

# 2022

## Shareholder's Instructions for Schedule K-1 (Form 1120-S)

Shareholder's Share of Income, Deductions,  
Credits, etc. (For Shareholder's Use Only)

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Volume 2 of 2



Department of the Treasury  
Internal Revenue Service



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See Form 8949, Sales and Other Dispositions of Capital Assets, Schedule D (Form 1040), and the related instructions for details on how to report the gain and the amount of the allowable exclusion.

- Gain eligible for section 1045 rollover (replacement stock purchased by the corporation). The corporation should also give you (a) the name of the corporation that issued the qualified small business (QSB) stock, (b) your share of the corporation's adjusted basis and sales price of the QSB stock, and (c) the dates the QSB stock was bought and sold. To qualify for the section 1045 rollover:
  1. You must have held an interest in the corporation during the entire period in which the corporation held the QSB stock (more than 6 months prior to the sale), and

2. Your share of the gain eligible for the section 1045 rollover can't exceed the amount that would have been allocated to you based on your interest in the corporation at the time the QSB stock was acquired.

See Form 8949, Schedule D (Form 1040), and the related instructions for details on how to report the gain and the amount of the allowable postponed gain.

- Gain eligible for section 1045 rollover (replacement stock not purchased by the corporation). The corporation should also give you (a) the name of the corporation that issued the qualified small business (QSB) stock, (b) your share of the corporation's adjusted basis and sales price of the QSB stock, and (c) the dates the QSB stock was bought and sold. To qualify for the section 1045 rollover:

1. You must have held an interest in the corporation during the entire period in which the corporation held the QSB stock (more than 6 months prior to the sale),
2. Your share of the gain eligible for the section 1045 rollover can't exceed the amount that would have been allocated to you based on your interest in the corporation at the time the QSB stock was acquired, and
3. You must purchase other QSB stock (as defined in the Instructions for Schedule D (Form 1040)) during the 60-day period that began on the date the QSB stock was sold by the corporation.

See Form 8949, Schedule D (Form 1040), and the related instructions for details on how to report the gain and the amount of the allowable postponed gain.

## Deductions



*There are potential limitations on corporate losses you can deduct on your return. These limitations and the order in which you must apply them are as follows: the basis limitations, the at-risk limitations, the passive activity limitations, and the excess business loss limitations. See Limitations on Losses, Deductions, and Credits, earlier.*

### **Box 11. Section 179 Deduction**

Use this amount, along with the total cost of section 179 property placed in service during the year from other sources, to complete Part I of Form 4562, Depreciation and Amortization. The corporation will report on an attached statement your share of the cost of any qualified enterprise zone property or qualified real property it placed in service during its tax year. Report the amount from

line 12 of Form 4562 allocable to a passive activity using the Instructions for Form 8582. If the amount isn't a passive activity deduction, report it on Schedule E (Form 1040), line 28, column (j), after applying the basis and at-risk limitations on losses. See Limitations on Losses, Deductions, and Credits, earlier.

## Box 12. Other Deductions

See List of Codes, later.



*Deductions reported in box 12 may be limited. See Limitations on Losses, Deductions, and Credits, earlier.*

**Contributions. Codes A through G.** The corporation will give you a statement that shows charitable contributions subject to the 100%, 60%, 50%, 30%, and 20% adjusted gross income (AGI) limitations.

If the corporation made a property contribution, it will report on an attached statement your share of both the fair market value (FMV) and adjusted basis of the property. Use these amounts to adjust your stock basis. If the corporation made a qualified conservation contribution, it will report the FMV of the underlying property before and after the donation, the type of legal interest contributed, and a description of the conservation purpose furthered by the donation. If the corporation made a contribution of real property located in a registered historic district, it will report any information you will need to take a deduction.

For more details, see Pub. 526, Charitable Contributions, and the Instructions for Schedule A (Form 1040). If your contributions are subject to more than one of the AGI limitations, see Pub. 526.



Charitable contribution deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

**Form 8283.** If you received a copy of Form 8283, Noncash Charitable Contributions, from the corporation, attach the copy to your tax return. Use the amount shown on your Schedule K-1, not the amount shown on the Form 8283, to figure your deduction.

**Code A. Cash contributions (60%).** Report this amount, subject to the 60% AGI limitation, on Schedule A (Form 1040), line 11.

**Code B. Cash contributions (30%).** Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 11.

**Code C. Noncash contributions (50%).**

Report this amount, subject to the 50% AGI limitation, on Schedule A (Form 1040), line 12.

***Food inventory contributions.*** The corporation will report on an attached statement your share of qualified food inventory contributions. The food inventory contribution isn't included in the amount reported in box 12 using code C. The corporation will also report your share of the corporation's net income from the business activities that made the food inventory contribution(s). Your deduction for food inventory contributions made during 2022 can't exceed 15% of your aggregate net income for the tax year from the business activities from which the food inventory contribution was made (including your share of net income from partnership or S corporation businesses that made food inventory contributions). Amounts that

exceed the 15% limitation may be carried over for up to 5 years. Report this amount, subject to the 50% AGI limitation, on Schedule A (Form 1040), line 12.

**Code D. Noncash contributions (30%).**

Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 12.

**Code E. Capital gain property to a 50% limit organization (30%).** Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 12. See *Worksheet 2. Applying the Deduction Limits* in Pub. 526.

