal tax on fuels. Attach Form 4136	70	
71	Credits from Form: a <input type="checkbox"/> 2439 b <input type="checkbox"/> Reserved c <input type="checkbox"/> 8801 d <input type="checkbox"/> 8885	71	
72	Add lines 62, 63, 64a, & 65-71. These are your total pmts.	72	0.

Refund

Direct deposit? See instructions.

73	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you overpaid	73	
74a	Amount of line 73 you want refunded to you . If Form 8888 is attached, check here	74a	
b	Routing number	c	Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings
d	Account number		
75	Amount of line 73 you want applied to your 2013 estimated tax	75	

Amount You Owe

76	Amount you owe. Subtract line 72 from line 61. For details on how to pay see instructions	76	80,122.
77	Estimated tax penalty (see instructions)	77	1,411.

Third Party Designee

Do you want to allow another person to discuss this return with the IRS (see instructions)? ☒ **Yes. Complete below.** ☐ **No**

Designee's name **z Examples** Phone no. **(888) 558-5257** Personal identification number (PIN) **z Examples**

Sign Here

Joint return? See instructions.

Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature	Date	Your occupation	Daytime phone number
		Trader	
Spouse's signature. If a joint return, both must sign.	Date	Spouse's occupation	If the IRS sent you an Identity Protection PIN, enter it here (see instrs)

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
z Examples	z Examples			
Firm's name z Examples	Firm's EIN z Examples			
Firm's address z Examples	Phone no. z Examples			

**Underpayment of Estimated Tax by
Individuals, Estates, and Trusts**

► Information about Form 2210 and its separate instructions is at www.irs.gov/form2210.
► Attach to Form 1040, 1040A, 1040NR, 1040NR-EZ, or 1041.

Name(s) shown on tax return

EX14F-CA, Fulltime Securities, MTM gain

Identifying number

999-99-9999

Do You Have To File Form 2210?

Complete lines 1 through 7 below. Is line 7 less than \$1,000?	Yes	Do not file Form 2210. You do not owe a penalty.
No		
Complete lines 8 and 9 below. Is line 6 equal to or more than line 9?	Yes	You do not owe a penalty. Do not file Form 2210 (but if box E in Part II applies, you must file page 1 of Form 2210).
No		
You may owe a penalty. Does any box in Part II below apply?	Yes	You must file Form 2210. Does box B, C, or D in Part II apply?
No		
	No	
	Yes	You must figure your penalty.
Do not file Form 2210. You are not required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but do not file Form 2210.		You are not required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.

Part I Required Annual Payment

1	Enter your 2012 tax after credits from Form 1040, line 55 (see instructions if not filing Form 1040).....	1	78,711.
2	Other taxes, including self-employment tax (see instructions).....	2	
3	Refundable credits (see instructions).....	3	0.
4	Current year tax. Combine lines 1, 2, and 3. If less than \$1,000, stop ; you do not owe a penalty. Do not file Form 2210.....	4	78,711.
5	Multiply line 4 by 90% (.90).....	5	70,840.
6	Withholding taxes. Do not include estimated tax payments (see instructions).....	6	
7	Subtract line 6 from line 4. If less than \$1,000, stop ; you do not owe a penalty. Do not file Form 2210.....	7	78,711.
8	Maximum required annual payment based on prior year's tax (see instructions).....	8	87,177.
9	Required annual payment. Enter the smaller of line 5 or line 8.....	9	70,840.

Next: Is line 9 more than line 6?

- ☐ **No.** You **do not** owe a penalty. **Do not** file Form 2210 unless box **E** below applies.
- ☒ **Yes.** You may owe a penalty, but **do not** file Form 2210 unless one or more boxes in Part II below applies.
- If box **B, C,** or **D** applies, you must figure your penalty and file Form 2210.
 - If box **A** or **E** applies (but not **B, C,** or **D**) file only page 1 of Form 2210. You are **not** required to figure your penalty; the IRS will figure it and send you a bill for any unpaid amount. If you want to figure your penalty, you may use Part III or IV as a worksheet and enter your penalty on your tax return, but **file only page 1 of Form 2210.**

Part II Reasons for Filing. Check applicable boxes. If none apply, **do not** file Form 2210.

- A** ☐ You request a **waiver** (see instructions) of your entire penalty. You must check this box and file page 1 of Form 2210, but you are not required to figure your penalty.
- B** ☐ You request a **waiver** (see instructions) of part of your penalty. You must figure your penalty and waiver amount and file Form 2210.
- C** ☐ Your income varied during the year and your penalty is reduced or eliminated when figured using the **annualized income installment method**. You must figure the penalty using Schedule AI and file Form 2210.
- D** ☐ Your penalty is lower when figured by treating the federal income tax withheld from your income as paid on the dates it was actually withheld, instead of in equal amounts on the payment due dates. You must figure your penalty and file Form 2210.
- E** ☐ You filed or are filing a joint return for either 2011 or 2012, but not for both years, and line 8 above is smaller than line 5 above. You must file page 1 of Form 2210, but you are **not** required to figure your penalty (unless box **B, C,** or **D** applies).

Part III Short Method**Can You Use the Short Method?**

You may use the short method if:

- You made no estimated tax payments (or your only payments were withheld federal income tax), **or**
- You paid the same amount of estimated tax on each of the four payment due dates.

Must You Use the Regular Method?

You must use the regular method (Part IV) instead of the short method if:

- You made any estimated tax payments late,
- You checked box **C** or **D** in Part II, **or**
- You are filing Form 1040NR or 1040NR-EZ and you did not receive wages as an employee subject to U.S. income tax withholding.

Note: If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay a larger penalty than the regular method. If the payment was only a few days early, the difference is likely to be small.

10	Enter the amount from Form 2210, line 9.	10	70,840.
11	Enter the amount, if any, from Form 2210, line 6.	11	
12	Enter the total amount, if any, of estimated tax payments you made.	12	
13	Add lines 11 and 12.	13	
14	Total underpayment for year. Subtract line 13 from line 10. If zero or less, stop ; you do not owe a penalty. Do not file Form 2210 unless you checked box E in Part II.	14	70,840.
15	Multiply line 14 by .01992.	15	1,411.
16	<ul style="list-style-type: none"> • If the amount on line 14 was paid on or after 4/15/13, enter -0-. • If the amount on line 14 was paid before 4/15/13, make the following computation to find the amount to enter on line 16. 		
	<div style="display: flex; justify-content: space-between;"> <div>Amount on line 14</div> <div>x</div> <div>Number of days paid before 4/15/13</div> <div>x</div> <div>.00008</div> </div>	16	0.
17	Penalty. Subtract line 16 from line 15. Enter the result here and on Form 1040, line 77; Form 1040A, line 46; Form 1040NR, line 74; Form 1040NR-EZ, line 26; or Form 1041, line 26. Do not file Form 2210 unless you checked a box in Part II.	17	1,411.

Form 2210 (2012)

SCHEDULE A
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Itemized Deductions

► Information about Schedule A and its separate instructions is at www.irs.gov/form1040.
► **Attach to Form 1040.**

OMB No. 1545-0074

2012

Attachment
Sequence No. **07**

Name(s) shown on Form 1040

Your social security number

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

Medical and Dental Expenses		Caution. Do not include expenses reimbursed or paid by others.			
1	Medical and dental expenses (see instructions)	1			
2	Enter amount from Form 1040, line 38	2			
3	Multiply line 2 by 7.5% (.075)	3			
4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	4			0.
Taxes You Paid		5 State and local (check only one box):			
a	<input checked="" type="checkbox"/> Income taxes, or	5		26,061.	
b	<input type="checkbox"/> General sales taxes	6			
6	Real estate taxes (see instructions)	6			
7	Personal property taxes	7			
8	Other taxes. List type and amount ►	8			
9	Add lines 5 through 8	9			26,061.
Interest You Paid		10 Home mtg interest and points reported to you on Form 1098		10	
Note. Your mortgage interest deduction may be limited (see instructions).		11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying number, and address ►		11	
				12	
				13	
				14	796.
		15 Add lines 10 through 14		15	796.
Gifts to Charity		16 Gifts by cash or check. If you made any gift of \$250 or more, see instrs		16	976.
If you made a gift and got a benefit for it, see instructions.		17 Other than by cash or check. If any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500		17	345.
		18 Carryover from prior year		18	
		19 Add lines 16 through 18		19	1,321.
Casualty and Theft Losses		20 Casualty or theft loss(es). Attach Form 4684. (See instructions.)		20	0.
Job Expenses and Certain Miscellaneous Deductions		21 Unreimbursed employee expenses — job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ►		21	
				22	
		23 Other expenses — investment, safe deposit box, etc. List type and amount ►		23	100.
		Schwab - investment a/c 100.		24	100.
		25 Enter amount from Form 1040, line 38		25	309,289.
		26 Multiply line 25 by 2% (.02)		26	6,186.
		27 Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-		27	0.
Other Miscellaneous Deductions		28 Other — from list in instructions. List type and amount ►		28	0.
Total Itemized Deductions		29 Add the amounts in the far right column for lines 4 through 28. Also, enter this amount on Form 1040, line 40		29	28,178.
		30 If you elect to itemize deductions even though they are less than your standard deduction, check here <input type="checkbox"/>			

SCHEDULE B
(Form 1040A or 1040)Department of the Treasury
Internal Revenue Service (99)**Interest and Ordinary Dividends**

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at www.irs.gov/form1040

OMB No. 1545-0074

2012Attachment
Sequence No. **08**

Name(s) shown on return

Your social security number

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

Part I
Interest(See
instructions for
Form 1040A, or
Form 1040, line
8a.)**Note.** If you
received a Form
1099-INT, Form
1099-OID, or
substitute statement
from a brokerage
firm, list the firm's
name as the payer
and enter the total
interest shown on
that form.**1** List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address ▶Schwab - trading a/c**Amount**

1,958.

1**2** Add the amounts on line 1.....

1,958.

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.....**4** Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a. ▶

1,958.

Note. If line 4 is over \$1,500, you must complete Part III.**Part II****Ordinary**
Dividends(See
instructions for
Form 1040A, or
Form 1040,
line 9a.)**Note.** If you received
a Form 1099-DIV or
substitute statement
from a brokerage
firm, list the firm's
name as the payer
and enter the
ordinary dividends
shown on that form.**5** List name of payer ▶Schwab - invest a/cSchwab - trading a/c**Amount**

1,296.

881.

5**6** Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a. ▶

2,177.

Note. If line 6 is over \$1,500, you must complete Part III.**Part III**
Foreign
Accounts
and Trusts(See
instructions.)You must complete this part if you **(a)** had over \$1,500 of taxable interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.**Yes** **No****7 a** At any time during 2012, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions.....

