

Instructions for Form 1120-S

2023

U.S. Income Tax Return for an S Corporation

Volume 5 of 5



Department of the Treasury
Internal Revenue Service

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Recapture of section 179 deduction

(code L). This amount represents recapture of the section 179 deduction if business use of the property dropped to 50% or less before the end of the recapture period. If the business use of any property for which a section 179 deduction was passed through to shareholders dropped to 50% or less (for a reason other than disposition), the corporation must provide all the following information.

- The shareholder's pro rata share of the original basis and depreciation allowed or allowable (not including 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.

See Regulations section 1.179-1(e) for details.

Section 453(l)(3) information (code M).

Supply any information needed by a shareholder to figure the interest due under section 453(l)(3). If the corporation elected to report the dispositions of certain timeshares and residential lots on the installment method, each shareholder's tax liability must be increased by the shareholder's pro rata share of the interest on tax attributable to the installment payments received during the tax year.

Section 453A(c) information (code N).

Supply any information shareholders need to figure the interest charge under section 453A(c). See Pub. 537, Installment Sales. This information must include the following from each Form 6252 where the shareholder's pro rata share of the selling price, including mortgages and other debts, is greater than \$150,000.

- Description of property.
- Date acquired.

- Date property sold.
- Selling price, including mortgages and other debts (not including interest, whether stated or unstated).
- Mortgages, debts, and other liabilities the buyer assumed or took the property subject to.
- Gross profit.
- Contract price.
- Gross profit percentage.
- Current year payments and deemed payments received during the year, not including interest whether stated or unstated.
- Origination year payments and deemed payments received during the year, not including interest whether stated or unstated.

- Payments received in prior years, not including interest whether stated or unstated.
- Installment sale income.
- Character of the income—capital or ordinary.

See section 453A(c) for information on how to compute the interest charge on the deferred tax liability. The section 453A interest charge is reported on the other tax line of the shareholder's tax return. See *Interest on Deferred Tax* in Pub. 537 for additional details on how to compute the section 453A(c) interest.

Section 1260(b) information (code O).

Supply any information needed by a shareholder to figure the interest due under section 1260(b). If the corporation had gain from certain constructive ownership transactions, each shareholder's tax liability must be increased by the shareholder's pro

rata share of interest due on any deferral of gain recognition. See section 1260(b) for details, including how to figure the interest.

Interest allocable to production expenditures (code P). Supply any information needed by a shareholder to properly capitalize interest as required by section 263A(f). See Section 263A uniform capitalization rules, earlier, for more information.

CCF nonqualified withdrawals (code Q). Report nonqualified withdrawals by the corporation from a capital construction fund. Attach a statement to the shareholder's Schedule K-1 providing details of the withdrawal. See Pub. 595.

Depletion information—Oil and gas (code R). Report gross income and other information relating to oil and gas well properties to shareholders to allow them to figure the depletion deduction for oil and gas well properties. Allocate to each shareholder a

proportionate share of the adjusted basis of each corporate oil or gas well property. See section 613A(c)(11) for details.

The corporation can't deduct depletion on oil and gas wells. Each shareholder must determine the allowable amount to report on the shareholder's return.

Codes S and T. Reserved for future use.

Net investment income (code U). Use code U to report any information that may be relevant for shareholders to figure their net investment income tax when the information isn't otherwise identifiable elsewhere on Schedule K-1 or Schedule K-3. Attach a statement that shows a description and dollar amount of each relevant item.

Examples of items reported using code U may include the following.

- Net rental real estate income reported on Form 1120-S,

- Schedule K, line 2, and other net rental income reported on Form 1120-S, Schedule K, line 3c, derived from a section 212 for-profit activity (and not from a section 162 trade or business).
- Gains and losses from dispositions of assets attributable to a section 212 for-profit activity (and not from a section 162 trade or business).
- Gain reported on the installment sale basis (or attributable to a private annuity) that is attributable to the disposition of property held in a trade or business.
- Gain or loss from the disposition of a partnership interest, but only if such partnership was engaged, directly or indirectly, in one or more trades or businesses, and at least one of those trades or businesses wasn't trading in financial instruments or commodities.

- The shareholder's pro rata share of interest income, or interest expense, that is attributable to a loan between the corporation and the shareholder (self-charged interest).
- If the corporation received a Form 1065, Schedule K-1, the detail and amounts reported to the corporation using box 20, code Y.
- If the corporation received a Form 1041, Schedule K-1, the amount of the adjustment reported.

In addition, Regulations section 1.1411-10 provides special rules with respect to stock of CFCs and passive foreign investment companies (PFICs) owned by the corporation. If the corporation owns, directly or indirectly, stock of a CFC or PFIC, then additional reporting may be required under code U.

CFCs and QEFs. In the case of stock of CFCs and QEFs owned directly or indirectly by the corporation, the corporation must provide the name and EIN (if one has been issued) for each CFC and QEF the stock of which is owned by the corporation for which an election under Regulations section 1.1411-10(g) is **not** in effect and with respect to which the corporation isn't engaged in a trade or business described in section 1411(c)(2). For each of these entities, the corporation must provide the following information on an entity-by-entity basis (to the extent such information isn't otherwise identifiable on Schedule K-3).

- Section 951(a) inclusions.
- Section 951A inclusions to the extent allocated to the CFC under section 951A(f)(2) if the corporation has elected entity treatment under Notice 2020-60, 2020-39 I.R.B. 604.
- Section 1293(a)(1)(A) inclusions.

- Section 1293(a)(1)(B) inclusions.
- Section 959(d) distributions subject to section 1411.
- Section 1293(c) distributions subject to section 1411.
- Amount of gain or loss derived with respect to dispositions of the stock of CFCs and QEFs that is taken into account for section 1411 purposes.
- Amounts that are derived with respect to the disposition of the stock of CFCs and QEFs and included in income as a dividend under section 1248 for section 1411 purposes.

In the case of stock of CFCs and QEFs directly or indirectly owned by the corporation for which an election under Regulations section 1.1411-10(g) is in effect, the corporation must provide the following information (to the extent such information isn't otherwise

identifiable on Schedule K-3), on either an aggregate basis or an entity-by-entity basis.

- Section 951(a) inclusions.
- Section 951A inclusions to the extent allocated to the CFC under section 951A(f)(2) if the corporation has elected entity treatment under Notice 2020-60.
- Section 1293(a)(1)(A) inclusions.
- Section 1293(a)(1)(B) inclusions.

In the case of stock of CFCs and QEFs directly or indirectly owned by the corporation with respect to which the corporation is engaged in a trade or business described in section 1411(c) (2), the corporation must provide the following information (to the extent such information isn't otherwise identifiable on the Schedule K-3), on either an aggregate or an entity-by-entity basis, or may aggregate this information with other income derived by the corporation that is net investment income under section 1411(c)(1)(A)(ii).

- Section 951(a) inclusions.
- Section 951A inclusions to the extent allocated to the CFC under section 951A(f)(2) if the corporation has elected entity treatment under Notice 2020-60.
- Section 1293(a)(1)(A) inclusions.
- Section 1293(a)(1)(B) inclusions.

Section 1296 mark-to-market PFICs. In the case of stock of PFICs directly or indirectly owned by the corporation for which an election under section 1296 is in effect, the corporation must provide the following information (to the extent such information isn't otherwise identifiable on Schedule K-3), on either an aggregate basis or an entity-by-entity basis (except as provided below).

- Amounts included in income under section 1296(a)(1).
- Amounts deducted from income under section 1296(a)(2).

In the case of PFIC stock owned directly or indirectly by the corporation for which an election under section 1296 is in effect and with respect to which the corporation is engaged in a trade or business described in section 1411(c)(2), the corporation may aggregate this information with other income derived by the corporation that is net investment income under section 1411(c)(1)(A)(ii).

Section 1291 funds. In the case of stock of PFICs directly or indirectly owned by the corporation with respect to which direct or indirect shareholders are subject to section 1291, the corporation must provide the following information (to the extent such information isn't otherwise identifiable on Schedule K-3), on an entity-by-entity basis.

- Excess distributions made by a PFIC with respect to which the shareholder is subject to section 1291.

- Gains derived with respect to the disposition of stock of a PFIC with respect to which a shareholder is subject to section 1291.

