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CFS Tax Software
P.O. Box 879
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Small Business Health Care Tax Credit Worksheet

Business name Acme Incorporated Southern

77-1231456

Tax Year 2012

Step 1 Determine the total number of employees (not counting owners or family members)

Number of full-time employees		10
Total annual hours of part-time employees	30,000	
Full-time equivalent of part-time employees		14
Total employees		24

*If total employees is less than 25 go to Step 2,
otherwise STOP here, you do not qualify for the credit*

Step 2 Calculate the average annual wages of employees (not counting owners or family members)

Total annual wages paid to employees		200,000
Average wages (total wages divided by number of employees)		8,000

*If average wages is less than \$50,000 go to Step 3,
otherwise STOP here, you do not qualify for the credit*

Step 3 Determine eligibility for Small Business Health Care Tax Credit (not counting owners or family members)

No. Single coverage enrollees	5	Total Single coverage premium paid	25,000
Percent of Total annual Single coverage premiums paid by employer			55%
No. Family coverage enrollees	5	Total Family coverage premium paid . . .	25,000
Percent of Total annual Family coverage premiums paid by employer			55%
Total annual premiums paid by employer (not counting owners or family members)			27,500
Did employer pay at least 50% of the premium for the above employees? (50% of single coverage premium in 2010)			Yes
State in which business operates			CALIFORNIA
Average single coverage premium for small group market in state			4,999
Average family coverage premium for small group market in state			12,161
Is employer a tax exempt organization?			No
Total employee income tax and Medicare withheld plus employer's share of Medicare (Tax exempt organization limitation)			

Step 4 Determine Maximum Small Business Health Care Tax Credit

Credit before limitation or phaseout		9,625
Credit limited by state market average		9,624
Phaseout due to employees in excess of 10		(8,982)
Phaseout due to average salary in excess of \$25,000		0
Tax exempt organization limitation		N/A
Maximum Small Business Health Care Tax Credit		642

LLC Operating Agreement Checklist

Disclaimer: This checklist is provided to help you develop your LLC operating agreement. Due to the various policy and legislative changes that occur frequently, some of these steps may not apply to your LLC. Additionally, there may be other steps that are required by your LLC that are not covered here. As always, legal counsel is strongly advised.

- Name of LLC, names of initial members, and date of agreement.
- Date the LLC intends to commence its legal existence.
- Description of LLC's business or investment purpose or activities.
- Duration of the LLC.
- Description of LLC's principal place of business, and name and address of LLC's registered agent.
- Designation of managers (if appropriate), and provisions for removing existing managers and replacing them with new managers.
- Required initial capital contributions and provisions for anticipated and unanticipated future contributions of capital (including what happens to members who fail to make their contributions).
- Dates of LLC distributions and rights of members to take draws in advance of formal distribution dates.
- Descriptions of how distributions are calculated (for example, if certain members are to receive "preferred returns" with respect to their capital accounts).
- Provisions for member salaries (treated as IRC section 707 guaranteed payments for tax purposes).
- Specific authority for LLC to borrow or incur debts.
- Specific authority for members to lend to LLC and/or for LLC to lend to members.
- Place where LLC's legal and financial records will be kept, and rights of members to demand an accounting from the entity.
- Rights of members to obtain access to LLC's books and records.
- Any restrictions on authority of managers to act without member approval (for example, a unanimous vote of the members may be required to amend the operating agreement or to engage in certain major transactions, such as a sale of substantially all of the LLC's assets).
- Voting provisions for what is a quorum, how members' votes are counted (per capita or based on percentage interest in the LLC), what majority is needed to conclude on certain issues, etc.
- Provisions for periodic meetings of the members.
- Procedures for admission of new members.

