

Client EX1-LLC

Example LLC (MTM GAIN)

98-6999998

2/11/13

11:25AM

Example LLC.

2012 trader tax status: Two-three trades per day. Average holding period will be less than 10 minutes, so these are mostly day trades; positions rarely held overnight. Pattern day trader. Spends 10-12 hours per day, including full market hours. Trading equities, options and futures (mostly stock option). \$100,000 account size. Intention to run a trading business. Has a home office, has tools and has not decided on platform; will be a direct access platform. Trader status for 2012 return.

One IB trading account in LLC name, with over 1,400 round-trip trades and \$3.8 million in proceeds from May to December.

Internally elected MTM for securities only on May 16, 2011. No 3115 or 481 since first-time filer.

Taxpayer wanted to maximize his/her SEP IRA contribution for 2012, so an administration fee of \$255,035 was required.

A successful trader under the age of 50 who wants to max out his/her SEP IRA for 2012 for his/her partnership or multi-member LLC, needs an administration fee of \$260,310 to be paid to him/her from the entity. The IRA contribution is calculated as follows: $\$260,310 - \$10,311 \text{ (half SE tax)} = \$249,999 \times 20\% = \$50,000$.

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

Demo

2012

Federal Filing Instructions

Client EX1-LLC

Example LLC (MTM GAIN)

98-6999998

2/11/13

11:25AM

FORM TO FILE:

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

SIGNATURE:

Sign and date Form 1065.

PAYMENT:

No payment is required.

WHEN TO FILE:

On or before April 15, 2013.

WHERE TO FILE:

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

Demo

OTHER INSTRUCTIONS:

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

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

OMB No. 1545-0099

2012► Information about Form 1065 and its separate instructions is at www.irs.gov/form1065.

A Principal business activity <u>Trading</u>	Print or type. Example LLC (MTM GAIN) Any Street Houston, TX 77001	D Employer identification number 98-6999998
B Principal product or service <u>Sec. & Comm.</u>		E Date business started 5/16/2012
C Business code number 523110		F Total assets (see instrs) \$ 87,538.

G Check applicable boxes: (1) ☒ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
(6) ☐ Technical termination — also check (1) or (2)

H Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☒ Other (specify) ► Sec 475 (f) (1)

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year 2

J Check if Schedules C and M-3 are attached ☐

Caution. Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

INCOME	1 a Gross receipts or sales	1 a		
	b Returns and allowances	1 b		
	c Balance. Subtract line 1b from line 1a		1 c	
	2 Cost of goods sold (attach Form 1125-A)		2	
	3 Gross profit. Subtract line 2 from line 1c		3	
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)		4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))		5	
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)		6	259,366.
7 Other income (loss) (attach statement)		7		
8 Total income (loss). Combine lines 3 through 7		8	259,366.	
SEE INSTRUCTIONS FOR LIMITATIONS	9 Salaries and wages (other than to partners) (less employment credits)		9	
	10 Guaranteed payments to partners		10	
	11 Repairs and maintenance		11	
	12 Bad debts		12	
	13 Rent		13	
	14 Taxes and licenses		14	
	15 Interest		15	
	16 a Depreciation (if required, attach Form 4562)	16 a		
	b Less depreciation reported on Form 1125-A and elsewhere on return	16 b	16 c	
	17 Depletion (Do not deduct oil and gas depletion.)		17	
	18 Retirement plans, etc.		18	
	19 Employee benefit programs		19	
20 Other deductions (attach statement) See Statement 1		20	263,501.	
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20		21	263,501.	
22 Ordinary business income (loss). Subtract line 21 from line 8		22	-4,135.	

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.				
	Signature of general partner or limited liability company member manager ►	Date ►			
Paid Preparer Use Only	Print/Type preparer's name <u>z Examples</u>	Preparer's signature <u>z Examples</u>	Date 	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ► <u>Green NFH, LLC</u>	Firm's EIN ► <u>45-4365561</u>			
	Firm's address ► <u>PO Box 1198</u> <u>Robertsdale, AL 36567</u>	Phone no. <u>(888) 558-5257</u>			
	May the IRS discuss this return with the preparer shown below (see instrs)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				

BAA For Paperwork Reduction Act Notice, see separate instructions.

