

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

98-9999998

2/19/12

01:29PM

EX2SCORP

Full-year TX resident.

This example relates directly to EX2SCORP.

All trading took place in the S-corporation and a K-1 was issued for this activity. Since there was no trading on the individual tax return, no trading footnotes are required.

Taxpayer had gains in 2011 which are reported on Form 4797, Part II (From his S-Corp). The taxpayer received a W-2 and K-1 from the S-Corporation.

Taxpayer wanted to maximize the 401K contribution for 2011, so a salary of \$130,000 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.

For a taxpayer, under the age of 50, that is a successful trader and wants to max out his/her 401(k) plan for 2011 for his/her 100% S or C corporation or an LLC taxed as a corporation, then a W-2 salary of \$130,000 needs to be paid to him/her from the entity. \$16,500 of salary deferrals (Taxable W-2 earnings (box 1 of W-2) would be reduced from \$130,000 to \$102,000 assuming the employee salary deferral is to a traditional 401(k)) + \$32,500 profit sharing contribution (25% X \$130,000) = \$49,000 Total 401k contribution.

Formula to determine compensation needed to max out 401(k) for 2009 is ([max overall contribution allowed for year to 401(k) less the salary deferral contribution]) / 25%.

Example: $([49,000 - \$16,500]) / 25\%$
= \$130,000 of compensation needed to max out 401(k) for 2011.

Form 1120S <small>Department of the Treasury Internal Revenue Service</small>		U.S. Income Tax Return for an S Corporation ▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. ▶ See separate instructions.		OMB No. 1545-0130 <div style="font-size: 2em; font-weight: bold;">2011</div>	
For calendar year 2011 or tax year beginning <u>5/16</u> , 2011, ending <u>12/31</u> , 2011					
A S election effective date <u>5/16/2011</u>	TYPE OR PRINT	Example S-Corp, LLC (MTM GAIN) Any Street Houston, TX 77001	D Employer identification number <u>98-9999998</u>	E Date incorporated <u>5/16/2011</u>	
B Business activity code number (see instrs) <u>523110</u>			F Total assets (see instructions) \$ <u>136,162.</u>		
C Check if Sch M-3 attached <input type="checkbox"/>					
G Is the corporation electing to be an S corporation beginning with this tax year? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If 'Yes,' attach Form 2553 if not previously filed					
H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination or revocation					
I Enter the number of shareholders who were shareholders during any part of the tax year <u>1</u>					
Caution. Include <i>only</i> trade or business income and expenses on lines 1a through 21. See the instructions for more information.					
I N C O M E	1a Merchant card and third-party payments. For 2011, enter -0-.....		1a	<u>0.</u>	
	b Gross receipts or sales not reported on line 1a (see instructions).....		1b		
	c Total. Add lines 1a and 1b.....		1c		
	d Returns and allowances plus any other adjustments (see instructions).....		1d		
	e Subtract line 1d from line 1c.....		1e		
	2 Cost of goods sold (attach Form 1125-A).....		2		
	3 Gross profit. Subtract line 2 from line 1e.....		3		
D E D U C T I O N S S E E I N S T R U C T I O N S	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797).....		4	<u>259,366.</u>	
	5 Other income (loss) (see instrs — att statement).....		5		
	6 Total income (loss). Add lines 3 through 5..... ▶		6	<u>259,366.</u>	
	7 Compensation of officers.....		7	<u>130,000.</u>	
	8 Salaries and wages (less employment credits).....		8		
	9 Repairs and maintenance.....		9		
	10 Bad debts.....		10		
	11 Rents.....		11		
	12 Taxes and licenses.....		12	<u>8,507.</u>	
	13 Interest.....		13		
T A X A N D P A Y M E N T S	14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562).....		14		
	15 Depletion (Do not deduct oil and gas depletion.).....		15		
	16 Advertising.....		16		
	17 Pension, profit-sharing, etc. plans.....		17		
	18 Employee benefit programs.....		18	<u>32,500.</u>	
	19 Other deductions (attach statement)..... See Statement 1		19	<u>4,331.</u>	
	20 Total deductions. Add lines 7 through 19..... ▶		20	<u>175,338.</u>	
	21 Ordinary business income (loss). Subtract line 20 from line 6.....		21	<u>84,028.</u>	
	22a Excess net passive income or LIFO recapture tax (see instructions).....		22a		
	b Tax from Schedule D (Form 1120S).....		22b		
c Add lines 22a and 22b (see instructions for additional taxes).....		22c			
T A X A N D P A Y M E N T S	23a 2011 estimated tax payments and 2010 overpayment credited to 2011.....		23a		
	b Tax deposited with Form 7004.....		23b		
	c Credit for federal tax paid on fuels (attach Form 4136).....		23c		
	d Add lines 23a through 23c.....		23d		
	24 Estimated tax penalty (see instructions). Check if Form 2220 is attached. ▶ <input type="checkbox"/>		24		
	25 Amount owed. If line 23d is smaller than the total of lines 22c and 24, enter amount owed.		25	<u>0.</u>	
	26 Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid.....		26		
	27 Enter amount from line 26 Credited to 2012 estimated tax Refunded		27		