**Code F. Capital gain property (20%).**

Report this amount, subject to the 20% AGI limitation, on Schedule A (Form 1040), line 12.

**Code G. Contributions (100%).** The corporation will report on an attached statement your share of qualified

conservation contributions of property used in agriculture or livestock production. This contribution isn't included in the amount reported in box 12 using code C. If you are a farmer or rancher, you qualify for a 100% AGI limitation for this contribution. Otherwise, your deduction for this contribution is subject to a 50% AGI limitation. Report this amount, subject to your applicable limitation, on Schedule A (Form 1040), line 12. See Pub. 526 for more information on qualified conservation contributions.

**Code H. Investment interest expense.**

Report this amount on Form 4952, line 1.

If the corporation has investment income or other investment expense, it will report your share of these items in box 17 using codes A and B. Include investment income and expenses from other sources to figure how much of your total investment interest is deductible.

For more information on the special provisions that apply to investment interest expense, see Form 4952 and Pub. 550.

**Code I. Deductions—Royalty income.**

Report deductions allocable to royalties on Schedule E (Form 1040), line 19. For this type of expense, enter "From Schedule K-1 (Form 1120-S)."

These deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

**Code J. Section 59(e)(2) expenditures.**

The corporation will show on an attached statement the type and the amount of qualified expenditures for which you may make a section 59(e) election. The statement will also identify the property for which the expenditures were paid or incurred. If there is more than one type of expenditure, the amount of each type will also be listed.

If you deduct these expenditures in full in the current year, they are treated as adjustments or tax preference items for purposes of alternative minimum tax. However, you may elect to amortize these expenditures over the number of years in the applicable period rather than deduct the full amount in the current year. If you make this election, these items aren't treated as adjustments or tax preference items.

Under the election, you can deduct circulation expenditures ratably over a 3-year period. Research and experimental expenditures and mining exploration and development costs can be amortized over a 10-year period. Intangible drilling and development costs can be amortized over a 60-month period. The amortization periods begin with the month in which such costs were paid or incurred.

Make the election on Form 4562. If you make the election, report the current year amortization of section 59(e) expenditures

from Part VI of Form 4562 on Schedule E (Form 1040), line 28. If you don't make the election, report the section 59(e)(2) expenditures on Schedule E (Form 1040), line 28, and figure the resulting adjustment or tax preference item (see Form 6251, Alternative Minimum Tax—Individuals). Whether you deduct the expenditures or elect to amortize them, report the amount on a separate line in column (i) of line 28 if you materially participated in the activity. If you didn't materially participate, follow the Instructions for Form 8582 to figure how much of the deduction can be reported in column (g).

**Code K.** Reserved for future use.

**Code L. Deductions—Portfolio (other).**

Generally, you should report these amounts on Schedule A (Form 1040), line 16. See the instructions for Schedule A (Form 1040), line 16, for details.

These deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

**Code M. Preproductive period expenses.**

You may be able to deduct these expenses currently or you may need to capitalize them under section 263A. See Pub. 225, Farmer's Tax Guide, and Regulations section 1.263A-4 for details.

**Code N.** Reserved for future use.

**Code O. Reforestation expense**

**deduction.** The corporation will provide a statement that describes the qualified timber property for these reforestation expenses.

The expense deduction is limited to \$10,000 (\$5,000 if married filing separately) for each qualified timber property, including your share of the corporation's expense and any reforestation expenses you separately paid or incurred during the tax year.



If you didn't materially participate in the activity, use Form 8582 to figure the amount to report on Schedule E (Form 1040), line 28, column (g). If you materially participated in the reforestation activity, report the deduction on Schedule E (Form 1040), line 28, column (i).

**Codes P through R.** Reserved for future use.

**Code S. Other deductions.** Amounts with this code may include the following.

- Itemized deductions that Form 1040 or 1040-SR filers report on Schedule A (Form 1040).
- Soil and water conservation expenditures and endangered species recovery expenditures. See section 175 for limitations on the amount you are allowed to deduct.
- Expenditures for the removal of architectural and transportation barriers to the elderly and disabled

that the corporation elected to treat as a current expense. The deductions are limited by section 190(c) to \$15,000 per year from all sources.

- Interest expense allocated to debt-financed distributions. The manner in which you report such interest expense depends on your use of the distributed debt proceeds. If the proceeds were used in a trade or business activity, report the interest on Schedule E (Form 1040), line 28. In column (a), enter the name of the corporation and "interest expense." If you materially participated in the trade or business activity, enter the interest expense in column (i). If you didn't materially participate in the activity, follow the Instructions for Form 8582 to figure the interest expense you can report in column (g). Material participation is defined earlier under

*Passive Activity Limitations.* If the proceeds were used in an investment activity, report the interest on Form 4952. If the proceeds are used for personal purposes, the interest is generally not deductible.

- Contributions to a capital construction fund (CCF). The deduction for a CCF investment isn't taken on Schedule E (Form 1040). Instead, you subtract the deduction from the amount that would normally be entered as taxable income on Form 1040 or 1040-SR, line 15. In the margin to the left of line 15, enter "CCF" and the amount of the deduction.
- Penalty on early withdrawal of savings. Report this amount on Schedule 1 (Form 1040), line 18.
- Film, television, and live theatrical production expenses. The corporation will provide a statement that describes

the film, television, or live theatrical production generating these expenses. If you didn't materially participate in the activity, use Form 8582 to determine the amount that can be reported on Schedule E (Form 1040), line 28, column (g). If you materially participated in the production activity, report the deduction on Schedule E (Form 1040), line 28, column (i).