PTPA0105L 01/18/13

Form **1065** (2012)

Schedule B Other Information

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

Schedule B Other Information (continued)

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

Designation of Tax Matters Partner (see instructions)

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

Name of designated TMP ▶	Member #1	Identifying number of TMP ▶	188-88-8888
If the TMP is an entity, name of TMP representative ▶		Phone number of TMP ▶	
Address of designated TMP ▶	Any Street Houston, TX 77001		

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22).....	1	-4,135.
	2 Net rental real estate income (loss) (attach Form 8825).....	2	
	3a Other gross rental income (loss).....	3a	
	b Expenses from other rental activities (attach stmt).....	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a.....	3c	
	4 Guaranteed payments.....	4	
	5 Interest income.....	5	158.
	6 Dividends: a Ordinary dividends.....	6a	74.
	b Qualified dividends.....	6b	74.
	7 Royalties.....	7	
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)).....	8	
Deductions	9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)).....	9a	
	b Collectibles (28%) gain (loss).....	9b	
	c Unrecaptured section 1250 gain (attach statement).....	9c	
	10 Net section 1231 gain (loss) (attach Form 4797).....	10	
	11 Other income (loss) (see instructions) Type ▶ See Statement 2	11	3,172.
	12 Section 179 deduction (attach Form 4562).....	12	
	13a Contributions.....	13a	
	b Investment interest expense.....	13b	
	c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c (2)	
	d Other deductions (see instructions) Type ▶	13d	
	Self-Employment	14a Net earnings (loss) from self-employment.....	14a
b Gross farming or fishing income.....		14b	
c Gross nonfarm income.....		14c	
Credits	15a Low-income housing credit (section 42(j)(5)).....	15a	
	b Low-income housing credit (other).....	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468).....	15c	
	d Other rental real estate credits (see instructions) Type ▶	15d	
	e Other rental credits (see instructions) Type ▶	15e	
	f Other credits (see instructions) Type ▶	15f	
Foreign Transactions	16a Name of country or U.S. possession... ▶		
	b Gross income from all sources.....	16b	
	c Gross income sourced at partner level.....	16c	
	Foreign gross income sourced at partnership level		
	d Passive category ▶ e General category ▶ f Other..... ▶	16f	
	Deductions allocated and apportioned at partner level		
	g Interest expense ▶ h Other..... ▶	16h	
	Deductions allocated and apportioned at partnership level to foreign source income		
	i Passive category ▶ j General category ▶ k Other..... ▶	16k	
	l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l	
m Reduction in taxes available for credit (attach statement).....	16m		
n Other foreign tax information (attach statement).....			
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment.....	17a	
	b Adjusted gain or loss.....	17b	
	c Depletion (other than oil and gas).....	17c	
	d Oil, gas, and geothermal properties — gross income.....	17d	
	e Oil, gas, and geothermal properties — deductions.....	17e	
	f Other AMT items (attach stmt).....	17f	
Other Information	18a Tax-exempt interest income.....	18a	
	b Other tax-exempt income.....	18b	
	c Nondeductible expenses.....	18c	
	19a Distributions of cash and marketable securities.....	19a	
	b Distributions of other property.....	19b	
	20a Investment income.....	20a	232.
b Investment expenses.....	20b		
c Other items and amounts (attach stmt).....			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l.						1	-731.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners. . . .							
b Limited partners. . . .		-731.					