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.		May the IRS discuss this return with the preparer shown below (see instructions)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	Signature of officer <u>z WebGuideExamples</u>	Date _____	Title <u>President</u>	
Paid Preparer Use Only	Print/Type preparer's name <u>z WebGuideExamples</u>		Preparer's signature <u>z WebGuideExamples</u>	
	Firm's name ▶ <u>Green & Company CPAs, LLC</u>		Date _____	
	Firm's address ▶ <u>54 Danbury Rd., #351</u> <u>Ridgefield, CT 06877</u>		Check <input type="checkbox"/> if self-employed PTIN <u>P00987654</u>	
		Firm's EIN ▶ <u>20-0751653</u>		
		Phone no. <u>877-662-2014</u>		

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 the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name and employer identification number (EIN), (b) percentage owned, and (c) if 100% owned, was a qualified subchapter S subsidiary election made?		X
4	Has this corporation filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		X
5	Check this box if the corporation issued publicly offered debt instruments with original issue discount. <input type="checkbox"/> If checked, the corporation may have to file Form 8281, Information Return for Publicly Offered Original Issue Discount Instruments.		
6	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). ▶ \$		
7	Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$		
8	Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1.		X
9	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If 'Yes,' see instructions.		X
10a	Did the corporation make any payments in 2011 that would require it to file Form(s) 1099 (see instructions)?		X
b	If 'Yes,' did the corporation file or will it file all required Forms 1099?		

Schedule K Shareholders' Pro Rata Share Items		Total amount	
1	Ordinary business income (loss) (page 1, line 21)	1	84,028.
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.

Form 1120S (2011)

Shareholders' Pro Rata Share Items (continued)		Total amount	
Deductions	11 Section 179 deduction (<i>attach Form 4562</i>).....	11	
	12a Contributions.....	12a	
	b Investment interest expense.....	12b	
	c Section 59(e)(2) expenditures (1) Type ▶ (2) Amount. ▶	12c (2)	
	d Other deductions (<i>see instructions</i>)... 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) (<i>attach Form 3468</i>).....	13c	
	d Other rental real estate credits (<i>see instrs</i>) Type ▶	13d	
	e Other rental credits (<i>see instrs</i>) Type ▶	13e	
	f Alcohol and cellulosic biofuel fuels credit (<i>attach Form 6478</i>).....	13f	
	g Other credits (<i>see instructions</i>)..... 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..... <i>Foreign gross income sourced at corporate level</i>	14c	
	d Passive category.....	14d	
	e General category.....	14e	
	f Other (<i>attach statement</i>)..... <i>Deductions allocated and apportioned at shareholder level</i>	14f	
	g Interest expense.....	14g	
	h Other..... <i>Deductions allocated and apportioned at corporate level to foreign source income</i>	14h	
	i Passive category.....	14i	
	j General category.....	14j	
	k Other (<i>attach statement</i>)..... <i>Other information</i>	14k	
	l Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued.....	14l	
	m Reduction in taxes available for credit (<i>attach statement</i>).....	14m	
	n Other foreign tax information (<i>attach statement</i>)		
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 (<i>attach statement</i>).....	15f	
Items Affecting Shareholder Basis	16a Tax-exempt interest income.....	16a	
	b Other tax-exempt income.....	16b	
	c Nondeductible expenses.....	16c	
	d Distributions (<i>attach stmt if required</i>) (<i>see instrs</i>).....	16d	35,006.
	e Repayment of loans from shareholders.....	16e	
Other Information	17a Investment income.....	17a	232.
	b Investment expenses.....	17b	
	c Dividend distributions paid from accumulated earnings and profits.....	17c	
	d Other items and amounts (<i>attach statement</i>)		
Reconciliation	18 Income/loss reconciliation. 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 14l...	18	87,432.

