

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

98-9999998

2/11/13

11:17AM

Member One SMLLC.

TX LLC with an S-Corp election. The Texas margins tax does not kick in until he has trading gains of \$300,000 or more. The new tax rate is now 1%. Learn more here [www.window.state.tx.us/taxinfo/franchise/](http://www.window.state.tx.us/taxinfo/franchise/)

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 on May 16, 2012 for securities only. No 3115 or 481 since first-time filer.

Taxpayer wanted to maximize the 401(k) contribution for 2012, so a salary of \$132,000 was required for this.

Also, by using a W-2 in the S-Corp, the taxpayer is able to pay in withholdings to avoid estimated tax penalties on the trading gains.

A successful trader under the age of 50 who wants to max out his/her 401(k) plan for 2012 for his/her 100% S- or C-corporation or an LLC taxed as a corporation, needs a W-2 salary of \$132,000 paid to him/her from the entity. \$17,000 of salary deferrals (taxable W-2 earnings - box 1 of W-2) would reduced the salary from \$132,000 to \$115,000 (assuming the employee salary deferral is to a traditional 401(k)) + \$33,000 profit sharing contribution (25% X \$132,000) = \$50,000 total 401(k) contribution.

Formula to determine compensation needed to max out 401(k) for 2012 is ([max overall contribution allowed for year to 401(k) less the salary deferral contribution] / 25%)

Example:  $(\$49,000 - \$17,000) / 25\% = \$132,000$  of compensation needed to max out 401(k) for 2012.

**2012**

## **Federal Filing Instructions**

**Client EX2SCORP**

**Example S-Corp, LLC (MTM GAIN)**

**98-9999998**

2/11/13

11:17AM

**FORM TO FILE:**

Form 1120S - 2012 U.S. S Corporation Income Tax Return

**SIGNATURE:**

Sign and date Form 1120S.

**PAYMENT:**

No payment is required.

**WHEN TO FILE:**

On or before March 15, 2013.

**WHERE TO FILE:**

Department of the Treasury  
Internal Revenue Service Center  
Ogden, UT 84201-0013

**Demo**

**OTHER INSTRUCTIONS:**

You must distribute a copy of the 2012 Schedule K-1 to each shareholder. Be sure to give each shareholder a copy of the Shareholder's Instructions for Schedule K-1 (Form 1120S).

For calendar year 2012 or tax year beginning 5/16, 2012, ending 12/31, 2012

<b>A</b> S election effective date 5/16/2012	<b>TYPE OR PRINT</b>	Example S-Corp, LLC (MTM GAIN) Any Street Houston, TX 77001	<b>D</b> Employer identification number 98-9999998
<b>B</b> Business activity code number (see instrs) 523110			<b>E</b> Date incorporated 5/16/2012
<b>C</b> Check if Schedule M-3 attached <input type="checkbox"/>			<b>F</b> Total assets (see instructions) \$ 136,162.

**G** Is the corporation electing to be an S corporation beginning with this tax year? ☒ Yes ☐ No If 'Yes,' attach Form 2553 if not already filed

**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change  
(4) ☐ Amended return (5) ☐ S election termination or revocation