If 'Yes,' are you required to file Form TD F 90-22.1 to report that financial interest or signature authority? See Form TD F 90-22.1 and its instructions for filing requirements and exceptions to those requirements.....

b If you are required to file Form TD F 90-22.1, enter the name of the foreign country where the financial account is located ▶**8** During 2012, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If 'Yes,' you may have to file Form 3520. See instructions.....

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

► For information on Schedule C and its instructions, go to www.irs.gov/schedulec.
► Attach to Form 1040, 1040NR, or 1041; partnerships generally must file Form 1065.

OMB No. 1545-0074

2012

Attachment
Sequence No. **09**

Name of proprietor

EX14F-CA, Fulltime Securities, MTM gain

Social security number (SSN)

999-99-9999

A Principal business or profession, including product or service (see instructions)

Trader in Securities - Mark-to-Market accounting

B Enter code from instructions

► 523110

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), (see instrs)

E Business address (including suite or room no.) ►

City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☒ Other (specify) ► Sec. 475 (f) - Note

G Did you 'materially participate' in the operation of this business during 2012? If 'No,' see instructions for limit on losses. ☒ Yes ☐ No

H If you started or acquired this business during 2012, check here ☒

I Did you make any payments in 2012 that would require you to file Form(s) 1099? (see instructions) ☐ Yes ☒ No

J If 'Yes,' did you or will you file all required Forms 1099? ☐ Yes ☐ No

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the 'Statutory employee' box on that form was checked. <input type="checkbox"/>	1	
2	Returns and allowances (see instructions).....	2	
3	Subtract line 2 from line 1.....	3	
4	Cost of goods sold (from line 42).....	4	
5	Gross profit. Subtract line 4 from line 3.....	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)..... See Statement 2	6	36,444.
7	Gross income. Add lines 5 and 6.....	7	36,444.

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising.....	8		18	Office expense (see instructions).....	18	
9	Car and truck expenses (see instructions).....	9		19	Pension and profit-sharing plans.....	19	
10	Commissions and fees.....	10		20	Rent or lease (see instructions):		
11	Contract labor (see instructions).....	11		20 a	a Vehicles, machinery, and equipment.....	20 a	
12	Depletion.....	12		20 b	b Other business property.....	20 b	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions).....	13	4,195.	21	Repairs and maintenance.....	21	
14	Employee benefit programs (other than on line 19).....	14		22	Supplies (not included in Part III).....	22	893.
15	Insurance (other than health).....	15		23	Taxes and licenses.....	23	
16	Interest:			24	Travel, meals, and entertainment:		
a	Mortgage (paid to banks, etc).....	16 a		24 a	a Travel.....	24 a	1,679.
b	Other.....	16 b	14,375.	24 b	b Deductible meals and entertainment (see instructions).....	24 b	1,173.
17	Legal & professional services.....	17		25	Utilities.....	25	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a.....	28		26	Wages (less employment credits).....	26	
29	Tentative profit or (loss). Subtract line 28 from line 7.....	29		27 a	Other expenses (from line 48).....	27 a	10,310.
30	Expenses for business use of your home. Attach Form 8829 . Do not report such expenses elsewhere.....	30		27 b	Reserved for future use	27 b	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2 . If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line 3 . • If a loss, you must go to line 32.			31		31	0.

32 If you have a loss, check the box that describes your investment in this activity (see instructions).

• If you checked 32a, enter the loss on both **Form 1040, line 12**, (or **Form 1040NR, line 13**) and on **Schedule SE, line 2**. (If you checked the box on line 1, see the instructions for line 31). Estates and trusts, enter on **Form 1041, line 3**.

• If you checked 32b, you **must** attach **Form 6198**. Your loss may be limited.

32a ☐ All investment is at risk.

32b ☐ Some investment is not at risk.

BAA For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule C (Form 1040) 2012

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a <input type="checkbox"/> Cost b <input type="checkbox"/> Lower of cost or market c <input type="checkbox"/> Other (attach explanation)	
34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If 'Yes,' attach explanation	<input type="checkbox"/> Yes <input type="checkbox"/> No
35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35
36 Purchases less cost of items withdrawn for personal use	36
37 Cost of labor. Do not include any amounts paid to yourself	37
38 Materials and supplies	38
39 Other costs	39
40 Add lines 35 through 39	40
41 Inventory at end of year	41
42 Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶

44 Of the total number of miles you drove your vehicle during 2012, enter the number of miles you used your vehicle for:

a Business **b** Commuting (see instructions) **c** Other

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction? ☐ Yes ☐ No

b If 'Yes,' is the evidence written? ☐ Yes ☐ No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

Postage	195.
Trader tax and accounting	755.
Trading cable and internet service	652.
Trading chat room	1,350.
Trading newsletters and publications	1,145.
Trading online information services	2,988.
Trading seminars	3,225.
.....	
48 Total other expenses. Enter here and on line 27a	48 10,310.

SCHEDULE D
(Form 1040)Department of the Treasury
Internal Revenue Service (99)**Capital Gains and Losses**▶ **Attach to Form 1040 or Form 1040NR.**▶ Information about Schedule D and its separate instructions is at www.irs.gov/form1040.▶ **Use Form 8949 to list your transactions for lines 1, 2, 3, 8, 9, and 10.**

OMB No. 1545-0074

2012Attachment
Sequence No. **12**

Name(s) shown on return

EX14F-CA, Fulltime Securities, MTM gain

Your social security number

999-99-9999

Part I Short-Term Capital Gains and Losses – Assets Held One Year or Less

Complete Form 8949 before completing line 1, 2, or 3. This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price) from Form(s) 8949, Part I, line 2, column (d)	(e) Cost or other basis from Form(s) 8949, Part I, line 2, column (e)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
1 Short-term totals from all Forms 8949 with box A checked in Part I				
2 Short-term totals from all Forms 8949 with box B checked in Part I				
3 Short-term totals from all Forms 8949 with box C checked in Part I				
4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5
6 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions				6
7 Net short-term capital gain or (loss). Combine lines 1 through 6 in column (h). If you have any long-term capital gain or losses, go to Part II below. Otherwise, go to Part III on page 2				7

Part II Long-Term Capital Gains and Losses – Assets Held More Than One Year

Complete Form 8949 before completing line 8, 9, or 10. This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price) from Form(s) 8949, Part II, line 4, column (d)	(e) Cost or other basis from Form(s) 8949, Part II, line 4, column (e)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 4, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8 Long-term totals from all Forms 8949 with box A checked in Part II				
9 Long-term totals from all Forms 8949 with box B checked in Part II	637,498.	613,752.		23,746.
10 Long-term totals from all Forms 8949 with box C checked in Part II				
11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824				11
12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				12
13 Capital gain distributions. See instrs.				13
14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover Worksheet in the instructions				14
15 Net long-term capital gain or (loss). Combine lines 8 through 14 in column (h). Then go to Part III on page 2				15 23,746.

BAA For Paperwork Reduction Act Notice, see your tax return instructions.

Schedule D (Form 1040) 2012

Part III Summary

16 Combine lines 7 and 15 and enter the result.	16	23,746.
<ul style="list-style-type: none"> • If line 16 is a gain, enter the amount from line 16 on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 17 below. • If line 16 is a loss, skip lines 17 through 20 below. Then go to line 21. Also be sure to complete line 22. • If line 16 is zero, skip lines 17 through 21 below and enter -0- on Form 1040, line 13, or Form 1040NR, line 14. Then go to line 22. 		
17 Are lines 15 and 16 both gains?		
<input checked="" type="checkbox"/> Yes. Go to line 18.		
<input type="checkbox"/> No. Skip lines 18 through 21, and go to line 22.		
18 Enter the amount, if any, from line 7 of the 28% Rate Gain Worksheet in the instructions.	18	0.
19 Enter the amount, if any, from line 18 of the Unrecaptured Section 1250 Gain Worksheet in the instructions.	19	
20 Are lines 18 and 19 both zero or blank?		
<input checked="" type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42). Do not complete lines 21 and 22 below.		
<input type="checkbox"/> No. Complete the Schedule D Tax Worksheet in the instructions. Do not complete lines 21 and 22 below.		
21 If line 16 is a loss, enter here and on Form 1040, line 13, or Form 1040NR, line 14, the smaller of:		
<ul style="list-style-type: none"> • The loss on line 16 or • (\$3,000), or if married filing separately, (\$1,500) 	21	
Note. When figuring which amount is smaller, treat both amounts as positive numbers.		
22 Do you have qualified dividends on Form 1040, line 9b, or Form 1040NR, line 10b?		
<input type="checkbox"/> Yes. Complete the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44 (or in the instructions for Form 1040NR, line 42).		
<input type="checkbox"/> No. Complete the rest of Form 1040 or Form 1040NR.		

SSN or taxpayer identification no.

999-99-9999

Part II	Long-Term. Transactions involving capital assets you held more than one year are long term. For short-term transactions, see page 1.
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☐ (A) Long-term transactions reported on Form(s) 1099-B showing basis **was** reported to the IRS

☒ (B) Long-term transactions reported on Form(s) 1099-B showing basis **was not** reported to the IRS

☐ (C) Long-term transactions not reported to you on Form 1099-B

3	(a) Description of property (Example: 100 shares XYZ Co)	(b) Date acquired (Mo, day, yr)	(c) Date sold or disposed (Mo, day, yr)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis. See the Note below and see <i>Column (e)</i> in the separate instructions	Adjustment, if any, to gain or loss. If you enter an amount in column (g), enter a code in column (f). See the separate instructions.		(h) Gain or (loss). Subtract column (e) from column (d) and combine the result with column (g)
						(f) Code(s) from instructions	(g) Amount of adjustment	
	Google stock - Schwab Investment a/c							
	Various		Various	637,498.	613,752.			23,746.
4 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8 (if Box A above is checked), line 9 (if Box B above is checked), or line 10 (if Box C above is checked)..... ▶				637,498.	613,752.		0.	23,746.

FDIA9212L 12/31/12

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

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

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** 28,090,805.**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):						
See Statement 3						281,408.
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					17 281,408.
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 281,408.

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

Alternative Minimum Tax — Individuals

► Information about Form 6251 and its separate instructions is at www.irs.gov/form6251.
 ► Attach to Form 1040 or Form 1040NR.

OMB No. 1545-0074

2012Attachment
Sequence No. **32**

Name(s) shown on Form 1040 or Form 1040NR

Your social security number

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

Part I Alternative Minimum Taxable Income (See instructions for how to complete each line.)