The corporation will give you a description and the amount of your share for each of these items.

## **Box 13. Credits**

See List of Codes, later.

If you have credits that are passive activity credits to you, you must complete Form 8582-CR in addition to the credit forms identified below. See Passive Activity Limitations, earlier, and the Instructions for Form 8582-CR for details.



*In general, shareholders whose only sources for a credit listed on Form 3800, General Business Credit, Part III, are partnerships, S corporations, estates, trusts, and cooperatives, aren't required to complete the applicable credit form or attach it to their return. Instead, they can report the credit amounts reported to them by these pass-through entities directly on Form 3800, Part III, and enter the EIN of the entity in column (b) of Part III. However, when applicable, all shareholders must complete and attach the following credit forms to their return.*

- *Form 3468, Investment Credit (Form 3800, Part III, line 1a).*
- *Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit (Form 3800, Part III, line 1l).*

*See the Instructions for Form 3800 for more details.*

**Codes A and B.** Reserved for future use.

**Codes C and D. Low-income housing**

**credit.** If section 42(j)(5) applies, the corporation will report your share of the low-income housing credit using code C. If section 42(j)(5) doesn't apply, your share of the credit will be reported using code D. Any allowable low-income housing credit reported using code C or code D is reported on Form 8586, Low-Income Housing Credit, line 4, or Form 3800, Part III, line 4d (see TIP, earlier).

Keep a separate record of the low-income housing credit from each separate source so that you can correctly figure any recapture of low-income housing credit that may result from the disposition of all or part of your stock in the corporation. For more information on recapture, see the Instructions for Form 8611, Recapture of Low-Income Housing Credit.

**Code E. Qualified rehabilitation expenditures (rental real estate).** The corporation will report your share of the qualified rehabilitation expenditures and other information you need to complete Form 3468 related to rental real estate activities using code E. Your share of qualified rehabilitation expenditures from property not related to rental real estate activities will be reported in box 17 using code C. See the Instructions for Form 3468 for details. If the corporation is reporting expenditures from more than one activity, an attached statement will separately identify the expenditures from each activity.

Combine the expenditures (for Form 3468 reporting) from box 13, code E, and from box 17, code C. The expenditures related to rental real estate activities (box 13, code E) are reported on Schedule K-1 separately from other qualified rehabilitation expenditures (box 17, code C) because they are subject to

different passive activity limitation rules. See the Instructions for Form 8582-CR for details.

**Code F. Other rental real estate credits.**

The corporation will identify the type of credit and any other information you need to figure these credits from rental real estate activities (other than the low-income housing credit and qualified rehabilitation expenditures).

These credits may be limited by the passive activity limitations. If the credits are from more than one activity, the corporation will identify the credits from each activity on an attached statement. See *Passive Activity Limitations*, earlier, and the Instructions for Form 8582-CR for details.

**Code G. Other rental credits.** The corporation will identify the type of credit and any other information you need to figure these rental credits. These credits may be limited by the passive activity limitations. If the credits are from more than one activity, the corporation will identify the credits from



each activity on an attached statement. See Passive Activity Limitations, earlier, and the Instructions for Form 8582-CR for details.

**Code H. Undistributed capital gains credit.** Code H represents taxes paid on undistributed capital gains by a regulated investment company or real estate investment trust. Report these taxes on Schedule 3 (Form 1040), Additional Credits and Payments, line 13a. Reduce the basis of your stock by this tax.

**Code I. Biofuel producer credit.** Report this amount on line 3 of Form 6478, Biofuel Producer Credit, or Form 3800, Part III, line 4c (see TIP, earlier).

**Code J. Work opportunity credit.** Report this amount on line 3 of Form 5884, Work Opportunity Credit, or Form 3800, Part III, line 4b (see TIP, earlier).

**Code K. Disabled access credit.** Report this amount on line 7 of Form 8826, Disabled Access Credit, or Form 3800, Part III, line 1e (see TIP, earlier).

**Code L. Empowerment zone employment credit.** Report this amount on line 3 of Form 8844, Empowerment Zone Employment Credit, or Form 3800, Part III, line 3 (see TIP, earlier).

**Code M. Credit for increasing research activities.** Report this amount on line 37 of Form 6765, Credit for Increasing Research Activities, or in Part III of Form 3800 (see TIP, earlier) as follows.

- The S corporation will provide information necessary to determine if it is an eligible small business under section 38(c)(5)(A). If you and the S corporation are eligible small businesses, report the credit on line 4i. For more information, see the Instructions for Form 3800.

- All others, report the credit on line 1c.

**Code N. Credit for employer social security and Medicare taxes.** Report this amount on line 5 of Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, or Form 3800, Part III, line 4f (see TIP, earlier).

**Code O. Backup withholding.** This is your share of the credit for backup withholding on dividends, interest income, and other types of income. Include this amount in the total you enter on Form 1040 or 1040-SR, line 25c, and attach a copy of your Schedule K-1 to your tax return. Instead of attaching a copy of your Schedule K-1 to your tax return, you can include a statement with your return that provides the corporation's name, address, EIN, and backup withholding amount.