**I** Enter the number of shareholders who were shareholders during any part of the tax year: 1

**Caution.** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

INCOME	<b>1 a</b> Gross receipts or sales	<b>1 a</b>	
	<b>b</b> Returns and allowances	<b>1 b</b>	
	<b>c</b> Balance. Subtract line 1b from line 1a	<b>1 c</b>	
	<b>2</b> Cost of goods sold (attach Form 1125-A)	<b>2</b>	
	<b>3</b> Gross profit. Subtract line 2 from line 1c	<b>3</b>	
	<b>4</b> Net gain (loss) from Form 4797, line 17 (attach Form 4797)	<b>4</b>	259,366.
<b>5</b> Other income (loss) (see instrs — att statement)	<b>5</b>		
<b>6</b> Total income (loss). Add lines 3 through 5	<b>6</b>	259,366.	
DEDUCTIONS SEE INSTRS	<b>7</b> Compensation of officers	<b>7</b>	132,000.
	<b>8</b> Salaries and wages (less employment credits)	<b>8</b>	
	<b>9</b> Repairs and maintenance	<b>9</b>	
	<b>10</b> Bad debts	<b>10</b>	
	<b>11</b> Rents	<b>11</b>	
	<b>12</b> Taxes and licenses	<b>12</b>	8,507.
	<b>13</b> Interest	<b>13</b>	
	<b>14</b> Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562)	<b>14</b>	
	<b>15</b> Depletion (Do not deduct oil and gas depletion.)	<b>15</b>	
	<b>16</b> Advertising	<b>16</b>	
	<b>17</b> Pension, profit-sharing, etc, plans	<b>17</b>	
<b>18</b> Employee benefit programs	<b>18</b>	33,000.	
<b>19</b> Other deductions (attach statement)	<b>19</b>	4,331.	
<b>20</b> Total deductions. Add lines 7 through 19	<b>20</b>	177,838.	
<b>21</b> Ordinary business income (loss). Subtract line 20 from line 6	<b>21</b>	81,528.	
TAX AND PAYMENTS	<b>22 a</b> Excess net passive income or LIFO recapture tax (see instructions)	<b>22 a</b>	
	<b>b</b> Tax from Schedule D (Form 1120S)	<b>22 b</b>	
	<b>c</b> Add lines 22a and 22b (see instructions for additional taxes)	<b>22 c</b>	
	<b>23 a</b> 2012 estimated tax payments and 2011 overpayment credited to 2012	<b>23 a</b>	
	<b>b</b> Tax deposited with Form 7004	<b>23 b</b>	
	<b>c</b> Credit for federal tax paid on fuels (attach Form 4136)	<b>23 c</b>	
	<b>d</b> Add lines 23a through 23c	<b>23 d</b>	
	<b>24</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached	<b>24</b>	
	<b>25</b> Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed	<b>25</b>	0.
	<b>26</b> Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	<b>26</b>	
<b>27</b> Enter amount from line 26 Credited to 2013 estimated tax	<b>27</b>	Refunded	

**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 taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer \_\_\_\_\_ Date \_\_\_\_\_ Title **President**

May the IRS discuss this return with the preparer shown below (see instructions)? ☒ Yes ☐ No

<b>Paid Preparer Use Only</b>	Print/Type preparer's name <b>z Examples</b>	Preparer's signature <b>z Examples</b>	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶ <b>Green NFH, LLC</b>	Firm's EIN ▶ <b>45-4365561</b>			
	Firm's address ▶ <b>PO Box 1198 Robertsdale, AL 36567</b>	Phone no. <b>(888) 558-5257</b>			

Schedule B Other Information (see instructions)					Yes	No
1 Check accounting method: a <input type="checkbox"/> Cash b <input type="checkbox"/> Accrual c <input checked="" type="checkbox"/> Other (specify) ▶ Sec 475(f)(1)						
2 See the instructions and enter the: a Business activity ▶ Trading b Product or service... ▶ Sec/Comm						
3 At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person?						X
4a At the end of the tax year, did the corporation: Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If 'Yes,' complete (i) through (v) below.						X
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made		
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 % Owned in Profit, Loss, or Capital		
5a At the end of the tax year, did the corporation have any outstanding shares of restricted stock? If 'Yes,' complete lines (i) and (ii) below.						X
(i) Total shares of restricted stock						
(ii) Total shares of non-restricted stock						
b At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? If 'Yes,' complete lines (i) and (ii) below.						X
(i) Total shares of stock outstanding at the end of the tax year						
(ii) Total shares of stock outstanding if all instruments were executed						
6 Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?						X
7 Check this box if the corporation issued publicly offered debt instruments with original issue discount. If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.						
8 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions).						
9 Enter the accumulated earnings and profits of the corporation at the end of the tax year.						
10 Does the corporation satisfy both of the following conditions?						
a The corporation's total receipts (see instructions) for the tax year were less than \$250,000						
b The corporation's total assets at the end of the tax year were less than \$250,000. If 'Yes,' the corporation is not required to complete Schedules L and M-1.						X
11 During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If 'Yes,' enter the amount of principal reduction						X
12 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes,' see instructions.						X
13a Did the corporation make any payments in 2012 that would require it to file Form(s) 1099?						X
b If 'Yes,' did the corporation file or will it file required Forms 1099?						