Section 199A information (code V). The qualified business income (QBI) deduction may be taken by eligible taxpayers, including individuals and some trusts and estates. The deduction is determined at the shareholder level. S corporations are required to report information necessary for their shareholders to figure the deduction. Use the code with an asterisk (V*) in box 17 on each shareholder's Schedule K-1 and enter "STMT" in the entry space to indicate that the information is provided on an attached statement separately identifying the shareholder's pro rata share of:

- Qualified items of income, gain, deduction, and loss;
- W-2 wages;

- Unadjusted basis immediately after acquisition (UBIA) of qualified property;
- Qualified publicly traded partnership (PTP) items; and
- Section 199A dividends, also known as qualified real estate investment trust (REIT) dividends.



Don't add amounts into a single number and report it in box 17 on Schedule K-1. The section 199A information must be separately identified for each trade or business the S corporation directly conducts, including specified service trades or businesses.

The S corporation must make an initial determination of which items are qualified items of income, gain, deduction, and loss at its level and report to each shareholder their pro rata share of all items that may be qualified items at the shareholder level. These items must be separately stated where

necessary for the shareholder to figure the deduction. See *Determining the S corporation's QBI or qualified PTP items*, later. The shareholder must then determine whether each item is includible in its QBI.

In addition, the S corporation must also report whether any of its trades or businesses are specified service trades or businesses (SSTBs) and identify on the statement any trades or businesses that are aggregated.

Note. The S corporation must report the pro rata share of qualified items of income, gain, deduction, and loss from a PTP so that shareholders can determine their qualified PTP income. However, W-2 wages and UBIA of qualified property from the PTP shouldn't be reported because shareholders can't use that information in figuring their QBI deduction.

S corporations should use *Statement A—QBI Pass-Through Entity Reporting*, or a substantially similar statement, to report each

shareholder's pro rata information from each trade or business, including QBI items, W-2 wages, UBIA of qualified property, qualified PTP items, and section 199A dividends by attaching the completed statement(s) to each shareholder's Schedule K-1. The S corporation should also use Statement A to report each shareholder's pro rata share of QBI items, W-2 wages, UBIA of qualified property, qualified PTP items, and section 199A dividends reported to the S corporation by another entity.

S corporations should use Statement B—QBI Pass-Through Entity Aggregation Election(s), or a substantially similar statement, to report aggregated trades or businesses and provide supporting information to shareholders on each Schedule K-1.

S corporations should use Statement C—QBI Pass-Through Entity Reporting—Patrons of Specified Agricultural and Horticultural Cooperatives, or a substantially similar

statement, to report pro rata QBI and W-2 wages allocable to qualified payments from a specified agricultural or horticultural cooperative for each trade or business. This statement should also be used to report each shareholder's pro rata section 199A(g) deduction reported to the S corporation by the specified cooperative.

The S corporation must also report all QBI information reported to it by any entity in which the S corporation has an ownership interest.

Determining the S corporation's qualified trades or businesses. The S corporation's qualified trades or businesses include its section 162 trades or businesses, except for SSTBs, or the trade or business of providing services as an employee. A section 162 trade or business generally includes any activity if the taxpayer's primary purpose for engaging in the activity is for income or profit and the S corporation is involved in the activity with

continuity and regularity. For more information on what qualifies as a trade or business for purposes of section 199A, see the instructions for Form 8995, Qualified Business Income Deduction Simplified Computation, or Form 8995-A, Qualified Business Income Deduction.

Rental real estate. Rental real estate may constitute a trade or business for purposes of the QBI deduction if the rental real estate:

- Rises to the level of a trade or business under section 162;
- Satisfies the requirements for the rental real estate safe harbor in Rev. Proc. 2019-38, 2019-42 I.R.B. 942; or
- Meets the self-rental exception (that is, the rental or licensing of property to a commonly controlled trade or business conducted by an individual or relevant pass-through entity) described in Regulations section 1.199A-1(b)(14).

The determination of whether rental real estate constitutes a trade or business for purposes of the QBI deduction is made by the S corporation. The S corporation must first make this determination and then only include the pro rata share of QBI information for rental real estate that constitutes a trade or business on the statement provided to shareholders. Rental real estate that doesn't meet any of the three conditions noted above doesn't constitute a trade or business for purposes of the QBI deduction and must not be included in the QBI information provided to shareholders.

Specified service trades or businesses excluded from qualified trades or businesses. SSTBs are generally excluded from the definition of a qualified trade or business. An SSTB is any trade or business providing services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services,

brokerage services, investing and investment management, trading or dealing in securities, partnership interests, or commodities, or any other trade or business where the principal asset is the reputation or skill of one or more of its employees or owners. The term “any trade or business” where the principal asset is the reputation or skill of one or more of its employees or owners means any trade or business that consists of (i) a trade or business in which a person receives fees, compensation, or other income for endorsing products or services; (ii) a trade or business in which a person licenses or receives fees, compensation, or other income for the use of an individual’s image, likeness, name, signature, voice, trademark, or any other symbols associated with the individual’s identity; or (iii) receiving fees, compensation, or other income for appearing at an event or on radio, television, or another media format.

Note. S corporations must separately report QBI information for all trades or businesses engaged in by the S corporation, including SSTBs, and must also identify which trades or businesses are SSTBs.

Aggregation of trades or businesses. An S corporation engaged in more than one trade or business may choose to aggregate multiple trades or businesses into a single trade or business for purposes of section 199A if it meets the following requirements:

1. The same person, or group of persons, either directly or through attribution, owns 50% or more of each trade or business for a majority of the tax year, including the last day of the tax year, and all trades or businesses use the same tax year-end;
2. None of the trades or businesses is an SSTB; and

3. The trades or businesses to be aggregated meet at least two of the following three factors:
 - a. They provide products, property, or services that are the same or that are customarily offered together;
 - b. They share facilities or share significant centralized business elements, such as personnel, accounting, legal, manufacturing, purchasing, human resources, or information technology resources; or
 - c. They are operated in coordination with, or reliance upon, one or more of the businesses in the aggregated group.

If the S corporation chooses to aggregate multiple trades or businesses, it must report the aggregation on Statement B, or a

substantially similar statement, and attach it to each Schedule K-1. The statement must provide the information necessary to identify each separate trade or business included in each aggregation, a description of the aggregated trades or businesses, and an explanation of the factors met that allow the aggregation in accordance with Regulations section 1.199A-4. The aggregation statement must be completed each year to show the S corporation's trade or business aggregations. Failure to disclose the aggregations may cause them to be disaggregated.

The S corporation's aggregations must be reported consistently for all subsequent years, unless there is a change in facts and circumstances that changes or disqualifies the aggregation. The S corporation must provide a written explanation for any changes to prior year aggregations that describes the change in facts and circumstances.

If the S corporation directly or indirectly owns an interest in another relevant pass-through entity (RPE) that aggregates multiple trades or businesses, it must attach a copy of the RPE's aggregation to each Schedule K-1. The S corporation can't break apart the aggregation of another RPE, but it may add trades or businesses to the aggregation, assuming the requirements above are satisfied.

Determining the S corporation's QBI or qualified PTP items. The S corporation's items of QBI include qualified items of income, gain, deduction, and loss from the S corporation's trades or businesses that are effectively connected with the conduct of a trade or business within the United States. This may include, but isn't limited to, items such as ordinary business income or losses, section 1231 gains or losses, section 179 deductions, and interest from debt-financed distributions.

QBI may also include rental income or losses or royalty income, if the activity rises to the level of a trade or business, or is a qualified trade or business for purposes of section 199A; and gambling gains or losses, but only if the S corporation is engaged in the trade or business of gambling. Whether an activity rises to the level of a trade or business must be determined at the entity level and, once made, is binding on shareholders.

Qualified PTP items include the S corporation's share of qualified items of income, gain, deduction, and loss from a PTP and may also include gain or loss recognized on the disposition of the S corporation's partnership interest that isn't treated as a capital gain or loss. QBI and qualified PTP items don't include the following:

- Items that aren't properly includible in income;
- Income that isn't effectively connected with the conduct of business within the

United States (go to [IRS.gov/EFI](https://www.irs.gov/efi) for more information);

- Items that are treated as capital gain or loss under any provision of the Internal Revenue Code;
- Dividends or dividend equivalents, including qualified REIT dividends;
- Interest income (unless received in connection with the trade or business);
- Wage income;
- Commodities transactions, or foreign currency gains or losses described in sections 954(c)(1)(C) or (D);
- Income, loss, or deductions from notional principal contracts under section 954(c)(1)(F);
- Annuities (unless received in connection with the trade or business);
- Guaranteed payments described in section 707(c) received by the entity for services rendered to a partnership; or

- Payments described in section 707(a) received by the entity for services rendered to a partnership.