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Form 1120S (2011)

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash				131,988.
2a	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)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation				
11a	Depletable assets				
b	Less accumulated depletion				
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)			1,140.	
b	Less accumulated amortization			1,140.	
14	Other assets (attach stmt)				
15	Total assets		0.		136,162.
Liabilities and Shareholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach stmt)				
19	Loans from shareholders				3,736.
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				52,426.
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	87,432.	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	87,432.	8	Income (loss) (Schedule K, ln 18). Ln 4 less ln 7 ...	87,432.

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	84,028.	
3	Other additions	3,404.	
4	Loss from page 1, line 21		
5	Other reductions		
6	Combine lines 1 through 5	87,432.	
7	Distributions other than dividend distributions	35,006.	
8	Balance at end of tax year. Subtract line 7 from line 6	52,426.	

Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2011

For calendar year 2011, or tax

year beginning 5/16, 2011
ending 12/31, 2011

☐ Final K-1

☐ Amended K-1

671111
OMB No. 1545-0130

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

Part I Information About the Corporation	
A	Corporation's employer identification number 98-9999998
B	Corporation's name, address, city, state, and ZIP code Example S-Corp, LLC (MTM GAIN) Any Street Houston, TX 77001
C	IRS Center where corporation filed return Ogden, UT
Part II Information About the Shareholder	
D	Shareholder's identifying number 998-89-8888
E	Shareholder's name, address, city, state, and ZIP code S-Corp Member One Any Street Houston, TX 77001
F	Shareholder's percentage of stock ownership for tax year..... 100 %
<div style="display: flex; align-items: center;"> <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; margin-right: 10px;">FOR IRS USE ONLY</div> <div style="flex-grow: 1;"></div> </div>	

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss) 84,028.	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income 158.		
5a	Ordinary dividends 74.		
5b	Qualified dividends 74.	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss) C 3,172.	15	Alternative minimum tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
		D	35,006.
12	Other deductions		
		17	Other information
		A	232.
*See attached statement for additional information.			

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

Schedule **K-1** (Form 1120S) 2011

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

2011Attachment
Sequence No. **179**

Name(s) shown on return

Example S-Corp, LLC (MTM GAIN)

Identifying number

98-9999998

Business or activity to which this form relates

Form 1120S

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 smaller of line 5 or line 8.	9	
10	Carryover of disallowed deduction from line 13 of your 2010 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 2012. 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 2011.	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 2011 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
19a 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 2011 Tax Year Using the Alternative Depreciation System

20a 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.

FDI0812L 05/20/11

Form **4562** (2011)

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

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

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

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

Section B – Information on Use of Vehicles

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

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

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

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

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners		
39 Do you treat all use of vehicles by employees as personal use?		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received?		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions.)		
Note: If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.		