**Code P. Other credits.** On a statement attached to Schedule K-1, the corporation will identify the type of credit and any other information you need to figure credits other

than those reported with codes A through O. Most credits identified by code P will be reported on Form 3800, Part III (see TIP, earlier).

Credits that may be reported with code P include the following.

- Unused investment credit from the qualifying advanced coal project credit, qualifying gasification project credit, qualifying advanced energy project credit, or advanced manufacturing investment credit allocated from cooperatives (Form 3468, line 9).
- Unused investment credit from the rehabilitation credit or energy credit allocated from cooperatives (Form 3468, line 13).
- Employee retention credit for employers affected by qualified disasters (Form 5884-A).

- Advanced manufacturing production credit (Form 7207) for production after 2022.
- Orphan drug credit (Form 8820).
- Enhanced oil recovery credit (Form 8830).
- Renewable electricity production credit (Form 8835). The corporation will provide a statement showing the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period. If this credit includes the clean hydrogen production credit, the corporation will provide additional information on an attached statement.
- Indian employment credit (Form 8845).
- Biodiesel, renewable diesel, or sustainable aviation fuels credit. If this

credit includes the small agri-biodiesel producer credit or the sustainable aviation fuels credit, the corporation will provide additional information on an attached statement. If no statement is attached, report this amount on Form 8864, line 10. If a statement is attached, see the instructions for Form 8864, line 10.

- New markets credit (Form 8874).
- Credit for small employer pension plan startup costs and auto-enrollment (Form 8881).
- Credit for employer-provided childcare facilities and services (Form 8882).
- Low sulfur diesel fuel production credit (Form 8896).
- Qualified railroad track maintenance credit (Form 8900).

- Credit for oil and gas production from marginal wells (Form 8904).
- Distilled spirits credit (Form 8906).
- Energy efficient home credit (Form 8908).
- Alternative motor vehicle credit (Form 8910).
- Alternative fuel vehicle refueling property credit (Form 8911).
- Qualified zone academy bond credit. Report this amount on Form 8912.
- Clean renewable energy bond credit. Report this amount on Form 8912.
- New clean renewable energy bond credit. Report this amount on Form 8912.
- Qualified energy conservation bond credit. Report this amount on Form 8912.

- Build America bond credit. Report this amount on Form 8912.
- Qualified school construction bond credit. Report this amount on Form 8912.
- Mine rescue team training credit (Form 8923).
- Credit for employer differential wage payments (Form 8932).
- Carbon oxide sequestration credit (Form 8933).
- Qualified plug-in electric drive motor vehicle credit (including qualified two-wheeled plug-in electric vehicles and new clean vehicles) (Form 8936).
- Qualified two-wheeled plug-in electric vehicle credit (Form 8936).
- Qualified commercial clean vehicle credit (Form 8936-A) for vehicles acquired after 2022 .



- Credit for small employer health insurance premiums (Form 8941).
- Employer credit for paid family and medical leave (Form 8994).

## **Box 14. International Transactions**

If the S corporation checked the box, see the attached Schedule K-3 with respect to items of international tax relevance. If the S corporation did not check the box, the S corporation attached a statement to the Schedule K-1 (or issued a statement prior to furnishing the Schedule K-1) notifying the shareholder that the shareholder will not receive Schedule K-3 from the S corporation unless the shareholder requests the schedule.

For additional information, see the Shareholder's Instructions for Schedule K-3 (Form 1120-S).

## **Box 15. Alternative Minimum Tax (AMT) Items**

See *List of Codes*, later.

Use the information reported in box 15 (as well as your adjustments and tax preference items from other sources) to prepare your Form 6251, Alternative Minimum Tax—Individuals, or Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts.

### **Code A. Post-1986 depreciation**

**adjustment.** This amount is your share of the corporation's post-1986 depreciation adjustment. If you are an individual shareholder, report this amount on Form 6251, line 2l.

**Code B. Adjusted gain or loss.** This amount is your share of the corporation's adjusted gain or loss. If you are an individual shareholder, report this amount on Form 6251, line 2k.

**Code C. Depletion (other than oil & gas).**

This amount is your share of the corporation's depletion adjustment. If you are an individual shareholder, report this amount on Form 6251, line 2d.

**Codes D and E. Oil, gas, & geothermal properties—Gross income and deductions.**

The amounts reported on these lines include only the gross income (code D) from, and deductions (code E) allocable to, oil, gas, and geothermal properties included in box 1 of Schedule K-1. The corporation should have attached a statement that shows any income from, or deductions allocable to, such properties that are included in boxes 2 through 12, 16, and 17 of Schedule K-1. Use the amounts reported here and any other reported amounts to help you figure the net amount to enter on Form 6251, line 2t.

**Code F. Other AMT items.** Report the information on the statement attached by the corporation on the applicable lines of Form 6251 or Schedule I (Form 1041).

## **Box 16. Items Affecting Shareholder Basis**

See List of Codes, later.

### **Code A. Tax-exempt interest income.**

Report on your return, as an item of information, your share of the tax-exempt interest received or accrued by the corporation during the year. Individual shareholders include this amount on Form 1040 or 1040-SR, line 2a. Generally, you must increase the basis of your stock by this amount.

### **Code B. Other tax-exempt income.**

Generally, you must increase the basis of your stock by the amount shown, but don't include it in income on your tax return.

