

# Instructions for Form 1120-S

## 2023

### U.S. Income Tax Return for an S Corporation

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Volume 4 of 5



Department of the Treasury  
Internal Revenue Service

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*Provide information on line 10 using code E only if the corporation (and its shareholders, if applicable) has elected to be treated as owning stock of a foreign corporation within the meaning of section 958(a) under Proposed Regulations section 1.958-1(e)(2). If no election has been made, see instructions for Part V of the Schedule K-2 (Form 1120-S).*

**Inclusions of subpart F income (code F).**

The S corporation should report its subpart F income inclusions and its shareholders' pro rata shares of its subpart F income inclusions. An S corporation does not have subpart F income inclusions with respect to a foreign corporation for tax years of the foreign corporation beginning on or after January 25, 2022, under Regulations section 1.958-1(d)(1) if the S corporation did not make an election to be treated as owning stock of the foreign corporation within the meaning of section 958(a) under Proposed Regulations

section 1.958-1(e)(2). An S corporation does not have subpart F income inclusions with respect to a foreign corporation for tax years of the foreign corporation beginning before January 25, 2022, if the S corporation did not make an election to be treated as owning stock of a foreign corporation within the meaning of section 958(a) under Proposed Regulations section 1.958-1(e)(2) and, pursuant to Regulations section 1.958-1(d)(4)(i), applies Regulations section 1.958-1(d)(1) through (3) to such tax years.

**Section 951(a)(1)(B) inclusions (code G).** The S corporation should report its section 951(a)(1)(B) inclusions and its shareholders' pro rata shares of its section 951(a)(1)(B) inclusions. An S corporation does not have section 951(a)(1)(B) inclusions with respect to a foreign corporation for tax years of the foreign corporation beginning on or after January 25, 2022, under Regulations section 1.958-1(d)(1) if the S corporation did

not make an election to be treated as owning stock of the foreign corporation within the meaning of section 958(a) under Proposed Regulations section 1.958-1(e)(2). An S corporation does not have section 951(a)(1)(B) inclusions with respect to a foreign corporation for tax years of the foreign corporation beginning before January 25, 2022, if the S corporation did not make an election to be treated as owning stock of a foreign corporation within the meaning of section 958(a) under Proposed Regulations section 1.958-1(e)(2) and, pursuant to Regulations section 1.958-1(d)(4)(i), applies Regulations section 1.958-1(d)(1) through (3) to such tax years.



*If the corporation does not have subpart F income inclusions or section 951(a)(1)(B) inclusions with respect to a foreign corporation, stock of which it owns within the meaning of section 958(a) and without regard to Regulations section 1.958-*

*1(d), see instructions for Part V of the Schedule K-2 (Form 1120-S) for reporting of information related to subpart F income inclusions and section 951(a)(1)(B) inclusions of shareholders with respect to the foreign corporation.*

**Code H.** Reserved for future use.

**Gain (loss) from disposition of oil, gas, geothermal, or other mineral properties (code I).** Report the following information on a statement attached to Schedule K-1: (a) a description of the property; (b) the shareholder's share of the amount realized on the sale, exchange, or involuntary conversion of each property (fair market value of the property for any other disposition, such as a distribution); (c) the shareholder's share of the corporation's adjusted basis in the property (except for oil or gas properties); and (d) total intangible drilling costs, development costs, and mining exploration costs (section 59(e) expenditures) passed

through to the shareholder for the property. See Regulations section 1.1254-4 for more information.

**Recoveries of tax benefit items (code J).**

Recoveries of tax benefit items (section 111).

**Gambling gains and losses (code K).**

Gambling gains and losses subject to the limitations in section 165(d). Indicate on an attached statement whether or not the corporation is in the trade or business of gambling.

**Code L.** Reserved for future use.

**Gain eligible for section 1045 rollover (replacement stock purchased by the corporation) (code M).**

Include only gain from the sale or exchange of QSB stock (as defined in the Instructions for Schedule D) that was deferred by the corporation under section 1045 and reported on Schedule D. See the Instructions for Schedule D for more details. Additional limitations apply at the

shareholder level. Report each shareholder's share of the gain eligible for section 1045 rollover on Schedule K-1. Each shareholder will determine if they qualify for the rollover. Report on an attachment to Schedule K-1 for each sale or exchange (a) the name of the corporation that issued the QSB stock, (b) the shareholder's pro rata 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.

**Gain eligible for section 1045 rollover (replacement stock not purchased by the corporation) (code N).** Include only gain from the sale or exchange of QSB stock (as defined in the Instructions for Schedule D) the corporation held for more than 6 months but that wasn't deferred by the corporation under section 1045. See the Instructions for Schedule D for more details. A shareholder may be eligible to defer the shareholder's pro rata share of this gain under section 1045 if



the shareholder purchases other QSB stock during the 60-day period that began on the date the QSB stock was sold by the corporation. Additional limitations apply at the shareholder level. Report on an attachment to Schedule K-1 for each sale or exchange (a) the name of the corporation that issued the QSB stock, (b) the shareholder's pro rata 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.

**Sale or exchange of QSB stock with section 1202 exclusion (code O).** Gain from the sale or exchange of qualified small business (QSB) stock (as defined in the Instructions for Schedule D) that is eligible for the section 1202 exclusion. The section 1202 exclusion applies only to QSB stock held by the corporation for more than 5 years. Additional limitations apply at the shareholder level. Report each shareholder's share of section 1202 gain on Schedule K-1. Each

shareholder will determine if they qualify for the exclusion. Report on an attachment to Schedule K-1 for each sale or exchange (a) the name of the corporation that issued the QSB stock, (b) the shareholder's pro rata 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.

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

**Non-portfolio capital gain (loss) (code S).** Any gain or loss from line 7 or 15 of Schedule D that isn't portfolio income (for example, gain or loss from the disposition of nondepreciable personal property used in a trade or business).

**Codes T through X.** Reserved for future use.

**Other income (loss) (code ZZ).** Include any other type of income (loss) not reported using codes A through S.

**Schedule K-1.** Enter each shareholder's pro rata share of the other income categories listed above in box 10 of Schedule K-1. Enter the applicable code A through ZZ (as shown earlier).

If you are reporting each shareholder's pro rata share of only one type of income under code ZZ, enter the code with an asterisk (ZZ\*) and the dollar amount in the entry space in box 10 and attach a statement that shows "Box 10, code ZZ," and the type of income. If you are reporting multiple types of income under code ZZ, enter the code with an asterisk (ZZ\*) and enter "STMT" in the entry space in box 10 and attach a statement that shows "Box 10, code ZZ," and the dollar amount of each type of income.

If the corporation has more than one trade or business or rental activity (for codes B through ZZ), identify on an attachment to Schedule K-1 the amount from each separate

activity. See Passive Activity Reporting Requirements, earlier.

## **Deductions**

### **Line 11. Section 179 Deduction**

A corporation can elect to expense part or all of the cost of certain property the corporation purchased during the tax year for use in its trade or business or certain rental activities. See Pub. 946 for a definition of what kind of property qualifies for the section 179 expense deduction and the Instructions for Form 4562 for limitations on the amount of the section 179 expense deduction.

Complete Part I of Form 4562 to figure the corporation's section 179 expense deduction. The corporation doesn't take the deduction itself, but instead passes it through to the shareholders. Attach Form 4562 to Form 1120-S and show the total section 179 expense deduction on Schedule K, line 11.