1	If filing Schedule A (Form 1040), enter the amount from Form 1040, line 41 and go to line 2. Otherwise, enter the amount from Form 1040, line 38, and go to line 7. (If less than zero, enter as a negative amount.)	1	281,111.
2	Medical and dental. Enter the smaller of Schedule A (Form 1040), line 4 or 2.5% (.025) of Form 1040, line 38. If zero or less, enter -0-	2	
3	Taxes from Schedule A (Form 1040), line 9	3	26,061.
4	Enter the home mortgage interest adjustment, if any, from line 6 of the worksheet in the instructions for this line	4	
5	Miscellaneous deductions from Schedule A (Form 1040), line 27	5	
6	Skip this line. It is reserved for future use	6	
7	Tax refund from Form 1040, line 10 or line 21	7	
8	Investment interest expense (difference between regular tax and AMT)	8	
9	Depletion (difference between regular tax and AMT)	9	
10	Net operating loss deduction from Form 1040, line 21. Enter as a positive amount	10	
11	Alternative tax net operating loss deduction	11	
12	Interest from specified private activity bonds exempt from the regular tax	12	
13	Qualified small business stock (7% of gain excluded under section 1202)	13	
14	Exercise of incentive stock options (excess of AMT income over regular tax income)	14	
15	Estates and trusts (amount from Schedule K-1 (Form 1041), box 12, code A)	15	
16	Electing large partnerships (amount from Schedule K-1 (Form 1065-B), box 6)	16	
17	Disposition of property (difference between AMT and regular tax gain or loss)	17	
18	Depreciation on assets placed in service after 1986 (difference between regular tax and AMT)	18	
19	Passive activities (difference between AMT and regular tax income or loss)	19	
20	Loss limitations (difference between AMT and regular tax income or loss)	20	
21	Circulation costs (difference between regular tax and AMT)	21	
22	Long-term contracts (difference between AMT and regular tax income)	22	
23	Mining costs (difference between regular tax and AMT)	23	
24	Research and experimental costs (difference between regular tax and AMT)	24	
25	Income from certain installment sales before January 1, 1987	25	
26	Intangible drilling costs preference	26	
27	Other adjustments, including income-based related adjustments	27	
28	Alternative minimum taxable income. Combine lines 1 through 27. (If married filing separately, see instructions.)	28	307,172.

Part II Alternative Minimum Tax (AMT)

29	Exemption. See instructions	29	1,932.
30	Subtract line 29 from line 28. If more than zero, go to line 31. If zero or less, enter -0- here and on lines 31, 33 and 35, and go to line 34.	30	305,240.
31	<ul style="list-style-type: none"> • If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter. • If you reported capital gain distributions directly on Form 1040, line 13; you reported qualified dividends on Form 1040, line 9b; or you had a gain on both lines 15 and 16 of Schedule D (Form 1040) (as refigured for the AMT, if necessary), complete Part III on page 2 and enter the amount from line 54 here. • All others: If line 30 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 30 by 26% (.26). Otherwise, multiply line 30 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result. 	31	78,711.
32	Alternative minimum tax foreign tax credit (see instructions)	32	
33	Tentative minimum tax. Subtract line 32 from line 31.	33	78,711.
34	Tax from Form 1040, line 44 (minus any tax from Form 4972 and any foreign tax credit from Form 1040, line 47). If you used Schedule J to figure your tax, the amount from line 44 of Form 1040 must be refigured without using Schedule J (see instructions).	34	71,533.
35	AMT. Subtract line 34 from line 33. If zero or less, enter -0-. Enter here and on Form 1040, line 45	35	7,178.

BAA For Paperwork Reduction Act Notice, see your tax return instructions.

FDIA5312L 12/12/12

Form **6251** (2012)

Part III Tax Computation Using Maximum Capital Gains Rates

Complete Part III only if you are required to do so by line 31 or by the Foreign Earned Income Tax Worksheet in the instructions.

36	Enter the amount from Form 6251, line 30. If you are filing Form 2555 or 2555-EZ, enter the amount from line 3 of the worksheet in the instructions for line 31	36	305,240.
37	Enter the amount from line 6 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 13 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as refigured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	37	25,042.
38	Enter the amount from Schedule D (Form 1040), line 19 (as refigured for the AMT, if necessary) (see instructions). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	38	0.
39	If you did not complete a Schedule D Tax Worksheet for the regular tax or the AMT, enter the amount from line 37. Otherwise, add lines 37 and 38, and enter the smaller of that result or the amount from line 10 of the Schedule D Tax Worksheet (as refigured for the AMT, if necessary). If you are filing Form 2555 or 2555-EZ, see instructions for the amount to enter	39	25,042.
40	Enter the smaller of line 36 or line 39	40	25,042.
41	Subtract line 40 from line 36	41	280,198.
42	If line 41 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 41 by 26% (.26). Otherwise, multiply line 41 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result	42	74,955.
43	Enter: <ul style="list-style-type: none"> • \$70,700 if married filing jointly or qualifying widow(er), • \$35,350 if single or married filing separately, or • \$47,350 if head of household. 	43	35,350.
44	Enter the amount from line 7 of the Qualified Dividends and Capital Gain Tax Worksheet in the instructions for Form 1040, line 44, or the amount from line 14 of the Schedule D Tax Worksheet in the instructions for Schedule D (Form 1040), whichever applies (as figured for the regular tax). If you did not complete either worksheet for the regular tax, enter -0-	44	252,269.
45	Subtract line 44 from line 43. If zero or less, enter -0-	45	0.
46	Enter the smaller of line 36 or line 37	46	25,042.
47	Enter the smaller of line 45 or line 46	47	
48	Subtract line 47 from line 46	48	25,042.
49	Multiply line 48 by 15% (.15)	49	3,756.
If line 38 is zero or blank, skip lines 50 and 51 and go to line 52. Otherwise, go to line 50.			
50	Subtract line 46 from line 40	50	
51	Multiply line 50 by 25% (.25)	51	
52	Add lines 42, 49, and 51	52	78,711.
53	If line 36 is \$175,000 or less (\$87,500 or less if married filing separately), multiply line 36 by 26% (.26). Otherwise, multiply line 36 by 28% (.28) and subtract \$3,500 (\$1,750 if married filing separately) from the result	53	81,967.
54	Enter the smaller of line 52 or line 53 here and on line 31. If you are filing Form 2555 or 2555-EZ, do not enter this amount on line 31. Instead, enter it on line 4 of the worksheet in the instructions for line 31.	54	78,711.

Form 6251 (2012)

Form **8829**Department of the Treasury
Internal Revenue Service (99)**Expenses for Business Use of Your Home**

► **File only with Schedule C (Form 1040). Use a separate Form 8829 for each home you used for business during the year.**
Information about Form 8829 and its separate instructions is at www.irs.gov/form8829

OMB No. 1545-0074

2012Attachment
Sequence No. **176**

Name(s) of proprietor(s)

Your social security number

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

Part I Part of Your Home Used for Business

1	Area used regularly and exclusively for business, regularly for daycare, or for storage of inventory or product samples (see instructions).	1	175
2	Total area of home	2	1,525
3	Divide line 1 by line 2. Enter the result as a percentage	3	11.48 %
For daycare facilities not used exclusively for business go to line 4. All others go to line 7.			
4	Multiply days used for daycare during year by hours used per day.	4	hr
5	Total hours available for use during the year (366 days x 24 hours) (see instructions).	5	hr
6	Divide line 4 by line 5. Enter the result as a decimal amount	6	
7	Business percentage. For daycare facilities not used exclusively for business, multiply line 6 by line 3 (enter the result as a percentage). All others, enter the amount from line 3.	7	11.48 %

Part II Figure Your Allowable Deduction

8	Enter the amount from Schedule C, line 29, plus any gain derived from the business use of your home and shown on Schedule D or Form 4797, minus any loss from the trade or business not derived from the business use of your home and shown on Schedule D or Form 4797. See instructions.	8	3,819.
See instrs for columns (a) and (b) before completing lines 9-21.			
	(a) Direct expenses	(b) Indirect expenses	
9	Casualty losses (see instructions).	9	
10	Deductible mortgage interest (see instructions).	10	
11	Real estate taxes (see instructions).	11	
12	Add lines 9, 10, and 11.	12	
13	Multiply line 12, column (b) by line 7.	13	
14	Add line 12, column (a) and line 13.	14	
15	Subtract line 14 from line 8. If zero or less, enter -0-	15	3,819.
16	Excess mortgage interest (see instructions).	16	
17	Insurance	17	595.
18	Rent	18	30,000.
19	Repairs and maintenance	19	
20	Utilities	20	2,675.
21	Other expenses (see instrs)	21	
22	Add lines 16 through 21.	22	33,270.
23	Multiply line 22, column (b) by line 7.	23	3,819.
24	Carryover of operating expenses from 2011 Form 8829, line 42.	24	
25	Add line 22 column (a), line 23, and line 24.	25	3,819.
26	Allowable operating expenses. Enter the smaller of line 15 or line 25.	26	3,819.
27	Limit on excess casualty losses and depreciation. Subtract line 26 from line 15.	27	
28	Excess casualty losses (see instructions).	28	
29	Depreciation of your home from line 41 below.	29	
30	Carryover of excess casualty losses and depreciation from 2011 Form 8829, line 43.	30	
31	Add lines 28 through 30.	31	
32	Allowable excess casualty losses and depreciation. Enter the smaller of line 27 or line 31.	32	
33	Add lines 14, 26, and 32.	33	3,819.
34	Casualty loss portion, if any, from lines 14 and 32. Carry amount to Form 4684 (see instructions).	34	
35	Allowable expenses for business use of your home. Subtract line 34 from line 33. Enter here and on Schedule C, line 30. If your home was used for more than one business, see instructions.	35	3,819.

Part III Depreciation of Your Home

36	Enter the smaller of your home's adjusted basis or its fair market value (see instructions).	36	
37	Value of land included on line 36.	37	
38	Basis of building. Subtract line 37 from line 36.	38	
39	Business basis of building. Multiply line 38 by line 7.	39	
40	Depreciation percentage (see instructions).	40	%
41	Depreciation allowable (see instructions). Multiply line 39 by line 40. Enter here and on line 29 above.	41	

Part IV Carryover of Unallowed Expenses to 2013

42	Operating expenses. Subtract line 26 from line 25. If less than zero, enter -0-	42	0.
43	Excess casualty losses and depreciation. Subtract line 32 from line 31. If less than zero, enter -0-	43	0.

BAA For Paperwork Reduction Act Notice, see your tax return instructions.