LLC Operating Agreement Checklist

- Provisions for voluntary withdrawal, retirement, or expulsion of members (including what rights these members have to payment for their ownership interests, payment terms, and how such interests will be valued).
- Provisions for whether the LLC will take the member's share of the LLC's goodwill into account for purposes of Item 19 above, and how such goodwill will be valued.
- Provisions for ability of members to sell, assign, or otherwise transfer their ownership interests to third parties (including rights of first refusal for the LLC or other members to purchase such interests, and how valuation of such interests will be determined).
- Provisions for buyouts of member's interests upon retirement, disability, insanity, death, etc. (including how such interests will be valued and what the payment terms will be).
- Noncompete provisions after member withdrawals.
- Provisions for voting to continue the LLC (or not) after the withdrawal, death, etc., of a member causes a legal dissolution of the entity.
- Provisions for the members agreeing to terminate the existence of the LLC, and how the LLC will be terminated in other circumstances.
- Provisions for how property will be valued if the LLC is terminated and all assets are distributed in liquidation.
- Financial accounting and tax provisions for how profits, losses, and liabilities will be shared, how "book" capital accounts will be maintained (including how they will be adjusted when noncash property is contributed or distributed), how tax items will be allocated among the members, how capital accounts will be maintained for tax accounting purposes, when the LLC will make an IRC section 754 election, etc.
- Arbitration provisions for resolving disputes between members or between the LLC and a member.
- A recitation that the members intend to form an entity that will be treated as a partnership for tax purposes as of the specified commencement date and that they intend to share the profits, losses, and obligations arising from the venture.

INDEPENDENT CONTRACTOR EMPLOYMENT AGREEMENT

AGREEMENT, dated June 5, 2013 between Acme Incorporated Southern (hereinafter "the Corporation") and John Smith (hereinafter "the Independent Contractor").

Now, therefore, the parties hereto agree as follows:

1. **EMPLOYMENT.** The Corporation shall employ the Independent Contractor, and the Independent Contractor shall serve the Corporation upon the terms and conditions hereinafter set forth.
2. **TERM AND EXTENSION.** The employment of the Independent Contractor hereunder shall commence on January 1, 2014 and shall continue to and including August 21, 2014.
3. **DUTIES.** During the period or periods of his/her employment hereunder, the Independent Contractor shall serve the Corporation and shall perform any and all general Consulting services required or requested in connection with their business. Within the limitations herein above provided, the Independent Contractor will render such other advisory services in connection with the accounting services of the Corporation as may be requested from time to time by the officers or directors of the Corporation, without further compensation other than that for which provision is made in this Agreement.
4. **TIME REQUIREMENTS.** The Independent Contractor shall devote during the period ending August 21, 2014 not more than seventy five percent of his/her entire time, energy, and skill to the duties of his/her employment hereunder and shall periodically, or at any time upon the request of the Corporation, submit data as to the time performed.
5. **COMPENSATION.** The Corporation shall pay to the Independent Contractor for his/her services sums in the aggregate amounting to ten thousand dollars (\$10,000) or 35 percent per month project, during the period of his/her employment hereunder. Such aggregate sums shall be paid upon satisfactory completion of any secondary project and from the proceeds received from the client for whom consulting services are rendered.
6. **INDEMNIFICATION AND HOLD HARMLESS PROVISION.** The Independent Contractor agrees hereby to indemnify and hold harmless the Corporation from any and all claims by the Independent Contractor which may arise out of and in the course of the performance of his/her duties hereunder. Any and all claims for unemployment benefits and or claims for workers' compensation benefits are hereby expressly waived by the within Independent Contractor who agrees to maintain separate policies of liability, health, and accident insurance as may be necessary or required by the Corporation in connection with the performance of its duties herein.
7. **RELATIONSHIP BETWEEN PARTIES.** The Independent Contractor is employed by the Corporation only for the purposes and to the extent set forth in this Agreement, and his/her relation to the Corporation shall, during the period or periods of his/her employment and services hereunder, be that of an independent contractor. The Independent Contractor shall be free to dispose of such portion of his/her entire time, energy, and skill during regular business hours as he is not obligated to devote hereunder to the Corporation in such manner as he sees fit and to such persons, firms, or corporations as he deems advisable. The Independent Contractor shall not be considered as having an employee status or as being entitled to participate in any plans, arrangements, or distributions by the Corporation pertaining to or in connection with any insurance, pension, stock, bonus, profit-sharing, or similar benefits for their regular employees.
8. **PROFESSIONAL RESPONSIBILITY.** Nothing in this Agreement shall be construed to interfere with or

otherwise affect the rendering of services by the Independent Contractor in accordance with his/her services in a good and workmanlike manner and in accordance with generally accepted accounting practices.