Although the corporation can't take the section 179 deduction, it must generally still reduce the basis of the asset by the amount of the section 179 deduction it elected, regardless of whether any shareholder can use the deduction. However, the corporation doesn't reduce the basis for any section 179 deduction allocable to a trust or estate because they aren't eligible to take the section 179 deduction. See Regulations section 1.179-1(f).

See the instructions for line 17d of Schedule K for sales or other dispositions of property for which a section 179 deduction has passed through to shareholders and for the recapture rules if the business use of the property dropped to 50% or less.

**Schedule K-1.** Report each shareholder's pro rata share of the section 179 expense deduction in box 11 of Schedule K-1.

If the corporation has more than one rental, trade, or business activity, identify on an attachment to Schedule K-1 the amount of section 179 deduction from each separate activity. See Passive Activity Reporting Requirements, earlier.

Don't complete box 11 of Schedule K-1 for any shareholder that is an estate or trust; estates and trusts aren't eligible for the section 179 expense deduction.

### **Line 12a. Charitable Contributions**

Cash contributions must be supported by a dated bank record or receipt.

Generally, no deduction is allowed for any contribution of \$250 or more unless the corporation obtains a written acknowledgment from the charitable organization that shows the amount of cash contributed, describes any property contributed, and gives an estimate of the value of any goods or services provided in return for the contribution or

states that no goods or services were provided. The acknowledgment must be obtained by the due date (including extensions) of the corporation's return, or, if earlier, the date the return is filed. Don't attach the acknowledgment to the tax return, but keep it with the corporation's records. These rules apply in addition to the filing requirements for Form 8283, Noncash Charitable Contributions, described under Contributions of property, later.

Enter charitable contributions made during the tax year. Attach a statement to Form 1120-S that separately identifies the corporation's contributions for each of the following categories. See *Limits on Deductions* in Pub. 526, Charitable Contributions, for information on adjusted gross income (AGI) limitations on deductions for charitable contributions.

The codes needed for Schedule K-1 reporting are provided for each category.

**Cash contributions (60%) (code A).** Enter cash contributions subject to the 60% AGI limitation.

**Cash contributions (30%) (code B).** Enter cash contributions subject to the 30% AGI limitation.

**Noncash contributions (50%) (code C).** Enter noncash contributions subject to the 50% AGI limitation. Don't include food inventory contributions reported separately on an attached statement.

**Food inventory contributions.** Provide the following information on a statement attached to Schedule K-1.

- The shareholder's pro rata share of the amount of the charitable contributions under section 170(e)(3) for qualified food inventory that was donated to charitable organizations for the care of the ill, needy,



and infants. The food must meet all the quality and labeling standards imposed by federal, state, and local laws and regulations. The charitable contribution for donated food inventory is the lesser of (a) the basis of the donated food plus half of the appreciation (gain if the donated food were sold at fair market value (FMV) on the date of the gift), or (b) twice the basis of the donated food. The aggregate amount of such contributions shall not exceed 15% of the taxpayer's aggregate net income from all trades or businesses from which such contributions were made. A corporation that doesn't account for inventories and isn't required to capitalize indirect costs under section 263A may elect to treat the basis of the donated food as equal to 25% of the FMV of the food. See section 170(e)(3)(C) for more details.

- The shareholder's pro rata share of the net income for the tax year from the corporation's trades or businesses that made the contributions of food inventory.

**Qualified conservation contributions.** The AGI limit for qualified conservation contributions under section 170(h) is generally 50%. However, if the corporation is a qualified farmer or rancher (farm income is more than 50% of gross income), the AGI limit for qualified conservation contributions of property used in agriculture or livestock production (or available for such production) is 100%. The carryover period is 15 tax years. See section 170(b) and Notice 2007-50, 2007-25 I.R.B. 1430, for details. Report qualified conservation contributions with a 50% AGI limitation on Schedule K-1 in box 12 using code C. Report qualified conservation contributions with a 100% AGI limitation on a statement attached to Schedule K-1 using code G. See

*Contributions of property*, later, for special rules applicable to qualified conservation contributions.

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

Enter noncash contributions subject to the 30% AGI limitation.

**Capital gain property to a 50% limit organization (30%) (code E).** Enter capital gain property contributions subject to the 30% AGI limitation.

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

Enter capital gain property contributions subject to the 20% AGI limitation.

**Contributions of property.** See *Contributions of Property* in Pub. 526 and Pub. 561, *Determining the Value of Donated Property*, for information on noncash contributions and contributions of capital gain property. If the deduction claimed for noncash contributions exceeds \$500,

complete Form 8283 and attach it to Form 1120-S.

Shareholders may deduct their pro rata share of the FMV of property contributions, but will only need to adjust their stock basis by their pro rata share of the property's adjusted basis. Give each shareholder a statement identifying their pro rata share of both the FMV and adjusted basis of the property.

If the corporation made a qualified conservation contribution under section 170(h), also include the FMV of the underlying property before and after the donation, as well as the type of legal interest contributed, and describe the conservation purpose furthered by the donation. Give a copy of this information to each shareholder.

If the corporation made a qualified conservation contribution for the preservation of an historic building, there are additional requirements that may apply to obtain a charitable deduction. This charitable

deduction may be reduced if rehabilitation credits were claimed for the historic building. This charitable deduction may be denied if the corporation does not comply with section 170(f)(19). A \$500 filing fee may apply to certain deductions over \$10,000. See the Instructions for Form 8283 and Pub. 526 for details.

A corporation's charitable conservation contribution (or a corporation's distributive share of a charitable conservation contribution from a lower-tier partnership) is not treated as a qualified conservation contribution if the amount of such contribution (or such distributive share) exceeds 2.5 times the sum of each shareholder's relevant basis in the corporation. In an attachment to each Schedule K-1 issued to a shareholder, report the shareholder's relevant basis allocable to the portion of the real property or historic building on which the qualified conservation

contribution was made. The corporation should coordinate with each shareholder in calculating relevant basis. See Qualified Conservation Contribution in Pub. 526 and Disallowance of Conservation Contribution deductions by certain pass-through entities in the Instructions for Form 8283.

**Nondeductible contributions.** Certain contributions made to an organization conducting lobbying activities aren't deductible.

See section 170(f)(9) for more details. Also see *Contributions You Can't Deduct* in Pub. 526 for more examples of nondeductible contributions.



*An accrual basis S corporation **can't** elect to treat a contribution as having been paid in the tax year the board of directors authorizes the payment if the contribution isn't actually paid until the next tax year.*

**Contributions (100%) (code G).** If the corporation is a qualified farmer or rancher (farm income is more than 50% of gross income), attach a statement to Schedule K-1 that shows the shareholder's pro rata share of qualified conservation contributions of property used in agriculture or livestock production (or available for such production). Don't include these contributions in the amounts reported in box 12 of Schedule K-1 because shareholders must separately determine if they qualify for the 50% or 100% AGI limitation for these contributions. The contribution must be subject to a restriction that the property remain available for such production. See section 170(b) for details.

**Schedule K-1.** Report each shareholder's pro rata share of charitable contributions in box 12 of Schedule K-1 using codes A through G for each of the contribution categories shown earlier. See Contributions of property, earlier,

for information on statements you may be required to attach to Schedule K-1. The corporation must attach a copy of its Form 8283 to the Schedule K-1 of each shareholder receiving an allocation of the contribution deduction shown in Section A or Section B of its Form 8283.

### **Line 12b. Investment Interest Expense**

Include on this line the interest properly allocable to debt on property held for investment purposes. Property held for investment includes property that produces income (unless derived in the ordinary course of a trade or business) from interest, dividends, annuities, or royalties; and gains from the disposition of property that produces those types of income or is held for investment.