FDIA6902L 08/16/12

Form **8829** (2012)

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

EX14F-CA, Fulltime Securities, MTM gain

Identifying number

999-99-9999

Business or activity to which this form relates

Schedule C - EX14F-CA, Fulltime Securities, MTM gain

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	4,195.
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	0.
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	500,000.
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	5-Year Trading computer	1,620.	1,620.
	Trading software	2,575.	2,575.
7	Listed property. Enter the amount from line 29	7	0.
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	4,195.
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	4,195.
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	0.
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ..	11	285,603.
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	4,195.
13	Carryover of disallowed deduction to 2013. Add lines 9 and 10, less line 12. ▶	13	0.

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	
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						
c 7-year property						
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	4,195.
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)

2012

Federal Statements

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

Statement 1
Form 1040, Line 9b
Qualified Dividends

Schwab - invest a/c.....	\$	1,296.
Total	\$	<u>1,296.</u>

Statement 2 - Trader in Securities - Mark-to-Market accounting
Schedule C, Line 6
Other Income

Tsfr part of trading gain fr F4797-Note.....	\$	36,444.
Total	\$	<u>36,444.</u>

Statement 3
Form 4797, Page 1, Part II
Ordinary Gains and Losses

<u>Description of Property</u>	<u>Date Acquired</u>	<u>Date Sold</u>	<u>Sales Price</u>	<u>Depreciation Allowed</u>	<u>Cost or Basis</u>	<u>Gain or Loss</u>
Schwab trading a/c (see attached) (Trader Transaction)	Various	Various	15,471,893.		15,339,352.	\$ 132,541.
TradeStation trading a/c (see attached) (Trader Transaction)	Various	Various	11,642,914.		11,467,516.	175,398.
Sec. 481(a) adjustment-See Note (Trader Transaction)	Various	Various	975,998.		936,346.	39,652.
Sec. 481(a) prorate 4 years - See Note (Trader Transaction)	Various	Various			29,739.	-29,739.
Transfer part trading gain to Sch C-Note	Various	Various			36,444.	-36,444.
					Total	<u>\$ 281,408.</u>

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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Note to Schedules C, Form 4797-Part II and Form 3115 in connection with taxpayer's business activity: "trader in securities"

Taxpayer operated a trading business, in accordance with the definition below, for the tax year 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 parentheses).

Special Rules for Traders in Securities

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 tax year 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 - 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 his trading securities in accordance with current IRS regulations).

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. (Taxpayer 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

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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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 Schedule C (Form 1040), 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 his trading business expenses on Schedule C: 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

To make the mark-to-market election for 2012, you must file a statement by April 15, 2012. This statement should be attached to either your 2011 individual income tax return or a request for an extension of time to file that return. (Taxpayer elected mark-to-market accounting for tax year 2012; by attaching that election to his 2011 tax return or extension filed by April 15, 2012. A copy of that election is included at the bottom of this footnote.) The statement must include the following information.

That you are making an election under section 475(f) of the Internal Revenue Code. The first tax year for which the election is effective. The trade or business for which you are making the election. 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.

After making the election to change to the mark-to-market method of accounting, you must change your method of accounting for securities under Revenue Procedure 2011-14. Revenue Procedure 2011-14 requires you to file Form 3115, Application for Change in Accounting Method. Follow its instructions. Label the Form 3115 as filed under "Filed under Section 23 of the APPENDIX of Rev. Proc. 2011-14". (Taxpayer is filing his Form 3115 together with the Section 481 adjustment (if any applies) with this tax return. Taxpayer is filing a duplicate copy with the IRS national office as is also required).

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.

For more information on this election, see Revenue Procedure 2011-14, 2011-4 IRB.

SUMMARY

Taxpayer qualifies as a trader in securities for 2012 and he duly elected mark-to-market accounting on time for tax year 2012. Taxpayer's trading business expenses are reported on Schedule C and his trading gains and losses are reported on Form 4797 Part II - Ordinary gain or loss. Taxpayer is not subject to self-employment taxes on this trading activity. Taxpayer is also not subject to wash sale loss deferral rules on this trading activity.

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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Taxpayer's investment positions (if any) are not subject to the above trading business tax treatment and instead are subject to normal rules for investing activities; which is Schedule D capital gains or losses, wash sales, and Schedule A for related investment expenses).

=====

Section 481(a) Adjustment tax law for traders

According to Rev. Proc. 99-17, 1999-7 IRB 1, IRC Sec(s). - Mark to market accounting method for dealers in securities - election for traders and dealers. Section 6. Change in Method of Accounting; Clause.03 Section 481(a) Adjustment

"If a taxpayer changes its method of accounting under section 6.01 of this revenue procedure, the taxpayer must take into account the net amount of the section 481(a) adjustment in the manner provided in section 5.04 of Rev. Proc. 98- 60. Thus, the section 481(a) adjustment generally is taken into account ratably over four taxable years beginning with the year of change. For purposes of section 481, a change in method of accounting made under this revenue procedure is a change in method of accounting initiated by the taxpayer."

According to the rules for Form 3115, if the change results in a positive section 481 adjustment, the Taxpayer must, beginning with the year of change, take the section 481 adjustment into account ratably over 4 taxable years in computing taxable income. However, the Taxpayer may elect to take the entire positive section 481 adjustment in the year of change, providing the Section 481 adjustment is under \$25,000. Otherwise, Taxpayer is required to pro-rate this Section 481 adjustment over 4 taxable years.

If the change results in a negative section 481 adjustment, the taxpayer must take the entire section 481(a) adjustment into account in the year of change.

=====

Section 481(a) Adjustment - Calculation

On January 1, 2012, Taxpayer started the year with "Trading Positions" (or "Investment Positions which he or she converted to "Trading Positions").

Market value on January 1, 2012 of \$ 975,998

Original Cost basis of \$ 936,346

Section 481 Adjustment is the difference \$ +39,652

This amount is reported on Form 4797 Part II.

Proration deferral is required:

The Section 481 adjustment is over \$25,000 (see tax law above), so taxpayer may not elect to report the entire amount in tax year 2012; instead taxpayer must pro-rate the adjustment over 4 years as follows:

The total Sec 481(a) deferral is calculated as follows:

Sec 481(a) adjustment of \$ +39,652 divided by 4 years times 3 years = \$ (29,739). This amount is also reported on the Form 4797 Part II.

Taxpayer will report the balance of the deferral of \$ +29,739 on his Form 4797 Part II in the prorated amount of \$ +9,913 for tax years 2013, 2014 and 2015. In the event that taxpayer exits the trading business, taxpayer will accelerate the balance of the Section 481(a) adjustment to the exit year.

=====

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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

This election was attached to taxpayer's 2011 tax return or extension filed by April 15, 2012.

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

=====

SPECIAL NOTES

If Taxpayer has net trading gains, sufficient trading gains are transferred from Form 4797 to Schedule C to cover Taxpayer's related trading expenses. This is done since Schedule C business expenses relate to the Form 4797 trading gains. There is no change to the tax liability as a result of this transfer.

=====

Demo

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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Qualified Dividends and Capital Gain Tax Worksheet (Form 1040, Line 44)

1. Enter the amount from Form 1040, line 43		277,311.
2. Enter the amount from Form 1040, line 9b	1,296.	
3. Are you filing Schedule D?		
[X] Yes. Enter the smaller of line 15 or 16 of Schedule D, but do not enter less than zero		
[] No. Enter the amount from Form 1040, line 13	23,746.	
4. Add lines 2 and 3	25,042.	
5. If you are claiming investment interest expense on Form 4952, enter the amount from line 4g of that form. Otherwise enter zero.	0.	
6. Subtract line 5 from line 4. If zero or less, enter zero.		25,042.
7. Subtract line 6 from line 1. If zero or less, enter zero.		252,269.
8. Enter:		
\$35,350 if single or married filing separately,		
\$70,700 if married filing jointly or qualifying widow(er), \$47,350 if head of household.		35,350.
9. Enter the smaller of line 1 or line 8		35,350.
10. Enter the smaller of line 7 or line 9		35,350.
11. Subtract line 10 from line 9. This amount is taxed at 0%		0.
12. Enter the smaller of line 1 or line 6		25,042.
13. Enter the amount from line 11		0.
14. Subtract line 13 from line 12		25,042.
15. Multiply line 14 by 15% (.15)		3,756.
16. Figure the tax on the amount on line 7. (Use the Tax Table or Tax Computation Worksheet)		67,777.
17. Add lines 15 and 16		71,533.
18. Figure the tax on the amount on line 1. (Use the Tax Table or Tax Computation Worksheet)		76,041.
19. Tax on all taxable income (including capital gain distributions). Enter the smaller of line 17 or line 18 here and on Form 1040, line 44		<u>71,533.</u>

State and Local Taxes (Schedule A, Line 5)

State and Local Income Taxes

	State	Local
Income tax withheld	0.	0.
Disability/unemployment insurance	0.	0.
Estimated tax payments	0.	0.
Credit for prior year overpayment	0.	0.
Credit for income tax withheld (K-1)	0.	0.
1/12 payment on 2011 estimate	0.	0.
Paid with 2011 extension	0.	0.
Paid with 2011 return	26,061.	0.
Paid for prior years and/or to other states	0.	0.
Total income taxes	<u>26,061.</u>	<u>0.</u>
Total state and local income taxes		<u>26,061.</u>

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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State and Local Taxes (Schedule A, Line 5) (continued)

State and Local Sales Taxes Using the Optional Sales Tax Tables

Available Income:

Adjusted gross income per Form 1040	309,289.
Tax-exempt interest	0.
Nontaxable combat pay	0.
Nontaxable social security benefits	0.
Nontaxable pensions	0.
Nontaxable IRAs	0.
Prior year refundable credits (refundable portion only)	0.
Additional nontaxable amounts	0.
Total Available Income (not less than zero)	<u>309,289.</u>

Number of Exemptions 1.

1. State general sales taxes per Tables 1,790.
2. Local general sales taxes per Tables for certain residents of AK, AZ, AR, CO, GA, IL, LA, MO, NC, NY, SC, TN, UT, VA, and WV (based on a rate of 1%) 0.
3. Local general sales tax rate
4. If line 2 is zero, enter your state general sales tax rate. Otherwise, skip line 4 and 5, and go to line 6 7.2500
5. Divide line 3 by line 4
6. Local general sales taxes. If line 2 is zero, multiply line 1 by line 5. Otherwise, multiply line 2 by line 3. 0.
7. State and local general sales taxes (add lines 1 and 6) 1,790.
8. Sales taxes paid on vehicles, boats, etc. 0.
9. Sales tax deduction when using Tables (add lines 7 and 8) 1,790.

