



For myICLUB.com

2024 CLUB TAX FEDERAL USER GUIDE

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Important Notice: We have done the utmost to make certain that the data that appears on tax forms produced by Club Tax Federal software is correct as based on the data in the club’s current myICLUB records. myICLUB does not warrant the accuracy or completeness of the data on the printed tax forms. All responsibility for accuracy and completeness rests with each investment club and with the person who handles the tax matters for the club.

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Important Notes Before Starting

IRS Partnership Return Requirements & Deadlines

All investing partnerships are required to file annual returns with the Internal Revenue Service (IRS), with no exceptions.

The IRS deadline for partnership returns, however, is **not** the April 15th date used for individual taxpayer returns. Instead, the deadline for filing IRS partnership returns and providing all partners with their Schedule K-1s is **March 15th**. If this date falls on a Saturday or Sunday, the deadline is typically moved to the next business day.



Note: There are significant penalties for late or missed IRS filings. The penalties are based on the number of partners in the partnership and number of months the return is late, and can compound quickly and significantly. If necessary, a partnership can request an automatic six-month extension to the filing deadline using the myICLUB e-Filing IRS Extension Request. See the myICLUB website for details on this low-cost tool to avoid costly late filing penalties.

Many (but not all) states also use March 15th as the filing deadline for state-level partnership filings. Check with each state to confirm their filing deadlines.

Members of investment clubs should not file their personal tax returns until they have received the appropriate final year-end information (most importantly, Schedule K-1) from the club.

myICLUB Club Tax Federal - Basic and Deluxe

Club Tax Federal is available in two editions: **Basic** and **Deluxe**. The vast majority of investment clubs can use **Club Tax Federal - Basic** to prepare their federal returns.


Clubs that are larger or that have more complex transactions or filing requirements due to their size are supported with the **Club Tax Federal - Deluxe Add-on** provided at a modest additional charge.

Larger investment clubs include those with 30 or more members, and/or that have assets greater than \$1M or annual receipts greater than \$250,000.

To determine which version is right for a club, log in to the **Club Tax store on myICLUB** and select the correct club. The store will indicate which version is best suited to that particular investment club.

Clubs purchasing **Club Tax Federal - Basic** that later discover during the tax preparation process that they must upgrade to **Deluxe** can purchase the add-on at that point without fear of losing work or data.

Clubs that have disbanded must purchase the **Club Tax Federal - Final** edition to prepare their



final “short-year” IRS returns. Note that the deadline for filing a final partnership return is the 15th day of the third month following termination. **Do not wait until the next year’s filing deadline to submit a final return.** See the myICLUB.com website help section for instructions for disbanding clubs.

System Requirements

Use of **myICLUB Club Tax** requires:

- Current myICLUB subscription, with all transactions for the year entered and verified. A club in a trial period must upgrade to a full paid subscription before using Club Tax.
- Current generation web browser, such Internet Explorer, Microsoft Edge, Google Chrome, Mozilla Firefox, Apple Safari.
- Internet access.
- Adobe Acrobat Reader 6.0 or higher, available free from www.adobe.com.

Club and Treasurer Responsibilities

Club Tax works with data from **myICLUB** to perform certain calculations and then generate completed tax forms with those calculated values. The program does not alter any original stored data.

To use this program, all of the club’s accounting records must be completely accurate and up-to-date. All security and member settings in the myICLUB must be set appropriately.

If a club’s records are incomplete or erroneous, the results generated in the tax returns may be incomplete or erroneous. If myICLUB is not used to maintain a club’s books, then Club Tax cannot be used to generate the club’s tax returns.

It is important to understand the limitations of myICLUB and Club Tax. Not all conceivable investment transactions and partnership investment scenarios are supported by the program. Supplemental forms may need to be prepared manually or a professional tax preparer consulted.

In all cases, it is *the user’s responsibility* to ensure that the underlying data and the generated tax forms are accurate and complete. myICLUB assumes no responsibility for errors or omissions in the generation and transmission of tax forms generated by its programs.

A careful review of this **User Guide** will answer most questions and help ensure that a club’s tax returns are accurate and complete.

Installing, Registering, and Running Club Tax

No installation or registration is needed for **myICLUB Club Tax** after it has been purchased.

Visit the **Taxes** tab of a **myICLUB** club website and click the appropriate button to run the program to generate the club’s Federal or State returns. Complete help is available in the Taxes tab.



Understanding “Draft” and “Final” Forms

myICLUB Club Tax may be distributed before final forms have been released by the IRS or supported states. As a result, generated forms may initially display “**DRAFT**” watermarks.

However, “draft” forms may not be used to file a return with the IRS or state. They are provided to allow users to get started using Club Tax, diagnose technical problems or transaction errors, and generally ensure that Club Tax and myICLUB are working properly prior to preparing a return.

To check the release status for IRS and state forms, visit the **Taxes** page of www.myICLUB regularly through the tax season. Do not contact customer support to ask about the status of forms, as the release schedule is dependent on IRS and state tax agencies’ approval processes, and support representatives will typically have no additional information.

myICLUB Club Tax is updated automatically with form updates and any changes to the filing process. Whenever the program is run from the **Taxes** tab, it always is the most current release.

Unsupported Partner Types

myICLUB Club Tax **does not support** the IRS filing requirements, including tax withholding, of general partnerships that include foreign (non-U.S.) individuals or corporations as partners. Consult the IRS website or a professional tax preparer to understand how to accommodate these types of partners.