Investment interest expense doesn't include interest expense allocable to a passive activity.



Investment income and investment expenses other than interest are reported on lines 17a and 17b, respectively. This information is needed by shareholders to determine the investment interest expense limitation (see Form 4952 for details).

**Schedule K-1.** Report each shareholder's pro rata share of investment interest expense in box 12 of Schedule K-1 using **code H**.

### **Line 12c. Section 59(e)(2) Expenditures**

Generally, section 59(e) allows each shareholder to make an election to deduct their pro rata share of the corporation's otherwise deductible qualified expenditures ratably over 10 years (3 years for circulation expenditures). The deduction is taken beginning with the tax year in which the expenditures were made (or for intangible drilling and development costs, over the 60-month period beginning with the month in which such costs were paid or incurred).

The term “qualified expenditures” includes only the following types of expenditures paid or incurred during the tax year.

- Circulation expenditures.
- Research and experimental expenditures.
- Intangible drilling and development costs.
- Mining exploration and development costs.

If a shareholder makes the election, these items aren't treated as alternative minimum tax (AMT) tax preference items.

Because the shareholders make this election, the corporation can't deduct these amounts or include them as AMT items on Schedule K-1. Instead, the corporation passes through the information the shareholders need to figure their separate deductions.

On the dotted line to the left of the entry space for line 12c, enter the type of expenditures claimed on line 12c. Enter on

line 12c the qualified expenditures paid or incurred during the tax year for which a shareholder may make an election under section 59(e). Enter this amount for all shareholders whether or not any shareholder makes an election under section 59(e).

On an attached statement, identify the property for which the expenditures were paid or incurred. If the expenditures were for intangible drilling or development costs for oil and gas properties, identify the month(s) in which the expenditures were paid or incurred. If there is more than one type of expenditure or more than one property, provide the amounts (and the months paid or incurred, if required) for each type of expenditure separately for each property.

**Schedule K-1.** Report each shareholder's pro rata share of section 59(e) expenditures in box 12 of Schedule K-1 using **code J**. Identify the following information on an attached statement.

- The type of expenditure.
- The property for which the expenditures are paid or incurred.
- For oil and gas properties only, the month in which intangible drilling costs and development costs were paid or incurred.

If there is more than one type of expenditure or the expenditures are for more than one property, provide each shareholder's pro rata share of the amounts (and the months paid or incurred for oil and gas properties) for each type of expenditure separately for each property.

### **Line 12d. Other Deductions**

Enter deductions not included on line 11, 12a, 12b, 12c, or 16f. On the line to the left of the entry space for line 12d, identify the type of deduction. If there is more than one type of deduction, attach a statement to Form 1120-S that separately identifies the type and amount of each deduction for the following

categories. The codes needed for Schedule K-1 reporting are provided for each category.

**Deductions—Royalty income (code I).**

Enter deductions related to royalty income.

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

**Deductions—Portfolio income (other)**

**(code L).** Enter any other deductions related to portfolio income.

No deduction is allowed under section 212 for expenses allocable to a convention, seminar, or similar meeting. Because these expenses aren't deductible by shareholders, the corporation doesn't report these expenses on line 12d of Schedule K. The expenses are nondeductible and are reported as such on line 16c of Schedule K and in box 16 of Schedule K-1 using code C.

**Preproductive period expenses (code M).**

If the corporation is required to use an accrual method of accounting under section 448(a)(3), it must capitalize these expenses.

If the corporation is permitted to use the cash method, enter the amount of preproductive period expenses that qualify under section 263A(d). An election not to capitalize these expenses must be made at the shareholder level. See *Uniform Capitalization Rules* in Pub. 225.

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

**Reforestation expense deduction (code O).** The corporation can elect to deduct a limited amount of its reforestation expenditures paid or incurred during the tax year. The amount the corporation can elect to deduct is limited to \$10,000 for each qualified timber property. See section 194(c) for a definition of reforestation expenditures and qualified timber property. See Notice 2006-47, 2006-20 I.R.B. 892, for details on making the election. The corporation must amortize over 84 months any amount not deducted. See *Reforestation expenditures*, earlier.

**Schedule K-1.** Enter the shareholder's pro

rata share of allowable reforestation expense in box 12 of Schedule K-1 using code O and attach a statement that provides a description of the qualified timber property. If the corporation is electing to deduct amounts from more than one qualified timber property, provide a description and the amount for each property.

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

**Soil and water conservation (code W).**

Enter amounts for soil and water conservation expenditures, and endangered species recovery expenditures. See Pub. 225.

**Film, television, and theatrical**

**production expenditures (code X).** Film, television, and live theatrical production expenses. The corporation can elect to deduct certain costs of a qualified film, television, or live theatrical production commencing before January 1, 2026 (after December 31, 2015, and before January 1, 2026, for a live theatrical production), limited to \$15 million

of the aggregate production cost of the production. There is a higher dollar limitation for productions in certain areas. A live theatrical performance commences on the date of its first public performance for a paying audience. Provide a description of the film, television, or live theatrical production on an attached statement. If the corporation makes the election for more than one production, attach a statement to Schedule K-1 that shows each shareholder's pro rata share of the qualified expenditures separately for each production. The deduction is subject to recapture under section 1245 if the election is voluntarily revoked or the production fails to meet the requirements for the deduction. See section 181 and the related regulations.

**Expenditures for removal of barriers (code Y).** Enter expenditures paid or incurred for the removal of architectural and transportation barriers to the elderly and



disabled that the corporation has elected to treat as a current expense. See section 190.

**Itemized deductions (code Z).** Enter amounts paid by the corporation that would be allowed as itemized deductions on any of the shareholders' income tax returns if they were paid directly by a shareholder for the same purpose. These amounts include, but aren't limited to, expenses under section 212 for the production of income other than from the corporation's trade or business. However, don't enter expenses related to portfolio income or investment interest expense reported on line 12b of Schedule K on this line.

**Contributions to a capital construction fund (CCF) (code AA).** Enter amount of contributions made to a capital construction fund. See Pub. 595, Capital Construction Fund for Commercial Fishermen.

**Penalty on early withdrawal of savings (code AB).** Enter any penalty on early withdrawal of savings because the corporation withdrew funds from its time savings deposit before its maturity.

**Interest expense allocated to debt financed distributions (code AC).** Enter interest expense allocated to debt-financed distributions. See Notice 89-35, 1989-1 C.B. 675 for more information.

**Codes AD through AJ.** Reserved for future use.

**Other deductions (code ZZ).** Include any other deductions not reported using codes A through AC.

**Schedule K-1.** Enter each shareholder's pro rata share of the deduction categories listed above in box 12 of Schedule K-1 or provide the required information on an attached statement. Enter the applicable code shown above.

If you are reporting only one type of deduction under code ZZ, enter code ZZ with an asterisk (ZZ\*) and the dollar amount in the entry space in box 12 and attach a statement that shows the box number, code, and type of deduction. If you are reporting multiple types of deductions under code ZZ, enter the code with an asterisk (ZZ\*), enter "STMT" in the dollar amount entry space in box 12, and attach a statement that shows the box number, code, and dollar amount of each type of deduction.

If the corporation has more than one trade or business activity, identify on an attachment to Schedule K-1 the amount for each separate activity. See *Passive Activity Reporting Requirements*, earlier.

## **Credits**

### **Low-Income Housing Credit**

Section 42 provides a credit that can be claimed by owners of low-income residential

rental buildings. To qualify for the credit, the corporation must file Form 8609, Low-Income Housing Credit Allocation and Certification, separately with the IRS. Don't attach Form 8609 to Form 1120-S. Complete and attach Form 8586, Low-Income Housing Credit, and Form 8609-A, Annual Statement for Low-Income Housing Credit, to Form 1120-S.