Part VI Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2011 tax year (see instructions):					
Start Up Cost	5/16/11		195		
43 Amortization of costs that began before your 2011 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report					44

Form **4797**Department of the Treasury
Internal Revenue Service (99)**Sales of Business Property**
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

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

OMB No. 1545-0184

2011Attachment
Sequence No. **27**

Name(s) shown on return

Example S-Corp, LLC (MTM GAIN)

Identifying number

98-9999998

1 Enter the gross proceeds from sales or exchanges reported to you for 2011 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** (2011)

Form **6781**Department of the Treasury
Internal Revenue Service**Gains and Losses From Section 1256
Contracts and Straddles**► **Attach to your tax return.**

OMB No. 1545-0644

2011Attachment
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
B

Mixed straddle election

C
D

Mixed straddle account election

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 schedule.....	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 schedule 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							
11a	Enter the short-term portion of losses from line 10, column (h), here and include on the appropriate line of Schedule D (see instructions).....						11a
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).....						11b

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						
13a	Enter the short-term portion of gains from line 12, column (f), here and include on the appropriate line of Schedule D (see instructions).....					13a
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).....					13b

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 as adjusted	(e) Unrecognized gain. If column (c) is more than (d), enter difference. Otherwise, enter -0-
14				

BAA For Paperwork Reduction Act Notice, see separate instructions.

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Form **6781** (2011)

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

98-9999998

2/19/12

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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>

Client EX2SCORP

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 2011. 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 2011).

..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 2011).

If you made the mark-to-market election, you should report all gains and losses from trading as ordinary gains and losses in Part II of Form 4797, instead of as capital gains and losses on Schedule D. In that case, securities held at the end of the year

Client EX2SCORP

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 2010 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 2011 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 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 Form 1120S company's return).

Once you make the election, it will apply to 2011 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 2011 and duly elected mark-to-market accounting for securities only on time for tax year 2011. 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 5/16/2011.

"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, 2011 and subsequent tax years. The election applies to the following trade or business: Trader in Securities (not commodities)".

=====

2011

Federal Worksheets

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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Reconciliation of Retained Earnings
Form 1120S, Schedule L, Line 24

Beginning Retained Earnings, Sch. L, Line 24.....	0.
Net Income (Loss) Per Books (Sch. M-1, Line 1).....	87,432.
Distributions:	
Accumulated Adjustments Account.....	-35,006.
Ending Retained Earnings, Schedule L, Line 24.....	<u>52,426.</u>

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2011 Federal Summary Depreciation Schedule

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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No.	Description	Date Acquired	Date Sold	Cost/ Basis	Bus. Pct.	Cur 179/ SDA	Prior 179/ SDA/ Depr.	Method	Life	Current Depr.
Form 1120S										
Amortization										
1	Start Up Cost	5/16/11		1,140				S/L		0
	Total Amortization			1,140		0	0			0
	Total Depreciation			0		0	0			0
	Grand Total Amortization			1,140		0	0			0
	Grand Total Depreciation			0		0	0			0

Texas Franchise Tax No Tax Due Information Report

■ Tcode 13255 Annual

■ Taxpayer number	■ Report year	Due date	Privilege period covered by this report
989999998	2012	05/15/2012	01/01/2012 – 12/31/2012

Taxpayer name Example S-Corp, LLC (MTM GAIN)					Secretary of State file number or Comptroller file number	
Mailing address Any Street						
City Houston	State TX	Country United States	ZIP Code 77001	Plus 4	Check box if the address has changed	
Check box if this is a combined report			SIC code		NAICS code	
					523110	
Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions.*			Check box to request a Certificate of Account Status			
Check box if this is a Corporation or Limited Liability Company			Check box if this is an Entity other than a Corporation or Limited Liability Company			

*Note: Upper tiered partnerships do not qualify to use this form.