Avoiding “Problem Securities”

Some securities pose problems for investment clubs due to the additional complexity required to accommodate them in partnership accounting. Some of these securities are relatively easy to manage, and require just a bit of additional work by the treasurer. Others, though, require work-arounds, manual calculations, and hand-entries on printed forms in order to properly report to the IRS.

Another concern is that some of these securities may not report to their shareholders until March 15th—the same deadline on which a club is required to file its own tax returns. Holding these more complex securities could cause a club and all members to request filing extensions from the IRS and state tax agencies.

myICLUB recommends that investment clubs avoid the following securities:

- Real Estate Investment Trusts (REITs).
- Business Development Companies (BDCs).
- Special Purpose Acquisition Companies (SPACs).
- Royalty Trusts.
- Publicly Traded Partnerships (PTPs).
- Master Limited Partnerships (MLPs).

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- Commodities.
 - Precious metals.
 - Options.
 - Exchange-Traded Funds (ETFs) that hold precious metals or commodities directly.
 - Cryptocurrencies.

If a club owns any of these kinds of securities (including securities that hold any of the above securities), we advise selling all shares prior to the end of the calendar year, thus eliminating the need to accommodate them in tax returns in future years. **myICLUB can only provide limited support on dealing with these securities in a partnership.**

The myICLUB accounting engine may be able to accommodate these securities, but services of a professional tax preparer may well be required in order to generate the required tax filings.

Closing the Books for the Tax Year

In order to ensure an accurate tax return, a series of “Closing the Books” procedures must be completed each year, including allocating the club’s income and expenses for the year. These steps help to ensure the accuracy of the club’s records before attempting to generate Federal or state tax returns.

1. Has the club treasurer review myICLUB’s annual webinar on Closing the Books?

Every year, our team presents a webinar on closing the club’s books for the year. These webinars provide details of changes to tax code as well as common problems to be avoided by clubs. Find signup information for the webinars, or view the replay on demand, in the following locations:

- On myICLUB.com, in the Videos section (www.myICLUB.com/webinars/).
- On YouTube.com, in the ICLUBcentral channel (www.YouTube.com/ICLUBcentral/).
- On the BetterInvesting website, in the Events or Video Learning Library section (www.BetterInvesting.org, log-in required).



We recommend viewing the “Closing the Books at Year-End” webinar video available in the **Videos** area of a club’s myICLUB website. Even for experienced club treasurers, this presentation is a good refresher and provides important information about changes to club accounting procedures or tax law changes.

2. Are all transactions entered correctly and all accounts balanced as of 12/31?

Do not enter any withdrawals or other transactions on 12/31 – move them to 12/30.

If distributions paid by a security are received after January 1st but are explicitly deemed to be taxable in the previous year, enter them in the books as of 12/30.

Ensure all distribution ex-dividend dates are accurate in the club’s books. If they are not accurate, the amount of qualifying vs. non-qualifying dividends may not be reported correctly to the club tax returns.

Withdrawals may not be entered on a Valuation Date. Delete any partial or full member withdrawals and re-enter them as of the day after the Valuation.

3. Does the club own a Real Estate Investment Trust (REIT)?

In the myICLUB club website, go to **Accounting > Edit Security Profile** and edit the security to change the **Type** to **Common Stock-REIT**.

Contact the REIT after year-end to learn the classification of distributions paid in the prior tax year (usually available on its website), which could include dividends, return of capital, or short- or long-term capital gains. Edit the distributions that were recorded in the club’s books during the year to change the classification so that each transaction matches the percentages of the categories as announced by the REIT. Make sure that the total amounts all match for the year

and equal the total amount that the club received from the REIT. Some values may need to be rounded.

If **Section 199(A) dividends** are received, no special action is required – the Club Tax will determine the amount based on the entry of **Qualified Dividends** during the **Allocation**. Note: Total dividends are the sum of Qualified Dividends and Section 199(a) Dividends.

If **Section 1250 Unrecaptured gains** are received, enter this amount during the Allocation. Note: Total Long-Term Gains are the sum of Long-Term Gains Distributions and Section 1250 Unrecaptured gains.

myICLUB.com recommends that investment clubs avoid holding REITs due to the above additional complications in recordkeeping and tax preparation.

4. Does the club own a mutual fund or Exchange Traded Fund (ETF)?

For mutual funds, go to **Accounting > Edit Security Profile** in the myICLUB club website, and edit the security to change the **Type** to **Mutual Fund**.

For ETFs, in **Accounting > Edit Security Profile**, edit the security to change the **Type** to **Other**.

If shares have been or are expected to be sold using the **Average Cost Basis** method (instead of specific lots or First-In-First-Out), check the box to use the **Average Cost Basis** method. (Once used, no other method can be used for sold lots of that ETF or mutual fund.) If necessary, edit in myICLUB.com any Sell transactions in the year that used the wrong method of identifying lots.

Contact the ETF or mutual fund sponsor after year-end to learn the classification of distributions paid in the year, which could include dividends, return of capital, or short- or long-term capital gains. Edit the distributions that were recorded in the club's books during the year to change the classification so that each transaction matches the percentages of the categories as announced by the fund or ETF. Make sure that the total amounts all match for the year and equal the total amount received. Some values may need to be rounded.