**Code C. Nondeductible expenses.** The nondeductible expenses paid or incurred by the corporation aren't deductible on your tax return. Generally, you must decrease the basis of your stock by this amount.

**Code D. Distributions.** Reduce the basis of your stock (as explained earlier) by distributions, not reported on Form 1099-DIV, of property or money. This amount will include any amounts included in income with respect to new clean renewable energy, qualified energy conservation, qualified school construction, build America, or (for bonds issued after October 3, 2008) qualified zone academy bonds. If these distributions exceed the basis of your stock, the excess is treated as capital gain from the sale or exchange of property and is reported on Form 8949 and Schedule D (Form 1040).

**Code E. Repayment of loans from shareholders.** If these payments are made on a loan with a reduced basis, the

repayments must be allocated in part to a return of your basis in the loan and in part to the receipt of income. See Regulations section 1.1367-2 for information on reduction in basis of a loan and restoration in basis of a loan with a reduced basis. See Rev. Rul. 64-162, 1964-1 (Part 1) C.B. 304, and Rev. Rul. 68-537, 1968-2 C.B. 372, for details.

**Code F. Foreign taxes paid or accrued.**

Report this amount on Form 7203, line 46(a). Do not use this amount to complete your Form 1116. See Schedule K-3 to complete your Form 1116.

## **Box 17. Other Information**

See List of Codes, later.

**Code A. Investment income.** Report this amount on Form 4952, line 4a.

**Code B. Investment expenses.** Report this amount on Form 4952, line 5.

**Code C. Qualified rehabilitation expenditures (other than rental real estate).** The corporation will report your share of qualified rehabilitation expenditures and other information you need to complete Form 3468 for property not related to rental real estate activities in box 17 using code C. Your share of qualified rehabilitation expenditures related to rental real estate activities is reported in box 13 using code E. See the Instructions for Form 3468 for details. If the corporation is reporting expenditures from more than one activity, the attached statement will separately identify the expenditures from each activity.

Combine the expenditures (for Form 3468 reporting) from box 13, code E, and from box 17, code C. The expenditures related to rental real estate activities (box 13, code E) are reported on Schedule K-1 separately from other qualified rehabilitation expenditures (box 17, code C) because they are subject to

different passive activity limitation rules. See the Instructions for Form 8582-CR for details.

**Code D. Basis of energy property.** If the corporation provides an attached statement for code D, use the information on the statement to complete the applicable energy credit on line 12 of Form 3468. See the Instructions for Form 3468 for details.

**Codes E and F. Recapture of low-income housing credit.** The corporation will identify by code E your share of any recapture of a low-income housing credit from its investment in partnerships to which the provisions of section 42(j)(5) apply. All other recapture of low-income housing credits will be identified by code F.

Keep a separate record of each type of recapture so that you will be able to correctly figure any credit recapture that may result from the disposition of all or part of your corporate stock. For details, see Form 8611.



**Code G. Recapture of investment credit.**

The corporation will provide any information you need to figure your recapture tax on Form 4255, Recapture of Investment Credit. See the Form 3468 on which you took the original credit for other information you need to complete Form 4255.

You may also need Form 4255 if your proportionate stock interest in the corporation is reduced by more than one-third after you were allocated part of an investment credit.

**Code H. Recapture of other credits.** On a statement attached to Schedule K-1, the corporation will report any information you need to figure the recapture of other credits including the new markets credit, Indian employment credit, credit for employer-provided childcare facilities and services, alternative motor vehicle credit, alternative fuel vehicle refueling property credit, and qualified plug-in electric drive motor vehicle credit.

**Code I. Look-back interest—Completed long-term contracts.** The corporation will report any information you need to figure the interest due or to be refunded under the look-back method of section 460(b)(2) on certain long-term contracts. Use Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report any such interest.

**Code J. Look-back interest—Income forecast method.** The corporation will report any information you need to figure the interest due or to be refunded under the look-back method of section 167(g)(2) for certain property placed in service after September 13, 1995, and depreciated under the income forecast method. Use Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method, to report any such interest.

**Code K. Dispositions of property with section 179 deductions.** The corporation will report your share of gain or loss on the sale, exchange, or other disposition of property for which a section 179 expense deduction was passed through to shareholders with code K. If the corporation passed through a section 179 expense deduction for the property, you must report the gain or loss, if any, and any recapture of the section 179 expense deduction for the property on your income tax return (see the Instructions for Form 4797 for details). The corporation will provide all the following information.

1. Description of the property.
2. Date the property was acquired and placed in service.
3. Date of the sale or other disposition of the property.

4. Your share of the gross sales price or amount realized.
5. Your share of the cost or other basis plus the expense of sale.
6. Your share of the depreciation allowed or allowable.
7. Your share of the section 179 expense deduction (if any) passed through for the property and the corporation's tax year(s) in which the amount was passed through.

To figure the depreciation allowed or allowable for Form 4797, line 22, add to the amount from item (6) above the amount of your share of the section 179 expense deduction, reduced by any unused carryover of the deduction for this property. This amount may be different than the amount of section 179 expense you deducted for the property if your interest in the corporation has changed.

8. If the disposition is due to a casualty or theft, any information you need to complete Form 4684.
9. If the sale was an installment sale, any information you need to complete Form 6252, Installment Sale Income. The corporation will separately report your share of all payments received for the property in the following tax years. See the Instructions for Form 6252 for details.