Form 1120S (2012)

Schedule K Shareholders' Pro Rata Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21).....	1	81,528.
	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 statement)..... 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a.....	3c	
	4 Interest income.....	4	158.
	5 Dividends: a Ordinary dividends.....	5a	74.
	b Qualified dividends..... 5b 74.		
	6 Royalties.....	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120S)).....	7	
8a Net long-term capital gain (loss) (attach Schedule D (Form 1120S)).....	8a		
	b Collectibles (28%) gain (loss)..... 8b		
	c Unrecaptured section 1250 gain (attach statement)..... 8c		
	9 Net section 1231 gain (loss) (attach Form 4797).....	9	
10 Other income (loss) (see instructions)..... Type ▶ See Statement 2	10	3,172.	
Deductions	11 Section 179 deduction (attach Form 4562).....	11	
	12a Charitable contributions.....	12a	
	b Investment interest expense.....	12b	
	c Section 59(e)(2) expenditures (1) Type ▶ (2) Amount ▶	12c (2)	
d Other deductions (see instructions)..... Type ▶	12d		
Credits	13a Low-income housing credit (section 42(j)(5)).....	13a	
	b Low-income housing credit (other).....	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468).....	13c	
	d Other rental real estate credits (see instrs) Type ▶	13d	
	e Other rental credits (see instrs) Type ▶	13e	
	f Alcohol and cellulosic biofuel fuels credit (attach Form 6478).....	13f	
	g Other credits (see instructions)..... Type ▶	13g	
Foreign Transactions	14a Name of country or U.S. possession..... ▶		
	b Gross income from all sources.....	14b	
	c Gross income sourced at shareholder level.....	14c	
	Foreign gross income sourced at corporate level.....		
	d Passive category.....	14d	
	e General category.....	14e	
	f Other (attach statement).....	14f	
	Deductions allocated and apportioned at shareholder level.....		
	g Interest expense.....	14g	
	h Other.....	14h	
	Deductions allocated and apportioned at corporate level to foreign source income.....		
	i Passive category.....	14i	
	j General category.....	14j	
	k Other (attach statement).....	14k	
Other information.....			
l Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued.....	14l		
m Reduction in taxes available for credit (attach statement).....	14m		
n Other foreign tax information (attach statement).....			
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment.....	15a	
	b Adjusted gain or loss.....	15b	
	c Depletion (other than oil and gas).....	15c	
	d Oil, gas, and geothermal properties — gross income.....	15d	
	e Oil, gas, and geothermal properties — deductions.....	15e	
	f Other AMT items (attach statement).....	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income.....	16a	
	b Other tax-exempt income.....	16b	
	c Nondeductible expenses.....	16c	
	d Distributions (attach stmt if required) (see instrs).....	16d	33,006.
	e Repayment of loans from shareholders.....	16e	

<b>Schedule K Shareholders' Pro Rata Share Items</b> (continued)		<b>Total amount</b>	
<b>Other Information</b>	<b>17 a</b> Investment income .....	<b>17 a</b>	232.
	<b>b</b> Investment expenses .....	<b>17 b</b>	
	<b>c</b> Dividend distributions paid from accumulated earnings and profits .....	<b>17 c</b>	
	<b>d</b> Other items and amounts (attach statement) .....		
<b>Reconciliation</b>	<b>18 Income/loss reconciliation.</b> Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14i .....	<b>18</b>	84,932.

<b>Schedule L Balance Sheets per Books</b>		<b>Beginning of tax year</b>		<b>End of tax year</b>	
<b>Assets</b>		<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
1	Cash .....				131,988.
2 a	Trade notes and accounts receivable .....				
b	Less allowance for bad debts .....				
3	Inventories .....				
4	U.S. government obligations .....				
5	Tax-exempt securities (see instructions) ....				
6	Other current assets (attach stmt) .... See St. 3.				4,174.
7	Loans to shareholders .....				
8	Mortgage and real estate loans .....				
9	Other investments (attach statement) .....				
10 a	Buildings and other depreciable assets .....				
b	Less accumulated depreciation .....				
11 a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....				
13 a	Intangible assets (amortizable only) .....			1,140.	
b	Less accumulated amortization .....			1,140.	
14	Other assets (attach stmt) .....				
15	Total assets .....		0.		136,162.
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable .....				
17	Mortgages, notes, bonds payable in less than 1 year ....				
18	Other current liabilities (attach stmt) .....				
19	Loans from shareholders .....				4,236.
20	Mortgages, notes, bonds payable in 1 year or more .....				
21	Other liabilities (attach statement) .....				
22	Capital stock .....				
23	Additional paid-in capital .....				80,000.
24	Retained earnings .....				51,926.
25	Adjustments to shareholders' equity (att stmt) .....				
26	Less cost of treasury stock .....				
27	Total liabilities and shareholders' equity .....		0.		136,162.