Specific instructions for Statement A—QBI Pass-Through Entity Reporting.

QBI or qualified PTP items. The S corporation must first determine if it is engaged in one or more trades or businesses. It must then determine if any of its trades or businesses are SSTBs. It must also determine whether it has qualified PTP items from an interest in a PTP. It must indicate the status in the appropriate checkboxes for each trade or business (or aggregated trade or business) or PTP interest reported.

Note. SSTBs and PTPs can't be aggregated with any other trade or business. So, if the aggregation box is checked, the SSTB and PTP boxes for that specific aggregated trade or business shouldn't be checked.

QBI Flowchart

S corporations may use this flowchart to determine if an item of income, gain, deduction, or loss is includible in QBI reportable to shareholders.

Questions	Yes	No
1. Is the item effectively connected with the conduct of a trade or business within the United States?	Continue to next question.	Stop. This item isn't QBI.
2. Is the item attributable to a trade or business (this may include section 1231 gain (loss), section 179 deductions, interest from debt-financed distributions, etc.)? Examples of an item not considered attributable to the trade or business at the entity level include gambling income (loss) where the entity isn't engaged in the trade or business of gambling, income (loss) from vacation properties when the entity isn't in that trade or business, activities not engaged in for profit, etc.	Continue to next question.	Stop. This item isn't QBI.
3. Is the item treated as a capital gain or loss under any provision of the Internal Revenue Code or is it a dividend or dividend equivalent?	Stop. This item isn't QBI.	Continue to next question.
4. Is the item interest income other than interest income properly allocable to a trade or business? (Note that interest income attributable to an investment of working capital, reserves, or similar accounts isn't properly allocable to a trade or business).	Stop. This item isn't QBI.	Continue to next question.
5. Is the item an annuity, other than an annuity received in connection with the trade or business?	Stop. This item isn't QBI.	Continue to next question.
6. Is the item gain or loss from a commodities transaction or foreign currency gain or loss described in sections 954(c)(1)(C) or (D)?	Stop. This item isn't QBI.	Continue to next question.
7. Is the item gain or loss from a notional principal contract under section 954(c)(1)(F)?	Stop. This item isn't QBI.	Continue to next question.
8. Is the item of income or loss from a qualified publicly traded partnership?	This item is a qualified PTP item. Report this item as qualified PTP income or loss, subject to shareholder-specific determinations, and check the PTP box.	This item is QBI. Report this item as QBI subject to shareholder-specific determinations.

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Next, the S corporation must report to each shareholder their pro rata share of all items that are QBI or qualified PTP items for each trade or business the S corporation owns directly or indirectly. Use the QBI flowchart above to determine if an item is reportable as a QBI item or qualified PTP item subject to shareholder-specific determination.

The descriptions on the statement generally match the descriptions reported on Schedule K-1. So the amounts should reflect each trade or business's portion of the qualified items of income, gain, deduction, or loss reported in the applicable box of the shareholder's Schedule K-1. For example, the amount reported on the "Ordinary business income (loss)" line of this statement should reflect the attributable portion of qualified items of income, gain, deduction, and loss for each trade or business included in the "Ordinary business income (loss)" reported in box 1 of the shareholder's Schedule K-1. Each item

included under “Other income (loss)” and “Other deductions” must be stated separately, identifying the nature and amount of each item.

W-2 wages and UBIA of qualified

property. The S corporation must determine the W-2 wages and UBIA of qualified property properly allocable to QBI for each qualified trade or business, including SSTBs, and report the pro rata share to each shareholder on Statement A, or a substantially similar statement, attached to Schedule K-1. This includes the pro rata share of W-2 wages and UBIA of qualified property reported to the S corporation from any qualified trades or businesses of an RPE the S corporation owns directly or indirectly. However, S corporations that own a direct or indirect interest in a PTP may not include any amounts for W-2 wages or UBIA of qualified property from the PTP, as the W-2 wages and UBIA of qualified property

from a PTP aren't allowed in figuring the W-2 wage and UBIA limitations.

The W-2 wages are amounts paid to employees described in sections 6051(a)(3) and (8). If the S corporation conducts more than one trade or business, it must allocate the W-2 wages among its trades or businesses. See Rev. Proc. 2019-11, 2019-09 I.R.B. 742 for more information.

The unadjusted basis of qualified property is figured by adding the unadjusted basis of all qualified assets immediately after acquisition. Qualified property includes all tangible property subject to depreciation under section 167 for which the depreciable period hasn't ended that is held and used for the production of QBI by the trade or business during the tax year and held on the last day of the tax year. The depreciable period ends on the later of 10 years after the property is placed in service or the last day of the full

year for the applicable recovery period under section 168.

Section 199A dividends. The S corporation must report the pro rata share of any section 199A dividends, also known as qualified real estate investment trust (REIT) dividends, to each shareholder on Statement A, or a substantially similar statement, attached to Schedule K-1. Section 199A dividends don't have to be separately reported by trades or businesses and can be reported as a single amount to shareholders. Section 199A dividends include any dividend the S corporation receives from a REIT held for more than 45 days, for which the payment isn't obligated to someone else, isn't a capital gain dividend under section 857(b)(3), and isn't a qualified dividend under section 1(h)(11), plus any qualified REIT dividends received from a regulated investment company (RIC).

Fiscal year S corporations. For purposes of determining the QBI or qualified PTP items, UBIA of qualified property, and the aggregate amount of qualified section 199A dividends, fiscal year-end S corporations include all items from the fiscal tax year.

For purposes of determining W-2 wages, fiscal year-end S corporations include amounts paid to employees under sections 6051(a)(3) and (8) for the calendar year ended with or within the

Statement A—QBI Pass-Through Entity Reporting

S corporation's tax year. If the S corporation conducts more than one trade or business, it must allocate W-2 wages among its trades or businesses. See Rev. Proc. 2019-11 for more information.

Specific instructions for Statement B—QBI Pass-Through Entity Aggregation Election(s). If the S corporation elects to aggregate more than one trade or business that meets all the requirements to aggregate, the S corporation must report the aggregation to shareholders on Statement B, or a substantially similar statement, and attach it to each Schedule K-1. The S corporation must indicate trades or businesses that were aggregated by checking the appropriate box on Statement A for each aggregated trade or business. The S corporation must also provide a description of the aggregated trade or business and an explanation of the factors met that allow the aggregation.

Statement A—QBI Pass-Through Entity Reporting

S corporation's name:		S corporation's EIN:		
Shareholder's name:		Shareholder's identifying number:		
Shareholder's share of:		Trade or Business 1	Trade or Business 2	Trade or Business 3
		<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB
QBI or qualified PTP items subject to shareholder-specific determinations:				
	Ordinary business income (loss)			
	Rental income (loss)			
	Royalty income (loss)			
	Section 1231 gain (loss)			
	Other income (loss)			
	Section 179 deduction			
	Other deductions			
W-2 wages				
UBIA of qualified property				
Section 199A dividends				

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The aggregation statement must be completed each year to show the S corporation's trade or business aggregations. Failure to disclose the aggregations may cause them to be disaggregated. The S corporation's aggregations must be reported consistently for all subsequent years, unless there is a change in facts and circumstances that changes or disqualifies the aggregation. The S corporation must provide a written explanation for any changes to prior year aggregations that describes the change in facts and circumstances.

If the S corporation holds a direct or indirect interest in an RPE that aggregates multiple trades or businesses, the S corporation must also include a copy of the RPE's aggregations with each shareholder's Schedule K-1. The S corporation can't break apart the aggregation of another RPE, but it may add trades or businesses to the aggregation, assuming the aggregation requirements are satisfied.

Specific instructions for Statement C— QBI Pass-Through Entity Reporting— Patrons of Specified Agricultural and Horticultural Cooperatives.

QBI items and W-2 wages allocable to qualified payments. If the S corporation is a patron of a specified agricultural or horticultural cooperative, the S corporation must provide the pro rata share of QBI items and W-2 wages allocable to qualified payments from each trade or business to each of its shareholders on Statement C, or a substantially similar statement, and attach it to each Schedule K-1 so each shareholder can figure their patron reduction under section 199A(b)(7).

QBI items and W-2 wages allocable to qualified payments include QBI items included on Statement A that are allocable to the qualified payments reported to the S corporation on Form 1099-PATR from the cooperative.