### **Line 13a. Low-Income Housing Credit (Section 42(j)(5))**

If the corporation invested in a partnership to which the provisions of section 42(j)(5) apply, report on line 13a the credit reported to the corporation in box 15 of Schedule K-1 (Form 1065) using code C.

**Schedule K-1.** Report in box 13 of Schedule K-1 each shareholder's pro rata share of the low-income housing credit reported on line 13a of Schedule K. Use **code C** to report the portion of the credit attributable to buildings placed in service after 2007. If the corporation has credits from more than one

activity, identify on an attachment to Schedule K-1 the amount for each separate activity. See Passive Activity Reporting Requirements, earlier.

### **Line 13b. Low-Income Housing Credit (Other)**

Report on line 13b any low-income housing credit not reported on line 13a. This includes any credit reported to the corporation in box 15 of Schedule K-1 (Form 1065) using code D.

**Schedule K-1.** Report in box 13 of Schedule K-1 each shareholder's pro rata share of the low-income housing credit reported on line 13b of Schedule K. Use **code D** to report the portion of the credit attributable to buildings placed in service after 2007. If the corporation has credits from more than one rental activity, identify on an attachment to Schedule K-1 the amount for each separate activity. See Passive Activity Reporting Requirements, earlier.

## **Line 13c. Qualified Rehabilitation Expenditures (Rental Real Estate)**

Enter on line 13c the total qualified rehabilitation expenditures related to rental real estate activities of the corporation. See the Instructions for Form 3468 for details on qualified rehabilitation expenditures.

**Schedule K-1.** Report each shareholder's pro rata share of qualified rehabilitation expenditures related to rental real estate activities in box 13 of Schedule K-1 using **code E**. Attach a statement to Schedule K-1 that provides the information and the shareholder's pro rata share of the basis and expenditure amounts the shareholder will need to figure the amounts to report in Part VII of Form 3468, Investment Credit. See the Instructions for Form 3468 for details. If the corporation has expenditures from more than one rental real estate activity, identify on an attachment to Schedule K-1 the information and amounts for each separate activity. See

Passive Activity Reporting Requirements,  
earlier.



*Qualified rehabilitation expenditures for property not related to rental real estate activities must be reported in box 17 using code C.*

## **Line 13d. Other Rental Real Estate Credits**

Enter on line 13d any other credit (other than credits reported on lines 13a through 13c) related to rental real estate activities. On the dotted line to the left of the entry space for line 13d, identify the type of credit. If there is more than one type of credit, attach a statement to Form 1120-S that identifies the type and amount for each credit. These credits may include any type of credit listed in the instructions for line 13g.

**Schedule K-1.** Report in box 13 of Schedule K-1 each shareholder's pro rata share of other rental real estate credits using **code F**. If you

are reporting each shareholder's pro rata share of only one type of rental real estate credit under code F, enter the code with an asterisk (F\*) and the dollar amount in the entry space in box 13 and attach a statement that shows "Box 13, code F" and the type of credit. If you are reporting multiple types of rental real estate credit under code F, enter the code with an asterisk (F\*) and enter "STMT" in the entry space in box 13 and attach a statement that shows "Box 13, code F" and the dollar amount of each type of credit. If the corporation has credits from more than one rental real estate activity, identify on the attached statement the amount of each type of credit for each separate activity. See Passive Activity Reporting Requirements, earlier.

### **Line 13e. Other Rental Credits**

Enter on line 13e any other credit (other than credits reported on lines 13a through 13d) related to rental activities. On the dotted line



to the left of the entry space for line 13e, identify the type of credit. If there is more than one type of credit, attach a statement to Form 1120-S that identifies the type and amount for each credit. These credits may include any type of credit listed in the instructions for line 13g.

**Schedule K-1.** Report in box 13 of Schedule K-1 each shareholder's pro rata share of other rental credits using **code G**. If you are reporting each shareholder's pro rata share of only one type of rental credit under code G, enter the code with an asterisk (G\*) and the dollar amount in the entry space in box 13 and attach a statement that shows "Box 13, code G" and the type of credit. If you are reporting multiple types of rental credit under code G, enter the code with an asterisk (G\*) and enter "STMT" in the entry space in box 13 and attach a statement that shows "Box 13, code G" and the dollar amount of each type of credit. If the corporation has credits from

more than one rental activity, identify on the attached statement the amount of each type of credit for each separate activity. See *Passive Activity Reporting Requirements*, earlier.

### **Line 13f. Biofuel Producer Credit**

Enter on line 13f any biofuel producer credit attributable to trade or business activities. If the credit is attributable to rental activities, enter the amount on line 13d or 13e.

Figure this credit on Form 6478, if applicable. Attach it to Form 1120-S. Include any amount shown on line 2 of Form 6478 in the corporation's income on line 5 of Form 1120-S.

See section 40(f) for an election the corporation can make to have the credit not apply.

**Schedule K-1.** Report in box 13 of Schedule K-1 each shareholder's pro rata share of the biofuel producer credit reported on line 13f

using **code I**. If the corporation has credits from more than one activity, identify on an attachment to Schedule K-1 the amount for each separate activity. See Passive Activity Reporting Requirements, earlier.

### **Line 13g. Other Credits**

Enter on line 13g any other credit, except credits or expenditures shown or listed for lines 13a through 13f or the credit for federal tax paid on fuels (which is reported on line 24c of page 1). On the line to the left of the entry space for line 13g, identify the type of credit. If there is more than one type of credit, attach a statement to Form 1120-S that separately identifies each type and amount of credit for the following categories. The codes needed for box 13 of Schedule K-1 are provided in the heading of each category.

**Zero-emission nuclear power production credit (code A).** Complete Form 7213, Nuclear Power Production Credit, Part II, to figure the credit. Attach it to Form 1120-S.

**Production from advanced nuclear power facilities credit (code B).** Complete Form 7213, Part I, to figure the credit. Attach it to Form 1120-S.

**Undistributed capital gains credit (code H).** This credit represents taxes paid on undistributed capital gains by a regulated investment company (RIC) or a real estate investment trust (REIT). As a shareholder of a RIC or REIT, the corporation will receive notice of the amount of tax paid on undistributed capital gains on Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

**Work opportunity credit (code J).** Complete Form 5884 to figure the credit. Attach it to Form 1120-S.

**Disabled access credit (code K).** Complete Form 8826 to figure the credit. Attach it to Form 1120-S.

**Empowerment zone employment credit (code L).** Complete Form 8844 to figure the credit. Attach it to Form 1120-S.

**Credit for increasing research activities (code M).**

Complete Form 6765 to figure the credit. Attach it to Form 1120-S. For more information, see the Instructions for Form 6765.



*The corporation should provide the information necessary for the shareholder to determine whether the corporation is an eligible small business under section 38(c)(5)(A). If the shareholder and the corporation meet the requirements of section 38(c)(5)(A), the research credit may be treated as a specified credit.*

**Credit for employer social security and Medicare taxes paid on certain employee tips (code N).** Complete Form 8846 to figure the credit. Attach it to Form 1120-S.

**Backup withholding (code O).** This credit is for backup withholding on dividends, interest, and other types of income of the corporation.

**Unused investment credit from the qualifying advanced coal project credit or qualifying gasification project credit allocated from cooperatives (code P).** See the Instructions for Form 3468.

**Unused investment credit from the qualifying advanced energy project credit allocated from cooperatives (code Q).** See the Instructions for Form 3468.