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1 Cash.					83,364.
2a Trade notes and accounts receivable.					
b Less allowance for bad debts.					
3 Inventories.					
4 U.S. government obligations.					
5 Tax-exempt securities.					
6 Other current assets (attach stmt) . . . See St 3					4,174.
7a Loans to partners (or persons related to partners). . . .					
b Mortgage and real estate loans.					
8 Other investments (attach stmt).					
9a Buildings and other depreciable assets.					
b Less accumulated depreciation.					
10a Depletable assets.					
b Less accumulated depletion.					
11 Land (net of any amortization).					
12a Intangible assets (amortizable only).				1,140.	
b Less accumulated amortization.				1,140.	
13 Other assets (attach stmt).					
14 Total assets.					87,538.
Liabilities and Capital					
15 Accounts payable.					
16 Mortgages, notes, bonds payable in less than 1 year. . . .					
17 Other current liabilities (attach stmt).					
18 All nonrecourse loans.					
19a Loans from partners (or persons related to partners). . . .					
b Mortgages, notes, bonds payable in 1 year or more. . . .					
20 Other liabilities (attach stmt).					
21 Partners' capital accounts.					87,538.
22 Total liabilities and capital.					87,538.

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

1 Net income (loss) per books.	-731.	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest . . \$	
3 Guaranteed pmts (other than health insurance). . . .		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7.	
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5.	-731.
5 Add lines 1 through 4.	-731.		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year.	0.	6 Distributions: a Cash.	
2 Capital contributed: a Cash.	88,269.	b Property.	
b Property.		7 Other decreases (itemize):	
3 Net income (loss) per books.	-731.	8 Add lines 6 and 7.	
4 Other increases (itemize):		9 Balance at end of year. Subtract line 8 from line 5.	87,538.
5 Add lines 1 through 4.	87,538.		

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

OMB No. 1545-0099

Name of partnership

Example LLC (MTM GAIN)

Employer identification number (EIN)

98-6999998**Part I** **Entities Owning 50% or More of the Partnership** (Form 1065, Schedule B, Question 3a)

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

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

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

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

(i) Name of Individual or Estate	(ii) Identifying Number (if any)	(iii) Country of Citizenship (see instructions)	(iv) Maximum Percentage Owned in Profit, Loss, or Capital
Member #1	188-88-8888	United States	100.000
Member #2	177-77-7777	United States	100.000

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

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

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax
year beginning 5/16, 2012
ending 12/31, 2012Partner's Share of Income, Deductions,
Credits, etc. ▶ See separate instructions.

Part I Information About the Partnership

- A** Partnership's employer identification number
98-6999998
- B** Partnership's name, address, city, state, and ZIP code

Example LLC (MTM GAIN)
Any Street
Houston, TX 77001
- C** IRS Center where partnership filed return
Ogden, UT
- D** ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

- E** Partner's identifying number
188-88-8888
- F** Partner's name, address, city, state, and ZIP code

Member #1
Any Street
Houston, TX 77001
- G** ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member
- H** ☒ Domestic partner ☐ Foreign partner
- I1** What type of entity is this partner? (see instr) Individual
- I2** If this partner is a retirement plan (IRA/SEP/Keogh/etc), check here (see instructions). ☐
- J** Partner's share of profit, loss, and capital (see instructions):
- | | Beginning | Ending |
|---------|-----------|--------|
| Profit | % | 50 % |
| Loss | % | 50 % |
| Capital | % | 50 % |
- K** Partner's share of liabilities at year end:
- Nonrecourse \$
- Qualified nonrecourse financing \$
- Recourse \$
- L** Partner's capital account analysis:
- Beginning capital account \$ 0.
- Capital contributed during the year \$ 44,134.
- Current year increase (decrease) \$ -365.
- Withdrawals and distributions \$
- Ending capital account \$ 43,769.
- ☒ Tax basis ☐ GAAP ☐ Section 704(b) book
- ☐ Other (explain)
- M** Did the partner contribute property with a built-in gain or loss?
- ☐ Yes ☒ No
- If 'Yes', attach statement (see instructions)

☐ Final K-1☐ Amended K-1651112
OMB No. 1545-0099Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	-2,067.		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	79.		
6a	Ordinary dividends		
	37.		
6b	Qualified dividends		
	37.		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
	1,586.		
12	Section 179 deduction	19	Distributions
13	Other deductions		
		20	Other information
		A	116.
14	Self-employment earnings (loss)		

*See attached statement for additional information.