**Code L. Recapture of section 179**

**deduction.** The corporation will report your share of any recapture of section 179 expense deduction if business use of any property for which the section 179 expense deduction was passed through to shareholders dropped to 50% or less before the end of the recapture period. If this occurs, the corporation must provide the following information.

1. Your share of the depreciation allowed or allowable (not including the section 179 expense deduction).
2. Your share of the section 179 expense deduction (if any) passed through for the property and the corporation's tax year(s) in which the amount was passed through. Reduce this amount by the portion, if any, of your unused (carryover) section 179 expense deduction for this property.

**Code M. Section 453(l)(3) information.**

The corporation will report any information you need to figure the interest due under section 453(l)(3) with respect to the disposition of certain timeshares and residential lots on the installment method. Report the interest on Schedule 2 (Form 1040), line 14. See section 453(l)(3) for details on how to figure the interest.

**Code N. Section 453A(c) information.** The corporation will report any information you need to figure the interest due under section 453A(c) with respect to certain installment sales. This information shall include the following from each Form 6252 where line 5 is greater than \$150,000.

1. Description of property.
2. Date acquired.
3. Date property sold.
4. Selling price, including mortgages and other debts (not including interest, whether stated or unstated), less mortgages, debts, and other liabilities the buyer assumed or took the property subject to.
5. Gross profit.
6. Gross profit percentage.

7. Contract price less (4) above, plus payments received during the year, not including interest, whether stated or unstated.
8. Payments received in prior years, not including interest whether stated or unstated.
9. Installment sale income.
10. Character of the income—capital or ordinary.
11. Shareholder's share of the deferred obligation. See computation below.

***Deferred obligation computation.*** For each Form 6252 where line 5 is greater than \$150,000, figure the Schedule K-1 deferred obligation as follows.

- Line 4 from the list above, less the sum of lines 7 and 8. This equals the Schedule K deferred obligation.



- Multiply the Schedule K deferred obligation by the shareholder's current year allocation percentage. This equals the shareholder's share of the deferred obligation.

Report the interest on Schedule 2 (Form 1040), line 15. See section 453A(c) for details on how to figure the interest.

**Code O. Section 1260(b) information.** The corporation will report any information you need to figure the interest due under section 1260(b). If the corporation had gain from certain constructive ownership transactions, your tax liability must be increased by the interest charge on any deferral of gain recognition under section 1260(b). Report the interest on Schedule 2 (Form 1040), line 17z. Enter "1260(b)" and the amount of the interest in the space to the left of line 17z. See section 1260(b) for details on how to figure the interest.

**Code P. Interest allocable to production expenditures.** The corporation will report any information you need relating to interest you are required to capitalize under section 263A for production expenditures. See Regulations sections 1.263A-8 through 1.263A-15 for details.

**Code Q. CCF nonqualified withdrawals.** The corporation will report your share of nonqualified withdrawals from a capital construction fund (CCF). These withdrawals are taxed separately from your other gross income at the highest marginal ordinary income or capital gains tax rate. Attach a statement to your federal income tax return to show your computation of both the tax and interest for a nonqualified withdrawal. Include the tax and interest on Schedule 2 (Form 1040), line 21. In the space to the left of line 21, enter the amount of tax and interest and "CCF." See Pub. 595 for details.

**Code R. Depletion information—Oil and gas.** This is your share of gross income from the property, share of production for the tax year, and other information needed to figure your depletion deduction for oil and gas wells. The corporation should also allocate to you a proportionate share of the adjusted basis of each corporate oil or gas property. See Pub. 535 for details on how to figure your depletion deduction.

Reduce the basis of your stock by the amount of this deduction up to the extent of your adjusted basis in the property.

**Codes S and T.** Reserved for future use.

**Code U. Net investment income.** The corporation may use code U to report information you may need to determine your net investment income tax under section 1411, including information regarding income from controlled foreign corporations (CFCs) and passive foreign investment companies (PFICs), the stock of which is owned by the

corporation. Any information not provided elsewhere on Schedule K-3 (or an attachment to Schedule K-3) is provided using code U. For CFCs and PFICs that you treat as qualified electing funds (QEFs), the information that is relevant to you will depend on whether you, the corporation, or a subsidiary pass-through entity has made an election under Regulations section 1.1411-10(g) with respect to the CFC or QEF. For example, if the corporation made an election under Regulations section 1.1411-10(g) for a CFC, the stock of which is owned by the corporation, and the relevant income and deduction items derived from that CFC are reported elsewhere on Schedule K-1, you will not need the information provided using code U to complete your Form 8960.

Follow the Instructions for Form 8960 to figure and report your net investment income and adjusted gross income or modified adjusted gross income. See Regulations

sections 1.1411-1 through 1.1411-10 for more details.

**Code V. Section 199A information.**

Generally, you may be allowed a deduction of up to 20% of your net qualified business income (QBI) plus 20% of your qualified REIT dividends, also known as section 199A dividends, and qualified publicly traded partnership (PTP) income from your S corporation. The S corporation will provide the information you need to figure your deduction. You will use one of these two forms to figure your QBI deduction.