All **Qualifying Dividend** amounts will be entered when the **Allocation** for the year is created.



Note: Any ETF that holds an underlying commodity directly (such as gold, silver, livestock, coffee, or sugar) are considered by the IRS as if the taxpayer owned the commodity directly, and thus are not subject to the same rules as a stock or other investment security. **myICLUB.com does not support the transactions or tax forms required for these commodity ETFs.**

myICLUB.com recommends that investment clubs avoid holding ETFs or mutual funds holding commodities, precious metals, or cryptocurrencies due to the above additional complications in recordkeeping and tax preparation.

5. Does the club own a Master Limited Partnership (MLP), Limited Partnership (LP), or Royalty Trust?

In the myICLUB.com club website, go to **Accounting > Edit Security Profile** and edit the security

to change the **Type** to **Other** (*not* Common Stock or Common Stock-Other).

These securities are not supported directly by myICLUB.com. e-Filing the club tax return using myICLUB Club Tax will not be possible, and the treasurer may have to make manual calculations and hand-enter values in fields on printed tax forms.

On a resource-available basis, we *may* be able to assist with these unsupported securities. Contact myICLUB support with complete details: the name and symbol of the security, all transactions made in the year, and amounts reported on the 1099 or Schedule K-1. An extension to the IRS filing deadline may need to be requested in order to be compliant with IRS rules as these types of securities do not need to report to partners and unit holders until March 15th.

myICLUB.com recommends that investment clubs avoid holding partnerships or trusts due to the above additional complications in recordkeeping and tax preparation.

6. Does the club own a Foreign Security (one that is incorporated outside the United States)?

According to the IRS, any company that is incorporated outside the U.S. is considered a **Foreign Corporation**. Income from foreign sources must be reported to the IRS separately from domestic income on partnership and individual tax returns.

In the club’s myICLUB.com website, go to **Accounting > Edit Security Profile** and edit the security to change its **Country** to reflect the country in which the security is incorporated.

Any Foreign Tax that is withheld from these securities must also be entered appropriately in the myICLUB books.

7. Has the club created a Securities Valuation for each month, and for 12/31?

The club should have a Securities Valuations created (typically) for each month of the year, on a date and schedule as determined by the investment club’s operating documents.

In addition, the club should create a year-end valuation in the club’s myICLUB website at **Accounting > Securities > Create new valuation** with prices as of 12/31. Prices from the close of the most final trading day of the year on or before 12/31 should be used to create the Valuation.

8. Has the club conducted its annual audit?

Instructions for carrying out a yearly audit by members of the investment club books are in the **File Storage** section of the club’s myICLUB website (in the **Resources from myICLUB** folder). These procedures help to ensure the accuracy of the club’s records and catch errors that may later compound and be much more difficult to track down.



We recommend viewing the “Auditing the Investment Club’s Books” webinar video available in the **Videos** area of a club’s myICLUB website. A copy of the myICLUB “**Investment Club Audit Procedures Checklist**” is also downloadable from the File Storage area of each club’s website and is an invaluable resource in carrying out an audit of a club’s books.

There are many other benefits of conducting an annual audit, so do not overlook this step.

9. Has the club's data been backed up for the year?

Backups should be made regularly. Go to the **Backup Manager** in **Accounting > Utilities** and make a backup that will be saved online. Periodically download a backup to a local computer for safe-keeping.

10. Has the club's income and expenses been allocated for the year?

Each year, after completing all of the "Closing the Books" tasks and confirming that the books are accurate, the club must allocate its income and expense to partners. This determines how tax-related items are shared to club members according to IRS rules.



Important: If any transactions in the year are edited or new entries made after the Allocation has been done, the **Allocate Income & Expenses** function must be re-generated. Re-run the Allocation function as often as necessary until the point in time that the final tax return is generated.

To allocate income and expenses, to go **myICLUB.com > Accounting > Utilities**, then select **Allocate Income & Expenses** and follow the prompts. Share the Allocation of Income & Expenses Report with members, letting them know if it is preliminary and subject to change.



Tip: The Allocation Report includes the details of each member's tax impact for the year. The **Member's Tax Summary Report** also includes these details but in a more accessible format, and members can use this report to get a head start on their personal tax returns while they await their Schedules K-1 and K-3 from the club which will include the final figures.

Getting Ready to Generate a Return

All investment clubs must file a Federal return each year. There are no exceptions or exemptions to this rule, and the IRS will levy substantial fines for late or non-received filings.

The IRS deadline for partnership tax filings is **March 15** (this date is typically adjusted if it falls on a weekend day or holiday). This is also the deadline for clubs to provide partners with their personal Schedules K-1 and K-3 forms from the club, which are required to complete their personal tax returns.

In order to ensure an accurate tax return, follow the steps below to ensure the accuracy of a club's records *before* attempting to complete a Federal or state tax return.

1. Has Club Tax Federal been purchased at myICLUB.com?

Club Tax Federal must be purchased each year since tax forms and rules change annually.

Be sure to use the myICLUB.com login and password to complete the purchase so that the purchase is credited to the correct club and account.

The purchase will show in the club's myICLUB.com website in the **Taxes** tab as soon as payment is received (which is immediately after credit card payments are received, while check payments must be received and processed before the Club Tax will be released to the club).