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return****Note.** Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more — see instructions

1	Net income (loss) per books.....	84,932.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest. \$ .....	
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):	
a	Depreciation. .... \$ .....		a	Depreciation ... \$ .....	
b	Travel and entertainment. \$ .....		7	Add lines 5 and 6.....	0.
4	Add lines 1 through 3.....	84,932.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7...	84,932.

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed** (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1	Balance at beginning of tax year.....	0.	
2	Ordinary income from page 1, line 21.....	81,528.	
3	Other additions..... See Statement 4.....	3,404.	
4	Loss from page 1, line 21.....		
5	Other reductions.....		
6	Combine lines 1 through 5.....	84,932.	
7	Distributions other than dividend distributions.....	33,006.	
8	Balance at end of tax year. Subtract line 7 from line 6.....	51,926.	

Demo

**Schedule K-1**  
**(Form 1120S)**

Department of the Treasury  
Internal Revenue Service

**2012**

For calendar year 2012, or tax

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

☐ Final K-1

☐ Amended K-1

671112  
OMB No. 1545-0130

**Shareholder's Share of Income, Deductions, Credits, etc** ▶ See page 2 of form and separate instructions.

<b>Part I Information About the Corporation</b>	
<b>A</b>	Corporation's employer identification number 98-9999998
<b>B</b>	Corporation's name, address, city, state, and ZIP code Example S-Corp, LLC (MTM GAIN) Any Street Houston, TX 77001
<b>C</b>	IRS Center where corporation filed return Ogden, UT
<b>Part II Information About the Shareholder</b>	
<b>D</b>	Shareholder's identifying number 998-89-8888
<b>E</b>	Shareholder's name, address, city, state, and ZIP code S-Corp Member One Any Street Houston, TX 77001
<b>F</b>	Shareholder's percentage of stock ownership for tax year. .... 100 %
FOR IRS USE ONLY	

<b>Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items</b>			
<b>1</b>	Ordinary business income (loss)	<b>13</b>	Credits
	81,528.		
<b>2</b>	Net rental real estate income (loss)		
<b>3</b>	Other net rental income (loss)		
<b>4</b>	Interest income		
	158.		
<b>5a</b>	Ordinary dividends		
	74.		
<b>5b</b>	Qualified dividends	<b>14</b>	Foreign transactions
	74.		
<b>6</b>	Royalties		
<b>7</b>	Net short-term capital gain (loss)		
<b>8a</b>	Net long-term capital gain (loss)		
<b>8b</b>	Collectibles (28%) gain (loss)		
<b>8c</b>	Unrecaptured section 1250 gain		
<b>9</b>	Net section 1231 gain (loss)		
<b>10</b>	Other income (loss)	<b>15</b>	Alternative minimum tax (AMT) items
<b>C</b>	3,172.		
<b>11</b>	Section 179 deduction	<b>16</b>	Items affecting shareholder basis
		<b>D</b>	33,006.
<b>12</b>	Other deductions		
		<b>17</b>	Other information
		<b>A</b>	232.
*See attached statement for additional information.			

**BAA For Paperwork Reduction Act Notice, see Instructions for Form 1120S.**

IRS.gov/form1120s

Schedule **K-1** (Form 1120S) 2012

Shareholder 1



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

**2012**Attachment  
Sequence No. **179**

Name(s) shown on return

Example S-Corp, LLC (MTM GAIN)

Business or activity to which this form relates

Form 1120S

Identifying number

98-9999998

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

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) .....	14	
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. ....		

**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	
				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	
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs .....	23	

**BAA For Paperwork Reduction Act Notice, see separate instructions.**

FDIZ0812L 08/19/12

Form **4562** (2012)

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

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

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

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

**Section B – Information on Use of Vehicles**

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

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

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

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

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

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

**Part VI Amortization**

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

► Information about Form 4797 and its separate instructions is at [www.irs.gov/form4797](http://www.irs.gov/form4797).