1. Use Form 8995, Qualified Business Income Deduction Simplified Computation, if:
  - a. You have QBI, section 199A dividends, or PTP income (defined below);
  - b. Your 2022 taxable income before the QBI deduction is equal to or

less than \$170,050 (\$340,100 if married filing jointly); and

- c. You aren't a patron in a specified agricultural or horticultural cooperative.

- 2. Use Form 8995-A, Qualified Business Income Deduction, if you don't meet all three of these requirements.

***QBI pass-through entity reporting information.*** Use the information provided to you by your S corporation to complete the appropriate form identified above.

***QBI or qualified PTP items subject to shareholder-specific determinations.*** The amounts reported to you reflect your pro rata share of items from the S corporation's trade(s) or business(es), or aggregation(s), and may include items that aren't includible in your calculation of the QBI deduction. When determining QBI or qualified PTP income, you must include only those items that are

qualified items of income, gain, deduction, and loss included or allowed in determining taxable income for the tax year. To determine your QBI or your qualified PTP income amounts and for information on where to report them, see the instructions for Form 8995 or Form 8995-A.

***W-2 wages.*** The amounts reported reflect your pro rata share of the S corporation's W-2 wages allocable to the QBI of each qualified trade or business, or aggregation. See the instructions for Form 8995 or Form 8995-A.

***Unadjusted basis immediately after acquisition (UBIA) of qualified property.***

The amounts reported reflect your pro rata share of the S corporation's UBIA of qualified property of each qualified trade or business, or aggregation. See the instructions for Form 8995 or Form 8995-A.

**Section 199A dividends.** The amount reported reflects your pro rata share of the S corporation's net section 199A dividends. See the instructions for Form 8995 or Form 8995-A.

**Patrons of specified agricultural and horticultural cooperatives.** If the S corporation was a patron of an agricultural or horticultural cooperative (specified cooperative), you must use Form 8995-A to figure your QBI deduction. In addition, you must complete

Schedule D (Form 8995-A), Special Rules for Patrons of Agricultural or Horticultural Cooperatives, to determine your patron reduction.

**QBI items allocable to qualified payments from specified cooperatives subject to shareholder-specific determinations.** The amounts reported to you reflect your pro rata share of items from the S corporation's trade(s) or business(es),



or aggregation(s), and include items that may not be includible in your calculation of the QBI deduction and patron reduction. When determining QBI items allocable to qualified payments, you must include only qualified items that are included or allowed in determining taxable income for the tax year. To determine your QBI items allocable to qualified payments, see the Instructions for Form 8995-A.

***W-2 wages allocable to qualified payments from specified cooperatives.***

The amounts reported reflect your pro rata share of the S corporation's W-2 wages allocable to qualified payments of each qualified trade or business, or aggregation. See the Instructions for Form 8995-A.

***Section 199A(g) deduction from specified cooperatives.*** The amount reported reflects your pro rata share of the S corporation's net section 199A(g) deduction. See the Instructions for Form 8995-A.

**Codes W through Z.** Reserved for future use.

**Code AA. Excess taxable income.** If the S corporation is required to file Form 8990, Limitation on Business Interest Expense Under Section 163(j), it may determine it has excess taxable income. Report this amount of excess taxable income on Form 8990, Schedule B, line 45(c), if you are required to file Form 8990. See the Instructions for Form 8990 for details.

**Code AB. Excess business interest income.** If the S corporation is required to file Form 8990, it may determine it has excess business interest income. Report this amount of excess business interest income on Form 8990, Schedule B, line 45(d), if you are required to file Form 8990. See the Instructions for Form 8990 for details.

**Code AC. Gross receipts for section 448(c).** Use the gross receipts amount to figure the business interest expense you can

deduct, if applicable. See section 163(j) and the Instructions for Form 8990 for details.

**Code AD. Other information.** The corporation will use code AD to report the following to shareholders.

1. Any information you need to complete a disclosure statement for reportable transactions in which the corporation participates. If the corporation participates in a transaction that must be disclosed on Form 8886, Reportable Transaction Disclosure Statement, both you and the corporation may be required to file Form 8886 for the transaction. The determination of whether you are required to disclose a transaction of the corporation is based on the category(ies) under which the transaction qualifies for disclosure and is determined by you and the corporation. You may have to pay a penalty if you are required to file Form

8886 and don't do so. See the Instructions for Form 8886 for details.

2. Gross farming and fishing income. If you are an individual shareholder, report this income, as an item of information, on Schedule E (Form 1040), Part V, line 42. Don't report this income elsewhere on Form 1040 or 1040-SR.

For a shareholder that is an estate or trust, report this income to the beneficiaries, as an item of information, on Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. Don't report it elsewhere on Form 1041.

3. Excess business loss limitation. If the corporation has deductions attributable to a business activity, it will provide a statement showing the aggregate gross income or gain and the aggregate deductions from the business activity that you need to

figure any excess business loss limitation. See section 461(l) and the Instructions for Form 461 for details.

4. The amount included in gross income with respect to qualified zone academy bonds issued before October 4, 2008. Income with respect to these qualified zone academy bonds can't be used to increase your stock basis. Because this amount is already included in income elsewhere on Schedule K-1, you must reduce your stock basis by this amount. See Form 7203, line 13.
5. The amount included in gross income with respect to clean renewable energy bonds. Income with respect to clean renewable energy bonds can't be used to increase your stock basis. Because this amount is already included in income elsewhere on Schedule K-1, you must reduce your

stock basis by this amount. See Form 7203, line 13.

