

Addendum: Preparing S Corporation Returns

Revision [1.1]

Clarified the due date. Updated excess business loss limitation for CARES Act. Added missing information for the case study.

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Replace: “No more than two months and 15 days after the beginning of the tax year the election is to take effect” with “By the 15th day of the third month after the beginning of the tax year the election is to take effect.”

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On the last bullet point on the page, “Excess business loss limitation” add the following. “The CARES Act suspends the EBL limit until 2021.”

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Add the following shareholders to the list:

Lucy Marco Polo	Holly Garfield
498 Southbound Boulevard	325 Primrose Lane
Anytown WI 55555	Anytown WI 55555
555-11-3333	555-11-1111

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Journal Entries 1, 9, 10, and 12 should list current year instead of 2016.



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The business code for S Corp Inc is 453910.

Form 1120-S		U.S. Income Tax Return for an S Corporation ▶ Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. ▶ Go to www.irs.gov/Form1120S for instructions and the latest information.		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service				2019
For calendar year 2019 or tax year beginning _____, ending _____				
A Selection effective date 01/01/17	TYPE OR PRINT	Name S Corp Inc.	D Employer identification number **-***6788	
B Business activity code number (see instructions) 453910		Number, street, and room or suite no. If a P.O. box, see instructions. 123 Corporation Blvd.	E Date incorporated 01/01/2017	
C Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state or province, country, and ZIP or foreign postal code Anytown WI 55555	F Total assets (see instructions) \$ 414,820	



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Form 1120-S (2019) **S Corp Inc.** **** - ***6788** Page 3
Schedule B Other Information (see instructions) (continued)

	Yes	No
12 During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? If "Yes," enter the amount of principal reduction ▶ \$		X
13 During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions		X
14a Did the corporation make any payments in 2019 that would require it to file Form(s) 1099?		
b If "Yes," did the corporation file or will it file required Forms 1099?		
15 Is the corporation attaching Form 8996 to certify as a Qualified Opportunity Fund? If "Yes," enter the amount from Form 8996, line 14 ▶ \$		X

Schedule K Shareholders' Pro Rata Share Items

		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 21)	1	141,499
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	1,000
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120-S))	7	
Deductions	8a Net long-term capital gain (loss) (attach Schedule D (Form 1120-S))	8a	
	b Collectibles (28%) gain (loss)	8b	
	c Unrecaptured section 1250 gain (attach statement)	8c	
	9 Net section 1231 gain (loss) (attach Form 4797)	9	
	10 Other income (loss) (see instructions) Type ▶	10	
	11 Section 179 deduction (attach Form 4562)	11	
Credits	12a Charitable contributions See Stmt 3	12a	10,000
	b Investment interest expense	12b	
	c Section 59(e)(2) expenditures(1) Type ▶ (2) Amount ▶	12c(2)	
	d Other deductions (see instructions) Type ▶ See Stmt 4	12d	13,600
Foreign Transactions	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	13c	
	d Other rental real estate credits (see instructions) Type ▶	13d	
	e Other rental credits (see instructions) Type ▶	13e	
	f Biofuel producer credit (attach Form 6478)	13f	
	g Other credits (see instructions) Type ▶	13g	
14a Name of country or U.S. possession ▶	14a		
b Gross income from all sources	14b		
c Gross income sourced at shareholder level	14c		
Foreign gross income sourced at corporate level			
d Reserved for future use	14d		
e Foreign branch category	14e		
f Passive category	14f		
g General category	14g		
h Other (attach statement)	14h		
Deductions allocated and apportioned at shareholder level			
i Interest expense	14i		
j Other	14j		
Deductions allocated and apportioned at corporate level to foreign source income			
k Reserved for future use	14k		
l Foreign branch category	14l		
m Passive category	14m		
n General category	14n		
o Other (attach statement)	14o		
Other information			
Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	14p		



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Schedule K Shareholders' Pro Rata Share Items (continued)

		Total amount
Alternative Tax (AMT) Items	15a Post-1986 depreciation adjustment	3,525
	b Adjusted gain or loss	
	c Depletion (other than oil and gas)	
	d Oil, gas, and geothermal properties – gross income	
	e Oil, gas, and geothermal properties – deductions	
	f Other AMT items (attach statement)	
Items Affecting Shareholder Basis	16a Tax-exempt interest income	
	b Other tax-exempt income	
	c Nondeductible expenses	7,300
	d Distributions (attach statement if required) (see instructions)	16,000
	e Repayment of loans from shareholders	
Other Information	17a Investment income	1,000
	b Investment expenses	
	c Dividend distributions paid from accumulated earnings and profits	
	d Other items and amounts (attach statement) See Statement 5	
Reconciliation	18 Income/loss reconciliation. Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14p	118,899

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

Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books	112,860	5 Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
2 Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize)		a Tax-exempt interest \$	
3 Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14p (itemize):		6 Deductions included on Schedule K, lines 1 through 12 and 14p, not charged against book income this year (itemize):	
a Depreciation \$		a Depreciation \$	1,261
b Travel and entertainment \$	3,100	7 Add lines 5 and 6	1,261
Stmt 6	4,200	8 Income (loss) (Schedule K, line 18). Subtract line 7 from line 4	118,899
4 Add lines 1 through 3	120,160		

Schedule M-2 Analysis of Accumulated Adjustments Account, Shareholders' Undistributed Taxable Income Previously Taxed, Accumulated Earnings and Profits, and Other Adjustments Account (see instructions)

	(a) Accumulated adjustments account	(b) Shareholders' undistributed taxable income previously taxed	(c) Accumulated earnings and profits	(d) Other adjustments account
1 Balance at beginning of tax year	47,000			2,160
2 Ordinary income from page 1, line 21	141,499			
3 Other additions Stmt 7	1,000			
4 Loss from page 1, line 21				
5 Other reductions Stmt 8	26,900			4,000
6 Combine lines 1 through 5	162,599			-1,840
7 Distributions	16,000			
8 Balance at end of tax year. Subtract line 7 from line 6	146,599			-1,840

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Add the following Federal Statements.