State and Local Sales Tax Deduction
(Greater of Taxes Paid or Table Amount)

1. General sales taxes paid 0.
2. Use taxes paid 0.
3. Total actual taxes paid (add lines 1 and 2) 0.
4. Sales taxes using Tables 1,790.
5. Greater of sales taxes paid or Table amount 1,790.

State & Local Taxes to Sch. A, Ln 5 (greater of income or sales tax) 26,061.

**Taxable Business Income for Limitation of
Section 179 Expense Deduction (Form 4562, Line 11)**

Wages, salaries, tips, etc.	0.
Business income or loss	4,195.
Farm income or loss	0.
Rental real estate income or loss	0.
Nonpassive partnerships, S corps, estates, trusts	0.
Income or loss for real estate professionals	0.
Gains or losses on sales of business property	281,408.
Total Taxable Business Income	<u>285,603.</u>

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EX14F-CA, Fulltime Securities, MTM gain

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Investment Interest Expense (Form 4952, Line 1)

Schedule A	796.
Schedule A (from pass-through entities)	0.
Schedule C	0.
Schedule E, page 1	0.
Schedule E, page 2	0.
Total Investment Interest Expense	<u>796.</u>

Gross Investment Income (Form 4952, Line 4a)

Interest Income	1,958.
Dividend Income	2,177.
Child's Investment Income - Form 8814	0.
Gross Investment Income - Schedule C	0.
Gross Investment Income - Schedule E	0.
Publicly Traded Partnership Income	0.
Other Net Investment Income - K-1	0.
Gross Investment Income Adjustment	0.
Total Gross Investment Income	<u>4,135.</u>

Exemption Worksheet (Form 6251, Line 29)

1. Enter \$50,600 (\$78,750 if married filing jointly or qualifying widow(er), \$39,375 if married filing separately.)		50,600.
2. Enter your alternative minimum taxable income (AMTI) from Form 6251, line 28.	307,172.	
3. Enter \$112,500 (\$150,000 if married filing jointly or qualifying widow(er), \$75,000 if married filing separately.)	112,500.	
4. Subtract line 3 from line 2.	194,672.	
5. Multiply line 4 by 25% (.25).		48,668.
6. Subtract line 5 from line 1. If this form is for a child under age 18, or a full-time student under age 24, go to line 7. Otherwise enter this amount on Form 6251, line 29 and go to Form 6251, line 30.		1,932.
7. Child's minimum exemption amount.		0.
8. Enter the child's earned income, if any.		0.
9. Add lines 7 and 8.		0.
10. Enter the smaller of line 6 or line 9 here and on Form 6251, line 29.		<u>0.</u>

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2012 Federal Depreciation Schedule

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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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.
Schedule C - EX14F-CA, Fulltime Securities, MTM gain																
Machinery and Equipment																
1	Trading computer	Various		1,620		1,620					0		200DB HY	5		0
	Total Machinery and Equipment			1,620		1,620	0	0	0	0	0	0				0
Miscellaneous																
2	Trading software	Various		2,575		2,575					0		S/L	3		0
	Total Miscellaneous			2,575		2,575	0	0	0	0	0	0				0
	Total Depreciation			4,195		4,195	0	0	0	0	0	0				0
	Grand Total Depreciation			4,195		4,195	0	0	0	0	0	0				0

12/31/12

2012 Federal Alternative Minimum Tax Depreciation Schedule

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

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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
Schedule C - EX14F-CA, Fulltime Securities, MTM gain															
Machinery and Equipment															
1	Trading computer	Various		0		200DB HY	5		0	0					0
	Total Machinery and Equipment			0	0				0	0		0	0	0	0
Miscellaneous															
2	Trading software	Various		0					0	0					0
	Total Miscellaneous			0	0				0	0		0	0	0	0
	Total Depreciation			0	0				0	0		0	0	0	0
	Grand Total Depreciation			0	0				0	0		0	0	0	0

Demo

2012

California Filing Instructions

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

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FORM TO FILE:

Form 540 - 2012 California Resident Income Tax Return

SIGNATURE:

Sign and date Form 540, page 1.

PAYMENT:

There is a balance due of \$27,262. Make your check payable to the "Franchise Tax Board." Write your social security number and "2012 Form 540-V" on the check. Do not staple the check to Form 540 or Form 540-V. Instead, place it loose in the envelope and also enclose Form 540 and Form 540-V.

WHEN TO FILE:

On or before April 15, 2013.

WHERE TO FILE:

Franchise Tax Board
P.O. Box 942867
Sacramento, CA 94267-0009

Demo

Voucher at bottom of page.

Mail 540-V payments with computer-generated Form 540 to:

Franchise Tax Board
P.O. Box 942867
Sacramento, CA 94267-0009

IF AMOUNT OF PAYMENT IS ZERO, DO NOT MAIL THIS VOUCHER.

WHERE TO FILE: Using black or blue ink, make check or money order payable to the 'Franchise Tax Board.' Write the taxpayer's social security number (SSN) or individual taxpayer identification number (ITIN) and '2012 Form 540-V' on the check or money order. Detach the voucher below. Enclose, but **do not** staple, your payment and Form 540-V with your computer-generated Form 540 return and mail to:

FRANCHISE TAX BOARD

PO BOX 942867

SACRAMENTO CA 94267-0009

Make all checks or money orders payable in U.S. dollars and drawn against a U.S. financial institution.

WHEN TO FILE: Calendar Year – File and Pay by April 15, 2013.

When the due date falls on a weekend or holiday, the deadline to file and pay without penalty is extended to the next business day.

ONLINE SERVICES: Use Web Pay and enjoy the ease of our free online payment service. Go to ftb.ca.gov for more information. **Do not mail this voucher if you use Web Pay.**

-----DETACH HERE-----IF NO PAYMENT IS DUE, DO NOT MAIL THIS VOUCHER-----DETACH HERE-----

CAUTION: You may be required to pay electronically, see instructions.

TAXABLE YEAR **2012** **Payment Voucher for 540 Returns**

CALIFORNIA FORM
540-V

999-99-9999 SECU
EXFCA F SECURITIESMTMGAIN

12

ANY ST
BEVERLY HILLS CA 90210

Amount of payment 27262.

**California Resident
Income Tax Return 2012**

FORM

540 C1 Side 1

APE

ATTACH FEDERAL RETURN

999-99-9999 SECU 12 PBA 523110
EXFCA F SECURITIESMTMGAIN

P
AC
A
R
RP

ANY ST
BEVERLY HILLS CA 90210 11-25-1948

01	1	45	0	404	0	APE	0
06	0	46	0	405	0	FS	0
09	00	47	0	406	0	3800	0
10	00	48	26619	407	0	3803	0
11	104	61	0	408	0	SCHG1	0
12	0	62	0	410	0	5870A	0
13	309289	63	0	412	0	5805 5805F	1
14	0	64	26619	413	0	DESIGNEE	1
16	0	71	0	414	0	TPID	
17	309289	72	0	419	0	FN 454365561	
18	3841	73	0	420	0	CCF	0
19	305448	74	0	421	0	3805P	0
31	26619	75	0	422	0	NQDC	0
32	0	91	0	423	0	3540	0
33	26619	92	0	110	0	3805Z	0
34	0	93	0	111	26619	3807	0
35	26619	94	26619	112	0	3808	0
40	0	95	0	113	643	3809	0
41	0	400	0	115	0	3549A	0
42	0	401	0	116	0	IRC1341	0
43	0	402	0	117	0		
44	0	403	0				

Under penalties of perjury, I declare that I have examined this tax return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Your signature

Spouse's/RDP's signature (if a joint tax return, both must sign)

**Sign
Here**

Daytime phone number (optional)

Date

Your email address (optional). Enter only one.

Paid preparer's signature (declaration of preparer is based on all information of which preparer has any knowledge)

● PTIN

It is unlawful to forge a spouse's/RDP's signature.

Z EXAMPLES

Firm's name (or yours, if self-employed)

Firm's address

● FEIN

GREEN NFH, LLC

PO BOX 1198

ROBERTSDALE, AL 36567

45-4365561

Joint tax return? (See instructions.)

Do you want to allow another person to discuss this tax return with us (see instructions)?

● ☒ Yes ☐ No**Z EXAMPLES**

(888) 558-5257

Print Third Party Designee's Name

Telephone Number

Your Name: **EX14F-CA, FULLTIME SECURITIES, MTM GAIN**Your SSN or ITIN: **999-99-9999**