Statement B—QBI Pass-Through Entity Aggregation Election(s)

S corporation's name:	S corporation's EIN:
<div>Trade or business aggregation 1*</div> <div>Provide a description of the aggregated trades or businesses and an explanation of the factors met that allow the aggregation in accordance with Regulations section 1.199A-4. In addition, if the S corporation holds a direct or indirect interest in a relevant pass-through entity (RPE) that aggregates multiple trades or businesses, attach a copy of the RPE's aggregations.</div> <div></div> <div></div> <div></div> <div></div> <div>Has this trade or business aggregation changed from the prior year? This includes changes in the aggregation due to a trade or business being formed, acquired, or disposed of, or having ceased operations. If yes, explain.</div> <div></div> <div></div> <div>* If the S corporation has more than one aggregated group, attach additional Statements B. Name the additional aggregations 2, 3, 4, etc.</div>	

Statement C—QBI Pass-Through Entity Reporting—Patrons of Specified Agricultural and Horticultural Cooperatives

S corporation's name:		S corporation's EIN:		
Shareholder's name:		Shareholder's identifying number:		
Shareholder's share of:	Trade or Business 1	Trade or Business 2	Trade or Business 3	
	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	
QBI items allocable to qualified payments subject to shareholder-specific determinations:				
	Ordinary business income (loss)			
	Rental income (loss)			
	Royalty income (loss)			
	Section 1231 gain (loss)			
	Other income (loss)			
	Section 179 deduction			
	Other deductions			
W-2 wages allocable to qualified payments				
Section 199A(g) deduction				

Section 199A(g) deduction. The S corporation must report to its shareholders their pro rata share of any section 199A(g) deduction passed through from the cooperative, as reported on Form 1099-PATR. Section 199A(g) deductions don't have to be separately reported by trades or businesses and can be reported as a single amount to shareholders.

Codes W through Z. Reserved for future use.

Excess taxable income (code AA). 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. If so, enter the amount from Form 8990, Part III, line 41, for excess taxable income on Schedule K. Report the shareholder's pro rata share in box 17 of Schedule K-1.

Excess business interest income (code AB). If the S corporation is required to file Form 8990, it may determine it has excess business interest income. If so, enter the amount from Form 8990, Part III, line 42, for excess taxable income on Schedule K. Report the shareholder's pro rata share in box 17 of Schedule K-1.

Gross receipts for section 448(c) (code AC). Provide information shareholders need to complete the gross receipts test for section 448(c) purposes. See the Instructions for Form 8990 for details.

Codes AD through AI. Reserved for future use.

Excess business loss limitation (code AJ). If the corporation has deductions attributable to a business activity, provide a statement showing the aggregate gross income or gain and the aggregate deductions from the business activity that shareholders need to figure any excess business loss

limitation. See section 461(l) and the Instructions for Form 461 for details.

Codes AK through AM. Reserved for future use.

Farming and fishing business (code AN).
In box 17 of

Schedule K-1, enter code AN 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 following amounts.

1. Gross farming and fishing income the shareholder will need to report on line 42 of Schedule E (Form 1040). See the Instructions for Schedule E (Form 1040) for details.
2. Gross farming and fishing income and gains as well as losses and deductions attributable to farming and fishing business activities the shareholder may need to figure the amounts to

report on Schedule J (Form 1040). See section 1301.

Code AO. Reserved for future use.

Inversion gain (code AP). Any income or gain reported on lines 1 through 10 of Schedule K that qualifies as inversion gain, if the corporation is an expatriated entity or is a partner in an expatriated entity. For details, see section 7874. Attach a statement to Form 1120-S that shows the amount of each type of income or gain included in the inversion gain. The corporation must report each shareholder's pro rata share of the inversion gain in box 17 of Schedule K-1 using code AP. Attach a statement to Schedule K-1 that shows the shareholder's pro rata share of the amount of each type of income or gain included in the inversion gain.

Codes AQ and AR. Reserved for future use.

Qualifying advanced coal project property and qualifying gasification project property (code AS). Basis in qualifying advanced coal project property and qualifying gasification or advanced energy project property. Attach a statement to Schedule K-1 that provides the shareholder's pro rata share of the basis amounts the shareholder will need to figure the amounts to report on Part II, lines 1a, 2a, and 3a; or lines 4a and 5a of Form 3468. See the Instructions for Form 3468 for details.

Qualifying advanced energy project property (code AT). Basis in qualifying advanced energy project property. Attach a statement to Schedule K-1 that provides the shareholder's pro rata share of the basis amounts the shareholder will need to figure the amounts to report on Part III, line 1a, of Form 3468. See the Instructions for Form 3468 for details.

Advanced manufacturing investment property (code AU).

Basis in advanced manufacturing investment facility property. Attach a statement to Schedule K-1 that provides the shareholder's pro rata share of the basis amounts the shareholder will need to figure the amounts to report on Part IV, line 1b, of Form 3468. See the Instructions for Form 3468 for details.

Code AV. Reserved for future use.

Reportable transactions (code AW). If the corporation participates in a transaction that must be disclosed on Form 8886 (discussed earlier), both the corporation and its shareholders may be required to file Form 8886. The corporation must determine if any of its shareholders are required to disclose the transaction and provide those shareholders with information they will need to file Form 8886. This determination is based on the category(ies) under which a transaction qualified for disclosures. See the

Instructions for Form 8886 for details. **Codes AX through BD.** Reserved for future use.

Other information (code ZZ). Any other information the shareholders need to prepare their tax returns, including information needed to prepare state and local tax returns.

Line 18. More Than One At-Risk Activity

If the corporation entered into more than one activity subject to the at-risk rules (at-risk activity), the corporation is required to provide information separately for each at-risk activity to its shareholders. This information is reported on an attachment to Schedule K-1. Check the box to indicate there is more than one at-risk activity for which a statement is attached. See *At-Risk Activity Reporting Requirements* under *At-Risk Limitations*, earlier, for details.

Line 19. More Than One Passive Activity

If the corporation entered into more than one activity (determined for purposes of the

passive activity loss and credit limitations), the corporation is required to provide information separately for each activity to its shareholders. This information is reported on an attachment to Schedule K-1. Check the box to indicate there is more than one passive activity for which a statement is attached. See Passive Activity Reporting Requirements under *Passive Activity Limitations*, earlier, for details.

Reconciliation

Line 18. Income/Loss Reconciliation (Schedule K Only)

To the extent the corporation has an amount on line 16f of Schedule K (foreign taxes paid and accrued), subtract that amount for purposes of figuring the corporation's net income (loss). The amount reported on line 18 must be the same as the amount reported on line 8 of Schedule M-1 or line 26, column

(d), in Part II of Schedule M-3 (Form 1120-S).

Schedule L. Balance Sheets per Books

The balance sheets should agree with the corporation's books and records. Schedule L isn't required to be completed if the corporation answered "Yes" to question 11 on Schedule B. If the corporation is required to complete Schedule L, include total assets reported on Schedule L, line 15, column (d), on page 1, item F.

Corporations with total assets of \$10 million or more on the last day of the tax year must file Schedule M-3 (Form 1120-S) instead of Schedule M-1. However, see the instructions for Schedule M-1, later. See the separate Instructions for Schedule M-3 (Form 1120-S) for provisions that also affect Schedule L.

If the S election terminated during the tax year and the corporation reverted to a C corporation, the year-end balance sheet should generally agree with the books and records at the end of the C short year.

However, if the corporation elected under section 1362(e)(3) to have items assigned to each short year under normal tax accounting rules, the year-end balance sheet should agree with the books and records at the end of the S short year.

Line 5. Tax-Exempt Securities

Include on this line:

- State and local government obligations, the interest on which is excludable from gross income under section 103(a); and
- Stock in a mutual fund or other regulated investment company that distributed exempt-interest dividends during the tax year of the corporation.

Line 24. Retained Earnings

If the corporation maintains separate accounts for appropriated and unappropriated retained earnings, it may want to continue such accounting for purposes of preparing its financial balance sheet. Also, if the corporation converts to C corporation status in a subsequent year, it will be required to report its appropriated and unappropriated retained earnings on separate lines of Schedule L of Form 1120.

Line 25. Adjustments to Shareholders' Equity

The following are some examples of adjustments to report on this line.

- Unrealized gains and losses on securities held "available for sale."
- Foreign currency translation adjustments.
- The excess of additional pension liability over unrecognized prior service cost.

- Guarantees of employee stock ownership plan (ESOP) debt.
- Compensation related to employee stock award plans.

If the total adjustment to be entered is a negative amount, enter the amount in parentheses.

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

In completing Schedule M-1, the following apply.