**Unused investment credit from the advanced manufacturing investment credit allocated from cooperatives (code R).** See the Instructions for Form 3468.

**Code S.** Reserved for future use.

**Unused investment credit from the energy credit allocated from cooperatives (code T).** See the Instructions for Form 3468.

**Unused investment credit from the rehabilitation credit allocated from cooperatives (code U).** See the Instructions for Form 3468.

**Advanced manufacturing production credit (code V).** Complete Form 7207, Advanced Manufacturing Production Credit, to figure the credit. Attach it to Form 1120-S.

**Codes W and X.** Reserved for future use.

**Clean hydrogen production credit (code Y).** Complete Form 7210, Clean Hydrogen Production Credit, to figure the credit. Attach it to Form 1120-S.

**Orphan drug credit (code Z).** Complete Form 8820, Orphan Drug Credit, to figure the credit. Attach it to Form 1120-S.

**Enhanced oil recovery credit (code AA).**

Complete Form 8830, Enhanced Oil Recovery Credit, to figure the credit. Attach it to Form 1120-S.

**Renewable electricity production credit**

**(code AB).** Complete Form 8835, Renewable Electricity Production Credit, if applicable.

Attach a statement to Form 1120-S and Schedule K-1 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.

**Biodiesel, renewable diesel, or**

**sustainable aviation fuels credit (code**

**AC).** Complete Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit. Include any amount from line 10 of Form 8864 in the corporation's income on line 5 of Form 1120-S. If this credit includes the small agri-biodiesel producer credit, identify on a statement attached to Schedule K-1 (a) the small agri-biodiesel producer



credit included in the total credit allocated to the shareholder, (b) the number of gallons for which the corporation claimed the small agri-biodiesel producer credit, and (c) the corporation's productive capacity for agri-biodiesel. Also report separately on an attached statement the amount of any sustainable aviation fuel credit.

**New markets credit (code AD).** Complete Form 8874, New Markets Credit.

**Credit for small employer pension plan startup costs (code AE).** Complete Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Participation, Part I.

**Credit for small employer auto-enrollment (code AF).** Complete Form 8881, Part II.

**Credit for military spouse participation (code AG).** Complete Form 8881, Part III.

**Credit for employer-provided childcare facilities and services (code AH).**

Complete Form 8882, Credit for Employer-Provided Childcare Facilities and Services.

**Low sulfur diesel fuel production credit (code AI).**

Complete Form 8896, Low Sulfur Diesel Fuel Production Credit.

**Qualified railroad track maintenance credit (code AJ).** Complete Form 8900, Qualified Railroad Track Maintenance Credit.

**Credit for oil and gas production from marginal wells (code AK).** Complete Form 8904, Credit for Oil and Gas Production From Marginal Wells, if applicable.

**Distilled spirits credit (code AL).** Complete Form 8906, Distilled Spirits Credit.

**Energy efficient home credit (code AM).** Complete Form 8908, Energy Efficient Home Credit.

**Alternative motor vehicle credit (code AN).** Complete Form 8910, Alternative Motor Vehicle Credit, if applicable.

**Alternative fuel vehicle refueling property credit (code AO).** Complete Form 8911, Alternative Fuel Vehicle Refueling Property Credit.

**Clean renewable energy bond credit (code AP).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest income on line 4 of Schedule K. In addition, the amount of this credit is reported on line 16d of Schedule K. See the Instructions for Form 8912.

**New clean renewable energy bond credit (code AQ).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest income on line 4 of Schedule K. In addition, the amount of this credit is reported as a

property distribution on line 16d of Schedule K. See the Instructions for Form 8912.

**Qualified energy conservation bond credit (code AR).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest income on line 4 of Schedule K. In addition, the amount of this credit is reported as a property distribution on line 16d of Schedule K. See the Instructions for Form 8912.

**Qualified zone academy bond credit (code AS).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest income on line 4 of Schedule K. In addition, the amount of this credit is reported on line 16d of Schedule K. See the Instructions for Form 8912.

**Qualified school construction bond credit (code AT).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest

income on line 4 of Schedule K. In addition, the amount of this credit is reported as a property distribution on line 16d of Schedule K. See the Instructions for Form 8912.

**Build America bond credit (code AU).** The amount of this credit (excluding any credits from partnerships, estates, and trusts) is reported as interest income on line 4 of Schedule K. In addition, the amount of this credit is reported as a property distribution on line 16d of Schedule K. See the Instructions for Form 8912.

**Credit for employer differential wage payments (code AV).** Complete Form 8932, Credit for Employer Differential Wage Payments.

**Carbon oxide sequestration credit (code AW).** Complete Form 8933, Carbon Oxide Sequestration Credit, to figure the credit. Attach it to Form 1120-S.

**Carbon oxide sequestration credit recapture (code AX).** Complete Form 8933 to figure the credit recapture. Attach it to Form 1120-S. Report the carbon oxide sequestration credit recapture amount from Form 8933, line 22.

**New clean vehicle credit (code AY).** Complete Form 8936, Clean Vehicle Credits, Part II.

**Qualified commercial clean vehicle credit (code AZ).** Complete Form 8936, Part V.

**Credit for small employer health insurance premiums (code BA).** Complete Form 8941, Credit for Small Employer Health Insurance Premiums.

**Employer credit for paid family and medical leave (code BB).** Complete Form 8994, Employer Credit for Paid Family and Medical Leave.

**Eligible credits from transferor(s) under section 6418 (code BC).** Enter the total amount of eligible credits received from transferor(s) included in Part III, line 6, column (g), of your Form 3800. Also, enter the total of the shareholder's pro rata share of all eligible credits received from transferor(s) that were received from another pass-through entity. See required statement below.



*Partnership and S corporation pass-through entities that transferred eligible credits from an unrelated person for cash under section 6418 must use Form 3800, Part III and Part V (if applicable), to report such credits. See the Instructions for Form 3800 for reporting and other requirements.*

**Schedule K-1.** Enter the shareholder's pro rata share of all eligible credits transferred from one or more unrelated transferors pursuant to a transfer election under section

6418. This amount must include the shareholder's pro rata share of all eligible credits from transferors that were received from another pass-through entity. Enter the code BC and an asterisk (\*) (BC\*) in the left column and enter "STMT" in the entry space to the right. Attach a statement that contains the following information for each purchased credit.

**Attached statement.** Attach a statement to Schedule K-1 that provides the source credit information and the pro rata share of eligible credits received from transferor(s), including any share of eligible credits from transferor(s) that were received from another pass-through entity.

The statement must identify the amount and information for each eligible credit so each shareholder can complete their Form 3800. For each eligible credit, you must provide:

- The shareholder's pro rata share of the eligible credits received from transferor(s)



reported on the applicable line, column (g) of your Part III or Part V (if applicable) of Form 3800.

- The name of the credit form in column (a) of the applicable line of Part III or Part V (if applicable).
- Source information for each eligible credit shown in Part III or Part V (if applicable), including:
  1. IRS-issued registration number for transfers in column (b) of Part III and Part V, and
  2. The transferor's EIN in column (d) of Part III or column (c) of Part V.
- If a shareholder's pro rata share includes an allocation of eligible credits purchased by a lower tier pass-through entity and reported on Schedule K-1, you must provide the EIN of such transferee shareholder or S corporation and the

source information that was provided to you by such entity.

See the Instructions for Form 3800 for additional details.

**Codes BD through BG.** Reserved for future use.

**Other credits (code ZZ)** Include any other type of credits not listed on lines 13a through 13f, or reported using codes A, B, H through BC.