Filing Status	1	<input checked="" type="checkbox"/> Single													
	2	<input type="checkbox"/> Married/RDP filing jointly (see instructions).													
	3	<input type="checkbox"/> Married/RDP filing separately. Enter spouse's/RDP's SSN or ITIN above and full name here.													
	4	<input type="checkbox"/> Head of household (with qualifying person) (see instructions)													
	5	<input type="checkbox"/> Qualifying widow(er) with dependent child. Enter year spouse/RDP died													
		If your California filing status is different from your federal filing status, check the box here. <input type="checkbox"/>													
	6	If someone can claim you (or your spouse/RDP) as a dependent, check the box here (see instructions).	<input type="checkbox"/> 6												
Exemptions	7	Personal: If you checked the box 1, 3, or 4 above, enter 1 in the box. If you checked box 2 or 5, enter 2 in the box. If you checked the box on line 6, see the instructions.	7 <input type="checkbox"/> x \$104 = \$ 104.												
	8	Blind: If you (or your spouse/RDP) are visually impaired, enter 1; if both are visually impaired, enter 2.	8 <input type="checkbox"/> x \$104 = \$												
	9	Senior: If you (or your spouse/RDP) are 65 or older, enter 1; if both are 65 or older, enter 2.	9 <input type="checkbox"/> x \$104 = \$												
	10	Dependents: Do not include yourself or your spouse/RDP.													
		<table border="1"><thead><tr><th>First name</th><th>Last name</th><th>Dependent's relationship to you</th></tr></thead><tbody><tr><td> </td><td> </td><td> </td></tr><tr><td> </td><td> </td><td> </td></tr><tr><td> </td><td> </td><td> </td></tr></tbody></table>	First name	Last name	Dependent's relationship to you										
First name	Last name	Dependent's relationship to you													
		Total dependent exemptions.	10 <input type="checkbox"/> x \$321 = \$												
	11	Exemption amount: Add line 7 through line 10. Transfer this amount to line 32.	11 \$ 104.												
Taxable Income	12	State wages from your Form(s) W-2, box 16.	12												
	13	Enter federal adjusted gross income from Form 1040, line 37; Form 1040A, line 21; Form 1040EZ, line 4.	13 309,289.												
	14	California adjustments — subtractions. Enter the amount from Schedule CA (540), line 37, column B.	14												
	15	Subtract line 14 from line 13. If less than zero, enter the result in parentheses (see instructions).	15 309,289.												
	16	California adjustments — additions. Enter the amount from Schedule CA (540), line 37, column C.	16												
	17	California adjusted gross income. Combine line 15 and line 16.	17 309,289.												
	18	Enter the larger of your CA standard deduction OR your CA itemized deductions.	18 3,841.												
	19	Subtract line 18 from line 17. This is your taxable income. If less than zero, enter -0-.	19 305,448.												
Tax	31	Tax. Check box if from: <input type="checkbox"/> Tax Table <input checked="" type="checkbox"/> Tax Rate Schedule <input type="checkbox"/> FTB 3800 <input type="checkbox"/> FTB 3803.	31 26,619.												
	32	Exemption credits. Enter the amount from line 11. If your federal AGI is more than \$169,730 (see instrs)	32 0.												
	33	Subtract line 32 from line 31. If less than zero, enter -0-.	33 26,619.												
	34	Tax (see instructions). Check box if from: <input type="checkbox"/> Schedule G-1 <input type="checkbox"/> Form FTB 5870A.	34												
	35	Add line 33 and line 34.	35 26,619.												
Special Credits	40	Nonrefundable Child and Dependent Care Expenses Credit, (see instructions). Attach form FTB 3506.	40												
	41	New jobs credit, amount generated (see instructions).	41												
	42	New jobs credit, amount claimed (see instructions).	42												
	43	Credit <input type="checkbox"/> Code <input type="checkbox"/> amount.	43												
	44	Credit <input type="checkbox"/> Code <input type="checkbox"/> amount.	44												
	45	To claim more than two credits (see instructions).	45												
	46	Nonrefundable renter's credit (see instructions).	46												
	47	Add line 40 and line 42 through line 46. These are your total credits.	47												
	48	Subtract line 47 from line 35. If less than zero, enter -0-.	48 26,619.												
Other Taxes	61	Alternative minimum tax. Attach Schedule P (540).	61												
	62	Mental Health Services Tax (see instructions).	62												
	63	Other taxes and credit recapture (see instructions).	63												
	64	Add line 48, line 61, line 62, and line 63. This is your total tax.	64 26,619.												
Payments	71	California income tax withheld (see instructions).	71												
	72	2012 CA estimated tax and other payments (see instructions).	72												
	73	Real estate and other withholding (see instructions).	73												
	74	Excess SDI (or VPD) withheld (see instructions).	74 0.												
	75	Add line 71, line 72, line 73, and line 74. These are your total payments (see instructions).	75												

Your Name: **EX14F-CA, FULLTIME SECURITIES, MTM GAIN** Your SSN or ITIN: **999-99-9999**

Overpaid Tax/ Tax Due	91 Overpaid tax. If line 75 is more than line 64, subtract line 64 from line 75.....	91	
	92 Amount of line 91 you want applied to your 2013 estimated tax	92	
	93 Overpaid tax available this year. Subtract line 92 from line 91.....	93	
	94 Tax due. If line 75 is less than line 64, subtract line 75 from line 64	94	26,619.

Use Tax	95 Use Tax. This is not a total line (see instructions).....	95	
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		Code	Amount
Contributions	California Seniors Special Fund (see instructions).....	400	
	Alzheimer's Disease/Related Disorders Fund.....	401	
	California Fund for Senior Citizens.....	402	
	Rare and Endangered Species Preservation Program	403	
	State Children's Trust Fund for the Prevention of Child Abuse	404	
	California Breast Cancer Research Fund.....	405	
	California Firefighters' Memorial Fund.....	406	
	Emergency Food For Families Fund.....	407	
	California Peace Officer Memorial Foundation Fund	408	
	California Sea Otter Fund	410	
	Municipal Shelter Spay-Neuter Fund	412	
	California Cancer Research Fund	413	
	ALS/Lou Gehrig's Disease Research Fund	414	
	Child Victims of Human Trafficking Fund	419	
	California YMCA Youth and Government Fund.....	420	
	California Youth Leadership Fund.....	421	
	School Supplies for Homeless Children Fund	422	
	State Parks Protection Fund/Parks Pass Purchase.....	423	
	110 Add code 400 through code 423. This is your total contribution.....	110	

Amount You Owe	111 AMOUNT YOU OWE. Add line 94, line 95, and line 110 (see instructions). Mail to: FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0009	111	26,619.
	Pay online – Go to ftb.ca.gov for more information.		

Interest and Penalties	112 Interest, late return penalties, and late payment penalties.....	112	
	113 Underpayment of estimated tax. Check box: <input checked="" type="checkbox"/> FTB 5805 attached <input type="checkbox"/> FTB 5805F attached	113	643.
	114 Total amount due (see instructions). Enclose, but do not staple, any payment	114	27,262.

Refund and Direct Deposit	115 REFUND OR NO AMOUNT DUE. Subtract line 95 and line 110 from line 93 (see instructions). Mail to: FRANCHISE TAX BOARD, PO BOX 942840, SACRAMENTO CA 94240-0009	115	0.
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Fill in the information to authorize direct deposit of your refund into one or two accounts. **Do not** attach a voided check or a deposit slip (see instructions).

Have you verified the routing and account numbers? Use whole dollars only.

All or the following amount of my refund (line 115) is authorized for direct deposit into the account shown below:

<input type="checkbox"/> Checking <input type="checkbox"/> Savings			
● Routing number	● Type	● Account number	● 116 Direct deposit amount

The remaining amount of my refund (line 115) is authorized for direct deposit into the account shown below:

<input type="checkbox"/> Checking <input type="checkbox"/> Savings			
● Routing number	● Type	● Account number	● 117 Direct deposit amount

2012

Alternative Minimum Tax and
Credit Limitations – Residents

P (540)

Attach this schedule to Form 540.

Names as shown on Form 540

Your SSN or ITIN

EX14F-CA, FULLTIME SECURITIES, MTM GAIN

999-99-9999

Part I Alternative Minimum Taxable Income (AMTI) Important: See instructions for information regarding California/federal differences.

1	If you itemized deductions, go to line 2. If you did not itemize deductions, enter your standard deduction from Form 540, line 18, and go to line 6.	1	3,841.
2	Medical and dental expense. Enter the smaller of Schedule A (Form 1040), line 4, or 2-1/2% (.025) of Form 1040, line 37.	2	
3	Personal property taxes and real property taxes. See instructions.	3	
4	Certain interest on a home mortgage not used to buy, build, or improve your home. See instructions.	4	
5	Miscellaneous itemized deductions. See instructions.	5	
6	Refund of personal property taxes and real property taxes. See instructions.	6	
Do not include your state income tax refund on this line.			
7	Investment interest expense adjustment. See instructions.	7	
8	Post-1986 depreciation. See instructions.	8	
9	Adjusted gain or loss. See instructions.	9	
10	Incentive stock options and California qualified stock options (CQSOs). See instructions.	10	
11	Passive activities adjustment. See instructions.	11	
12	Beneficiaries of estates and trusts. Enter the amount from Schedule K-1 (541), line 12a.	12	
13	Other adjustment and preferences. Enter the amount, if any, for each item, a through l, and enter the total on line 13. See instructions.		
a	Circulation expenditures.	g	Mining costs.
b	Depletion.	h	Patron's adjustment.
c	Installment sales.	i	Research and experimental.
d	Intangible drilling costs.	j	Pollution control facilities.
e	Long-term contracts.	k	Tax shelter farm activities.
f	Loss limitations.	l	Related adjustments.
		13	
14	Total Adjustments and Preferences. Combine line 1 through line 13.	14	3,841.
15	Enter taxable income from Form 540, line 19. See instructions.	15	305,448.
16	Net operating loss (NOL) deductions from Schedule CA (540), line 21d and line 21e, column B. Enter as a positive amount.	16	
17	AMTI exclusion. See instructions.	17	0.
18	If your federal adjusted gross income (AGI) is less than the amount for your filing status (listed below), skip this line and go to line 19. If you itemized deductions and your federal AGI is more than the amount for your filing status, see instructions.	18	
	Single or married/RDP filing separately		\$169,730
	Married/RDP filing jointly or qualifying widow(er)		\$339,464
	Head of household		\$254,599
19	Combine line 14 through line 18.	19	309,289.
20	Alternative minimum tax NOL deduction. See instructions.	20	
21	Alternative Minimum Taxable Income. Subtract line 20 from line 19 (if married/RDP filing separately and line 21 is more than \$322,495 see instructions).	21	309,289.

Part II Alternative Minimum Tax (AMT)

22	Exemption Amount. (If this schedule is for a certain child under age 24, see instructions.)		
	If your filing status is:	And line 21 is not over:	Enter on line 22:
	Single or head of household	\$ 234,072	\$ 62,420
	Married/RDP filing jointly or qualifying widow(er)	312,095	83,225
	Married/RDP filing separately	156,047	41,612
	If Part I, line 21 is more than the amount shown above for your filing status, see instructions.		
23	Subtract line 22 from line 21. If zero or less, enter -0-.	23	265,673.
24	Tentative Minimum Tax. Multiply line 23 by 7.0% (.07).	24	18,597.
25	Regular tax before credits from Form 540, line 31.	25	26,619.
26	Alternative Minimum Tax. Subtract line 25 from line 24. If zero or less, enter -0- here and on Form 540, line 61. If more than zero, enter here and on Form 540, line 61. If you make estimated tax payments for taxable year 2013, enter amount from line 26 on the 2013 Form 540-ES, Estimated Tax Worksheet, line 16. (Exception: If you have carryover credit for solar energy or commercial solar energy, first enter the result on Side 2, Part III, Section C, line 24 or 25.)	26	0.

Part III Credits that Reduce Tax Note: Be sure to attach your credit forms to Form 540.

1	Enter the amount from Form 540, line 35.....	1	26,619.
2	Enter the tentative minimum tax from Side 1, Part II, line 24.....	2	18,597.

