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Dealing With The S Corporation K-1 On The 1040 - What You Really Need To Know!

Presented by:
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Learning Objectives

- Understand the flow through reporting requirements of an S-Corporation
- Determine how items from the K-1 are reported on the 1040.
- Identify unique K-1 reporting issues and how to resolve them.



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Intro to S-Corps, K-1

- Purpose of the Schedule K-1
- Inconsistent Treatment of Items
- Limitations on Losses
- Elections



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Schedule K-1
(Form 1120S)

Department of the Treasury
Internal Revenue Service

2013

For calendar year 2013, or tax
year beginning _____, 2013
ending _____,

Final K-1

Amended K-1

571113
OMB No. 1545-0130



Shareholder's Share of Income, Deductions, Credits, etc ▶ See page 2 of form and separate instructions.

Part I Information About the Corporation	
A Corporation's employer identification number 00-000000	
B Corporation's name, address, city, state, and ZIP code CORPS R US 1112 TAX STREET ANYTOWN, WA 98022	
C IRS Center where corporation filed return Ogden, UT	
Part II Information About the Shareholder	
D Shareholder's identifying number 012-34-5678	
E Shareholder's name, address, city, state, and ZIP code DRAHMA QUEENE 1111 TAX STREET ANYTOWN, WA 98022	
F Shareholder's percentage of stock ownership for tax year..... 25 %	
<div style="position: absolute; left: -100px; top: 50%; transform: translateY(-50%); font-size: 2em; font-weight: bold;">FORM 1120S</div>	

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items		
1 Ordinary business income (loss)	22,450.	13 Credits
2 Net rental real estate income (loss)		
* -1,288.		
3 Other net rental income (loss)		
4 Interest income	20.	
5a Ordinary dividends	63.	
5b Qualified dividends	63.	14 Foreign transactions
6 Royalties		
7 Net short-term capital gain (loss)		
8a Net long-term capital gain (loss)		
8b Collectibles (28%) gain (loss)		
8c Unrecaptured section 1250 gain		
9 Net section 1231 gain (loss)		
10 Other income (loss)		15 Alternative minimum tax (AMT) items
11 Section 179 deduction	16,750.	16 Items affecting shareholder basis
12 Other deductions	750.	C 550.
A 4,412.		E 5,000.
R 76,250.		
		17 Other information
		A 83.
		V* STMT
*See attached statement for additional information.		



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Sniff Test?!?

- Attention to details!
- Is this the right K-1 for the right person?
- More than 2% shareholder?
- Is it a final year? Amended?



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Let's talk basis first

- Basis schedule §1366
- Inside/Outside
- Shareholder loans
- Most other items affecting basis are on the K-1



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Now let's talk "at risk" and "activity"



- At Risk limitations §465
- Passive or non passive §469
- Active or material participation
- Net Investment Income Tax



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Part III – Where it all begins...



- Box 1: Ordinary business income (loss)
 - Non-separately stated income or loss
- Box 2: Net rental real estate income
 - Passive Activity
 - determined at the shareholder level
- Box 3: Other net rental income (loss)



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Part III – Portfolio Income

- Box 4: Interest Income
- Box 5a – 5b: Dividends
- Box 6: Royalties
- Box 7: Net short-term capital gain(loss)





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Part III – Portfolio Income



- Box 8a: Net long-term capital gain(loss)
- Box 8b: Collectibles (28%) gain(loss)
- Box 10: Other Income (loss)
 - Code A: Other portfolio income (loss)



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Part III – Other Gains (Losses)



- Box 8c: Unrecaptured section 1250 gain
- Box 9: Net section 1231 gain (loss)



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Part III – Attention to the Details



- Box 10:
 - Code B: Involuntary conversions
 - Code C: §1256 contracts & straddles
 - Code D: Mining exploration costs
 - Code E: Other income (loss)



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Part III –

Attention to the Details



- Box 11: Section 179 deduction
 - Attach statement
 - Income limitations
- Box 12: Other deductions (examples)
 - Charitable contributions
 - Investment interest expense
 - Domestic Productions Activity Credit – Form 8903



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Part III – Those Other Boxes



- Box 13: Credits (examples)
 - Low income housing
 - Rental real estate credits
 - Small employer health insurance premium credit
 - Work opportunity credit



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Part III – Those Other Boxes



- Box 14: Foreign Transactions
 - Pub 514
 - Form 1116 instructions
- Box 15: AMT Items
 - Adjustments to Form 6251



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Part III – BASIS!!!



- Box 16: Items affecting shareholder basis
 - Code A: Tax exempt interest
 - Code B: Other tax exempt income
 - Code C: Nondeductible expenses
 - Code D: Distributions
 - cash or property?
 - Code E: Repayment of shareholder loans



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Part III – And For Everything Else...



- Box 17: Other information
 - Code K: Sale of 179 property
 - Code U: Net Investment Income
 - Code V: 2% Shareholder health insurance premiums



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When That Client Calls...



- Check for the basics!
- Develop a process
- Ask the right questions
- Document the answers
- Determine an appropriate outcome



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For More Information

National Society of Accountants

More information is available including
additional materials at:

Booth in Vendor Hall

Or Table in Lobby

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