If the purchase was completed, but the Tax Printer does not show as "Purchased" in the Taxes tab, contact myICLUB.com Support immediately so the records can be adjusted. Chances are that good that there are multiple user accounts in the database and the wrong username and password was used to complete the purchase. Our staff can adjust the records accordingly.

2. Has the myICLUB.com annual webinar on "Preparing The Investment Club Taxes" been reviewed?


Every year, our team presents a webinar on preparing the club's federal and state club tax returns using the myICLUB.com Club Tax Printer. These webinars provide details of changes to tax code as well as common problems experienced by clubs. Find signup information for the webinars, or view the replay on demand, in the following:

- On myICLUB.com, in the Club Webinars or Videos page (www.myiclub.com/webinars).
- On YouTube.com, in the ICLUBcentral channel (www.YouTube.com/ICLUBcentral/).
- On the BetterInvesting website, in the Events or Video Learning Library section after logging in.

3. Does each member and the club itself have IRS Taxpayer Identification Numbers?

The club must have an **Employer Identification Number (EIN)** in order to file a return. This must not be a member's Social Security Number. EIN can be requested on the Internal Revenue Service website.

A **Social Security Number (SSN)** is also required for each member. These can be saved in the



Member Profiles in the myCLUB.com website or entered during the tax generation process. If the numbers are not entered during the tax preparation process, they may be manually entered on the appropriate forms and schedules after being printed. e-Filing is not permitted if member SSNs are not provided during the tax generation process.

Returns filed without all partner SSNs are considered by the IRS as not filed, and thus will result in late filing penalties levied against the club.

4. Are Foreign Members in the investment club?

Foreign partners should be identified as such in their myCLUB.com profile in the People section.

U.S. resident aliens who have an SSN are *not* considered Foreign Partners.

If foreign citizens (any member who does not have a U.S. taxpayer identification number) are partners in a club, it will be required to manually prepare additional forms and supplements in order to generate the club's returns. **myCLUB.com and the Club Tax do not support the required tax withholding and reporting requirements for foreign partners.**

5. Have all Form 1099s and Schedule K-1s been provided by the brokerage or other financial institution?

Do not file a final return before receiving all required forms from the bank, brokerage, or other financial institutions or accounts. *It is unlikely that this required information will be available before mid-February.*

One or more **Form 1099s** will be generated from the bank, brokerage account, or other financial institution account and provided to both the club and to the IRS. These forms document the amounts of dividends (both qualifying and non-qualifying), capital gains (short- and long-term), returns of capital, the basis of sold securities (if known), and other information.

If brokerage or bank firms are changed in the year, or multiple brokerage or bank accounts are active at any point, then Form 1099s will be delivered from each institution.

Most Form 1099s must be provided by January 31 each year, but if securities were sold in the year, Form 1099-B or a consolidated Form 1099 must be provided by February 15. It is important that tax returns reconcile any discrepancies between the club's records and these forms, so a final return should not be filed until all forms have been received.

If a publicly-traded partnership (PTP) such as a Master Limited Partnership (MLP) or Limited Partnership (LP) is owned, the club will receive a **Schedule K-1** for these investments by a deadline of March 15th (though many will try to deliver them to partners before this deadline). If a K-1 is not received before March 15th, an extension for filing may need to be requested.

Generating the Club's Tax Return

To start generating the return, go to the **Taxes** tab of the club's myICLUB.com website, and then click the **Go** button for the **Federal** return.



We recommend viewing the current year's "Preparing Club Taxes" webinar video available in the **Videos** area of a club's myICLUB website for complete details on the tax preparation process for investment clubs. As procedures and regulations change from year-to-year, it's a good idea to view each year's webinar as a refresher even for experienced club treasurers.

To prepare the club's tax returns, several questions must be answered. The myICLUB Club Tax Q&A format makes it easy to provide the required information. Simply follow the prompts to provide the required information for the IRS return.

Additional Information for REITs/Mutual Funds/Other Securities

If the club owned a Real Estate Investment Trust (REIT), mutual fund, or security classified as "Other," the amount of any qualifying dividends and unrecaptured Section 1250 gains that have been reported on Form 1099 for those securities must be entered. (This screen will not appear if the club did not own any of those security types.)

The Club Tax Wizard

The Club Tax uses a question-and-answer format to generate returns, alongside data pulled from the club's myICLUB.com records. Most questions are self-explanatory; see the following for additional details.

Club Name

Confirm the club name that appears here is the same as the name used on the club's Employer Identification Number application with the IRS, and/or on all financial institution accounts, and/or as used in past tax returns. Do not use abbreviations.

If the club name does not match the IRS's records, the return may be rejected.

Founding Date

Enter or confirm the date that the club formed as a partnership in mm/dd/yyyy format.

Club Tax ID (EIN)

Enter or confirm the club's Taxpayer Identification Number (TIN)/Employer Identification Number (EIN) received from the IRS. Note: this number is saved in **myICLUB > Accounting > Utilities > Update Club Settings**.

Legal Mailing Address of Club

The club's address on file with the IRS should be the same as the address used on all of the club's financial accounts. If the mailing address or name of the responsible party for the partnership has changed, file Form 8822-B with the IRS **before** submitting the return. Check the box if this is a new address.

Type of Partnership

Most investment clubs are formed as **Domestic General Partnerships**.

"Domestic" partnerships are located in the United States, while "Foreign" partnerships are located elsewhere in the world.

