

For Arch MI and Arch MI for Credit Unions

Business Tax Returns 101

An Introduction to Business Tax Structures,
Forms and Cash Flow

an INCOME ANALYSIS course



Legal Disclaimer

Arch Mortgage Insurance Company is providing this training to you for use as a training tool only. These materials are not intended, nor should they be relied upon for any other purpose, including underwriting actual mortgage loans without independent verification and testing by your in-house quality control and/or compliance personnel or actual preparation of documents, which may be presented in the materials. All materials presented are samples for illustrative purposes only.



Objectives

Become Familiar with:

- Basic Business Tax Structures, Forms and Cash Flow.
 - Sole Proprietorships.
 - Partnerships.
 - Limited Liability Companies.
 - S Corporations.
 - Corporations.



Business Entities

Structures and Forms



Self-Employed — Definition

- For mortgage purposes, any individual who has a 25% or greater ownership interest in a business is considered self-employed.



Loan Application



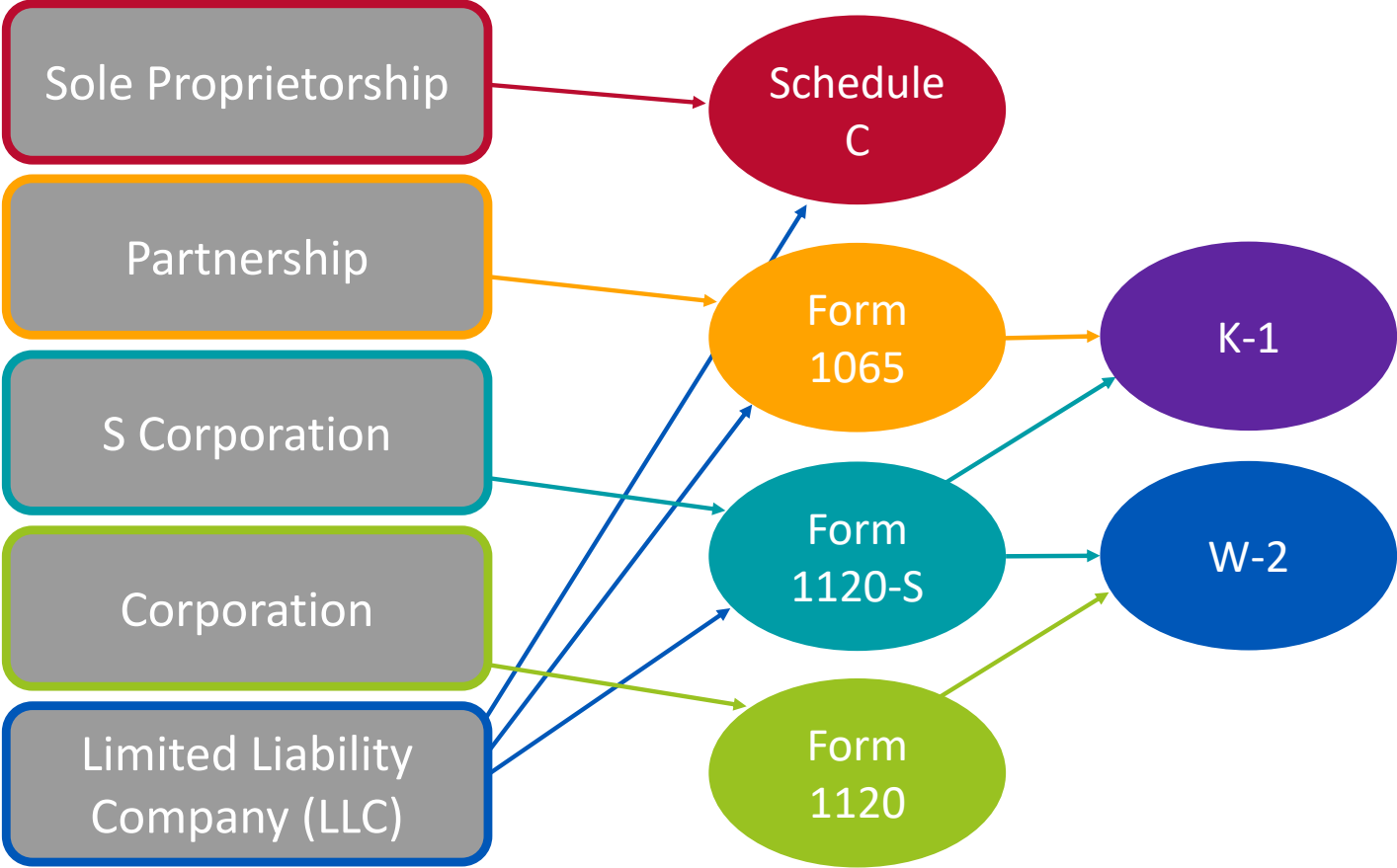
| | | | |
|--|--|--|--|
| 1b. Current Employment/Self Employment and Income | | <input type="checkbox"/> <i>Does not apply</i> | |
| Employer or Business Name _____ | | Phone (____) ____-____ | |
| Address _____ | | | |
| City _____ | | State _____ Zip _____ | |
| Position or Title _____ | | Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction. | |
| Start Date ____/____/____ (mm/yyyy) | | | |
| How long in this line of work? ____ Years ____ Months | | | |
| <input type="checkbox"/> Check if you are the Business Owner or Self-Employed | | <input type="radio"/> I have an ownership share of less than 25%. | |
| | | <input type="radio"/> I have an ownership share of 25% or more. | |
| | | Monthly Income (or Loss) \$ _____ | |
| | | Gross Monthly Income | |
| | | Base \$ _____/month | |
| | | Overtime \$ _____/month | |
| | | Bonus \$ _____/month | |
| | | Commission \$ _____/month | |
| | | Military Entitlements \$ _____/month | |
| | | Other \$ _____/month | |
| | | TOTAL \$ _____/month | |