If any of the statements below are true, you qualify to file this No Tax Due Information Report:
(Check all boxes that apply)

1. This entity is a passive entity as defined in Chapter 171 of the Texas Tax Code. (see instructions) 1. ■ ☐
(Passive income does NOT include rent)
2. This entity's annualized total revenue is below the no tax due threshold. (see instructions) 2. ■ ☒
3. This entity has zero Texas Gross Receipts. 3. ■ ☐
4. This entity is a Real Estate Investment Trust (REIT) that meets the qualifications specified in section 171.0002(c)(4). 4. ■ ☐

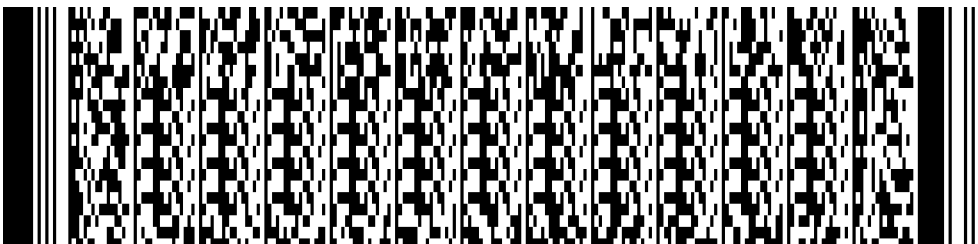
5a. Accounting year begin date	5a. ■	5b. Accounting year end date	5b. ■
	051611		123111

6. TOTAL REVENUE (Whole dollars only) 6. ■ 262770.00

Print or type name		Area code and phone number	
		() -	
I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.		Mail original to: Texas Comptroller of Public Accounts P.O. Box 149348 Austin, TX 78714-9348	
sign here ▶	Date		

If you have any questions regarding franchise tax, you may contact the Texas Comptroller's field office in your area or call (800) 252-1381 or (512) 463-4600.
Instructions for each report year are online at www.window.state.tx.us/taxinfo/taxforms/05-forms.html.

Texas Comptroller Official Use Only



VE/DE					
PM Date					



1032

TX2012

Ver. 3.0

05-102
(Rev.9-11/30)**Texas Franchise Tax Public Information Report**

To be filed by Corporations, Limited Liability Companies (LLC) and Financial Institutions

This report MUST be signed and filed to satisfy franchise tax requirements

■ Tcode 13196

■ Taxpayer number

■ Report year

You have certain rights under Chapter 552 and 559, Government Code, to review, request, and correct information we have on file about you. Contact us at (800) 252-1381 or (512) 463-4600.

989999998

2012

Taxpayer name

Example S-Corp, LLC (MTM GAIN)

Mailing address

Any Street

Secretary of State (SOS) file number or
Comptroller file number

City

Houston

State

TX

ZIP Code

77001

Plus 4

☐ Check box if there are currently no changes from previous year; if no information is displayed, complete the applicable information in Sections A, B and C.

Principal office

Any Street, Houston, TX 77001

Principal place of business

Any Street, Houston, TX 77001

Please sign below!

Officer, director and member information is reported as of the date a Public Information Report is completed. The information is updated annually as part of the franchise tax report. There is no requirement or procedure for supplementing the information as officers, directors, or members change throughout the year.



0989999998012

SECTION A Name, title and mailing address of each officer, director or member.

Name S-Corp Member One	Title President	Director <input checked="" type="checkbox"/> Yes	Term expiration m m d d y y
Mailing address Any Street	City Houston	State TX	ZIP Code 77001
Name	Title	Director <input type="checkbox"/> Yes	Term expiration m m d d y y
Mailing address	City	State	ZIP Code
Name	Title	Director <input type="checkbox"/> Yes	Term expiration m m d d y y
Mailing address	City	State	ZIP Code

SECTION B Enter the information required for each corporation or LLC, if any, in which this entity owns an interest of 10 percent or more.

Name of owned (subsidiary) corporation or limited liability company	State of formation	Texas SOS file number, if any	Percentage of ownership
Name of owned (subsidiary) corporation or limited liability company	State of formation	Texas SOS file number, if any	Percentage of ownership

SECTION C Enter the information required for each corporation or LLC, if any, that owns an interest of 10 percent or more in this entity or limited liability company.