- Schedule M-1 isn't required to be completed if the corporation answered "Yes" to question 11 on Schedule B.
- Corporations with total assets of \$10 million or more on the last day of the tax year must file Schedule M-3 (Form 1120-S) instead of Schedule M-1.

- A corporation filing Form 1120-S that isn't required to file Schedule M-3 may voluntarily file Schedule M-3 instead of Schedule M-1. See the Instructions for Schedule M-3 (Form 1120-S) for more information.
- For 2023, corporations that (a) are required to file Schedule M-3 (Form 1120-S) and have less than \$50 million total assets at the end of the tax year, or (b) aren't required to file Schedule M-3 (Form 1120-S) and voluntarily file Schedule M-3 (Form 1120-S), must either (i) complete Schedule M-3 (Form 1120-S) entirely, or (ii) complete Schedule M-3 (Form 1120-S) through Part I, and complete Form 1120-S, Schedule M-1, instead of completing Parts II and III of Schedule M-3 (Form 1120-S). If the corporation chooses to complete Schedule M-1 instead of completing Parts II and III of Schedule M-3, line 1 of Schedule M-1 must equal line

11 of Part I of Schedule M-3. See the Instructions for Schedule M-3 (Form 1120-S) for more information.

Line 2

Report on this line income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10 not recorded on the books this year.

Describe each such item of income. Attach a statement if necessary.

Line 3b. Travel and Entertainment

Include any of the following applicable expenses.

- Entertainment expenses not deductible under section 274(a).
- Meal expenses not deductible under section 274(n).
- Qualified transportation fringes not deductible under section 274(a)(4).

- Expenses for the use of an entertainment facility.
- The part of business gifts over \$25.
- Expenses of an individual over \$2,000 that are allocable to conventions on cruise ships.
- Employee achievement awards of nontangible property or tangible property over \$400 (\$1,600 if part of a qualified plan).
- The cost of skyboxes.
- The part of luxury water travel expenses not deductible under section 274(m).
- Expenses for travel as a form of education.
- Nondeductible club dues.
- Other nondeductible travel and entertainment expenses.



An S corporation should include tax-exempt income from the forgiveness of PPP loans on line 5 of the Schedule M-1 (if it was included on line 1 of the Schedule M-1), or on Part II, line 22, of the Schedule M-3, column (c), as a negative number (if it was included on line 22 in column (a) as income per income statement).



If the corporation has an amount on line 16f of Schedule K (foreign taxes paid and accrued), take that amount into account for purposes of figuring expenses and deductions to enter on lines 3 and 6.

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

Column (a). Accumulated Adjustments Account

The accumulated adjustments account (AAA) is an account of the S corporation that generally reflects the accumulated undistributed net income of the corporation for the corporation's post-1982 years. S corporations with accumulated earnings and profits (AE&P) must maintain the AAA to determine the tax effect of distributions during years as an S corporation, the post-termination transition period, and cash distributions following a post-termination transition period. An S corporation without

AE&P doesn't need to maintain the AAA in order to determine the tax effect of distributions. Nevertheless, if an S corporation without AE&P engages in certain transactions to which section 381(a) applies, such as a merger into an S corporation with AE&P, the S corporation must be able to calculate its AAA at the time of the merger for purposes of determining the tax effect of post-merger distributions. Therefore, it is recommended that the AAA be maintained by all S corporations.

On the first day of the corporation's first tax year as an S corporation, the balance of the AAA is zero. At the end of the tax year, adjust the AAA for the items as explained below and in the order listed.

1. Increase the AAA by income (other than tax-exempt income) and the excess of the deduction for depletion over the basis of the property subject to depletion (unless the property is an

oil and gas property the basis of which has been allocated to shareholders).

2. Generally, decrease the AAA by deductible losses and expenses, nondeductible expenses (other than expenses related to tax-exempt income), and the sum of the shareholders' deductions for depletion for any oil or gas property held by the corporation as described in section 1367(a)(2)(E). If deductible losses and expenses include the fair market value (FMV) of certain contributed property (discussed earlier), further adjust AAA by adding back the FMV of the contributed property and subtracting instead the property's adjusted basis. If the total decreases under (2) exceed the total increases under (1) above, the excess is a "net negative adjustment." If the corporation has a net negative adjustment, don't take it

into account under (2). Instead, take it into account only under (4) below.

3. Decrease AAA (but not below zero) by property distributions (other than dividend distributions from AE&P), unless the corporation elects to reduce AE&P first. See Distributions, later, for definitions and other details.
4. Decrease AAA by any net negative adjustment. For adjustments to the AAA for redemptions, reorganizations, and corporate separations, see Regulations section 1.1368-2(d).



The AAA may have a negative balance at year end. See section 1368(e).

Column (b). Shareholders' Undistributed Taxable Income Previously Taxed

The shareholders' undistributed taxable income previously taxed account, also called previously taxed earnings and profits (PTEP), is maintained only if the corporation had a

balance in this account at the start of its 2023 tax year. If there is a beginning balance for the 2023 tax year, no adjustments are made to the account except to reduce the account for distributions made under section 1375(d) (as in effect before the enactment of the Subchapter S Revision Act of 1982). See *Distributions*, later, for the order of distributions from the account.

Each shareholder's right to nontaxable distributions from PTEP is personal and can't be transferred to another person. The corporation is required to keep records of each shareholder's net share of PTEP.

Column (c). Accumulated Earnings and Profits

If the corporation was a C corporation in a prior year, or if it engaged in a tax-free reorganization with a C corporation, enter the amount of any AE&P at the close of its 2022 tax year on line 1 in column (c). For details on figuring AE&P, see section 312. Estimates

based on retained earnings at the end of the tax year are acceptable. If the corporation has AE&P, it may be liable for tax imposed on excess net passive income. See Excess net passive income tax, earlier, for details on this tax.

Column (d). Other Adjustments Account

The other adjustments account is adjusted for tax-exempt income (and related expenses) and federal taxes attributable to a C corporation tax year. After these adjustments are made, the account is reduced for any distributions made during the year. See *Distributions*, later.



PPP loans. *An S corporation should include tax-exempt income from the forgiveness of PPP loans in column (d) on line 3 of the Schedule M-2.*

An S corporation should report expenses paid this year with proceeds from PPP loans that

were forgiven this year in column (d) on line 5 of the Schedule M-2.

If column (a) on line 2 or line 4 of the Schedule M-2 includes expenses paid with proceeds from forgiven PPP loans, an S corporation should report that amount in column (a) on line 3 and in column (d) on line 5 of the Schedule M-2.

If column (a) on line 1 of the Schedule M-2 includes expenses that were paid in a prior year with proceeds from PPP loans that were forgiven this year, an S corporation should report that amount in column (a) on line 3 and in column (d) on line 5 of the Schedule M-2.

Distributions

General rule. Unless the corporation makes one of the elections described below, property distributions (including cash) are applied in the following order (to reduce accounts of the S corporation that are used to figure the tax

effect of distributions made by the corporation to its shareholders).

1. Reduce the AAA determined without regard to any net negative adjustment for the tax year (but not below zero). If distributions during the tax year exceed the AAA at the close of the tax year, determined without regard to any net negative adjustment for the tax year, the AAA is allocated pro rata to each distribution made during the tax year. See section 1368.
2. Reduce shareholders' PTEP account for any section 1375(d) (as in effect before 1983) distributions. A distribution from the PTEP account is tax free to the extent of a shareholder's basis in the shareholder's stock in the corporation.
3. Reduce AE&P. Generally, the S corporation has AE&P only if it hasn't distributed E&P accumulated in prior

years when the S corporation was a C corporation (section 1361(a)(2)). See section 312 for information on E&P. The only adjustments that can be made to the AE&P of an S corporation are:

- a. Reductions for dividend distributions;
- b. Adjustments for redemptions, liquidations, reorganizations, etc.; and
- c. Reductions for investment credit recapture tax for which the corporation is liable.

See section 1371(c) and (d)(3).

- 4. Reduce the other adjustments account (OAA).
- 5. Reduce any remaining shareholders' equity accounts.

Elections relating to source of distributions. The corporation may modify the above ordering rules by making one or more of the following elections.