9. ENTIRE AGREEMENT. The within Agreement shall be construed in accordance with California law and shall constitute the entire Agreement between the parties. In witness whereof, Acme Incorporated Southern has caused this Agreement to be executed in its corporate name by its corporate officers, and John Smith, the Independent Contractor hereunder.

Executed at Simi Valley, California, on the date and year first written above.

"Corporation": Acme Incorporated Southern, a California corporation

By: _____, President
Larry Harris

"Contractor": _____
John Smith

U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2012, or tax year beginning , 2012, ending , 20.....
Information about Form 1065 and its separate instructions is at www.irs.gov/form1065.

2012

A Principal business activity <u>Sales</u>	Print or type.	Name of partnership <u>Acme Incorporated Southern</u>	D Employer identification number <u>77-1231456</u>
B Principal product or service <u>Furniture</u>		Number, street, and room or suite no. If a P.O. box, see the instructions. <u>23455 Southwest Boulevard</u>	E Date business started <u>02/02/2000</u>
C Business code number <u>145252</u>		City or town, state, and ZIP code <u>Olympia, WA 74512-6363</u>	F Total assets (see the instructions) \$ <u>156457.</u>

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

H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

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

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

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

Income	1a Gross receipts or sales	1a	<u>165152.</u>	
	b Returns and allowances	1b		
	c Balance. Subtract line 1b from line 1a	1c		<u>165152.</u>
	2 Cost of goods sold (attach Form 1125-A)	2		<u>94142.</u>
	3 Gross profit. Subtract line 2 from line 1c	3		<u>71010.</u>
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)	4		
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5		
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6		
7 Other income (loss) (attach statement)	7			
8 Total income (loss). Combine lines 3 through 7	8		<u>71010.</u>	
Deductions <small>(see the instructions for limitations)</small>	9 Salaries and wages (other than to partners) (less employment credits)	9		
	10 Guaranteed payments to partners	10		
	11 Repairs and maintenance	11		
	12 Bad debts	12		
	13 Rent	13		
	14 Taxes and licenses	14		
	15 Interest	15		
	16a Depreciation (if required, attach Form 4562)	16a		
	b Less depreciation reported on Form 1125-A and elsewhere on return	16b		<u>0.</u>
	17 Depletion (Do not deduct oil and gas depletion.)	17		
	18 Retirement plans, etc.	18		
	19 Employee benefit programs	19		
	20 Other deductions (attach statement)	20		
	21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21		<u>0.</u>
22 Ordinary business income (loss). Subtract line 21 from line 8	22		<u>71010.</u>	

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member manager) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member manager _____ Date _____

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

Paid Preparer Use Only

Print/Type preparer's name <u>I am A. Preparer</u>	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN <u>P05285583</u>
Firm's name <u>CFS Tax Software Inc</u>	Firm's EIN <u>42-8855794</u>			
Firm's address <u>1445 Los Angeles Ave Ste 214 Simi Valley CA 93065</u>	Phone no. <u>(800) 343-1157</u>			

Schedule B Other Information

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

Schedule B Other Information (continued)

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

Designation of Tax Matters Partner (see instructions)

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

Name of designated TMP	▶ Joe Sampson	Identifying number of TMP	▶ 423-21-2345
If the TMP is an entity, name of TMP representative	▶	Phone number of TMP	▶ (800) 343-1157
Address of designated TMP	▶ 1234 Simi Lane Simi Valley CA 93065		