Name of owned (parent) corporation or limited liability company	State of formation	Texas SOS file number, if any	Percentage of ownership
---	--------------------	-------------------------------	-------------------------

Registered agent and registered office currently on file. (see instructions if you need to make changes)

Agent:

☐ Check box if you need forms to change the registered agent or registered office information.

Office:

City

State

ZIP Code

The above information is required by Section 171.203 of the Tax Code for each corporation or limited liability company that files a Texas Franchise Tax Report. Use additional sheets for Sections A, B, and C, if necessary. The information will be available for public inspection.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief, as of the date below, and that a copy of this report has been mailed to each person named in this report who is an officer, director or member and who is not currently employed by this, or a related, corporation or limited liability company.

sign
here ▶

Title

President

Date

Area code and phone number

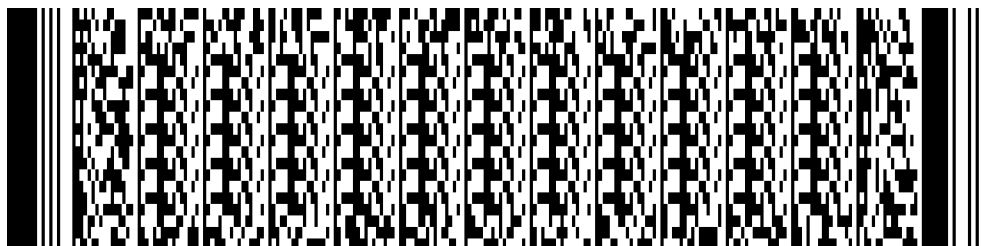
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2011

Federal Income Tax Summary

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

98-9999998

2/19/12

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	2011	2010	Diff
ORDINARY INCOME			
Net gain (or loss) (Form 4797).....	259,366	259,366	0
Total income (loss).....	259,366	259,366	0
ORDINARY DEDUCTIONS			
Compensation of officers.....	130,000	130,000	0
Taxes and licenses.....	8,507	8,507	0
Employee benefit programs.....	32,500	32,500	0
Other deductions.....	4,331	4,331	0
Total deductions.....	175,338	175,338	0
Ordinary business income (loss).....	84,028	84,028	0
REFUND OR AMOUNT DUE			
Balance due.....	0	0	0
SCHEDULE K - INCOME			
Ordinary business income (loss).....	84,028	84,028	0
Interest income.....	158	158	0
Ordinary dividends.....	74	74	0
Other income (loss).....	3,172	3,172	0
SCHEDULE K - ITEMS AFFECTING BASIS			
Property distributions.....	35,006	35,006	0
SCHEDULE K - OTHER INFORMATION			
Investment income.....	232	232	0
Income (loss) reconciliation.....	87,432	87,432	0
SCHEDULE L - BALANCE SHEET			
Beginning Assets.....	0	0	0
Beginning Liabilities & Equity.....	0	0	0
Ending Assets.....	136,162	136,162	0
Ending Liabilities & Equity.....	136,162	136,162	0

2011**Federal Balance Sheet Summary****Page 1****Client EX2SCORP****Example S-Corp, LLC (MTM GAIN)****98-9999998**

2/19/12

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ENDING ASSETS

Cash.....		131,988
Other current assets.....		4,174
Intangible assets.....	1,140	
Less: Accumulated amortization.....	(1,140)	
Total Assets.....		136,162

ENDING LIABILITIES & EQUITY

Loans from shareholders.....		3,736
Additional paid-in capital.....		80,000
Retained earnings.....		52,426
Total Liabilities and Equity.....		136,162

2011

Texas Income Tax Summary

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

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REVENUE

Total revenue.....	262,770
--------------------	---------

TAX RATES

Marginal tax rate.....	0.0%
Effective tax rate.....	0.0%

2011

General Information

Page 1

Client EX2SCORP

Example S-Corp, LLC (MTM GAIN)

98-9999998

2/19/12

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Forms needed for this return

Federal: 1120S, Sch K-1, 4562, 4797, 6781

Texas: 05-163, 05-102

Tax Rates

Texas

1%

Carryovers to 2012

None