PSC001 S Corp Inc. *****6788 FYE: 12/31/2019	Federal Statements	8/22/2020 11:09 AM		
<u>Statement 1 - Form 1120-S, Page 1, Line 5 - Other Income (Loss)</u>				
<u>Description</u>	<u>Amount</u>			
Insurance Refund	\$ 400			
Total	\$ 400			
<u>Statement 2 - Form 1120-S, Page 1, Line 19 - Other Deductions</u>				
<u>Description</u>	<u>Amount</u>			
Insurance	\$ 17,500			
Administration	3,000			
Postage	600			
Utilities	14,500			
Miscellaneous	200			
Amortization	720			
50% of Meals	3,100			
Total	\$ 39,620			
<u>Statement 3 - Form 1120-S, Page 3, Schedule K, Line 12a - Cash Contributions</u>				
<u>Description</u>	<u>Cash Contrib 60%</u>	<u>Cash Contrib 30%</u>	<u>Qualified Disaster</u>	<u>Total</u>
Humane Society	\$ 10,000	\$	\$	\$ 10,000
Total	\$ 10,000	\$ 0	\$ 0	\$ 10,000
<u>Statement 4 - Form 1120-S, Page 3, Schedule K, Line 12d - Other Deductions</u>				
<u>Description</u>	<u>Amount</u>			
Penalty on Early Withdrawal	\$ 13,600			
Total	\$ 13,600			
<u>Statement 5 - Form 1120-S, Page 4, Schedule K, Line 17d - Other Items and Amounts</u>				
<u>Description</u>	<u>Amount</u>			
Section 199A Information - See Attached Wrk				
<u>Statement 6 - Form 1120-S, Page 5, Schedule M-1, Line 3 - Expenses on Books Not on Return</u>				
<u>Description</u>	<u>Amount</u>			
Fines and Penalties	\$ 200			
Officer Life Ins Premiums	4,000			
Total	\$ 4,200			



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PSC001 S Corp Inc.
_*6788
FYE: 12/31/2019

8/22/2020 11:09 AM

Federal Statements

Statement 7 - Form 1120-S, Page 5, Schedule M-2, Line 3(a) - Other Additions

<u>Description</u>	<u>Amount</u>
Interest Income	\$ 1,000
Total	<u>\$ 1,000</u>

Statement 8 - Form 1120-S, Page 5, Schedule M-2, Line 5(a) - Other Reductions

<u>Description</u>	<u>Amount</u>
Fines and Penalties	\$ 200
Travel & Entertainment	3,100
Charitable Contributions	10,000
Other Deductions	<u>13,600</u>
Total	<u>\$ 26,900</u>



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671119

**Schedule K-1
(Form 1120-S)**
Department of the Treasury
Internal Revenue Service

2019

Final K-1 Amended K-1

OMB No. 1545-0123

For calendar year 2019, or tax year

beginning ending

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

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss)	13	Credits
	35,375		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
	250		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	881
11	Section 179 deduction	16	Items affecting shareholder basis
		C*	STMT
12	Other deductions	D	
	A 2,500		4,000
	S* 3,400		
		17	Other information
		A	250
		V*	STMT
18	More than one activity for at-risk purposes*		
19	More than one activity for passive activity purposes*		
* See attached statement for additional information.			

Part I Information About the Corporation

A Corporation's employer identification number
****-***6788**

B Corporation's name, address, city, state, and ZIP code
S Corp Inc.
123 Corporation Blvd.
Anytown WI 55555

C IRS Center where corporation filed return
Kansas City, MO 64999

Part II Information About the Shareholder

D Shareholder's identifying number
*****-**-3333**

E Shareholder's name, address, city, state, and ZIP code
Marco Polo Lucy
498 Southbound Boulevard
Anytown WI 55555

F Shareholder's percentage of stock ownership for tax year **25.00000 %**

For IRS Use Only



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Form 1120-S	Section 199A Information Worksheet	2019
Name S Corp Inc.		Employer Identification Number ** - *** 6788
For calendar year 2019 or tax year beginning _____, ending _____		

	Activity Description	Pass-Through Entity EIN	PTP	Aggregated	SSTB
Column A	<u>Pet Store</u>	_____			
Column B	_____	_____			
Column C	_____	_____			
Column D	_____	_____			
Column E	_____	_____			

	Column A	Column B	Column C	Column D	Column E
QBI or Qualified PTP Items:					
Ordinary business income (loss)	141,499				
Net rental real estate income (loss)					
Other net rental income (loss)					
Royalty income (loss)					
Section 1231 gain (loss)					
Other income (loss)					
Section 179 deduction					
Charitable contributions					
Other deductions					
W-2 wages	336,400				
Qualified property	253,200				

Other Information:
 QBI allocable to cooperative prmts received
 W-2 wages allocable to qualified payments
 Section 199A(g) deduction

Section 199A REIT dividends

Note: The software pulls the wages off of the appropriate lines of the underlying form.