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	71010.
	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	0.
	4 Guaranteed payments	4	25000.
	5 Interest income	5	
	6 Dividends: a Ordinary dividends	6a	
	b Qualified dividends	6b	
	7 Royalties	7	
	8 Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8	
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a		
b Collectibles (28%) gain (loss)	9b		
c Unrecaptured section 1250 gain (attach statement)	9c		
10 Net section 1231 gain (loss) (attach Form 4797)	10		
11 Other income (loss) (see instructions) Type ▶	11		
Deductions	12 Section 179 deduction (attach Form 4562)	12	
	13a Contributions	13a	
	b Investment interest expense	13b	
	c Section 59(e)(2) expenditures: (1) Type ▶ (2) Amount ▶	13c(2)	
d Other deductions (see instructions) Type ▶	13d		
Self-Employment	14a Net earnings (loss) from self-employment	14a	
	b Gross farming or fishing income	14b	
	c Gross nonfarm income	14c	
Credits	15a Low-income housing credit (section 42(j)(5))	15a	
	b Low-income housing credit (other)	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468)	15c	
	d Other rental real estate credits (see instructions) Type ▶	15d	
	e Other rental credits (see instructions) Type ▶	15e	
	f Other credits (see instructions) Type ▶	15f	
Foreign Transactions	16a Name of country or U.S. possession ▶		
	b Gross income from all sources	16b	
	c Gross income sourced at partner level	16c	
	Foreign gross income sourced at partnership level		
	d Passive category ▶ e General category ▶ f Other ▶	16f	
	Deductions allocated and apportioned at partner level		
	g Interest expense ▶ h Other ▶	16h	
	Deductions allocated and apportioned at partnership level to foreign source income		
	i Passive category ▶ j General category ▶ k Other ▶	16k	
l Total foreign taxes (check one): ▶ Paid <input type="checkbox"/> Accrued <input type="checkbox"/>	16l		
m Reduction in taxes available for credit (attach statement)	16m		
n Other foreign tax information (attach statement)			
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	
	b Adjusted gain or loss	17b	
	c Depletion (other than oil and gas)	17c	
	d Oil, gas, and geothermal properties - gross income	17d	
	e Oil, gas, and geothermal properties - deductions	17e	
	f Other AMT items (attach statement)	17f	
Other Information	18a Tax-exempt interest income	18a	
	b Other tax-exempt income	18b	
	c Nondeductible expenses	18c	
	19a Distributions of cash and marketable securities	19a	
	b Distributions of other property	19b	
	20a Investment income	20a	
b Investment expenses	20b		
c Other items and amounts (attach statement)			

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16l						1	96010.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners							
b Limited partners							

Schedule L Balance Sheets per Books

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
Assets				
1 Cash		45652.		32145.
2a Trade notes and accounts receivable				
b Less allowance for bad debts				
3 Inventories				
4 U.S. government obligations				
5 Tax-exempt securities				
6 Other current assets (attach statement)		800.		800.
7a Loans to partners (or persons related to partners)				
b Mortgage and real estate loans				
8 Other investments(attach statement)				
9a Buildings and other depreciable assets	125600.		125600.	
b Less accumulated depreciation	10500.	115100.	11655.	113945.
10a Depletable assets				
b Less accumulated depletion				
11 Land (net of any amortization)				
12a Intangible assets (amortizable only)				
b Less accumulated amortization				
13 Other assets (attach statement)		2566.		2566.
14 Total assets		164118.		149456.
Liabilities and Capital				
15 Accounts payable				
16 Mortgages, notes, bonds payable in less than 1 year		4250.		3740.
17 Other current liabilities (attach statement)		2120.		2750.
18 All nonrecourse loans				
19a Loans from partners (or persons related to partners)				
b Mortgages, notes, bonds payable in 1 year or more				
20 Other liabilities (attach statement)				
21 Partners' capital accounts		157748.		142966.
22 Total liabilities and capital		164118.		149456.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return

Note. Schedule M-3 may be required instead of Schedule M-1 (see instructions).

1 Net income (loss) per books	33262.	6 Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a Tax-exempt interest \$	
3 Guaranteed payments (other than health insurance)		7 Deductions included on Schedule K, lines 1 through 13d, and 16l, not charged against book income this year (itemize):	
4 Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		a Depreciation \$	
a Depreciation \$		8 Add lines 6 and 7	
b Travel and entertainment \$		9 Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	33262.
5 Add lines 1 through 4	33262.		

Schedule M-2 Analysis of Partners' Capital Accounts

1 Balance at beginning of year	25000.	6 Distributions: a Cash	25000.
2 Capital contributed: a Cash	33262.	b Property	
b Property		7 Other decreases (itemize):	
3 Net income (loss) per books			
4 Other increases (itemize):		8 Add lines 6 and 7	25000.
5 Add lines 1 through 4	58262.	9 Balance at end of year. Subtract line 8 from line 5	33262.

▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.**
▶ **Information about Form 1125-A and its instructions is at www.irs.gov/form1125a.**

Name Acme Incorporated Southern Employer identification number 77-1231456

1	Inventory at beginning of year	1	87500.
2	Purchases	2	89142.
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	176642.
7	Inventory at end of year	7	82500.
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions)	8	94142.

9a Check all methods used for valuing closing inventory:

- (i) Cost
- (ii) Lower of cost or market
- (iii) Other (Specify method used and attach explanation.) ▶

b Check if there was a writedown of subnormal goods

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d** _____

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity (see instructions)? Yes No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

Equipment Lease vs Buy Comparison

Name: Acme Incorporated Southern Cal

Date: May 7, 2013

Equipment description: Printing Equipment

INPUT DATA

Tax rates Federal: . 25.00% State: .. 7.00%
 Business use % 100.00%
 Time value of money 6.00%

Lease Information

Date of lease start 05/01/2011
 Term of lease (months) 60
 Start up costs 1,500
 Refundable security deposit 1,000
 Monthly payment 625

Purchase Information

Equipment cost 150,000
 Selling price at end of lease period 65,000
 Will taxpayer pay cash? No
 Down payment on purchase 15,000
 Loan interest rate 8.25%
 Term of loan (months) 60
 Depreciation method (3, 5, 7, 10 yr. 200% DB) 5 year MACRS 200% DB
 Convention (HY, MQ) HY
 Special first year allowance NONE
 Section 179 deduction 25,000

SUMMARY

Year	LEASE			BUY		
	Lease Expense	Tax Benefit	Net PV of Expenses & Benefits	Purchase Expense	Tax Benefit	Net PV of Payments & Benefits
2011	7,500	1,574	5,617	37,028	17,448	19,477
2012	7,500	2,360	4,722	33,042	15,105	16,306
2013	7,500	2,360	4,448	33,042	9,642	20,061
2014	7,500	2,360	4,190	33,042	6,062	21,804
2015	7,500	2,360	3,946	33,042	5,327	21,108
2016	1,500	786	575	(53,986)	(17,338)	(41,567)
TOTALS	39,000	11,800	23,498	115,210	36,246	57,189

LEASING provides a net PV cost savings of \$33,691.

Form **8832**
 (Rev. January 2012)
 Department of the Treasury
 Internal Revenue Service

Entity Classification Election

OMB No. 1545-1516

Type or Print	Name of eligible entity making election <u>Acme Incorporated Southern</u>	Employer identification number <u>77-1231456</u>
	Number, street, and room or suite no. If a P.O. box, see instructions. <u>23455 Southwest Boulevard</u>	
	City or town, state, and ZIP code. If a foreign address, enter city, province or state, postal code and country. Follow the country's practice for entering the postal code. <u>Olympia WA 74512-6363</u>	

▶ Check if: Address change Late classification relief sought under Revenue Procedure 2009-41
 Relief for a late change of entity classification election sought under Revenue Procedure 2010-32

Part I Election Information

1 Type of election (see instructions):

- a Initial classification by a newly-formed entity. Skip lines 2a and 2b and go to line 3.
- b Change in current classification. Go to line 2a.

2a Has the eligible entity previously filed an entity election that had an effective date within the last 60 months?

- Yes.** Go to line 2b.
- No.** Skip line 2b and go to line 3.

2b Was the eligible entity's prior election an initial classification election by a newly formed entity that was effective on the date of formation?

- Yes.** Go to line 3.
- No.** Stop here. You generally are not currently eligible to make the election (see instructions).

3 Does the eligible entity have more than one owner?

- Yes.** You can elect to be classified as a partnership or an association taxable as a corporation. Skip line 4 and go to line 5.
- No.** You can elect to be classified as an association taxable as a corporation or disregarded as a separate entity. Go to line 4.