Business Entities

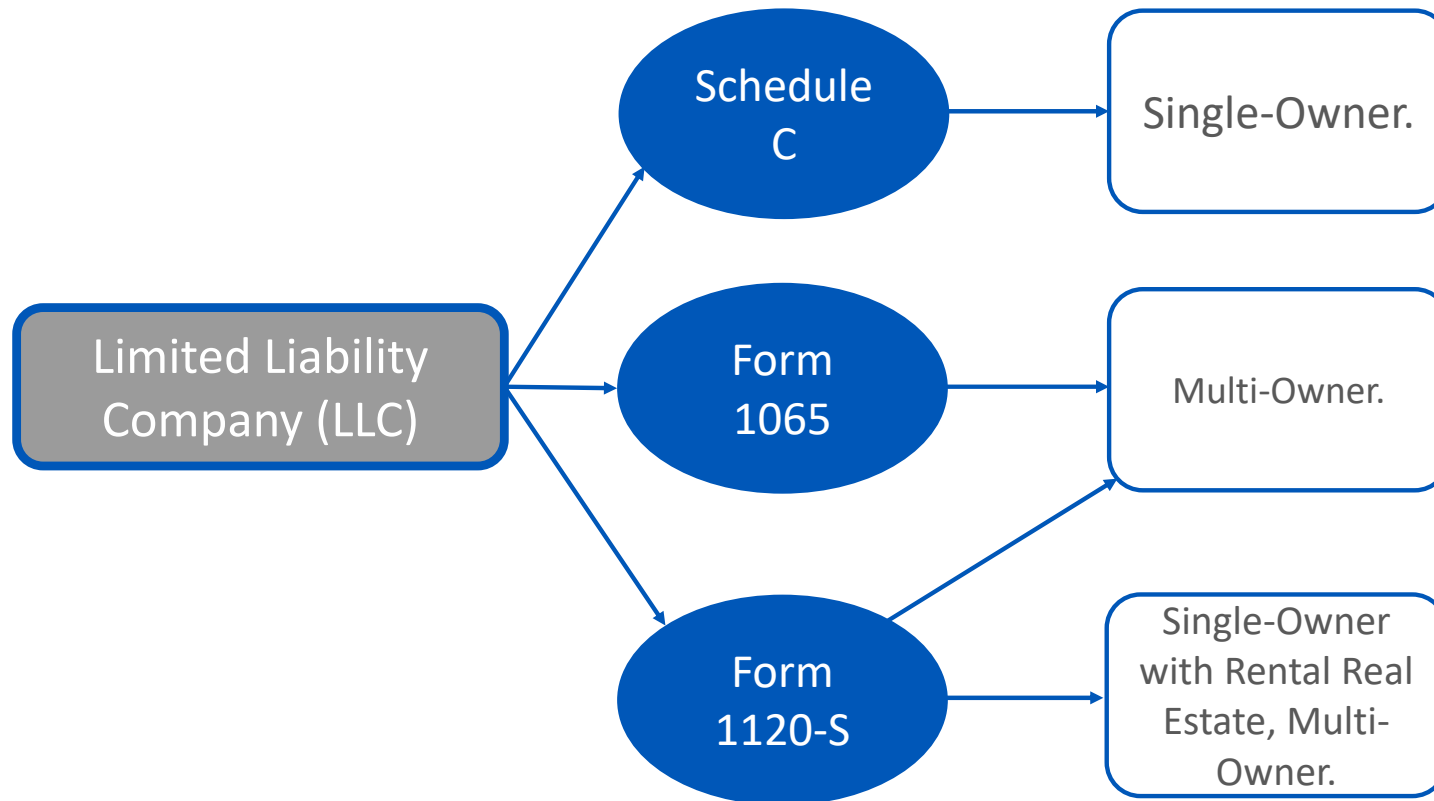
- There are five (5) types of basic business entities. The entity type determines the type of tax return that is filed:
 - Sole Proprietorship.
 - Partnership (General or Limited).
 - S Corporation.
 - Limited Liability Company.
 - Corporation (Closely Held or Publicly Traded).