Schedule M-2 Worksheet

Schedule M-2 Worksheet

Keep for Your Records



	(a) Accumulated adjustments account	(b) Shareholders' undistributed taxable income previously taxed	(c) Accumulated earnings and profits	(d) Other adjustments account
1. Balance at beginning of tax year	-0-			-0-
2. Ordinary income from page 1, line 22	10,000			
3. Other additions	20,000			5,000
4. Loss from page 1, line 22	()			
5. Other reductions	(36,000)			()
6. Combine lines 1 through 5	(6,000)			5,000
7. Distributions	-0-			5,000
8. Balance at end of tax year. Subtract line 7 from line 6	(6,000)			-0-

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Election to distribute AE&P first. If the corporation has AE&P and wants to distribute from this account before making distributions from the AAA, it may elect to do so with the consent of all its affected shareholders (section 1368(e)(3)(B)). This election is irrevocable and applies only for the tax year for which it is made. For details on making the election, see Statement regarding elections, later.

Election to make a deemed dividend. If the corporation wants to distribute all or part of its AE&P through a deemed dividend, it may elect to do so with the consent of all its affected shareholders (section 1368(e)(3)(B)). Under this election, the corporation will be treated as also having made the election to distribute AE&P first. The amount of the deemed dividend can't exceed the AE&P at the end of the tax year. The E&P at year end is first reduced by any actual distributions of AE&P made during the tax

year. A deemed dividend is treated as if it were a pro rata distribution of money to the shareholders, received by the shareholders, and immediately contributed back to the corporation, all on the last day of the tax year. This election is irrevocable and applies only for the tax year for which it is made. For details on making the election, see Statement regarding elections, later.

Election to forego PTEP. If the corporation wants to forego distributions of PTEP, it may elect to do so with the consent of all its affected shareholders (section 1368(e)(3)(B)). Under this election, item (2) under General rule, earlier, doesn't apply to any distribution made during the tax year. This election is irrevocable and applies only for the tax year for which it is made. For details on making the election, see *Statement regarding elections* next.

Statement regarding elections. To make any of the above elections, the corporation must attach a statement to a timely filed original or amended Form 1120-S for the tax year for which the election is made. In the statement, the corporation must identify the election it is making and must state that each shareholder consents to the election. The statement of election to make a deemed dividend must include the amount of the deemed dividend distributed to each shareholder. For more details on the election, see Regulations section 1.1368-1(f)(5).

Example

The following example shows how the Schedule M-2 accounts are adjusted for items of income (loss), deductions, and distributions reported on Form 1120-S. In this example, the corporation has no PTEP or AE&P.

Items per return are:

1. Page 1, line 22 income—\$10,000;
2. Schedule K, line 2 loss—(\$3,000);
3. Schedule K, line 4 income—\$4,000;
4. Schedule K, line 5a income—\$16,000;
5. Schedule K, line 12a deduction—\$24,000;
6. Schedule K, line 12d deduction—\$3,000;
7. Schedule K, line 13g work opportunity credit—\$6,000;
8. Schedule K, line 16a tax-exempt interest—\$5,000;
9. Schedule K, line 16c nondeductible expenses—\$6,000 (reduction in salaries and wages for work opportunity credit); and
10. Schedule K, line 16d distributions—\$65,000.

Based on items (1) through (10) above and starting balances of zero, the columns for the AAA and the other adjustments account are completed as shown in the Schedule M-2 Worksheet.

For the AAA, the worksheet line 3—\$20,000 amount is the total of the Schedule K, lines 4 and 5a income of \$4,000 and \$16,000. The worksheet line 5—\$36,000 amount is the total of the Schedule K, line 2 loss of (\$3,000), line 12a (code A) deduction of \$24,000, line 12d (code ZZ) deduction of \$3,000, and the line 16c nondeductible expenses of \$6,000. The worksheet line 7 is zero. The AAA at the end of the tax year (figured without regard to distributions and the net negative adjustment of \$6,000) is zero, and distributions can't reduce the AAA below zero.

For the other adjustments account, the worksheet line 3 amount is the Schedule K, line 16a, tax-exempt interest income of

\$5,000. The worksheet line 7 amount is \$5,000, reducing the other adjustments account to zero. The remaining \$60,000 of distributions aren't entered on Schedule M-2.

Paperwork Reduction Act Notice. We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

Estimates of Taxpayer Burden. The following tables show burden estimates based on current statutory requirements as of December 2023, for taxpayers filing 2023 Forms 1065, 1066, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, 1120-RIC, 1120-POL, and related attachments. Time spent and out-of-pocket costs are presented separately. Time burden is broken out by taxpayer activity, with reporting representing the largest component. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples include tax return preparation and submission fees, postage and photocopying costs, and tax preparation software costs. While these estimates don't include burden associated with post-filing activities, IRS operational data indicate that electronically prepared and filed returns have fewer arithmetic errors, implying lower post-filing burden.

Reported time and cost burdens are national averages and don't necessarily reflect a "typical" case. Most taxpayers experience lower than average burden, with taxpayer burden varying considerably by taxpayer type.

The average burden for partnerships filing Forms 1065 and related attachments is about 60 hours and \$5,000; the average burden for corporations filing Form 1120 and associated forms is about 105 hours and \$6,700; and the average burden for Forms 1120-REIT, 1120-RIC, 1120-S, and all related attachments is 65 hours and \$4,400. Within each of these estimates there is significant variation in taxpayer activity. Tax preparation fees and other out-of-pocket costs vary extensively depending on the tax situation of the taxpayer, the type of software or professional preparer used, and the geographic location. Third-party burden hours are not included in these estimates.

Table 1 – Taxpayer Burden for Entities Taxed as Partnerships

Forms 1065, 1066, and all attachments				
Primary Form Filed or Type of Taxpayer	Number of Returns (millions)	Average Time (hours)	Average Cost (\$)	Average Monetized Burden (\$)
All Partnerships	5.3	60	5,000	8,700
Small	4.9	50	3,200	5,200
Large*	0.4	200	27,800	50,800
*A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that does not meet the definition of a large business.				

Table 2 – Taxpayer Burden for Entities Taxed as Taxable Corporations

Forms 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1120-POL, and all attachments				
Primary Form Filed or Type of Taxpayer	Number of Returns (millions)	Average Time (hours)	Average Cost (\$)	Average Monetized Burden (\$)
All Taxable Corporations	2.1	105	6,700	14,900
Small	2.0	55	3,600	6,200
Large*	0.1	830	53,800	149,000
*A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that does not meet the definition of a large business.				

Table 3 – Taxpayer Burden for Entities Taxed as Pass-Through Corporations

Forms 1120-REIT, 1120-RIC, 1120-S, and all attachments				
Primary Form Filed or Type of Taxpayer	Number of Returns (millions)	Average Time (hours)	Average Cost (\$)	Average Monetized Burden (\$)
All Pass-Through Corporations	5.8	65	4,400	7,500
Small	5.7	60	3,800	6,400
Large*	0.1	295	37,700	71,800
*A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that does not meet the definition of a large business.				

Note.The data shown are the best estimates for 2023 business entity income tax returns. Reported time and cost burdens are national averages and do not reflect a “typical” case. Most taxpayers experience lower than average burden varying considerably by taxpayer type. The estimates are subject to change as new forms and data become available.

Comments and suggestions. We welcome your comments about these forms and suggestions for future editions.

You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can’t respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