**Schedule K-1.** Enter in box 13 of Schedule K-1 each shareholder's pro rata share of the credits listed above. See additional Schedule K-1 reporting information provided in the instructions above. Enter the applicable code, A, B, H, J through BC, in the column to the left of the dollar amount entry space.

If you are reporting each shareholder's pro rata share of only one type of credit under code ZZ, enter the code with an asterisk (ZZ\*) and the dollar amount in the entry

space in box 13 and attach a statement that shows "Box 13, code ZZ" and the type of credit. If you are reporting multiple types of credit under code ZZ, enter the code with an asterisk (ZZ\*) and enter "STMT" in the entry space in box 13 and attach a statement that shows "Box 13, code ZZ" and the dollar amount of each type of credit. If the corporation has credits from more than one activity, identify on an attachment to Schedule K-1 the amount of each type of credit for each separate activity. See Passive Activity Reporting Requirements, earlier.

## **International Transactions**

Check the box on line 14 if you are reporting items of international tax relevance. See the Instructions for Schedule K-2 (Form 1120-S) to determine if you need to attach Schedules K-2 and K-3. If you satisfy the domestic filing exception to filing Schedule K-3, you must provide notification to the shareholder either through an attachment to the Schedule K-1,

or a separate statement prior to filing the Form 1120-S. If you satisfy an exception to filing Schedule K-2 (Form 1120-S), you may also attach a statement to the Form 1120-S that states "Qualified for exception to filing Schedule K-2."

### **Alternative Minimum Tax (AMT) Items**

Lines 15a through 15f must be completed for all shareholders.

Enter items of income and deductions that are adjustments or tax preference items for the AMT. For more information, see Form 6251, Alternative Minimum Tax—Individuals, or Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts.

Don't include as a tax preference item any qualified expenditures to which an election under section 59(e) may apply. Instead, report these expenditures on line 12c.

Because these expenditures are subject to an election by each shareholder, the corporation

can't figure the amount of any tax preference related to them. Instead, the corporation must pass through to each shareholder in box 12, code J, of Schedule K-1, the information needed to figure the deduction.

**Schedule K-1.** Report each shareholder's pro rata share of amounts reported on lines 15a through 15f in box 15 of Schedule K-1 using **codes A through F**, respectively.

If the corporation is reporting items of income or deduction for oil, gas, and geothermal properties, you may be required to identify these items on a statement attached to Schedule K-1 (see the instructions for lines 15d and 15e). Also see the requirement for an attached statement in the instructions for line 15f.

### **Line 15a. Post-1986 Depreciation Adjustment**

Figure the adjustment for line 15a based only on tangible property placed in service after

1986 (and tangible property placed in service after July 31, 1986, and before 1987, for which the corporation elected to use the Modified Accelerated Cost Recovery System (MACRS)). Don't make an adjustment for motion picture films, videotapes, sound recordings, certain public utility property (see section 168(f)(2)), property depreciated under the unit-of-production method (or any other method not expressed in a term of years), qualified Indian reservation property, property eligible for a special depreciation allowance, qualified revitalization expenditures, or the section 179 expense deduction.

For property placed in service before 1999, refigure depreciation for the AMT as follows (using the same convention used for the regular tax).

- For section 1250 property (generally, residential rental and nonresidential real

property), use the straight line method over 40 years.

- For tangible property (other than section 1250 property) depreciated using the straight line method for the regular tax, use the straight line method over the property's class life. Use 12 years if the property has no class life.
- For any other tangible property, use the 150% declining balance method, switching to the straight line method the first tax year it gives a larger deduction, over the property's AMT class life. Use 12 years if the property has no class life.



*See Pub. 946 for a table of class lives.*

For property placed in service after 1998, refigure depreciation for the AMT only for property depreciated for the regular tax using the 200% declining balance method. For the

AMT, use the 150% declining balance method, switching to the straight line method the first tax year it gives a larger deduction, and the same convention and recovery period used for the regular tax.

Figure the adjustment by subtracting the AMT deduction for depreciation from the regular tax deduction and enter the result on line 15a. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount. Depreciation capitalized to inventory must also be refigured using the AMT rules. Include on this line the current year adjustment to income, if any, resulting from the difference.

### **Line 15b. Adjusted Gain or Loss**

If the corporation disposed of any tangible property placed in service after 1986 (or after July 31, 1986, if an election was made to use the General Depreciation System), or if it disposed of a certified pollution control facility placed in service after 1986, refigure the gain



or loss from the disposition using the adjusted basis for the AMT. The property's adjusted basis for the AMT is its cost or other basis minus all depreciation or amortization deductions allowed or allowable for the AMT during the current tax year and previous tax years. Enter on this line the difference between the regular tax gain (loss) and the AMT gain (loss). If the AMT gain is less than the regular tax gain, or the AMT loss is more than the regular tax loss, or there is an AMT loss and a regular tax gain, enter the difference as a negative amount.

If any part of the adjustment is allocable to net short-term capital gain (loss), net long-term capital gain (loss), or net section 1231 gain (loss), attach a statement that identifies the amount of the adjustment allocable to each type of gain or loss.

For a net long-term capital gain (loss), also identify the amount of the adjustment that is collectibles (28%) gain (loss).

For a net section 1231 gain (loss), also identify the amount of adjustment that is unrecaptured section 1250 gain.

### **Line 15c. Depletion (Other Than Oil and Gas)**

Don't include any depletion on oil and gas wells. The shareholders must figure their oil and gas depletion deductions and preference items separately under section 613A.

Refigure the depletion deduction under section 611 for mines, wells (other than oil and gas wells), and other natural deposits for the AMT. Percentage depletion is limited to 50% of the taxable income from the property as figured under section 613(a), using only income and deductions for the AMT. Also, the deduction is limited to the property's adjusted basis at the end of the year as figured for the AMT. Figure this limit separately for each property. When refiguring the property's adjusted basis, take into account any AMT adjustments made this year or in previous

years that affect basis (other than the current year's depletion).

Enter the difference between the regular tax and AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount.

### **Oil, Gas, and Geothermal Properties— Gross Income and Deductions**

Generally, the amounts to be entered on lines 15d and 15e are only the income and deductions for oil, gas, and geothermal properties that are used to figure the corporation's ordinary business income (loss) on line 22, page 1, Form 1120-S.

If there are any items of income or deductions for oil, gas, and geothermal properties included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1 (items not reported in box 1 of Schedule K-1), give each shareholder a statement that shows, for the

box in which the income or deduction is included, the amount of income or deductions included in the total amount for that box. Don't include any of these direct pass-through amounts on line 15d or 15e. The shareholder is told in the Shareholder's Instructions for Schedule K-1 (Form 1120-S) to adjust the amounts in box 15, code D or E, for any other income or deductions from oil, gas, or geothermal properties included in boxes 2 through 12, 16, or 17 of Schedule K-1 in order to determine the total income and deductions from oil, gas, and geothermal properties for the corporation.

Figure the amounts for lines 15d and 15e separately for oil and gas properties that aren't geothermal deposits and for all properties that are geothermal deposits.

Give each shareholder a statement that shows the separate amounts included in the computation of the amounts on lines 15d and 15e of Schedule K.

## **Line 15d. Oil, Gas, and Geothermal Properties—Gross Income**

Enter the total amount of gross income (within the meaning of section 613(a)) from all oil, gas, and geothermal properties received or accrued during the tax year and included on page 1, Form 1120-S.

## **Line 15e. Oil, Gas, and Geothermal Properties—Deductions**

Enter any deductions allowed for the AMT that are allocable to oil, gas, and geothermal properties.