FOR
IRS
USE
ONLY

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2012

For calendar year 2012, or tax
year beginning 5/16, 2012
ending 12/31, 2012Partner's Share of Income, Deductions,
Credits, etc. ▶ See separate instructions.

Part I Information About the Partnership

- A** Partnership's employer identification number
98-6999998
- B** Partnership's name, address, city, state, and ZIP code

Example LLC (MTM GAIN)
Any Street
Houston, TX 77001
- C** IRS Center where partnership filed return
Ogden, UT
- D** ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

- E** Partner's identifying number
177-77-7777
- F** Partner's name, address, city, state, and ZIP code

Member #2
Any Street
Houston, TX 77001
- G** ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member
- H** ☒ Domestic partner ☐ Foreign partner
- I1** What type of entity is this partner? (see instr) Individual
- I2** If this partner is a retirement plan (IRA/SEP/Keogh/etc), check here (see instructions). ☐
- J** Partner's share of profit, loss, and capital (see instructions):
- | | Beginning | Ending |
|---------|-----------|--------|
| Profit | % | 50 % |
| Loss | % | 50 % |
| Capital | % | 50 % |
- K** Partner's share of liabilities at year end:
- Nonrecourse \$
- Qualified nonrecourse financing \$
- Recourse \$
- L** Partner's capital account analysis:
- Beginning capital account \$ 0.
- Capital contributed during the year \$ 44,135.
- Current year increase (decrease) \$ -366.
- Withdrawals and distributions \$
- Ending capital account \$ 43,769.
- ☒ Tax basis ☐ GAAP ☐ Section 704(b) book
- ☐ Other (explain)
- M** Did the partner contribute property with a built-in gain or loss?
- ☐ Yes ☒ No
- If 'Yes', attach statement (see instructions)

☐ Final K-1☐ Amended K-1651112
OMB No. 1545-0099Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	-2,068.		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	79.		
6a	Ordinary dividends		
	37.		
6b	Qualified dividends		
	37.		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
	1,586.		
12	Section 179 deduction	19	Distributions
13	Other deductions		
		20	Other information
		A	116.
14	Self-employment earnings (loss)		

*See attached statement for additional information.

FOR
IRS
USE
ONLY

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

OMB No. 1545-0184

2012Attachment
Sequence No. **27**

Name(s) shown on return

Identifying number

Example LLC (MTM GAIN)

98-6999998

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 3,985,956.**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):

IB - Trading account (See Attached)					
	Various	Various	3,985,956.	3,726,590.	259,366.

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	17 259,366.
18	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:	
a	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from 'Form 4797, line 18a.' See instructions	18a
b	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14	18b

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

Form **6781****Gains and Losses From Section 1256
Contracts and Straddles**

OMB No. 1545-0644

2012Department of the Treasury
Internal Revenue Service► Information about Form 6781 and its instructions is at www.irs.gov/form6781
► Attach to your tax return.Attachment
Sequence No. **82**

Name(s) shown on tax return

Identifying number

Example LLC (MTM GAIN)

98-6999998

Check all applicable boxes (see instructions).