6. Qualified investment in qualifying advanced coal project property. Use the amounts the corporation provides you to figure the amounts to report on Form 3468, lines 5a, 5b, and 5c.
7. Qualified investment in qualifying gasification or advanced energy property. Use the amounts the corporation provides you to figure the amounts to report on Form 3468, lines 6a and 6b.
8. Qualified investment in advanced manufacturing investment facility property. Use the amounts the corporation provides you to figure the amount to report on Form 3468, line 7.
9. Inversion gain. The corporation will provide a statement showing the

amounts of each type of income or gain that is included in inversion gain. The corporation has included inversion gain in income elsewhere on Schedule K-1. Inversion gain is also reported under code AD because your taxable income and alternative minimum taxable income can't be less than the inversion gain. Also, your inversion gain (a) isn't taken into account in figuring the net operating loss (NOL) for the tax year or the NOL that can be carried over to each tax year, (b) may limit your credits, and (c) is treated as income from sources within the United States for the foreign tax credit. See section 7874 for details.

10. Any other information you may need to file your return not shown elsewhere on Schedule K-1 or Schedule K-3.

The corporation should give you a description and the amount of your share for each of these items.

## **Box 18. More Than One Activity for At-Risk**

### **Purposes**

When the corporation has more than one activity for at-risk purposes, it will check this box and attach a statement. Use the information in the attached statement to correctly determine your at-risk limitations. For more information, see *At-Risk Limitations*, earlier.

## **Box 19. More Than One Activity for Passive**

### **Activity Purposes**

When the corporation has more than one activity for passive activity purposes, it will check this box and attach a statement. Use



the information in the attached statement to correctly determine your passive activity limitations. For more information, see *Passive Activity Limitations*, earlier.

## **List of Codes**

This list identifies the codes used on Schedule K-1 for all shareholders. For detailed reporting and filing information, see the specific line instructions, earlier, and the instructions for your income tax return.

### **Box 10. Other income (loss)**

#### ***Code***

- A. Other portfolio income (loss)
- B. Involuntary conversions
- C. Section 1256 contracts & straddles
- D. Mining exploration costs recapture
- E. Section 951A(a) income inclusions
- F. Inclusions of subpart F income

- G. Section 951(a)(1)(B) inclusions
- H. Other income (loss)

## **Box 12. Other deductions**

- A. Cash contributions (60%)
- B. Cash contributions (30%)
- C. Noncash contributions (50%)
- D. Noncash contributions (30%)
- E. Capital gain property to a 50% limit organization (30%)
- F. Capital gain property (20%)
- G. Contributions (100%)
- H. Investment interest expense
- I. Deductions—royalty income
- J. Section 59(e)(2) expenditures
- K. Reserved for future use
- L. Deductions—portfolio (other)

- M. Preproductive period expenses
- N. Reserved for future use
- O. Reforestation expense deduction
- P. Reserved for future use
- Q. Reserved for future use
- R. Reserved for future use
- S. Other deductions

### **Box 13. Credits**

- A. Reserved for future use
- B. Reserved for future use
- C. Low-income housing credit (section 42(j)(5)) from post-2007 buildings
- D. Low-income housing credit (other) from post-2007 buildings
- E. Qualified rehabilitation expenditures (rental real estate)
- F. Other rental real estate credits

- G. Other rental credits
- H. Undistributed capital gains credit
- I. Biofuel producer credit
- J. Work opportunity credit
- K. Disabled access credit
- L. Empowerment zone employment credit
- M. Credit for increasing research activities
- N. Credit for employer social security and Medicare taxes
- O. Backup withholding
- P. Other credits

### **Box 15. Alternative minimum tax (AMT) items**

- A. Post-1986 depreciation adjustment
- B. Adjusted gain or loss
- C. Depletion (other than oil & gas)
- D. Oil, gas, & geothermal—gross income

- E. Oil, gas, & geothermal—deductions
- F. Other AMT items

### **Box 16. Items affecting shareholder basis**

- A. Tax-exempt interest income
- B. Other tax-exempt income
- C. Nondeductible expenses
- D. Distributions
- E. Repayment of loans from shareholders
- F. Foreign taxes paid or accrued

### **Box 17. Other information**

- A. Investment income
- B. Investment expenses
- C. Qualified rehabilitation expenditures  
(other than rental real estate)
- D. Basis of energy property

- E. Recapture of low-income housing credit (section 42(j)(5))
- F. Recapture of low-income housing credit (other)
- G. Recapture of investment credit
- H. Recapture of other credits
- I. Look-back interest—completed long-term contracts
- J. Look-back interest—income forecast method
- K. Dispositions of property with section 179 deductions
- L. Recapture of section 179 deduction
- M. Section 453(l)(3) information
- N. Section 453A(c) information
- O. Section 1260(b) information
- P. Interest allocable to production expenditures

- Q. CCF nonqualified withdrawals
- R. Depletion information—oil and gas
- S. Reserved for future use
- T. Reserved for future use
- U. Net investment income
- V. Section 199A information
- W. Reserved for future use
- X. Reserved for future use
- Y. Reserved for future use
- Z. Reserved for future use
- AA Excess taxable income
- AB Excess business interest income
- AC Gross receipts for section 448(c)
- AD Other information

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