## **Line 15f. Other AMT Items**

Attach a statement to Form 1120-S and Schedule K-1 that shows other items not shown on lines 15a through 15e that are adjustments or tax preference items or that the shareholder needs to complete Form 6251 or Schedule I (Form 1041). See these forms and their instructions to determine the

amount to enter. Other AMT items include the following.

- Accelerated depreciation of real property under pre-1987 rules.
- Accelerated depreciation of leased personal property under pre-1987 rules.
- Long-term contracts entered into after February 28, 1986. Except for certain home construction contracts, the taxable income from these contracts must be figured using the percentage of completion method of accounting for the AMT.
- Losses from tax shelter farm activities. No loss from any tax shelter farm activity is allowed for the AMT. • Any amount from Form 6478 reported as other income on Form 1120-S, line 5.
- Any amount from Form 8864 reported as other income on Form 1120-S, line 5.

**Schedule K-1.** If you are reporting each shareholder's pro rata share of only one type of AMT item under code F, enter the code with an asterisk (F\*) and the dollar amount in the entry space in box 15 and attach a statement that shows the type of AMT item. If you are reporting multiple types of AMT items under code F, enter the code with an asterisk (F\*) and enter "STMT" in the entry space in box 15 and attach a statement that shows the dollar amount of each type of AMT item.

## **Items Affecting Shareholder Basis**

### **Line 16a. Tax-Exempt Interest Income**

Enter on line 16a tax-exempt interest income, including any exempt-interest dividends received from a mutual fund or other regulated investment company. Individual shareholders must report this information on line 2a of Form 1040 or 1040-SR. Generally, under section 1367(a)(1)(A), the basis of the

shareholder's stock is increased by the amount shown on this line.

### **Line 16b. Other Tax-Exempt Income**

Enter on line 16b all income of the corporation exempt from tax other than tax-exempt interest (for example, life insurance proceeds, but see section 101(j) for limits and reporting requirements). Generally, under section 1367(a)(1)(A), the basis of the shareholder's stock is increased by the amount shown on this line.

**Tax-exempt income from transfer election.** Enter the total consideration received by the transferor S corporation as a result of a transfer election under section 6418. If the S corporation is allocated tax-exempt income from a pass-through entity (or lower-tier pass-through entity) making a transfer election to transfer its credits, include those amounts in code B as well.



***Schedule K-1.*** This amount includes the shareholder's pro rata share of tax-exempt income allocated by the transferor S corporation related to proceeds received by the S corporation as a result of the S corporation making a transfer election to transfer its credits under section 6418. This amount also includes the shareholder's pro rata share of allocations made to the transferor S corporation from a pass-through entity for which the S corporation was a partner related to the pass-through entity (or lower-tier pass-through entity) making a transfer election to transfer its credits.

**Tax-exempt income from elective payment election.** Enter the amount from page 1, line 24d. This is the total amount of credits determined by the S corporation for which an elective payment election is being made.

***Schedule K-1.*** The S corporation has claimed an amount on page 1, line 24d, which is treated as tax-exempt income for purposes of S corporation allocations. The amount listed on line 16 as code B includes the shareholder's pro rata share of tax-exempt income as a result of the S corporation making an elective payment election under section 6417. This amount also includes the shareholder's pro rata share of allocations to the S corporation from a pass-through entity (or lower-tier pass-through entity) that made an elective payment election.

**Paycheck Protection Program (PPP)**

**reporting.** Report tax-exempt income resulting from the forgiveness of a PPP loan on this line. Attach a statement to the S corporation return for each tax year in which the S corporation is applying Rev. Proc. 2021-48, sections 3.01(1), (2), or (3). The statement should also include the following information for each PPP loan.

1. The S corporation's name, address, and EIN;
2. A statement that the S corporation is applying section 01(1), (2), or (3) of Rev. Proc. 2021-48, as applicable;
3. The amount of tax-exempt income from forgiveness of the PPP loan that the S corporation is treating as received or accrued during the tax year; and
4. Whether forgiveness of the PPP loan has been granted as of the date the return is filed.

An S corporation that didn't report tax-exempt income from a PPP loan on its 2020 return may file an amended return to apply Rev. Proc. 2021-48 and should do so according to these instructions. An S corporation that reported tax-exempt income from a PPP loan on its 2020 return, the timing of which corresponds to one of the options

presented in Rev. Proc. 2021-48, need not file an amended return solely to attach the statement that is described in the instructions for Schedule K, line 16(b).

As explained in section 3.03 of Rev. Proc. 2021-48, if an S corporation treats tax-exempt income resulting from a PPP loan as received or accrued prior to when forgiveness of the PPP loan is granted and the amount of forgiveness granted is less than the amount of tax-exempt income that was previously treated as received or accrued, the S corporation must make appropriate adjustments (if any) on an amended return for the tax year in which the S corporation treated the tax-exempt income as received or accrued. The S corporation should attach a statement to such amended return that includes the following information.

1. The S corporation's name, address, and EIN;

2. A statement that the S corporation is making adjustments in accordance with section 3.03 of Rev. Proc. 2021-48; and
3. The tax year in which tax-exempt income was originally reported, the amount of tax-exempt income that was originally reported in such tax year, and the amount of tax-exempt income being adjusted on the amended return.

### **Line 16c. Nondeductible Expenses**

Enter on line 16c nondeductible expenses paid or incurred by the corporation.

Payments made by transferee S corporations to eligible taxpayers for the purchase of eligible credits as a result of a transfer election under section 6418 are treated as nondeductible expenses and are reported on this line 16c.

Don't include separately stated deductions shown elsewhere on Schedules K and K-1, capital expenditures, or items for which the deduction is deferred to a later tax year.

Generally, under section 1367(a)(2)(D), the basis of the shareholder's stock is decreased by the amount shown on this line.

### **Line 16d. Distributions**

Enter the total distributions (including cash) made to each shareholder other than dividends reported on line 17c of Schedule K. Include the shareholder's pro rata share of any amounts included in interest income with respect to new clean renewable energy, qualified energy conservation, qualified zone academy (for bonds issued after October 3, 2008), qualified school construction, or build America bonds. Distributions of appreciated property are valued at fair market value. If property other than cash was distributed, attach a statement to provide the following information.

- The date the property was acquired.
- The date the property was distributed.
- The property's FMV on the date of distribution.
- The corporation's basis in the property.

See Distributions, later, for the ordering rules.

### **Line 16e. Repayment of Loans From Shareholders**

Enter any repayments made to shareholders during the current tax year.

### **Line 16f. Foreign Taxes Paid or Accrued**

Enter in U.S. dollars the total creditable foreign taxes (described in section 901 or section 903) that were paid or accrued according to the corporation's method of accounting for such taxes. Translate these amounts into U.S. dollars by using the applicable exchange rate. See Pub. 514, Foreign Tax Credit for Individuals.

**Schedule K-1.** Report each shareholder's pro rata share of amounts reported on lines 16a, 16b, 16c, and 16f (concerning items affecting shareholder basis) in box 16 of Schedule K-1 using **codes A, B, C, and F**, respectively. Report property distributions (line 16d) and repayment of loans from shareholders (line 16e) on the Schedule K-1 of the shareholder(s) that received the distributions or repayments (using **codes D and E**).

## **Other Information**

### **Lines 17a and 17b. Investment Income and Expenses**

Enter on line 17a the investment income included on lines 4, 5a, 6, and 10 of Schedule K. Don't include other portfolio gains or losses on this line.

Enter on line 17b the investment expense included on line 12d of Schedule K.