A☐

Mixed straddle election

C☐

Mixed straddle account election

B☐

Straddle-by-straddle identification election

D☐

Net section 1256 contracts loss election

Part I Section 1256 Contracts Marked to Market

1	(a) Identification of account	(b) (Loss)	(c) Gain
IB - Trading account - Futures			3,172.
2	Add the amounts on line 1 in columns (b) and (c).	2	3,172.
3	Net gain or (loss). Combine line 2, columns (b) and (c).	3	3,172.
4	Form 1099-B adjustments. See instructions and attach statement.	4	
5	Combine lines 3 and 4.	5	3,172.
Note: If line 5 shows a net gain, skip line 6 and enter the gain on line 7. Partnerships and S corporations, see instructions.			
6	If you have a net section 1256 contracts loss and checked box D above, enter the amount of loss to be carried back. Enter the loss as a positive number.	6	
7	Combine lines 5 and 6.	7	
8	Short-term capital gain or (loss). Multiply line 7 by 40% (.40). Enter here and include on the appropriate line of Schedule D (see instructions).	8	
9	Long-term capital gain or (loss). Multiply line 7 by 60% (.60). Enter here and include on the appropriate line of Schedule D (see instructions).	9	

Part II Gains and Losses From Straddles. Attach a separate statement listing each straddle and its components.**Section A – Losses From Straddles**

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Loss. If column (e) is more than (d), enter difference. Otherwise, enter -0-	(g) Unrecognized gain on offsetting positions	(h) Recognized loss. If column (f) is more than (g), enter difference. Otherwise, enter -0-
10							
11 a Enter the short-term portion of losses from line 10, column (h), here and include on the appropriate line of Schedule D (see instructions).							11 a
b Enter the long-term portion of losses from line 10, column (h), here and include on the appropriate line of Schedule D (see instructions).							11 b

Section B – Gains From Straddles

(a) Description of property	(b) Date entered into or acquired	(c) Date closed out or sold	(d) Gross sales price	(e) Cost or other basis plus expense of sale	(f) Gain. If column (d) is more than (e), enter difference. Otherwise, enter -0-
12					
13 a Enter the short-term portion of gains from line 12, column (f), here and include on the appropriate line of Schedule D (see instructions).					13 a
b Enter the long-term portion of gains from line 12, column (f), here and include on the appropriate line of Schedule D (see instructions).					13 b

Part III Unrecognized Gains From Positions Held on Last Day of Tax Year. Memo Entry Only (see instructions)

(a) Description of property	(b) Date acquired	(c) Fair market value on last business day of tax year	(d) Cost or other basis is adjusted	(e) Unrecognized gain. If column (c) is more than (d), enter difference. Otherwise, enter -0-
14				

Client EX1-LLC

Example LLC (MTM GAIN)

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Statement 1
Form 1065, Line 20
Other Deductions

Administration Fee.....	\$	260,310.
Domain name registration fee.....		103.
Trader tax and accounting.....		1,250.
Trading bank charges.....		148.
Trading communication.....		312.
Trading fees.....		3.
Trading internet & cable services.....		412.
Trading market information services.....		444.
Trading postage.....		1.
Trading reference books.....		106.
Trading repairs and maintenance.....		50.
Trading subscriptions.....		349.
Trading supplies.....		13.
Total	\$	<u>263,501.</u>

Statement 2
Form 1065, Schedule K, Line 11
Other Income (Loss)

Form 6781, Part I.....	\$	3,172.
Total	\$	<u>3,172.</u>

Statement 3
Form 1065, Schedule L, Line 6
Other Current Assets

	<u>Beginning</u>	<u>Ending</u>
.....	\$ 0.	\$ 4,174.
Total	<u>\$ 0.</u>	<u>\$ 4,174.</u>

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Example LLC (MTM GAIN)

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Note to Form 1065, Form 4797-Part II and Form 6781 in connection with taxpayer's business activity: "trader in securities and commodities"

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

Taxpayer operated a trading business, in accordance with the definition below, from May 16, 2012 to December 31, 2012. Considerable time spent every trading day, consistent and frequent number of trades, and trading proceeds all support taxpayer's rising to the level of conducting this activity as a business.

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

Special Rules for Traders in Securities.

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

"Special rules apply if you are a trader in securities in the business of buying and selling securities for your own account. To be engaged in business as a trader in securities, you must meet all the following conditions. (Taxpayer met all the following conditions for 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, and thus had a high turnover).

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

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

Note.

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

How To Report.

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

Mark-to-market election made. (This new taxpayer internally elected mark-to-market accounting for 2012 for securities only, not commodities).