Principal Business Activity Codes		largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (page 1, line 1a); all other income (page 1, lines 4 and 5); income reported on Schedule K, lines 4, 5a, and 6; income or net gain reported on Schedule K, lines 7, 8a, 9, and 10; and income or net gain reported on Form 8825, lines 2, 19, and 20a. If the company purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the company is considered a manufacturer and must use one of the manufacturing codes (311110-339900).		Once the principal business activity is determined, enter the six-digit code from the list below on page 1, item B. Also enter the business activity on page 2, Schedule B, line 2(a) and a brief description of the principal product or service of the business on line 2(b).	
<p>This list of principal business activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. These principal business activity codes are based on the North American Industry Classification System.</p> <p>Using the list of activities and codes below, determine from which activity the company derives the</p>					
Agriculture, Forestry, Fishing and Hunting Crop Production 111100 Oilseed & Grain Farming 111210 Vegetable & Melon Farming (including potatoes & yams) 111300 Fruit & Tree Nut Farming 111400 Greenhouse, Nursery, & Floriculture Production 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming) Animal Production 112111 Beef Cattle Ranching & Farming 112112 Cattle Feedlots 112120 Dairy Cattle & Milk Production 112210 Hog & Pig Farming 112300 Poultry & Egg Production 112400 Sheep & Goat Farming 112510 Aquaculture (including shellfish & finfish farms & hatcheries) 112900 Other Animal Production Forestry and Logging 113110 Timber Tract Operations 113210 Forest Nurseries & Gathering of Forest Products 113310 Logging Fishing, Hunting and Trapping 114110 Fishing 114210 Hunting & Trapping Support Activities for Agriculture and Forestry 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating) 115210 Support Activities for Animal Production (including farriers) 115310 Support Activities For Forestry	238290 Other Building Equipment Contractors 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry) 238900 Other Specialty Trade Contractors (including site preparation)		325900 Other Chemical Product & Preparation Mfg Plastics and Rubber Products Manufacturing 326100 Plastics Product Mfg 326200 Rubber Product Mfg Nonmetallic Mineral Product Manufacturing 327100 Clay Product & Refractory Mfg 327210 Glass & Glass Product Mfg 327300 Cement & Concrete Product Mfg 327400 Lime & Gypsum Product Mfg 327900 Other Nonmetallic Mineral Product Mfg Primary Metal Manufacturing 331110 Iron & Steel Mills & Ferroalloy Mfg 331200 Steel Product Mfg from Purchased Steel 331310 Alumina & Aluminum Production & Processing 331400 Nonferrous Metal (except Aluminum) Production & Processing 331500 Foundries Fabricated Metal Product Manufacturing 332110 Forging & Stamping 332210 Cutlery & Handtool Mfg 332300 Architectural & Structural Metals Mfg 332400 Boiler, Tank, & Shipping Container Mfg 332510 Hardware Mfg 332610 Spring & Wire Product Mfg 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg 332810 Coating, Engraving, Heat Treating, & Allied Activities 332900 Other Fabricated Metal Product Mfg Machinery Manufacturing 333100 Agriculture, Construction, & Mining Machinery Mfg 333200 Industrial Machinery Mfg 333310 Commercial & Service Industry Machinery Mfg 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg 333510 Metalworking Machinery Mfg 333610 Engine, Turbine & Power Transmission Equipment Mfg 333900 Other General Purpose Machinery Mfg Computer and Electronic Product Manufacturing 334110 Computer & Peripheral Equipment Mfg 334200 Communications Equipment Mfg 334310 Audio & Video Equipment Mfg 334410 Semiconductor & Other Electronic Component Mfg 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg 334610 Manufacturing & Reproducing Magnetic & Optical Media Electrical Equipment, Appliance, and Component Manufacturing 335100 Electric Lighting Equipment Mfg 335200 Household Appliance Mfg 335310 Electrical Equipment Mfg 335900 Other Electrical Equipment & Component Mfg Transportation Equipment Manufacturing 336100 Motor Vehicle Mfg 336210 Motor Vehicle Body & Trailer Mfg 336300 Motor Vehicle Parts Mfg 336410 Aerospace Product & Parts Mfg 336510 Railroad Rolling Stock Mfg 336610 Ship & Boat Building	336990 Other Transportation Equipment Mfg Furniture and Related Product Manufacturing 337000 Furniture & Related Product Manufacturing Miscellaneous Manufacturing 339110 Medical Equipment & Supplies Mfg 339900 Other Miscellaneous Manufacturing	
	Manufacturing Food Manufacturing 311110 Animal Food Mfg 311200 Grain & Oilseed Milling 311300 Sugar & Confectionery Product Mfg 311400 Fruit & Vegetable Preserving & Specialty Food Mfg 311500 Dairy Product Mfg 311610 Animal Slaughtering & Processing 311710 Seafood Product Preparation & Packaging 311800 Bakeries, Tortilla, & Dry Pasta Mfg 311900 Other Food Mfg (including coffee, tea, flavorings & seasonings) Beverage and Tobacco Product Manufacturing 312110 Soft Drink & Ice Mfg 312120 Breweries 312130 Wineries 312140 Distilleries 312200 Tobacco Manufacturing Textile Mills and Textile Product Mills 313000 Textile Mills 314000 Textile Product Mills Apparel Manufacturing 315100 Apparel Knitting Mills 315210 Cut & Sew Apparel Contractors 315250 Cut & Sew Apparel Mfg (except Contractors) 315990 Apparel Accessories & Other Apparel Mfg Leather and Allied Product Manufacturing 316110 Leather & Hide Tanning & Finishing 316210 Footwear Mfg (including rubber & plastics) 316990 Other Leather & Allied Product Mfg Wood Product Manufacturing 321110 Sawmills & Wood Preservation 321210 Veneer, Plywood, & Engineered Wood Product Mfg 321900 Other Wood Product Mfg Paper Manufacturing 322100 Pulp, Paper, & Paperboard Mills 322200 Converted Paper Product Mfg Printing and Related Support Activities 323100 Printing & Related Support Activities Petroleum and Coal Products Manufacturing 324110 Petroleum Refineries (including integrated) 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg 324190 Other Petroleum & Coal Products Mfg Chemical Manufacturing 325100 Basic Chemical Mfg 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg 325410 Pharmaceutical & Medicine Mfg 325500 Paint, Coating, & Adhesive Mfg 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg				