4 If the eligible entity has only one owner, provide the following information:

- a Name of owner ▶ _____
- b Identifying number of owner ▶ _____

5 If the eligible entity is owned by one or more affiliated corporations that file a consolidated return, provide the name and employer identification number of the parent corporation:

- a Name of parent corporation ▶ CFS Tax Software Inc _____
- b Employer identification number ▶ 77-1225569 _____

Part I Election Information (Continued)

6 Type of entity (see instructions):

- a A domestic eligible entity electing to be classified as an association taxable as a corporation.
- b A domestic eligible entity electing to be classified as a partnership.
- c A domestic eligible entity with a single owner electing to be disregarded as a separate entity.
- d A foreign eligible entity electing to be classified as an association taxable as a corporation.
- e A foreign eligible entity electing to be classified as a partnership.
- f A foreign eligible entity with a single owner electing to be disregarded as a separate entity.

7 If the eligible entity is created or organized in a foreign jurisdiction, provide the foreign country of organization ▶

8 Election is to be effective beginning (month, day, year) (see instructions) ▶ 01/01/2012

9 Name and title of contact person whom the IRS may call for more information	10 Contact person's telephone number
George Smith, President	(562) 987-6541

Consent Statement and Signature(s) (see instructions)

Under penalties of perjury, I (we) declare that I (we) consent to the election of the above-named entity to be classified as indicated above, and that I (we) have examined this election and consent statement, and to the best of my (our) knowledge and belief, this election and consent statement are true, correct, and complete. If I am an officer, manager, or member signing for the entity, I further declare under penalties of perjury that I am authorized to make the election on its behalf.

Signature(s)	Date	Title
		President
		Secretary
		Vice-President

Corporate Dissolution or Liquidation
 (Required under section 6043(a) of the Internal Revenue Code)

Please type or print	Name of corporation Acme Incorporated Southern		Employer identification number 77-1231456				
	Number, street, and room or suite no. (If a P.O. box number, see instructions.) 23455 Southwest Boulevard		Check type of return <input type="checkbox"/> 1120 <input type="checkbox"/> 1120-L <input type="checkbox"/> 1120-IC-DISC <input checked="" type="checkbox"/> 1120S <input type="checkbox"/> Other ▶				
	City or town, state, and ZIP code Olympia, WA 74512-6363						
1	Date incorporated 02/05/1999	2	Place incorporated California	3	Type of liquidation <input checked="" type="checkbox"/> Complete <input type="checkbox"/> Partial	4	Date resolution or plan of complete or partial liquidation was adopted 02/15/2012
5	Service center where corporation filed its immediately preceding tax return Ogden, Utah	6	Last month, day, and year of immediately preceding tax year 12/31/2012	7a	Last month, day, and year of final tax year 12/31/2013	7b	Was corporation's final tax return filed as part of a consolidated income tax return? If "Yes," complete 7c, 7d, and 7e. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
7c	Name of common parent n/a	7d	Employer identification number of common parent	7e	Service Center where consolidated return was filed n/a		
8	Total number of shares outstanding at time of adoption of plan of liquidation				Common 10,000	Preferred	
9	Date(s) of any amendments to plan of dissolution						
10	Section of the Code under which the corporation is to be dissolved or liquidated				321		
11	If this form concerns an amendment or supplement to a resolution or plan, enter the date the previous Form 966 was filed						

Attach a certified copy of the resolution or plan and all amendments or supplements not previously filed.