	(a) Credit amount	(b) Credit used this year	(c) Tax balance that may be offset by credits	(d) Credit carryover
Section A – Credits that reduce excess tax.				
3	Subtract line 2 from line 1. If zero or less enter -0- and see instructions. This is your excess tax which may be offset by credits.....		8,022.	
A1	Credits that reduce excess tax and have no carryover provisions.			
4	Code: 162 Prison inmate labor credit (FTB 3507).....			
5	Code: 169 Enterprise zone employee credit (FTB 3553).....			
6	Code: _____ New Home Credit or First Time Buyer Credit ...			
7	Code: 232 Child and dependent care expenses credit (FTB 3506).....			
A2	Credits that reduce excess tax and have carryover provisions. See instructions.			
8	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
9	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
10	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
11	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
12	Code: 188 Credit for prior year alternative minimum tax.....	<input type="checkbox"/>		<input type="checkbox"/>
Section B – Credits that may reduce tax below tentative minimum tax.				
13	If Part III, line 3 is zero, enter the amount from line 1. If line 3 is more than zero, enter the total of line 2 and the last entry in column (c).....		26,619.	
B1	Credits that reduce net tax and have no carryover provisions.			
14	Code: 170 Credit for joint custody head of household..			
15	Code: 173 Credit for dependent parent.....			
16	Code: 163 Credit for senior head of household.....			
17	Nonrefundable renter's credit.....			
B2	Credits that reduce net tax and have carryover provisions. See instructions.			
18	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
19	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
20	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
21	Code: <input type="checkbox"/> Credit Name: _____			<input type="checkbox"/>
B3	Other state tax credit.			
22	Code: 187 Other state tax credit.....			
Section C – Credits that may reduce alternative minimum tax.				
23	Enter your alternative minimum tax from Side 1, Part II, line 26.....			
24	Code: 180 Solar energy credit carryover from Section B2, column (d).....			<input type="checkbox"/>
25	Code: 181 Commercial solar energy credit carryover from Section B2, column (d).....			<input type="checkbox"/>
26	Adjusted AMT. Enter the balance from line 25, column (c) here and on Form 540, line 61.....			

2012 Investment Interest Expense Deduction**3526**

Attach to Form 540, Long Form 540NR, or Form 541.

Name(s) as shown on return

SSN, ITIN, or FEIN

EX14F-CA, FULLTIME SECURITIES, MTM GAIN**999-99-9999**

1	Investment interest expense paid or accrued in 2012. See instructions	1	<u>796.</u>
2	Disallowed investment interest expense from 2011 form FTB 3526, line 7. If zero or less, enter -0-.....	2	<u>0.</u>
3	Total investment interest expense. Add line 1 and line 2	3	<u>796.</u>
4a	Gross income from property held for investment (excluding any net gain from the disposition of property held for investment). See instructions.....	4a	<u>4,135.</u>
4b	Net gain from the disposition of property held for investment. See instructions....	4b	<u>23,746.</u>
4c	Net capital gain from the disposition of property held for investment. See instructions	4c	<u>23,746.</u>
4d	Subtract line 4c from line 4b. If zero or less, enter -0-.....	4d	<u>0.</u>
4e	Enter all or part of the amount on line 4c that you elect to include in investment income. Do not include more than the amount on line 4b. See instructions.....	4e	<u>23,746.</u>
4f	Investment income. Add line 4a, line 4d, and line 4e.....	4f	<u>27,881.</u>
5	Investment expenses. See instructions.....	5	<u></u>
6	Net investment income. Subtract line 5 from line 4f.....	6	<u>27,881.</u>
7	Disallowed investment interest expense to be carried forward to 2013. Subtract line 6 from line 3. If zero or less, enter -0-.....	7	<u>0.</u>
8	Investment interest expense deduction. Enter the smaller of line 3 or line 6. Form 541 filers, stop here and see instructions. All other filers, go to line 9.....	8	<u>796.</u>
9	Enter the amount from federal Form 4952, line 8	9	<u>796.</u>
10	California investment interest expense deduction adjustment. Enter the difference between line 8 and line 9. See instructions	10	<u></u>

Demo

2012

Underpayment of Estimated Tax
by Individuals and Fiduciaries

5805

Attach this form to the **back** of your Form 540, Form 540A, Long Form 540NR, or Form 541. Also, check the box for underpayment of estimated tax located on Form 540 or Form 540A, line 113; Long Form 540NR, line 123; or Form 541, line 42, whichever applies.

Name(s) as shown on return

SSN, ITIN or FEIN

EX14F-CA, FULLTIME SECURITIES, MTM GAIN

999-99-9999

IMPORTANT: In most cases, the Franchise Tax Board (FTB) can figure the penalty for you and you do not have to complete this form. See General Information B.

If you meet **any** of the following conditions, you do not owe a penalty for underpayment of estimated tax. **Do not complete or file this form if:**

- The amount of your tax liability (not including tax on lump-sum distributions) less credits (including the withholding credit) but not including estimated tax payments for either 2011 or 2012 was less than \$500 (or less than \$250 if married/RDP filing a separate return).
- Your 2011 return was for a full 12 months (or would have been if you were required to file) and you did not have any tax liability on that return.
- The amount of your withholding plus your estimated tax payments, **if paid in the required installments**, is at least 90% of the tax shown on your 2012 return or 100% of the tax shown on your 2011 return (110% if California adjusted gross income (AGI) was more than \$150,000 or \$75,000 if married/RDP filing a separate return) **and** you are not using the annualized income installment method. Taxpayers with California AGI equal to or greater than \$1,000,000 (or \$500,000 if married/RDP filing a separate return), must use the tax shown on their 2011 tax return if they do not meet one of the two conditions above.

Part I Questions. All filers must complete this part.

- 1 Are you requesting a waiver of the penalty? If 'Yes,' provide an explanation below and be sure to check the box on Form 540 or Form 540A, line 113; Long Form 540NR, line 123; or Form 541, line 42. If you need additional space, attach a statement. See General Information C. 1 ☐ Yes ☒ No
- 2 Did you use the annualized income installment method? If 'Yes,' see instructions for Part III and be sure to check the box on Form 540 or Form 540A, line 113; Long Form 540NR, line 123; or Form 541, line 42. 2 ☐ Yes ☒ No
- 3 Was your California withholding not withheld in equal installments and are you able to show the actual amounts withheld per period and the actual dates withheld? 3 ☐ Yes ☐ No
If 'Yes,' enter the **actual uneven amounts withheld** on the spaces provided below. The total of the four amounts must equal the total withholding reported on Form 540, line 71 and line 73; Form 540A, line 71; Form 540NR, line 81 and line 83; or Form 541, line 29 and line 31. ☒ N/A
- 4/15/12 \$; 6/15/12 \$; 9/15/12 \$; 1/15/13 \$
- 4 For estates and trusts: Was the date of death less than two years from the end of the taxable year? See General Information E. 4 ☐ Yes ☐ No

Part II Required Annual Payment. All filers must complete this part.

- | | | |
|--|---|---------|
| 1 Current year tax. Enter your 2012 tax after credits. See instructions. | 1 | 26,010. |
| 2 Multiply line 1 by 90% (.90). | 2 | 23,409. |
| 3 Withholding taxes. Do not include any estimated tax payments on this line. See instructions. | 3 | |
| 4 Subtract line 3 from line 1. If less than \$500 (or less than \$250 if married/RDP filing a separate return), stop here. You do not owe the penalty. Do not file form FTB 5805. | 4 | 26,010. |
| 5 Enter the tax shown on your 2011 tax return. See instructions. (110% (1.10) of that amount if the adjusted gross income shown on that return is more than \$150,000, or if married/RDP filing a separate return for 2012, more than \$75,000). | 5 | 28,667. |
| 6 Required annual payment. Enter the smaller of line 2 or line 5. (If your California AGI is equal to or greater than \$1,000,000/\$500,000 for married/RDP filing a separate return, use line 2). | 6 | 23,409. |

Short Method

Caution: See the instructions to find out if you can use the short method. If you answered 'Yes' to Question 2 in Part I, skip this part and go to Part III. If you answered 'No' to Question 2 in Part I **and** you cannot use the short method, go to Worksheet II in the instructions.

- | | | |
|---|----|---------|
| 7 Enter the amount, if any, from Part II, line 3 above. | 7 | |
| 8 Enter the total amount, if any, of estimated tax payments you made. | 8 | |
| 9 Add line 7 and line 8. | 9 | |
| 10 Total underpayment for the year. Subtract line 9 from line 6. If zero or less, stop here. You do not owe the penalty. Do not file form FTB 5805. | 10 | 23,409. |
| 11 Multiply line 10 by .02746995. | 11 | 643. |
| 12 • If the amount on line 10 was paid on or after 4/15/13, enter -0-.
• If the amount on line 10 was paid before 4/15/13, enter the result of the following computation:
Amount on line 10 x Number of days paid before 4/15/13 x .00008. | 12 | 0. |
| 13 PENALTY. Subtract line 12 from line 11. Enter the result here and on Form 540 or Form 540A, line 113; Long Form 540NR, line 123; or Form 541, line 42. Also, check the box for 'FTB 5805.' | 13 | 643. |

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

Exemption Credits Worksheet (Form 540, Line 32)

A. Enter the amount from Form 540, line 13		309,289.
B. If your filing status is:		
Single or MFS	169,730	
MFJ or qualifying widow(er)	339,464	
Head of household	254,599	
Enter that amount here		169,730.
C. Subtract line B from line A		139,559.
D. Divide line C by \$2,500 (\$1,250 if married filing separate)		56.
E. Multiply line D by \$6		336.
F. Add the numbers from the boxes on Form 540, line 7, 8, and 9		1.
G. Multiply line E by line F		336.
H. Enter the total amount from Form 540, line 7, 8, and 9		104.
I. Subtract line G from line H		0.
J. Enter the number from the box on Form 540 line 10 (not the amount)		0.
K. Multiply line E by line J		0.
L. Enter the amount from Form 540, line 10		0.
M. Subtract line K from line L		0.
N. Add line I and line M. Enter result here and on Form 540, line 32		<u>0.</u>

Itemized Deductions Worksheet (Schedule CA(540), Line 43)

1. Amount from Schedule CA(540), line 42		2,117.
2. Add amounts (Adj. for CA) on Fed. Sch. A		796.
3. Subtract line 2 from line 1		1,321.
4. Multiply line 3 above by 80% (.80)	1,057.	
5. Enter amount from Form 540, line 13	309,289.	
6. Enter \$339,464 (\$254,599 if HOH, \$169,730 if MFS or single)	169,730.	
7. Subtract line 6 from line 5	139,559.	
8. Multiply line 7 above by 6% (.06)	8,374.	
9. Enter the smaller of line 4 or line 8		<u>1,057.</u>
10. Total Itemized Deductions (Subtract line 9 from line 1)		<u>1,060.</u>

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

Exemption Worksheet (Schedule P, Line 22)

