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CC: "Dlugash, Alan" <[REDACTED]>, Brad Wechsler <[REDACTED]>, Richard D'Agostino <[REDACTED]>
Subject: Grantor Trust and Disregarded Entity Reporting
Date: Tue, 14 Apr 2015 14:42:09 +0000
Attachments: GRANTOR_TRUST_REPORTING_MAP.pdf;
trust_letter_to_1041_APO2_DECLARATION.pdf;
trust_letter_to_1041_BLACK_FAMILY_1997_TRUST.pdf

Please review the proposed reporting for grantor trusts and plan below for disregarded LLC's. The plan is to file (without extension) grantor trust tax returns by April 15.

Summary: Follow grantor trust reporting rules such that all items of income (loss) of grantor trusts are reported entirely to the grantor under the grantor SSN. (see map attached)

Facts: Grantor trusts have EIN numbers, ie identification numbers other than the grantor's SSN. Grantor trusts with EIN's must file Form 1041 and report items of income (loss) in a grantor letter or not file Form 1041 and issue 1099-DIV/ 1099-INT to grantor. Under 1.641-4, the reporting by the grantor trust can change to SSN reporting if the trustees of the grantor trust furnish the name and tax ID number of the grantor to each payor.

I have consulted with Alan Dlugash on the best way to file Form 1041 with disclosure of the underlying partnership interests and to convert the grantor trust reporting to have the SSN of the grantor. Please see the Form 1041 attachment that Alan and I prepared. This reporting will ensure that Leon's return reports directly the K1 information received from outside partnerships. This is the same method as was used to report partnership items in tax year 2013.

Single member LLC's: Similar to grantor trusts, various single member LLC's have obtained EIN numbers. The IRS indicates that single member LLC's should not request an EIN if the default tax classification of the LLC is a disregarded entity. (Disregarded LLC's obtain EIN's for limited reasons: to filing Form 8832 (Classification Election), for filing employment tax returns and excise tax returns, or for state reporting purposes.) No income tax returns have been filed in the past for disregarded LLC's. To ensure that Leon's return reports directly the K1 information received from outside partnerships and that there is the possibility for K-1 matching and to remove any doubt that the LLC is a disregarded entity, the intention is to reach out to partnerships where LLC have interests and furnish a W-9 with the LLC name and the name of the owner/ SSN. This will also ensure compliance with IRS rules for reporting for disregarded entities. Alan is in agreement with the above.

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