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

	President	
Signature of officer	Title	Date

Corporate Federal/State Tax Planner

State: California

Date: 05-07-2013

Prepared for Acme Incorporated Southern

Prepared by CFS Tax Software Inc

	2012		2013		2014	
	Fed	State	Fed	State	Fed	State
INCOME						
Gross Receipts/Sales	793,176	793,176	816,971	816,971	770,074	770,074
Less Returns & Allowances	5,590	5,590	5,758	5,758	5,427	5,427
Balance	787,586	787,586	811,213	811,213	764,647	764,647
Cost of Goods Sold						
Inventory Beginning of Year	18,030	18,030	18,571	18,571	17,505	17,505
Purchases	137,289	137,289	141,407	141,407	133,290	133,290
Cost of Labor	35,581	35,581	36,649	36,649	34,545	34,545
Additional Sec 263A Costs	0	0	0	0	0	0
Other Costs	0	0	0	0	0	0
Total	190,900	190,900	196,627	196,627	185,340	185,340
Inventory at End of Year	19,338	19,338	19,918	19,918	18,775	18,775
Cost of Goods Sold	171,562	171,562	176,709	176,709	166,565	166,565
Gross Profit	616,024	616,024	634,504	634,504	598,082	598,082
Dividends	0	0	0	0	0	0
Interest	0	0	0	0	0	0
Gross Rents	16,390	16,390	16,882	16,882	15,913	15,913
Gross Royalties	0	0	0	0	0	0
Capital Gain Net Income	0	0	0	0	0	0
Net Gain/Loss Form 4797	0	0	0	0	25,000	25,000
Other Income	0	0	0	0	0	0
State Adjustments to Fed Inc	N/A	0	N/A	0	N/A	0
TOTAL INCOME	632,414	632,414	651,386	651,386	638,995	638,995
DEDUCTIONS						
Advertising	7,103	7,103	7,316	7,316	6,896	6,896
Auto Expense	27,986	27,986	28,826	28,826	27,171	27,171
Bad Debts	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0
Employee Benefit Programs	0	0	0	0	0	0
Insurance	3,961	3,961	4,080	4,080	3,846	3,846
Interest	0	0	0	0	0	0
Legal & Professional	5,300	5,300	5,300	5,300	5,300	5,300
Licenses	450	450	450	450	450	450
Meals & Entertainment (50%)	1,536	1,536	1,583	1,583	746	746
Office Supplies	4,930	4,930	5,077	5,077	4,786	4,786
Pension & P/S Plans	38,245	38,245	39,392	39,392	37,131	37,131
Salaries - Officers	245,863	245,863	253,239	253,239	238,702	238,702
Salaries - Employees	107,706	107,706	110,937	110,937	104,569	104,569
Repairs & Maintenance	7,131	7,131	7,345	7,345	6,923	6,923
Rents	20,495	20,495	21,110	21,110	19,898	19,898
Taxes	71,164	71,164	73,299	73,299	69,091	69,091
Telephone	4,945	4,945	5,093	5,093	4,801	4,801
Utilities	7,131	7,131	7,345	7,345	6,923	6,923
Other Deductions	44,542	44,542	45,381	45,381	43,728	43,728
TOTAL DEDUCTIONS	598,488	598,488	615,773	615,773	580,961	580,961
TAX COMPUTATIONS						
Taxable Income Before NOL/Spec Ded	33,926	33,926	35,613	35,613	58,034	58,034
Less: NOL Deduction	0	0	0	0	0	0
Less: Special Deductions	0	0	0	0	0	0
Taxable Income	33,926	33,926	35,613	35,613	58,034	58,034
Tax	5,089	2,999	5,342	3,148	9,509	5,130
Tentative Min Tax	0	N/A	0	N/A	3,607	N/A
Credits	0	0	0	0	0	0
AMT (schedule)	0	0	0	0	0	0
Other Taxes	0	0	0	0	0	0
TOTAL TAXES	5,089	2,999	5,342	3,148	9,509	5,130
PAYMENTS						
Prior Year Credited	0	0	0	0	0	0
Estimated Payments	6,000	900	4,200	900	9,500	1,800
Less Form 4466 Refund	0	N/A	0	N/A	0	N/A
Extension Form Deposit	0	0	0	0	0	0
Other Payments	0	N/A	0	N/A	0	N/A
TOTAL PAYMENTS	6,000	900	4,200	900	9,500	1,800
REFUND(-)/BALANCE DUE(+)	-911	2,099	1,142	2,248	9	3,330

**Acme Incorporated Southern
Company Policy and Procedures
Accountable Business Expense Reimbursement Plan**

Be it known, that employees of Acme Incorporated Southern will be reimbursed for ordinary and necessary business-related expenses incurred while performing services as an employee in accordance with the following guidelines:

A. Business Purpose

Business-related expenses covered by this accountable plan must meet the standards of accountability set forth by the Internal Revenue Service (Reg. 1.62-2). All business-related expenses that are ordinary and necessary must have been paid or incurred by the employee while performing services as an employee of Acme Incorporated Southern. Employees must adequately account for business-related expenses within a reasonable period of time to receive reimbursement. Excess reimbursements and/or allowances must also be repaid within a reasonable period of time. This accountable plan remains in effect from January 1 through December 31. Once this accountable plan is in effect, neither the employee nor Acme Incorporated Southern may amend it.