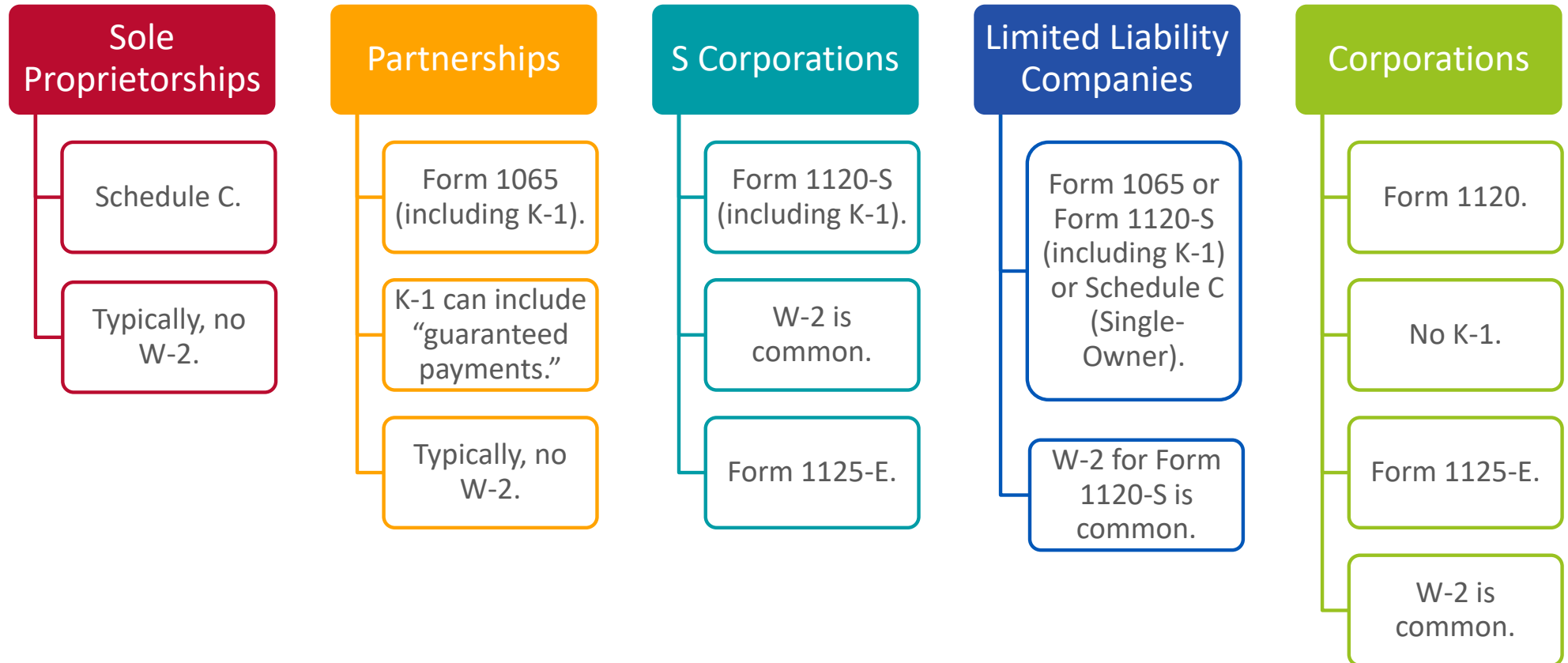
Business Structures and Tax Forms



Business Structures and Tax Forms — Limited Liability Company (LLC)



Business Entities Forms and Schedules



Schedule 1 (Form 1040), Page 1 — Additional Income and Adjustments to Income



Borrower IS Self-Employed.

Schedule C Sole Proprietorship.

| SCHEDULE 1 (Form 1040) | | Additional Income and Adjustments to Income | | OMB No. 1545-0074 |
|--|--|--|--|-----------------------------------|
| Department of the Treasury Internal Revenue Service | | ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information. | | Attachment Sequence No. 01 |
| Name(s) shown on Form 1040, 1040-SR, or 1040-NR | | Your social security number | | |
| Part I Additional Income | | | | |
| 1 | Taxable refunds, credits, or offsets of state and local income taxes | 1 | | |
| 2a | Alimony received | 2a | | |
| | b Date of original divorce or separation agreement (see instructions) ▶ | | | |
| 3 | Business income or (loss). Attach Schedule C | 3 | | |
| 4 | Other gains or (losses). Attach Form 4797 | 4 | | |
| 5 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 5 | | |
| 6 | Farm income or (loss). Attach Schedule F | 6 | | |
| 7 | Unemployment compensation | 7 | | |
| 8 | Other income: | | | |
| | a Net operating loss | 8a | | |
| | b Gambling income | 8b | | |
| | c Cancellation of debt | 8c | | |
| | d Foreign earned income exclusion from Form 2555 | 8d | | |
| | e Taxable Health Savings Account distribution | 8e | | |
| | f Alaska Permanent Fund dividends | 8f | | |
| | g Jury duty pay | 8g | | |
| | h Prizes and awards | 8h | | |
| | i Activity not engaged in for profit income | 8i | | |
| | j Stock options | 8j | | |
| | k Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property | 8k | | |
| | l Olympic and Paralympic medals and USOC prize money (see instructions) | 8l | | |
| | m Section 951(a) inclusion (see instructions) | 8m | | |
| | n Section 951A(a) inclusion (see instructions) | 8n | | |
| | o Section 461(l) excess business loss adjustment | 8o | | |
| | p Taxable distributions from an ABL account (see instructions) | 8p | | |
| | z Other income. List type and amount ▶ | 8z | | |
| 9 | Total other income. Add lines 8a through 8z | 9 | | |
| 10 | Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 | 10 | | |

Borrower MAY BE Self-Employed.

Schedule E, Partnership OR S Corporation OR Rental Property OR Royalty OR Trust.