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

Expenses.

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

Self-employment tax.

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

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

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

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

Section 5.03(2)

New taxpayers.

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

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

For more information on this election, see Revenue Procedure 99-17, 1999-1 C.B. and

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Example LLC (MTM GAIN)

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sections 475(f).

TAXPAYER ALSO QUALIFIES AS A "TRADER IN COMMODITIES"

IRC Code Section: § 475 "Mark to market accounting method for dealers in securities", has Section 475(f) - "Election of mark to market for traders in securities or commodities": 475(f)(1) is for "trades in securities"; and Section 475(f)(2) is for "traders in commodities."

IRS Revenue Procedure 99-17 - "Mark to market accounting method for dealers in securities - election for traders and dealers", applies to both traders in securities and/or commodities. Rev.Proc. 99-17 reads as follows: "Headnote - IRS has provided exclusive procedure for dealers in commodities and traders in commodities and securities to elect to use mark-to-market accounting method."

Taxpayer elected mark-to-market (MTM) accounting for securities trading only (not commodities).

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

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

"Pursuant to IRC Section 475(f)(1), the Taxpayer hereby elects to adopt the mark-to-market method of accounting for the tax year ended Dec. 31, 2012 and subsequent tax years. The election applies to the following trade or business: Trader in Securities as a Limited Liability Company."

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General Information

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Forms needed for this return

Federal: 1065, Sch B-1, Sch K-1, 4797, 6781

Carryovers to 2013

None

Demo

2012

Schedule K-1 Allocation Summary

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Ptr# Name

1 Member #1
2 Member #2

Line	Item	Total on Schedule K	Partner 1	Partner 2
----	-----	-----	-----	-----
L	Profit Sharing Alloc. Percentage		50.000000	50.000000
L	Loss Sharing Alloc. Percentage		50.000000	50.000000
1	Ordinary business income (loss)	-4,135.	-2,067.	-2,068.
5	Interest income	158.	79.	79.
6a	Ordinary dividends	74.	37.	37.
6b	Qualified dividends	74.	37.	37.
11	Other income (loss)	3,172.	1,586.	1,586.
20	Investment income	232.	116.	116.

Demo

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Partners' Allocation Percentages

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Partner Number	Partner Name	Partner Identification Number	Partner Percentage of Profit Sharing	Partner Percentage of Loss Sharing	Partner Percentage of Ownership of Capital
1	Member #1	188-88-8888	50.000000	50.000000	50.000000
2	Member #2	177-77-7777	50.000000	50.000000	50.000000
		Totals	<u>100.000000</u>	<u>100.000000</u>	<u>100.000000</u>
Demo					
PTPL0401L 06/01/12					

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Capital Account Reconciliation

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FEDERAL ANALYSIS OF PARTNERS' CAPITAL ACCOUNTS

Partner Number	Partner Name	Beginning Capital Account	Capital Contributed during the year	Partner's share of lines 3, 4, and 7 Fm 1065, Sch. M-2	Withdrawals and Distributions	Ending Capital Account
1	Member #1		44,134.	-365.		43,769.
2	Member #2		44,135.	-366.		43,769.
	Totals		88,269.	-731.		87,538.

Demo

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2012 Federal Depreciation Schedule

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179 Bonus	Special Depr. Allow.	Prior 179/ Bonus/ Sp. Depr.	Prior Dec. Bal. Depr.	Salvage /Basis Reductn	Depr. Basis	Prior Depr.	Method	Life	Rate	Current Depr.
Form 1065																
Amortization																
1	Start up cost	5/16/11		1,140						1,140	0		S/L			0
	Total Amortization			1,140		0	0	0	0	1,140	0	0				0
	Total Depreciation			0		0	0	0	0	0	0	0				0
	Grand Total Amortization			1,140		0	0	0	0	1,140	0	0				0
	Grand Total Depreciation			0		0	0	0	0	0	0	0				0

Demo