B. Reasonable Period of Time to Request Reimbursement, Advances or Repayment

Any employee seeking reimbursement for qualified business-related expenses must adequately account to Acme Incorporated Southern within sixty (60) days from the time the expense was either paid or incurred by the employee, or, in the case of an advance, within 30 days of when an expense was paid or incurred.

Any employee that receives reimbursement in excess of their qualified business-related expenses must return said excess to Acme Incorporated Southern within one hundred and twenty (120) days after the expense was either paid or incurred.

All employees requesting and receiving business-related expense advances must, upon notification from Acme Incorporated Southern, adequately account for all outstanding business-related expense advances and/or return excess business-related expense advances within one hundred and twenty (120) days of notification.

C. Reimbursement of Travel Expenses and/or Meal and Entertainment Expenses

The current federal per diem rate will be used to reimburse an employee's lodging, meals, and incidental expenses while conducting business away from their place of residence.

D. Reimbursement of Automobile Expense

The current federal standard mileage rate will be used to reimburse employee's ordinary and necessary business-related mileage while conducting business for Acme Incorporated Southern. Each employee requesting reimbursement will provide the time (dates), place, and business purpose for each business-related expense within a reasonable time (as noted in paragraph B).

E. Excess Reimbursement

Excess reimbursements and/or allowances must also be repaid within a reasonable period of time. If the excess reimbursement is not re-paid within a reasonable period of time, then the excess will be considered "Additional income" and will be included in the employee's gross wages and will be subject to withholding and employment taxes.

Any advancement of business-related travel expenses that has not been properly accounted for will be considered "Additional income" and will be included in the employee's gross wages and will be subject to withholding and employment taxes.

F. Payment of Business-Related Expenses

Payment for reimbursement of all business-related expenses will be payable to the employee either by a separate check or as a separate entry on their regular paycheck.

Failure of the employee to follow the guidelines listed above may render any and all business-related expenses as non-reimbursable.

_____ Signature	_____ Date	_____ President Title
_____ Marshall Longstead Print Name		

Starting a Business Checklist

Disclaimer: This checklist is provided to help you start your business. Due to the various policy and legislative changes that occur frequently, some of these steps may not apply to your business. Additionally, there may be other steps that are required by your business that are not covered here. As always, legal counsel is strongly advised.

- Choose a business.
- Research the business idea.
- Consult your tax professional regarding tax aspects of various business entities.
- Consult an attorney regarding federal and state laws governing creation, ownership, and operation of the entity.
- Write a business plan and marketing plan.
- Choose a business name.
- See if the business name is available for use as a domain name.
- Register the domain name even if you aren't ready to use it yet.
- Choose a location for the business.
- Check zoning laws.
- File partnership, corporate or limited liability company papers.
- Contact the Internal Revenue Service to apply for your federal identification number and for filing your federal tax schedules.
- Apply for state employee identification number if you will have employees.
- Find out about worker's compensation if you will have employees.
- Apply for sales tax number if needed.
- File state tax forms.
- Check to get any required business licenses or permits.
- Register or reserve federal trademark/service mark.
- Register copyrights.
- Apply for patent if you will be marketing an invention.
- Order any required notices (advertisements you have to place) or your intent to do business in the community.
- Have business phone or extra residential phone lines installed.
- Check into business insurance needs.
- Get adequate business insurance or a business rider to a homeowner's policy.

Starting a Business Checklist

- Get tax information such as record keeping requirements, information on withholding taxes if you will have employees, information on hiring independent contractors, facts about estimating taxes, etc.
- Open a bank account for the business.
- Fund the entity.
- Hold all necessary organizational meetings to elect officers and directors.
- Have business cards and stationery printed.
- Purchase equipment or supplies.
- Order inventory, signage and fixtures.
- Get an email address.
- Find a web hosting company.
- Get your website set up.
- Have sales literature prepared.
- Call for information about Yellow Pages advertising.
- Place advertising in newspapers or other media if yours is the type of business that will benefit from paid advertising.
- Call everyone you know and let them know you are in business.