Schedule E (Form 1040) — Supplemental Income and Loss



| SCHEDULE E (Form 1040) | | Supplemental Income and Loss (From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.) | | OMB No. 1545-0074 | |
|--|---------------------------------------|--|-----------------------------|---|--------------------------|
| Department of the Treasury Internal Revenue Service (99) | | ▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041. ▶ Go to www.irs.gov/ScheduleE for instructions and the latest information. | | Attachment Sequence No. 13 | |
| Name(s) shown on return | | | Your social security number | | |
| Part I Income or Loss From Rental Real Estate and Royalties Note: If you are in the business of renting personal property, use Schedule C. See instructions. If you are an individual, report farm rental income or loss from Form 4835 on page 2, line 40. | | | | | |
| A Did you make any payments in that would require you to file Form(s) 1099? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
| B If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
| 1a Physical address of each property (street, city, state, ZIP code) | | | | | |
| A | | | | | |
| B | | | | | |
| C | | | | | |
| 1b | Type of Property (from list below) | 2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions. | Fair Rental Days | Personal Use Days | QJV |
| A | | | A | | <input type="checkbox"/> |
| B | | | B | | <input type="checkbox"/> |
| C | | | C | | <input type="checkbox"/> |
| Type of Property: | | | | | |
| 1 Single Family Residence | | 3 Vacation/Short-Term Rental | | 5 Land | |
| 2 Multi-Family Residence | | 4 Commercial | | 6 Royalties | |
| | | | | 7 Self-Rental | |
| | | | | 8 Other (describe) | |
| Income: | | | | | |
| 3 Rents received | | 4 Royalties received | | 5 | |
| 4 | | 3 | | 6 | |
| Expenses: | | | | | |
| 5 Advertising | | 6 Auto and travel (see instructions) | | 7 Cleaning and maintenance | |
| 8 Commissions | | 9 Insurance | | 10 Legal and other professional fees | |
| 11 Management fees | | 12 Mortgage interest paid to banks, etc. (see instructions) | | 13 Other interest | |
| 14 Repairs | | 15 Supplies | | 16 Taxes | |
| 17 Utilities | | 18 Depreciation expense or depletion | | 19 Other (list) | |
| 20 Total expenses. Add lines 5 through 19 | | 21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file Form 6198 | | 22 Deductible rental real estate loss after limitation, if any, on Form 8592 (see instructions) | |
| 23a Total of all amounts reported on line 3 for all rental properties | | 23b Total of all amounts reported on line 4 for all royalty properties | | 23c Total of all amounts reported on line 12 for all properties | |
| 23d Total of all amounts reported on line 18 for all properties | | 23e Total of all amounts reported on line 20 for all properties | | 24 Income. Add positive amounts shown on line 21. Do not include any losses | |
| 24 | | 25 Losses. Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here | | 26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2 | |
| 25 | | 26 | | | |

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L Schedule E (Form 1040)