Name(s) shown on return

Identifying number	
--------------------	--

Example S-Corp, LLC (MTM GAIN)

98-9999998

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.
---	--	---	------------

<b>Part I</b>	<b>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</b> (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
	<b>Partnerships (except electing large partnerships) and S corporations.</b> 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.						
	<b>Individuals, partners, S corporation shareholders, and all others.</b> 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

<b>Part II</b>	<b>Ordinary Gains and Losses</b> (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

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

Name(s) shown on tax return

Identifying number

Example S-Corp, LLC (MTM GAIN)

98-9999998

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.
<b>Note:</b> 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	<b>Short-term capital gain or (loss).</b> Multiply line 7 by 40% (.40). Enter here and include on the appropriate line of Schedule D (see instructions).....	8	
9	<b>Long-term capital gain or (loss).</b> 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 EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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**Statement 1**  
**Form 1120S, Line 19**  
**Other Deductions**

Domain name registration fee.....	\$	103.
Start-up Costs.....		1,140.
Trader tax and accounting.....		1,250.
Trading bank charges.....		148.
Trading communications.....		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>4,331.</u>

**Statement 2**  
**Form 1120S, Schedule K, Line 10**  
**Other Income (loss)**

Form 6781, Part I, Section 1256 Contracts.....	\$	3,172.
Total	\$	<u>3,172.</u>

**Statement 3**  
**Form 1120S, Schedule L, Line 6**  
**Other Current Assets**

	<u>Beginning</u>	<u>Ending</u>
IB - trading assets - MTM accounting.....	\$ 0.	\$ 4,174.
Total	<u>\$ 0.</u>	<u>\$ 4,174.</u>

**Statement 4**  
**Form 1120S, Schedule M-2, Column A, Line 3**  
**Other Additions**

Interest Income.....	\$	158.
Ordinary Dividends.....		74.
Other Income.....		3,172.
Total	\$	<u>3,404.</u>

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Example S-Corp, LLC (MTM GAIN)

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Note to Form 1120S, Form 4797, Part II and Form 6781 in connection with the corporate trading business activity: "trader in securities and commodities"

Taxpayer operated a trading business, in accordance with the definition below, from May through December of 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.

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 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 its 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 1120S). 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 securities only 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

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Example S-Corp, LLC (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 Form 1120S, U.S. Return for an S Corporation, 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 trading business expenses on Form 1120S as trader in securities & commodities business corporation).

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

If you are not required to file a 2011 income tax return, you make the election by placing the above statement in your books and records no later no later than 2 months and 15 days after the first day of the election year. 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 S-corp. The S-corp elected mark-to-market accounting under section 475(f) for securities only for tax year 2012 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 Form 1120S company's return).

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

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

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Example S-Corp, LLC (MTM GAIN)

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

=====

#### SUMMARY

Taxpayer qualifies as a trader in securities & commodities for 2012 and duly elected mark-to-market accounting for securities only on time for tax year 2012. Taxpayer's trading business expenses are reported page 1 of Form 1120S and trading gains and losses are reported on Form 4797 Part II - Ordinary gain or loss. Taxpayer's commodities trading gains and losses are reported on Form 6781 (since no MTM on commodities). Taxpayer is not subject to wash sale loss deferral rules on this trading activity.

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).

=====

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

-----

This election was placed on the Corporations books on 5/16/2012.

"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 (not commodities)".

=====





2012

## Schedule of S Corporation Officers

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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Officer Name.....S-Corp Member One  
Title.....President  
Address.....Any Street  
City, State, Zip.....Houston, TX 77001  
Social Security Number.....998-89-8888  
Time Devoted to Business.....100  
Compensation.....\$132,000.

Demo

2012

Schedule of S Corporation Directors

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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Director Name.....S-Corp Member One  
Address.....Any Street  
City, State, Zip.....Houston, TX 77001  
Social Security Number.....998-89-8888  
Compensation.....\$132,000.

Demo

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## 2012 Federal Depreciation Schedule

Page 1

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Example S-Corp, LLC (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.
Form 1120S																
Amortization																
1	Start Up Cost	5/16/12		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

2012

## Texas Worksheets

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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**Texas Franchise Tax  
Wages and Cash Compensation**

S-Corp Member One (Limited to \$330K).....	132,000.
Net distributive income (See NDI worksheet).....	84,932.
Total wages and cash compensation from reporting entity	<u>216,932.</u>
Total wages and cash compensation	<u><u>216,932.</u></u>

**Texas Franchise Tax  
Net Distributable Income Worksheet**

S-Corp Member One (Limits applied to total comp).....	84,932.
Total	<u><u>84,932.</u></u>

**Texas Franchise Tax  
Employee Benefits**

Employee benefit programs.....	33,000.
Total employee benefits from reporting entity	<u>33,000.</u>
Total employee benefits	<u><u>33,000.</u></u>

Demo