Limited Liability Companies (LLCs) and Limited Liability Partnerships (LLPs) are generally subject to IRS regulations for partnerships and may use Club Tax to prepare their returns.

Limited Partnerships (LPs) are not supported in Club Tax.

Amended Return

Only check the **Amended Return** box if a return has been filed but now needs to be corrected.

Constructive Ownership

If *any* members of the club are related, complete the worksheet on "Constructive Ownership." This will help determine if Schedule B-1 is required to report any member's ownership that exceeds 50% on a direct or indirect basis.

Indirect ownership is defined as ownership by any family members—spouse; lineal ancestors or descendants such as children, grandchildren, parents, or grandparents; or siblings. In-law relationships (such as a brother-in-law or mother-in-law) and aunt/uncle/niece/nephews are not considered in calculating the ownership percentages).

Complete the worksheet, and if any member's calculated ownership is greater than 50%, answer **Yes** to the question; otherwise, answer **No**. If **Yes** is checked, Schedule B-1 will be generated as part of the return.

Publicly Traded Partnerships


Is this partnership a publicly traded partnership as defined in section 469?

Mark appropriately. Most clubs will check **No**. Publicly-traded partnerships are not supported in Club Tax.

Additional Requirements for Larger Clubs

*Does the partnership satisfy **all four** of the following conditions?*

1. The partnership's total receipts for the tax year were **less than \$250,000**. Total receipts are defined as the sum of all stock sales, dividends and distributions, interest, and other income.

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2. The partnership's total assets (the total of the *cost basis of each security* plus cash balances) at year-end were less than \$1 million.
 3. **Schedules K-1 are filed with the return and furnished to the partners** on or before the due date (including extensions) for the partnership return.
 4. The partnership is **not filing and is not required to file Schedule M-3**. Schedule M-3 is required if the partnership has assets of \$10 million or more, or receipts of \$35 million or more, or includes a "reportable entity partner" (REP) (a partnership or corporation) that controls 50% or more of the partnership. Most BetterInvesting-style investment clubs will not meet this requirement.

Mark appropriately. Most clubs will check this box. The **Club Tax Federal - Deluxe Add-on is required if item (a) or (b) above is not met**, or in order to generate Schedules L, M-1, and M-2. If all four conditions are met, these schedules are not required.

Debt Forgiveness or Cancellation

During the tax year, did the partnership have any debt that was cancelled, forgiven, or had the terms modified so as to reduce the principal amount of the debt?

Mark appropriately. Most clubs will leave this unchecked.

Tenancy-in-Common Distributions

At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?

"Tenancy-in-common or other undivided interest in property" typically applies to real estate property and is not supported by myICLUB for investment club transactions in securities. Mark appropriately. Most clubs will leave this unchecked.

Foreign Disregarded Entities

If the partnership is required to file form 8858, Information of Return of U.S. Persons with Respect to Foreign Disregarded Entities, enter the number of Forms 8858.

Mark appropriately. A "foreign disregarded entity" is a business entity that is separate from its owner, but is considered to be the same as the owner for federal tax purposes. For foreign disregarded entities, the IRS considers transactions between the foreign business and the owner to be taxed as the owner's income. Most clubs will leave this blank.

Foreign Accounts

At any time during the calendar year, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account or other financial account)? If "Yes" enter the name of the foreign country.

"An interest in or a signature or other authority over a financial account in a foreign country" refers to financial accounts such as bank or brokerage accounts, **not** to securities of a foreign (non-U.S.) company owned directly or as American Depositary Receipts (ADRs).

Fill in appropriately. Most clubs will leave this blank.

Foreign Partners

Does the partnership have any foreign partners? If “Yes”, enter the number of forms 8805, Foreign Partner’s Information Statement of Section 1446 Withholding Tax, filed for this partnership.

Foreign partners are any member who does not have a U.S. taxpayer identification number. These members require tax withholding and additional manually prepared forms and supplements in order to generate the club’s IRS return.

U.S. resident aliens who do have SSNs are **not** considered Foreign Partners.

Note: myICLUB and myICLUB Club Tax do not support the required tax withholding and reporting for partnerships that include foreign partners. Consult the applicable IRS instructions or a qualified accountant or tax professional for assistance.

Transfers & Control of Foreign Partnerships

Enter the number of Forms 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships, attached to this return.

Form 8865 is used to report transfers of cash to foreign (non-U.S.) partnerships, or changes in ownership in foreign partnerships. Most clubs will leave this blank. This form is not supported in Club Tax.

IRS Center

Partnerships **do not** send their tax forms to the same IRS centers that are used for the submission of individual returns. Choose the appropriate IRS center for the club from the list. Note that the address is simply a city and ZIP code.

Reporting Security Cost Basis on Sales


If the club sold securities during the year, then the **1099-B Cost Basis worksheet** will appear at this point. The worksheet will help reconcile the club’s records about the sales to the figures reported by the brokerage to the IRS on Form 1099-B.

According to IRS regulations, brokerage firms must report to the IRS the cost basis of any securities that were sold from customers’ accounts in the tax year.

Security transactions where the broker is required to report cost basis to the IRS are called **“Covered Securities”** on a form 1099-B.