| Schedule E (Form 1040) | | Attachment Sequence No. 13 | | Page 2 | | |
|---|--|--|---|---|--|--|
| Name(s) shown on return. Do not enter name and social security number if shown on other side. | | Your social security number | | | | |
| Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1. | | | | | | |
| Part II Income or Loss From Partnerships and S Corporations — Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on line 28 and attach Form 6198. See instructions. | | | | | | |
| 27 | Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. <input type="checkbox"/> Yes <input type="checkbox"/> No | | | | | |
| 28 | (a) Name | (b) Enter P for partnership; S for S corporation | (c) Check if foreign partnership | (d) Employer identification number | (e) Check if basis computation is required | (f) Check if any amount is not at risk |
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |
| D | | | | | | |
| Passive Income and Loss | | | Nonpassive Income and Loss | | | |
| (g) Passive loss allowed (attach Form 8582 if required) | | (h) Passive income from Schedule K-1 | (i) Nonpassive loss allowed (see Schedule K-1) | (j) Section 179 expense deduction from Form 4562 | (k) Nonpassive income from Schedule K-1 | |
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |
| D | | | | | | |
| 29a | Totals | | | | 30 | |
| b | Totals | | | | 31 | |
| 30 | Add columns (h) and (k) of line 29a | | | | 30 | |
| 31 | Add columns (g), (i), and (j) of line 29b | | | | 31 | |
| 32 | Total partnership and S corporation income or (loss). Combine lines 30 and 31 | | | | 32 | |
| Part III Income or Loss From Estates and Trusts | | | | | | |
| 33 | (a) Name | (b) Employer identification number | | | | |
| A | | | | | | |
| B | | | | | | |
| Passive Income and Loss | | | Nonpassive Income and Loss | | | |
| (c) Passive deduction or loss allowed (attach Form 8582 if required) | | (d) Passive income from Schedule K-1 | (e) Deduction or loss from Schedule K-1 | (f) Other income from Schedule K-1 | | |
| A | | | | | | |
| B | | | | | | |
| 34a | Totals | | | | 35 | |
| b | Totals | | | | 36 | |
| 35 | Add columns (d) and (f) of line 34a | | | | 35 | |
| 36 | Add columns (c) and (e) of line 34b | | | | 36 | |
| 37 | Total estate and trust income or (loss). Combine lines 35 and 36 | | | | 37 | |
| Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) — Residual Holder | | | | | | |
| 38 | (a) Name | (b) Employer identification number | (c) Excess inclusion from Schedules O, line 2c (see instructions) | (d) Taxable income (net loss) from Schedules O, line 1b | (e) Income from Schedules O, line 3b | |
| 39 | Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below | | | | 39 | |
| Part V Summary | | | | | | |
| 40 | Net farm rental income or (loss) from Form 4835. Also, complete line 42 below | | | | 40 | |
| 41 | Total income or (loss). Combine lines 26, 32, 37, 38, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5 | | | | 41 | |
| 42 | Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AD; and Schedule K-1 (Form 1041), box 14, code F. See instructions | | | | 42 | |
| 43 | Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental activities in which you materially participated under the passive activity loss rules | | | | 43 | |

Schedule E (Form 1040)

- No indication on 1040.



| | | |
|---|--|--|
| 1b. Current Employment/Self Employment and Income | | <input type="checkbox"/> <i>Does not apply</i> |
| Employer or Business Name _____ | | Phone (____) ____ - ____ |
| Address _____ | | |
| City _____ | | State _____ Zip _____ |
| Position or Title _____ | | Check if this statement applies: <input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction. |
| Start Date ____ / ____ (mm/yyyy) | | |
| How long in this line of work? ____ Years ____ Months | | |
| <input type="checkbox"/> Check if you are the Business Owner or Self-Employed | <input type="radio"/> I have an ownership share of less than 25%. <input type="radio"/> I have an ownership share of 25% or more. | Monthly Income (or Loss) \$ _____ |