445132 Vending Machine Operators	485210 Interurban & Rural Bus Transportation	Securities, Commodity Contracts, and Other Financial Investments and Related Activities 523150 Investment Banking & Securities Intermediation 523160 Commodity Contracts Intermediation 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment advice)	541340 Drafting Services
445230 Fruit & Vegetable Retailers	485310 Taxi & Ridesharing Services		541350 Building Inspection Services
445240 Meat Retailers	485320 Limousine Service	Insurance Carriers and Related Activities 524110 Direct Life, Health, & Medical Insurance Carriers 524120 Direct Insurance (except Life, Health, & Medical) Carriers 524210 Insurance Agencies & Brokerages 524290 Other Insurance Related Activities (including third-party administration of insurance & pension funds)	541360 Geophysical Surveying & Mapping Services
445250 Fish & Seafood Retailers	485410 School & Employee Bus Transportation		541370 Surveying & Mapping (except Geophysical) Services
445291 Baked Goods Retailers	485510 Charter Bus Industry	Funds, Trusts, and Other Financial Vehicles 525100 Insurance & Employee Benefit Funds 525910 Open-End Investment Funds (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts 525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds)	541380 Testing Laboratories & Services
445292 Confectionery & Nut Retailers	485990 Other Transit & Ground Passenger Transportation		Specialized Design Services 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)
445298 All Other Specialty Food Retailers	Pipeline Transportation 486000 Pipeline Transportation	Real Estate and Rental and Leasing Real Estate 531110 Lessors of Residential Buildings & Dwellings (including equity REITs) 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs) 531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs) 531190 Lessors of Other Real Estate Property (including equity REITs) 531210 Offices of Real Estate Agents & Brokers 531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate Rental and Leasing Services 532100 Automotive Equipment Rental & Leasing 532210 Consumer Electronics & Appliances Rental 532281 Formal Wear & Costume Rental 532282 Video Tape & Disc Rental 532283 Home Health Equipment Rental 532284 Recreational Goods Rental 532289 All Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing Lessors of Nonfinancial Intangible Assets (except copyrighted works) 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	Computer Systems Design and Related Services 541511 Custom Computer Programming Services 541512 Computer Systems Design Services 541513 Computer Facilities Management Services 541519 Other Computer Related Services
445320 Beer, Wine, & Liquor Retailers	Scenic & Sightseeing Transportation 487000 Scenic & Sightseeing Transportation		Other Professional, Scientific, and Technical Services 541600 Management, Scientific, & Technical Consulting Services 541700 Scientific Research & Development Services 541800 Advertising, Public Relations, & Related Services 541910 Marketing Research & Public Opinion Polling 541920 Photographic Services 541930 Translation & Interpretation Services 541940 Veterinary Services 541990 All Other Professional, Scientific, & Technical Services
Furniture and Home Furnishings Retailers 449110 Furniture Retailers 449121 Floor Covering Retailers 449122 Window Treatment Retailers 449129 All Other Home Furnishings Retailers	Support Activities for Transportation 488100 Support Activities for Air Transportation 488210 Support Activities for Rail Transportation 488300 Support Activities for Water Transportation 488410 Motor Vehicle Towing 488490 Other Support Activities for Road Transportation 488510 Freight Transportation Arrangement 488990 Other Support Activities for Transportation	Real Estate and Rental and Leasing Real Estate 531110 Lessors of Residential Buildings & Dwellings (including equity REITs) 531120 Lessors of Nonresidential Buildings (except Miniwarehouses) (including equity REITs) 531130 Lessors of Miniwarehouses & Self-Storage Units (including equity REITs) 531190 Lessors of Other Real Estate Property (including equity REITs) 531210 Offices of Real Estate Agents & Brokers 531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate Rental and Leasing Services 532100 Automotive Equipment Rental & Leasing 532210 Consumer Electronics & Appliances Rental 532281 Formal Wear & Costume Rental 532282 Video Tape & Disc Rental 532283 Home Health Equipment Rental 532284 Recreational Goods Rental 532289 All Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing Lessors of Nonfinancial Intangible Assets (except copyrighted works) 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	Management of Companies (Holding Companies) 551111 Offices of Bank Holding Companies 551112 Offices of Other Holding Companies
Electronics and Appliance Retailers 449210 Electronics & Appliance Retailers (including computers)	Couriers and Messengers 492110 Couriers & Express Delivery Services 492210 Local Messengers & Local Delivery		Administrative and Support and Waste Management and Remediation Services Administrative and Support Services 561110 Office Administrative Services 561210 Facilities Support Services 561300 Employment Services 561410 Document Preparation Services 561420 Telephone Call Centers 561430 Business Service Centers (including private mail centers & copy shops) 561440 Collection Agencies 561450 Credit Bureaus 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services) 561500 Travel Arrangement & Reservation Services 561600 Investigation & Security Services 561710 Exterminating & Pest Control Services 561720 Janitorial Services 561730 Landscaping Services 561740 Carpet & Upholstery Cleaning Services 561790 Other Services to Buildings & Dwellings 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)
General Merchandise Retailers 455110 Department Stores 455210 Warehouse Clubs, Supercenters, & Other General Merch. Retailers	Warehousing and Storage 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)	Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services	Waste Management and Remediation Services 562000 Waste Management & Remediation Services
Health and Personal Care Retailers 456110 Pharmacies & Drug Retailers 456120 Cosmetics, Beauty Supplies, & Perfume Retailers 456130 Optical Goods Retailers 456190 Other Health & Personal Care Retailers	Information Motion Picture and Sound Recording Industries 512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries Publishing Industries 513110 Newspaper Publishers 513120 Periodical Publishers 513130 Book Publishers 513140 Directory & Mailing List Publishers 513190 Other Publishers 513210 Software Publishers Broadcasting & Content Providers & Telecommunications 516100 Radio & Television Broadcasting Stations 516210 Media Streaming, Social Networks, & Other Content Providers 517000 Telecommunications (including wired, wireless, satellite, cable & other program distribution, resellers, agents, other telecommunications, & Internet service providers) Data Processing, Web Search Portals, & Other Information Services 518210 Computing Infrastructure Providers, Data Processing, Web Hosting, & Related Services 519200 Web Search Portals, Libraries, Archives, & Other Info. Services		Educational Services 611000 Educational Services (including schools, colleges, & universities)
Gasoline Stations & Fuel Dealers 457100 Gasoline Stations (including convenience stores with gas) 457210 Fuel Dealers (including heating oil & liquefied petroleum)	Couriers and Messengers 492110 Couriers & Express Delivery Services 492210 Local Messengers & Local Delivery	Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services	Health Care and Social Assistance Offices of Physicians and Dentists 621111 Offices of Physicians (except mental health specialists) 621112 Offices of Physicians, Mental Health Specialists
Clothing and Accessories Retailers 458110 Clothing & Clothing Accessories Retailers 458210 Shoe Retailers 458310 Jewelry Retailers 458320 Luggage & Leather Goods Retailers	Warehousing and Storage 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)		
Sporting, Hobby, Book, Musical Instrument, & Miscellaneous Retailers 459110 Sporting Goods Retailers 459120 Hobby, Toy, & Game Retailers 459130 Sewing, Needlework, & Piece Goods Retailers 459140 Musical Instrument & Supplies Retailers 459210 Book Retailers & News Dealers (including newsstands) 459310 Florists 459410 Office Supplies & Stationery Retailers 459420 Gift, Novelty, & Souvenir Retailers 459510 Used Merchandise Retailers 459910 Pet & Pet Supplies Retailers 459920 Art Dealers 459930 Manufactured (Mobile) Home Dealers 459990 All Other Miscellaneous Retailers (including tobacco, candle, & trophy retailers)	Finance and Insurance Depository Credit Intermediation 522110 Commercial Banking 522130 Credit Unions 522180 Savings Institutions & Other Depository Credit Intermediation Nondepository Credit Intermediation 522210 Credit Card Issuing 522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers & originators) 522299 Intl, Secondary Market, & Other Nondepos. Credit Intermediation Activities Related to Credit Intermediation 522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)	Professional, Scientific, and Technical Services Legal Services 541110 Offices of Lawyers 541190 Other Legal Services Accounting, Tax Preparation, Bookkeeping, and Payroll Services 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services Architectural, Engineering, and Related Services 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services	
Nonstore Retailers Nonstore Retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of Retailers should select the PBA associated with their primary line of products sold. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110 <i>Pharmacies & Drug Retailers</i> .	Transportation and Warehousing Air, Rail, and Water Transportation 481000 Air Transportation 482110 Rail Transportation 483000 Water Transportation Truck Transportation 484110 General Freight Trucking, Local 484120 General Freight Trucking, Long-Distance 484200 Specialized Freight Trucking Transit and Ground Passenger Transportation 485110 Urban Transit Systems		

621210 Offices of Dentists Offices of Other Health Practitioners 621310 Offices of Chiropractors 621320 Offices of Optometrists 621330 Offices of Mental Health Practitioners (except Physicians) 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists 621391 Offices of Podiatrists 621399 Offices of All Other Miscellaneous Health Practitioners Outpatient Care Centers 621410 Family Planning Centers 621420 Outpatient Mental Health & Substance Abuse Centers 621491 HMO Medical Centers 621492 Kidney Dialysis Centers 621493 Freestanding Ambulatory Surgical & Emergency Centers 621498 All Other Outpatient Care Centers Medical and Diagnostic Laboratories 621510 Medical & Diagnostic Laboratories Home Health Care Services 621610 Home Health Care Services Other Ambulatory Health Care Services 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks) Hospitals 622000 Hospitals Nursing and Residential Care Facilities 623000 Nursing & Residential Care Facilities Social Assistance 624100 Individual & Family Services	624200 Community Food & Housing, & Emergency & Other Relief Services 624310 Vocational Rehabilitation Services 624410 Childcare Services Arts, Entertainment, and Recreation Performing Arts, Spectator Sports, and Related Industries 711100 Performing Arts Companies 711210 Spectator Sports (including sports clubs & racetracks) 711300 Promoters of Performing Arts, Sports, & Similar Events 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures 711510 Independent Artists, Writers, & Performers Museums, Historical Sites, and Similar Institutions 712100 Museums, Historical Sites, & Similar Institutions Amusement, Gambling, and Recreation Industries 713100 Amusement Parks & Arcades 713200 Gambling Industries 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers) Accommodation and Food Services Accommodation 721110 Hotels (except Casino Hotels) & Motels	721120 Casino Hotels 721191 Bed & Breakfast Inns 721199 All Other Traveler Accommodation 721210 RV (Recreational Vehicle) Parks & Recreational Camps 721310 Rooming & Boarding Houses, Dormitories, & Workers' Camps Food Services and Drinking Places 722300 Special Food Services (including food service contractors & caterers) 722410 Drinking Places (Alcoholic Beverages) 722511 Full-Service Restaurants 722513 Limited-Service Restaurants 722514 Cafeterias, Grill Buffets, & Buffets 722515 Snack & Non-Alcoholic Beverage Bars Other Services Repair and Maintenance 811110 Automotive Mechanical & Electrical Repair & Maintenance 811120 Automotive Body, Paint, Interior, & Glass Repair 811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes) 811210 Electronic & Precision Equipment Repair & Maintenance 811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance 811410 Home & Garden Equipment & Appliance Repair & Maintenance 811420 Reupholstery & Furniture Repair	811430 Footwear & Leather Goods Repair 811490 Other Personal & Household Goods Repair & Maintenance Personal and Laundry Services 812111 Barber Shops 812112 Beauty Salons 812113 Nail Salons 812190 Other Personal Care Services (including diet & weight reducing centers) 812210 Funeral Homes & Funeral Services 812220 Cemeteries & Crematories 812310 Coin-Operated Laundries & Drycleaners 812320 Drycleaning & Laundry Services (except Coin-Operated) 812330 Linen & Uniform Supply 812910 Pet Care (except Veterinary) Services 812920 Photofinishing 812930 Parking Lots & Garages 812990 All Other Personal Services Religious, Grantmaking, Civic, Professional, and Similar Organizations 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium & homeowners associations) Other 999000 Unclassified Establishments (unable to classify)
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