In some cases, such as for stocks purchased prior to 2011 or for stocks transferred into an account, the brokerage may not know or be required to report the basis. These transactions appear on the 1099-B as **“Non-covered securities.”** The account holder must still report their cost basis and thus any gains or losses on their return.

In other cases, such as for mergers or spinoffs, the brokerage may use a different method of



determining the cost basis of the affected shares than suggested by the company. The IRS accepts a number of different methods of calculating the cost basis of shares in these transactions, so a discrepancy here does not mean that the club's myICLUB records or brokerage account are "wrong." **Enter the amount reported even if it is different from the amount reported by the records in myICLUB.** In the unlikely event that the IRS questions the basis used in a transaction, and myICLUB's guidance was followed when entering the transaction, then a satisfactory conclusion in the club's favor should be attained.

For the tax lot of each covered security sold during the year, enter the cost basis reported by the brokerage firm on Form 1099-B.

If the basis of a security that was sold is not provided by the brokerage, check the box in the column labeled "**Basis is '0' or labeled 'non-covered security' on 1099.**" This may be the case for securities purchased prior to 2011. The field for brokerage-reported tax basis does not need to be entered for shares of non-covered securities.

If no Form 1099 was received from the brokerage for the sale, check the box in the column labeled "**No 1099 received for sale.**"

If the brokerage reports the cost basis for multiple lots with a date marked "**Various,**" **Group** the appropriate lots in the worksheet so that the lots reported on the tax return will match what the brokerage reports. After grouping lots that match the 1099-B, click the **Save** button. This is especially useful when saving data in between work sessions.

When finished, click **OK** to continue.

Opting Out of IRS Partnership Audit Rules

Effective January 1, 2018, the IRS implemented a centralized partnership audit regime. **We recommend that clubs opt out of the new rules if possible** using a "Section 6221(b) election."

Clubs that have 100 or fewer partners and have no trusts as partners are generally eligible to opt out. Click **Yes** to make the election to opt out of the rules.

If any trusts are members of the club, opting out is not possible and **No** must be selected.

Note: Selecting **No** allows the IRS to collect any past tax liabilities of the partnership from current partners (instead of collecting from the partners active at the time the liability was incurred).

If making this election, Schedule B-2 will be generated. If filing a paper return, all partners must sign the form.

If the partnership elects **Yes** to opt out of the IRS centralized partnership audit regime, then it does **not** need to designate a partnership representative. If the partnership **does not** make a valid election out of the centralized partnership audit regime, then it **must** designate a partnership representative. The designation of a partnership representative for one taxable year is effective only for that taxable year. The partnership representative must have a substantial

presence in the United States, but does not have to be a member of the partnership (such as a club's accountant or tax preparer).

Opting Out of Schedules K-2 and K-3

Schedules K-2 and K-3 are used to report foreign source income. The IRS allows partnerships to opt out of generating these lengthy schedules if four conditions are fully met:

- 1) The partnership has no or limited foreign activity.
- 2) If there is activity, it must be passive (such as investment income).
- 3) Taxes paid (or withheld) and/or accrued must be less than \$300.
- 4) A payee statement (such as a brokerage firm's Form 1099) must be received.

The partnership's partners must also be restricted to the following:

- U.S or resident alien individuals.
- Domestic trusts (grantor or non-grantor).
- Domestic estates of deceased persons.
- Not a foreign estate or trust.
- Not a foreign individual (an individual who does not have resident alien status).
- All partners must be notified the partnership intends to exclude Schedule K-3 from its Form 1065 filing no later than when a club furnishes schedule K-1 to partners.
- No partner requests a Schedule K-3 before one month prior to the club filing form 1065.

myICLUB recommends that investment clubs opt out of these schedules if at all possible. Foreign source income and tax withholding is reported to partners on Schedule K-1 which should be more than adequate for most individuals.

If an investment club meets the above criteria, a club administrator may use the notification system in the club's myICLUB website to notify members of its intent to not file Schedules K-2 and K-3. This tool is available in the **Taxes** tab of the club's website.

If a member **does** request a Schedule K-3 (for instance, if they have a significant amount of foreign income to report on their personal return and are claiming a personal foreign tax paid credit using IRS Form 1116), then myICLUB Club Tax can generate a Schedule K-3 for that partner only, as well as a Schedule K-2 for the club return.

Tax ID Numbers & Partner Entity Types

A Social Security or other IRS tax identification number is required for each partner.



If the message "**No Tax ID Entered**" appears next to a member's name on the tax forms, that member's Social Security Number was not entered in their myICLUB member Profile. Any missing tax ID numbers can hand-entered after tax forms have been printed for a mailed return, **but e-Filing will not be possible permitted if members' Tax ID numbers are not entered in myICLUB or added by the club treasurer when generating the club's tax return.**

If any partner requests a Schedule K-3 prior to the date on which the club provides Schedule K-1s to partners (see “Opting Out of Schedules K-2 and K-3” above), then check the **Needs K-3** box for that partner.

The entity type for each partner must be selected:

- Individual.
- Corporation.
- Estate of Deceased Member. Most clubs automatically withdraw deceased members, so it is rare that the Estate of Deceased Member would be allowed to continue as a partnership in the club.
- Eligible Foreign Entity. myICLUB Club Tax does not support partnerships with non-U.S. (“foreign”) partners.
- S-Corporations. myICLUB Club Tax does not support partnerships with S-Corporations as members. Contact our Support team for additional assistance in making the manual adjustments necessary to complete a return with an S-Corporation partner.
- Trust. If a Trust is a partner, the Section 6221(b) election **may not be made** and the above election option will be changed to **No**.