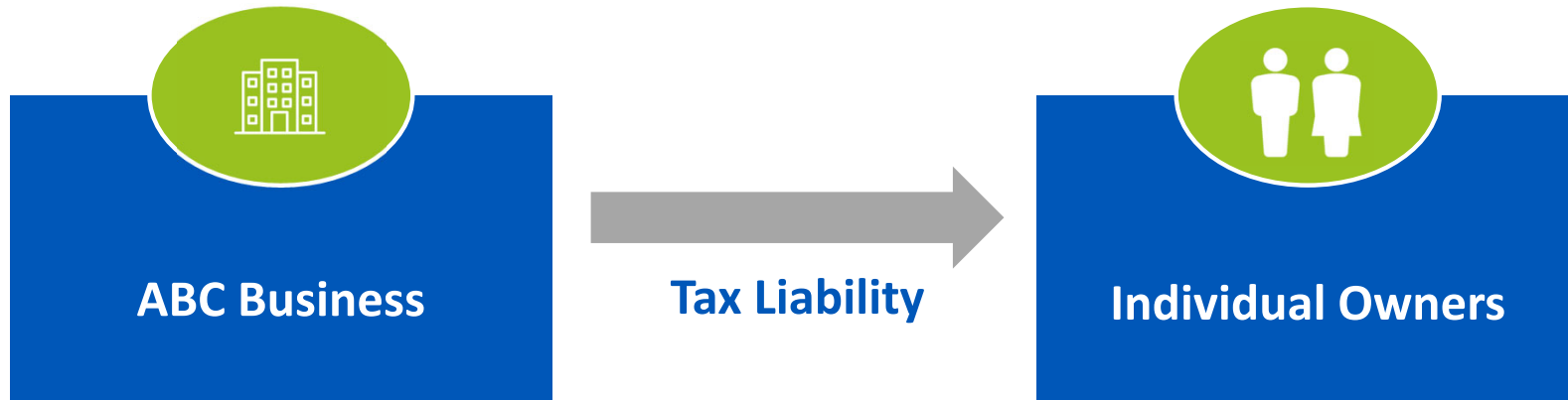
Business Taxation



Entity Level Taxation vs. Pass-Through Taxation



Pass-Through Taxation



- Pass-Through Businesses do not pay business tax on their profit. This includes **Sole Proprietorships, Partnerships, S Corporations and LLCs.**
- Owners, partners, shareholders and members pay personal taxes on their own share. **If they EARN it, they pay tax on it even if they don't take a distribution.**
- Form 1065 and Form 1120-S generate a **K-1** for each owner.
 - Documents individual owner profit, loss, expense deductions, distributions and percentage of ownership.

Entity Level Taxation



- **Corporations** pay business tax on their profit.
- Shareholders pay personal taxes only on dividends and wages.
- Corporations **do not** have K-1s because they are not pass-through entities.

Sole Proprietorships



Sole Proprietorship Definition

A Sole Proprietorship is an unincorporated business owned and operated by one person.

The owner not only has total control of the business but also 100% personal liability for any/all business debts.



Sole Proprietorships

The business itself pays no business income tax. Instead, the owner pays taxes on the business profit at individual rates.

A Sole Proprietorship will report the income and expenses of the business on Schedule C, which is a 1040 schedule and not a separate business tax return.

The net income (or loss) on the Schedule C will be carried over and reported on the 1040.

Schedule C (Form 1040) — Profit or Loss From Business



The Schedule C is made up of two pages.
Additional forms/schedules (such as Form 4562) may be required.

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship) OMB No. 1545-0074

Department of the Treasury Internal Revenue Service (IRS) **Go to www.irs.gov/ScheduleC for instructions and the latest information.** Attachments: Schedule No. **09**

▶ Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065.

Name of proprietor: _____ Social security number (SSN): _____

A Principal business or profession, including product or service (see instructions): _____ **B** Enter code from instructions: _____

C Business name, if no separate business name, leave blank: _____ **D** Employer ID number (EIN) (see inst.): _____

E Business address (including suite or room no.): _____
City, town or post office, state, and ZIP code: _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) ▶ _____

G Did you "materially participate" in the operation of this business during 2021? If "No," see instructions for limit on losses: Yes No

H If you started or acquired this business during 2021, check here: Yes No

I Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions: Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked: 1

2 Returns and allowances: 2

3 Subtract line 2 from line 1: 3

4 Cost of goods sold (from line 42): 4

5 **Gross profit.** Subtract line 4 from line 3: 5

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions): 6

7 **Gross income.** Add lines 5 and 6: 7

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8 Advertising: 8

9 Car and truck expenses (see instructions): 9

10 Commissions and fees: 10

11 Contract labor (see instructions): 11

12 Depreciation: 12

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions): 13

14 Employee benefit programs (other than on line 19): 14

15 Insurance (other than health): 15

16 Interest (see instructions): 16

17 Lease and professional services: 17

18 Office expense (see instructions): 18

19 Pension and profit-sharing plans: 19

20 Rent or lease (see instructions): 20

21 Repairs and maintenance: 21

22 Supplies (not included in Part III): 22

23 Taxes and licenses: 23

24 Travel and meals: 24

24a Travel: 24a

24b Deductible meals (see instructions): 24b

25 Utilities: 25

26 Wages (less employment credits): 26

27a Other expenses (from line 48): 27a

27b Reserved for future use: 27b

28 **Total expenses before expenses for business use of home.** Add lines 8 through 27a: 28

29 Tentative profit or (loss). Subtract line 28 from line 7: 29

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions.
Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30: 30

31 **Net profit or (loss).** Subtract line 30 from line 29: 31

• If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estates and trusts, enter on Form 1041, line 3.

