

May I use the mark-to-market accounting method for tax reporting purposes?

Special tax reporting accounting rules may apply if you qualify as a “trader in securities.” Section 475(f)(1) of the Internal Revenue Code allows certain taxpayers to use the mark-to-market election as a business, even if they do not maintain an inventory and do not have customers. According to **IRS Topic 429 - Traders in Securities**, to be engaged in business as a trader in securities, you must meet all of the following conditions:

- You must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation;
- Your activity must be substantial; and
- You must carry on the activity with continuity and regularity.

The following facts and circumstances should be considered in determining if your activity is a securities trading business:

- Typical holding periods for securities bought and sold;
- The frequency and dollar amount of your trades during the year;
- The extent to which you pursue the activity to produce income for a livelihood, and
- The amount of time you devote to the activity.

*If the nature of your trading activities does not qualify as a business, you are considered an **investor** and not a trader.*

If you believe you have met all conditions described above:

File a mark-to-market election by the due date (not including extensions) of the tax return for the year prior to the year for which the election becomes effective. The election is made by attaching a statement either to your income tax return or to a request for an extension of time to file your return. The procedures for making an election are described in **IRS Publication 550** under “**Special Rules for Traders in Securities.**”

Please note: *Once you make an election with the IRS, removal must be approved by the IRS.*

Refer to **Topic 429 – Traders in Securities and Publication 550 – Investment Income and Expenses** and consult with your tax professional to determine whether you qualify and, if so, how to file for the mark-to-market election.

I have read and understand that I may be subject to tax and/or penalties if I am not considered to be a trader.

Signature: _____

Date: _____

Exclude Wash Sale

Please consult with a tax advisor before submitting this form to TradeStation. You may be subject to tax and/or penalties if you are not considered to be a "trader in securities" as defined by IRS rules.

Effective Year: _____

Account Number(s): _____

Name: _____

Address: _____

Telephone Number: _____

I/we certify that a valid and timely election under IRS code section 475(f)(1) has been made and that the referenced account(s) contain only securities subject to the election.

Send your notification via email to: clientservices@TradeStation.com or mail to

ATTENTION: Client Services

TradeStation
8050 SW 10th Street, Suite 2000
Plantation, FL 33324

If you have any accounting questions regarding your election, please consult with your tax advisor. For non-accounting questions, call our Client Services Department at 800.822.0512 or 954.652.7900

Thanks in advance for your timely response.

Sincerely,

TradeStation Securities, Inc.