1. Enter \$62,420 (\$83,225 if married filing jointly or qualifying widow(er), \$41,612 if married filing separately.)		62,420.
2. Enter your alternative minimum taxable income (AMTI) from Schedule P, line 21	309,289.	
3. Enter \$234,072 (\$312,095 if married filing jointly or qualifying widow(er), \$156,047 if married filing separately.)	234,072.	
4. Subtract line 3 from line 2	75,217.	
5. Multiply line 4 by 25% (.25)		18,804.
6. Subtract line 5 from line 1. If this form is for a child under age 14, go to line 7. Otherwise enter this amount on Schedule P, line 22 and complete Schedule P		43,616.
7. Child's minimum exemption amount		6,950.
8. Enter the child's earned income, if any		0.
9. Add line 7 and line 8		0.
10. Enter the smaller of line 6 or line 9 here and on Schedule P, line 22		<u>0.</u>

Underpayment of Estimated Tax Worksheet

1. Total taxable income from Forms 540/540A or Long/Short Form 540NR, line 19.....	305,448.
2. Tax on amount on line 1 using tax rate schedule (see instructions).....	26,010.
3. Not applicable (Form 541 filers only).....	
4. Nonresidents:	
a California taxable income from Form 540NR, line 35.....	0.
b Tax Rate: Tax on line 2 divided by income on line 1.....	
c Line 4a multiplied by line 4b.....	<u>0.</u>
5. Amount from Forms 540/540A, line 32 or Long/Short Form 540NR, line 39.....	0.
6. Residents subtract line 5 from line 2. Nonresidents subtract line 5 from line 4c....	<u>26,010.</u>
7. Amount from Forms 540/540A, line 47, Long Form 540NR, line 62, or Short Form 540NR, line 61.....	0.
8. Subtract line 7 from line 6.....	<u>26,010.</u>
9. Alternative Minimum Tax, Form 540 filers: Schedule P, line 24 less line 2, above. Form 540NR filers: Schedule P, line 43 less line 4c, above.....	0.
10. Amount from Forms 540/540A, line 62 or Long Form 540NR, line 72.....	0.
11. Add line 8, line 9, and line 10.....	<u>26,010.</u>
12. Amount from Forms 540/540A, line 74 or Long Form 540NR, line 84.....	0.
13. Subtract line 12 from line 11. Enter on FTB Form 5805, line 1, or 5805F, line 4.....	<u>26,010.</u>

12/31/12

2012 California Depreciation Schedule

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

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.
Schedule C - EX14F-CA, Fulltime Securities, MTM gain																
Machinery and Equipment																
1	Trading computer	Various		1,620		1,620					0		200DB HY	5		0
	Total Machinery and Equipment			1,620		1,620	0	0	0	0	0	0				0
Miscellaneous																
2	Trading software	Various		2,575		2,575					0		S/L	3		0
	Total Miscellaneous			2,575		2,575	0	0	0	0	0	0				0
	Total Depreciation			4,195		4,195	0	0	0	0	0	0				0
	Grand Total Depreciation			4,195		4,195	0	0	0	0	0	0				0

12/31/12

2012 California Alternative Minimum Tax Depreciation Schedule

Page 1

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

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
Schedule C - EX14F-CA, Fulltime Securities, MTM gain															
Machinery and Equipment															
1	Trading computer	Various		0		150DB HY	5		0	0					0
	Total Machinery and Equipment			0	0				0	0		0	0	0	0
Miscellaneous															
2	Trading software	Various		0					0	0					0
	Total Miscellaneous			0	0				0	0		0	0	0	0
	Total Depreciation			0	0				0	0		0	0	0	0
	Grand Total Depreciation			0	0				0	0		0	0	0	0

Demo

2012

Federal Filing Instructions

Client EX14F-CA

EX14F-CA, Fulltime Securities, MTM gain

999-99-9999

2/11/13

09:13AM

FORM TO FILE:

Form 3115 - Application for Change in Accounting Method

SIGNATURE:

Sign and date Form 3115.

PAYMENT:

No payment is required.

WHEN TO FILE:

Immediately.

WHERE TO FILE:

Internal Revenue Service
Automatic Rulings Branch
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Demo

Form **3115**

(Rev. December 2009)
Department of the Treasury
Internal Revenue Service

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions)	
		Principal business activity code number (see instructions)	
Number, street, and room or suite no. If a P.O. box, see the instructions.		Tax year of change begins (MM/DD/YYYY)	
		Tax year of change ends (MM/DD/YYYY)	
City or town, state, and ZIP code		Name of contact person (see instructions)	
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Contact person's telephone number	

If the applicant is a member of a consolidated group, check this box ☐

If **Form 2848**, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box ☐

Check the box to indicate the type of applicant.

- | | |
|--|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Cooperative (Sec. 1381) |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Controlled foreign corporation (Sec. 957) | <input type="checkbox"/> S corporation |
| <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) | <input type="checkbox"/> Insurance co. (Sec. 816(a)) |
| <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) | <input type="checkbox"/> Insurance co. (Sec. 831) |
| <input type="checkbox"/> Exempt organization. Enter Code section ▶ | <input type="checkbox"/> Other (specify) ▶ |

Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)

- | |
|---|
| <input type="checkbox"/> Depreciation or Amortization |
| <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions |
| <input type="checkbox"/> Other (specify) ▶ |

Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

	Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ▶ (a) Change No. _____ (b) Other <input type="checkbox"/> Description ▶ _____		
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.		
Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).		

Part II Information For All Requests

	Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.		
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

Signature and date

Name and title (print or type)

Signature of individual preparing the application and date

Name of individual preparing the application (print or type)

Name of firm preparing the application

Part II Information For All Requests (continued)

	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?	N/A	
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.	N/A	
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ► _____	N/A	
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ► _____ Telephone number ► _____ Tax year(s) ► _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?	N/A	
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ► _____ Telephone number ► _____ Tax year(s) ► _____		
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N/A	
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.		
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.		
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		
b If "Yes," attach an explanation.		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?		
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent.		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation.		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?		
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s).		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form.		
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)					Yes	No
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. <u>elected IRC 475(f)(1) for trading securities</u>					
b	The applicant's present method for the item(s) being changed. <u>Cash</u>					
c	The applicant's proposed method for the item(s) being changed. <u>IRC Sec. 475(f) mark to market</u>					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). <u>** Keep using cash for business expenses</u>					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. <u>See Note ** Below</u>					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation.					
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?					
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application.					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response?					
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.					
	1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.			
	\$	\$	\$			
Part III Information For Advance Consent Request N/A					Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.					
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.					
20	Attach a copy of all documents related to the proposed change (see instructions).					
21	Attach a statement of the applicant's reasons for the proposed change.					
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.					
23a	Enter the amount of user fee attached to this application (see instructions). ► \$					
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).					
Part IV Section 481(a) Adjustment					Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.					
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► \$ Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. <u>See Note ** Below</u>					

Part IV	Section 481(a) Adjustment (continued)	Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N/A	
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I	Change in Overall Method (see instructions)	
1	Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.	
		Amount
a	Income accrued but not received (such as accounts receivable)	\$
b	Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c	Expenses accrued but not paid (such as accounts payable)	
d	Prepaid expenses previously deducted	
e	Supplies on hand previously deducted and/or not previously reported	
f	Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g	Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ►	
h	Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (–) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$
2	Is the applicant also requesting the recurring item exception under section 461(h)(3)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
3	Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.	

Part II	Change to the Cash Method For Advance Consent Request (see instructions)	
	Applicants requesting a change to the cash method must attach the following information:	
1	A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.	
2	An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.	

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

1	If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
a	A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
b	If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
c	If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
2	If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
a	A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
b	A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
c	A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
d	A statement explaining whether the inventorable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970**, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1** Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a** Valuing inventory (e.g., unit method or dollar-value method).
 - b** Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c** Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d** Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2** If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3** If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4** If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5** Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6** If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

- 1** If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2** If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a** A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b** A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c** If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d** A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e** A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f** A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g** A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3** If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4** If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)**Part I Change in Reporting Income From Long-Term Contracts** (Also complete Part III on pages 7 and 8.)

- 1** To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
- 2a** Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)? ☐ **Yes** ☐ **No**
- b** If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)? ☐ **Yes** ☐ **No**
If line 2b is "No," attach an explanation.
- c** If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)? ☐ **Yes** ☐ **No**
- d** If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)? ☐ **Yes** ☐ **No**
If line 2d is "Yes," attach an explanation of what cost comparison the applicant will use to determine a contract's completion factor.
If line 2d is "No," attach an explanation of what method the applicant is using and the authority for its use.
- 3a** Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)? ☐ **Yes** ☐ **No**
- b** If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
- c** Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
- 4** To determine a contract's completion factor using the percentage-of-completion method:
- a** Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)? ☐ **Yes** ☐ **No**
- b** If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))? ☐ **Yes** ☐ **No**
- 5** Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.)

- 1** Attach a description of the inventory goods being changed.
- 2** Attach a description of the inventory goods (if any) NOT being changed.
- 3a** Is the applicant subject to section 263A? If "No," go to line 4a ☐ **Yes** ☐ **No**
- b** Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)?
If "No," attach a detailed explanation ☐ **Yes** ☐ **No**
- 4a** Check the appropriate boxes below.
- | | Inventory Being Changed | | Inventory Not Being Changed |
|--|-------------------------|-----------------|-----------------------------|
| | Present method | Proposed method | Present method |
| Identification methods: | | | |
| Specific identification | | | |
| FIFO | | | |
| LIFO | | | |
| Other (attach explanation) | | | |
| Valuation methods: | | | |
| Cost | | | |
| Cost or market, whichever is lower | | | |
| Retail cost | | | |
| Retail, lower of cost or market | | | |
| Other (attach explanation) | | | |
- b** Enter the value at the end of the tax year preceding the year of change
- 5** If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
- a** Copies of Form(s) 970 filed to adopt or expand the use of the method.
- b** **Only for applicants requesting advance consent.** A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
- c** **Only for applicants requesting an automatic change.** The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)).

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)**Section C—Other Costs Not Required To Be Allocated** (Complete Section C only if the applicant is requesting to change its method for these costs.)

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included in Section B, line 26		
3 Bidding expenses not included in Section B, line 22		
4 General and administrative costs not included in Section B		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11 Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants **must** provide this information for each item or class of property for which a change is requested.

Note. See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. **Do not** file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1** Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? ☐ **Yes** ☐ **No**
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2** Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? ☐ **Yes** ☐ **No**
If "Yes," enter the applicable section ►
- 3** Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)? ☐ **Yes** ☐ **No**
If "Yes," state the election made ►
- 4a** To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b** If the property is residential rental property, did the applicant live in the property before renting it? . . ☐ **Yes** ☐ **No**
- c** Is the property public utility property? ☐ **Yes** ☐ **No**
- 5** To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6** If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
- 7** If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
 - a** The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b** The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c** The facts to support the asset class for the proposed method.
 - d** The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e** The useful life, recovery period, or amortization period of the property.
 - f** The applicable convention of the property.
 - g** A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.