Investment income includes gross income from property held for investment, the excess



of net gain attributable to the disposition of property held for investment over net capital gain from the disposition of property held for investment, any net capital gain from the disposition of property held for investment that each shareholder elects to include in investment income under section 163(d)(4)(B)(iii), and any qualified dividend income that the shareholder elects to include in investment income. Generally, investment income and investment expenses don't include any income or expenses from a passive activity. See Regulations section 1.469-2(f)(10) for exceptions.

Property subject to a net lease isn't treated as investment property because it is subject to the passive loss rules. Don't reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income. See the

Instructions for Form 4952 for more information.

**Schedule K-1.** Report each shareholder's pro rata share of amounts reported on lines 17a and 17b (investment income and expenses) in box 17 of Schedule K-1 using **codes A and B**, respectively.

If there are other items of investment income or expense included in the amounts that are required to be passed through separately to the shareholders on Schedule K-1, such as net short-term capital gain or loss, net long-term capital gain or loss, and other portfolio gains or losses, give each shareholder a statement identifying these amounts.

**Line 17c. Dividend Distributions Paid From Accumulated Earnings and Profits (Schedule K Only)**

Enter total dividends paid to shareholders from accumulated earnings and profits. Report these dividends to shareholders on

Form 1099-DIV. Don't report them on Schedule K-1.

### **Line 17d. Other Items and Amounts**

Report the following information on a statement attached to Form 1120-S. On Schedule K-1, enter the appropriate code in box 17 for each information item followed by an asterisk in the left-hand column of the entry space (for example, C\*). In the right-hand column, enter "STMT." The codes are provided for each information category.

#### **Qualified rehabilitation expenditures (other than rental real estate) (code C).**

Enter total qualified rehabilitation expenditures from activities other than rental real estate activities. See the Instructions for Form 3468 for details on qualified rehabilitation expenditures.



*Report qualified rehabilitation expenditures related to rental real estate activities on line 13c.*

***Schedule K-1.*** Report each shareholder's pro rata share of qualified rehabilitation expenditures related to activities other than rental real estate activities in box 17 of Schedule K-1 using code C. Attach a statement to Schedule K-1 that provides the information and the shareholder's pro rata share of the basis and expenditure amounts the shareholder will need to figure the amounts to report in Part VII of Form 3468. See the Instructions for Form 3468 for details. If the corporation has expenditures from more than one activity, identify on a statement attached to Schedule K-1 the information and amounts for each separate activity. See *Passive Activity Reporting Requirements*, earlier.

**Basis of energy property (code D).** In box 17 of Schedule K-1, enter code D followed by an asterisk and enter "STMT" in the entry space for the dollar amount. Attach a statement to Schedule K-1 that provides the

shareholder's pro rata share of the basis and capacity amounts the shareholder will need to figure the amounts to report on Part VI, lines 1a, 3a, 3e, 5a, 5f, 5o, 7a, 7j, 9a, 9b, 11a, 11d, 11h, 13a, 15a, 17a, 17e, 19a, 21a, 23a, 23e, 25a, 25d, 25g, 25j, and 29a of Form 3468. See the Instructions for Form 3468 for details.

**Recapture of low-income housing credit (codes E and F).** If recapture of part or all of the low-income housing credit is required because (a) the prior year qualified basis of a building decreased, or (b) the corporation disposed of a building or part of its interest in a building, see Form 8611, Recapture of Low-Income Housing Credit. Complete lines 1 through 7 of Form 8611 to figure the amount of the credit to recapture.

Use code E on Schedule K-1 to report recapture of the low-income housing credit from a section 42(j)(5) partnership. Use code F to report recapture of any other low-income

housing credit. See the instructions for lines 13a and 13b, earlier, for more information.



*If a shareholder's ownership interest in a building decreased because of a transaction at the shareholder level, the corporation must provide the necessary information to the shareholder to enable the shareholder to figure the recapture.*



*The disposal of a building or an interest therein will generate a credit recapture unless it is reasonably expected that the building will continue to be operated as a qualified low-income building for the remainder of the building's compliance period.*

See Form 8586, Form 8611, and section 42 for more information.

### **Recapture of investment credit (code G).**

Complete and attach Form 4255 if, before the end of the recapture period, investment credit property is disposed of or no longer qualifies

for the credit or if credit recapture is otherwise required. See the Instructions for Form 4255 for details about when credit recapture is required. State the type of property at the top of Form 4255, and complete lines 2, 3, 4, 10, and 11, whether or not any shareholder is subject to recapture of the credit.

Attach to each Schedule K-1 a separate statement providing the information the corporation is required to show on Form 4255, but list only the shareholder's pro rata share of the basis of the property subject to recapture. Also indicate the lines of Form 4255 on which the shareholders should report these amounts.

The corporation itself is liable for investment credit recapture in certain cases. See *Investment credit recapture tax*, earlier, for details.

**Recapture of other credits (code H).** On an attached statement to Schedule K-1, provide any information shareholders will need to report recapture of credits (other than recapture of low-income housing credit and investment credit reported on Schedule K-1 using codes E, F, and G). The following are examples of credits subject to recapture and reported using code H.

- The new clean vehicle credit. See section 30D(f)(5) for details.
- The new markets credit. See Form 8874 and Form 8874-B, Notice of Recapture Event for New Markets Credit, for details.
- The credit for employer-provided childcare facilities and services. See section 45F(d) for details.
- The alternative motor vehicle credit. See section 30B(h)(8) for details.



- The alternative fuel vehicle refueling property credit. See section 30C(e)(5) for details.

**Look-back interest—Completed long-term contracts (code I).** If the corporation is closely held (defined in section 460(b)(4)(C)(iii)) and it entered into any long-term contracts after February 28, 1986, that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method, it must attach a statement to Form 1120-S showing the information required in items (a) and (b) of the instructions for lines 1 and 3 of Part II of Form 8697. It must also report the amounts for Part II, lines 1 and 3, to its shareholders. See the Instructions for Form 8697 for more information.

**Look-back interest—Income forecast method (code J).** If the corporation is closely held (defined in section 460(b)(4)(C)(iii)) and it depreciated certain property

placed in service after September 13, 1995, under the income forecast method, it must attach to Form 1120-S the information specified in the instructions for Form 8866, line 2, for the 3rd and 10th tax years beginning after the tax year the property was placed in service. It must also report the line 2 amounts to its shareholders. See the Instructions for Form 8866 for more details.

**Dispositions of property with section 179 deductions (code K).** This represents gain or loss on the sale, exchange, or other disposition of property for which a section 179 deduction has been passed through to shareholders. The corporation must provide all the following information with respect to such dispositions (see the instructions for Form 1120-S, line 4, earlier).

- Description of the property.
- Date the property was acquired and placed in service.

- Date of the sale or other disposition of the property.
- The shareholder's pro rata share of the gross sales price or amount realized.
- The shareholder's pro rata share of the cost or other basis plus expense of sale (reduced as explained in the instructions for Form 4797, line 21).
- The shareholder's pro rata share of the depreciation allowed or allowable, determined as described in the instructions for Form 4797, line 22, but excluding the section 179 deduction.
- The shareholder's pro rata share of the section 179 deduction (if any) passed through for the property and the corporation's tax year(s) in which the amount was passed through.
- If the disposition is due to a casualty or theft, a statement indicating so, and any

additional information needed by the shareholder.

- For an installment sale, any information the shareholder needs to complete Form 6252. The corporation must also separately report the shareholder's pro rata share of all payments received for the property in future tax years. (Installment payments received for installment sales made in prior tax years should be reported in the same manner used in prior tax years.) See the Instructions for Form 6252 for details.