When the above answers have been fully completed, press the **Continue** button.

If an error is spotted or a transaction must be corrected in the club’s books, use the **Regenerate** button at the bottom of the Federal Tax module on the myICLUB.com website to redo the forms.



Note: The club tax return can be regenerated as many times as necessary before preparing the final return. In fact, we recommend doing one or more “trial runs” before generating a final return. be sure to save the work between sessions.

Finalizing & Filing The Tax Return

After completing the Club Tax wizard, the Federal return is ready to be finalized. Once a complete return has been generated, click the links to download and/or print the returns to review the details.



Remember: The club's tax return can be regenerated as often as required before filing. In fact, it can be a good idea to carry out one or more "practice runs" before finalizing the return, verifying that the details on the club's return are correct after each run.

Club Tax Federal generates the following forms and schedules:

Form 1065: U.S. Partnership Return of Income, pages 1-4.

Schedule D (Form 1065): If the club has no capital gains or losses for the year, this schedule is unnecessary and will not be generated. There also may be supplemental pages generated such as Form(s) 8949 as needed.

Form(s) 8949: These forms itemize the gains/losses from stock sales. The results from these forms are also transferred to Schedule D. If the cost basis matches the brokerage's cost basis for a specific tax lot, that lot does not appear on Form 8949 but is included in a summary line on Schedule D.

Supporting Schedules for Schedule K: Partners' Shares of Income, Credits, Deductions, etc. There also may be supplemental pages printed.

Schedule K-2: Only if applicable.

Schedules L, M-1, and M-2: Only if required. (*Club Tax Federal - Deluxe only.*)

Schedule K-1 and K-1 Instructions: For each partner.

Schedule K-3: For each partner (if foreign income is received in the year).



Not all pages of Form 1065 and associated schedules will contain data. In most cases, the first page of Form 1065 contains little data except for identification, date information, and the number of attached Schedule K-1s. This is typical for investing partnerships.

e-Filing The Return

The IRS and myICLUB both recommend that investing partnerships e-File their returns. myICLUB is an **Approved IRS e-Filing Provider** for investing partnership returns, and e-Filing is included at no additional charge with the purchase of myICLUB Club Tax Federal.

To e-File, look for the **e-File** button that will appear at the bottom of the Club Tax page after generating or regenerating the return. Follow the prompts to confirm the data to ensure it is in the correct format for electronic submission.

Review Club Details and Address

This section is self-explanatory. Ensure that the club name and address match the information on the club's brokerage account and on the club's original application for an Employer Identification Number or subsequent change of address made using IRS Form 8822-B.

The Club Name may contain only text and digits, with no special characters or punctuation.

Provide Details of Preparer, Set PIN, and Authorize e-Filing

Most items here are self-explanatory.

The e-Filing PIN is 5 digits and is created here, so simply create a PIN and enter it.

myICLUB must keep a copy of the preparer's signature on file, so use the computer mouse to add a signature in the box provided. Clear the signature and try again if necessary.

Review Names, Addresses, and Social Security Numbers of Partners

This section is self-explanatory. Confirm all member names, addresses, and Social Security Numbers. Names and addresses may contain only text and digits, with no special characters or punctuation. No address fields may be left blank.

Submit Return

If satisfied that the return is complete, click the **e-File the Return** button.

e-Filing Status and Confirmation

Once submitted, return to the **Club Tax Federal** page in the myICLUB club website to see the e-File submission status. A Submission ID number will be provided once the return is accepted by the IRS, which may take 24 hours or longer.

An email notification will be issued when the return is accepted by the IRS, but this page can be returned to at any time to review the status. Most returns are accepted within a few minutes, but the IRS servers do occasionally become unavailable, and during busy times it may take longer for a return to be accepted.

If the return is rejected, our team will be notified and will contact the treasurer with guidance on the reasons for the rejection and what can be done to re-file the return.

When e-Filing a return, no mailed return is required, though a PDF of the IRS return and associated schedules is provided for saving and/or printing.

Partners must be provided with their Schedule K-1s and (if required) K-3s. See **"What to Give to Members"** below.

Mailing The Return

If not e-Filing, myICLUB Club Tax generates IRS acceptable schedules required for filing the return by mail. Investment clubs should send one copy each of:

- 1) **Form 1065** (plus **Schedule D** and all supplementary forms and schedules as generated.)

2) **A Schedule K-1** for each member, and a Schedule K-3 for each partner if required or for individual partners as requested.

For protection, send the return via Registered Mail or Certified Mail and with Return Receipt Requested. Be sure a mailing date is stamped on the USPS receipt and save the confirmation. If the IRS loses or does not receive a return, this is the only confirmation that the IRS will accept as proof that a return was mailed promptly and can prevent large fines. Note that the cost of sending a mailed return with appropriate proof of delivery can easily exceed \$20, so consider e-Filing instead.



Tip In recent years, the Internal Revenue Service has accepted returns from other Private Delivery Services (PDSs) that qualify to meet its “timely mailing as timely filing/paying” rules for tax returns. Consult the IRS website to learn the specific DHL Express, FedEx, and UPS service levels that are acceptable, as well as the addresses to use.

What to Give to Members

Club members must be provided a copy of their respective Schedule K-1s for use in preparing their personal tax returns by March 17th. A copy of each member’s K-1 and K-3 is to be kept with their tax records and is not filed with the IRS. Provide each member of the club with a copy of the K-1 instructions, found on page 2 after the complete forms are regenerated.

my!CLUB members may download their own Schedule K-1 and K-3 by logging in to their club website and going to the Taxes tab, then looking for their personal download link.



Note: Members who withdrew during the year must also be provided with a K-1, K-3, K-1 instructions, and a copy of the Withdrawal Report for their final distribution. Since they will not be able to access the club’s website, the treasurer should arrange for delivery of these forms using an alternative method.

What to Keep for Club Records

The club should keep a copy of Form 1065, all accompanying forms and schedules, and any supporting statements as part of its permanent records, as well as proof of receipt of mailing. We recommend keeping electronic PDF files in addition to paper copies.



Club Tax Help and Support

Common Problems and Release Notes

- In accordance with IRS guidelines, values on Federal tax forms are rounded to the nearest whole dollar amounts.
- In accordance with IRS guidelines, spaces on Federal tax forms do not include zeros (0) for values that are zero and are left blank.
- Many fields on federal tax forms will intentionally be left blank. The same forms that clubs use are used by partnerships that own property and have payrolls, for instance, neither of which applies to typical investment clubs.
- Pertinent IRS forms, publications, and instructions are linked from the myICLUB FAQ.
- myICLUB Club Tax Federal does not support the IRS Section 754 Election.
- myICLUB Club Tax will correctly allocate qualifying and non-qualifying dividends **only if all of the following conditions are met:**
 - All dividends linked to securities are entered properly in the books.
 - Ex-dividend dates are entered correctly for all common stock dividends.
 - REITs, mutual funds, and “other” (Limited and Publicly Traded Partnerships, etc.) securities are correctly identified.
- myICLUB Club Tax uses industry standard Adobe Acrobat Reader software to generate tax forms. A free copy of Adobe Acrobat Reader can be downloaded from www.adobe.com.
- If the program takes a long time to load forms in Adobe Acrobat Reader, a computer may lack sufficient memory or free hard drive space. Select fewer forms to print faster, then repeat for remaining forms.

Helpful Web Links

For more information about club tax filing, using myICLUB Club Tax, and year-end accounting tasks, see the following pages on the ICLUB.com web site:

- **Club Tax Product Info** www.myICLUB.com/taxes/
- **Frequently Asked Questions** www.myICLUB.com/faq/
- **Club Tax Principles** www.myICLUB.com/general_tax_principles.aspx
- **Investment Club Learning Center** www.myICLUB.com/clubhub/
- **Free Club Webinars** www.myICLUB.com/webinars/

If You Need Help

Each year, your club's members look to you to make sure their taxes are filed in time. And each year, from December to March, myICLUB's call volumes triple. We bring in extra help, update the FAQs, and give it our all to answer your questions. Your patience is appreciated. Here's looking forward to a successful tax season!

If experiencing issues in closing the books or generating tax forms, please follow these steps:

1. Review the steps in this **Club Tax User Guide**, which is available from the Taxes tab of myICLUB.com.
2. Review the webinar video replays for myICLUB.com's "**Closing the Books**," "**Auditing the Clubs Books**," and "**Preparing Club Taxes**" presentations. These provide step-by-step demonstrations of the required tasks.
3. Review the answers in the myICLUB.com **Frequently Asked Questions (FAQ)** at www.myICLUB.com/faq/. Chances are good that others have had the same question and the answer can be found here.
4. Click the green "**Get Help**" interactive chat button on any myICLUB.com page to chat directly with a staff member (during business hours).
5. Contact our Support team **online** at www.myICLUB.com/support.aspx. Please provide as much detail as possible when submitting your question.
6. Contact our Support team by **telephone** at 1-877-33-ICLUB, Monday-Friday 9:30 am – 6:00 pm ET (Thursdays 9:30 am – 9:00 pm ET).

Terms Of Service (TOS)

Use of this product is governed by Terms Of Service, linked at the bottom of each page of the myICLUB website. These Terms Of Service are a legal contract between an investment club or its representative in their individual capacity, as the case may be, and ICLUBcentral, Inc.

By using the software, users are agreeing to be bound by the terms and conditions of this agreement, including without limitation the customer support provisions set out in the agreement.

If users do not agree to such terms and conditions, they must discontinue use of the website and contact myICLUB.

For more information, please write to myICLUB at 570 Kirts Blvd., Suite 237; Troy, MI 48084.

About myI CLUB

myI CLUB is the global leader in the development of software tools for investment clubs. We have been making club accounting and tax software since 1989, and our products are used by more investment clubs than any other in the world.

Besides **myI CLUB** (www.myI CLUB), our parent, I CLUBcentral, Inc., also produces:

- The award-winning, market-beating **Investor Advisory Service** newsletter (www.investoradvisoryservice.com).
- The small-cap market-beating **SmallCap Informer** newsletter (www.smallcapinformer.com).
- The dividend-focused **Dividend Informer** newsletter (www.dividendinformer.com);
- An online stock screener, **MyStockProspector.com** (www.mystockprospector.com).
- A complete suite of online tools, data, and community for investors, **StockCentral.com** (www.stockcentral.com).