• If a loss, you must go to line 32.

32 If you have a loss, check the box that describes your investment in this activity. See instructions.
• If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estates and trusts, enter on Form 1041, line 3.
• If you checked 32b, you must attach Form 6198. Your loss may be limited.

32a All investment is at risk.
32b Some investment is not at risk.

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2021

Schedule C (Form 1040) Page 2

Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation: Yes No

35 Inventory at beginning of year. If different from last year's closing inventory, attach explanation: 35

36 Purchases less cost of items withdrawn for personal use: 36

37 Cost of labor. Do not include any amounts paid to yourself: 37

38 Materials and supplies: 38

39 Other costs: 39

40 Add lines 35 through 39: 40

41 Inventory at end of year: 41

42 **Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4: 42

Part IV Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month/day/year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2021, enter the number of miles you used your vehicle for:
a Business: _____ b Commuting (see instructions): _____ c Other: _____

45 Was your vehicle available for personal use during off-duty hours? Yes No

46 Do you (or your spouse) have another vehicle available for personal use? Yes No

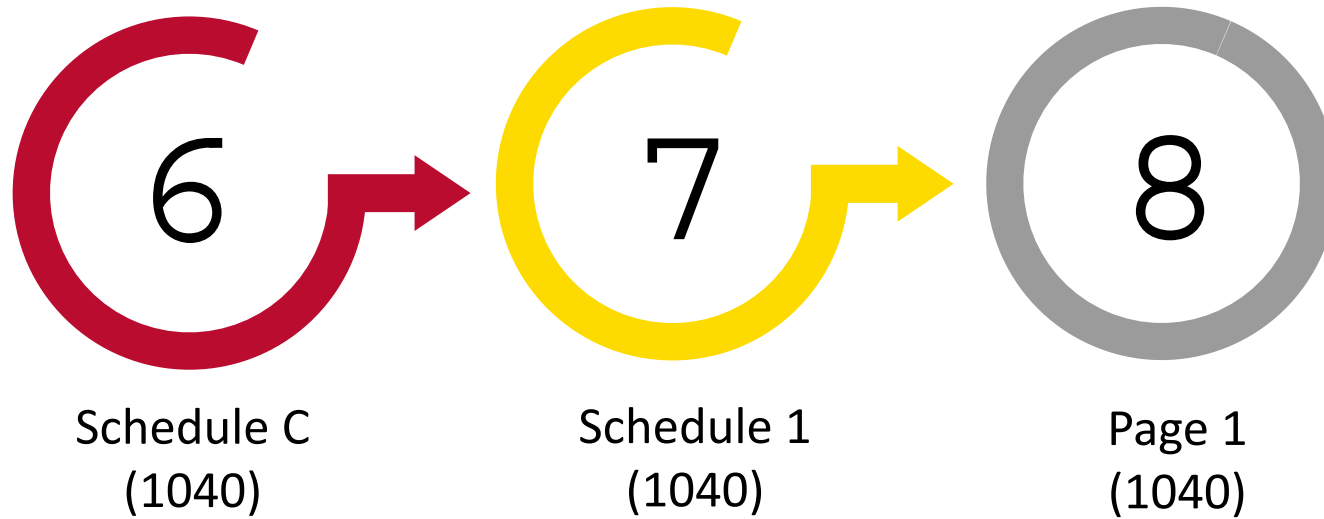
47a Do you have evidence to support your deduction? Yes No
b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

48 **Total other expenses.** Enter here and on line 27a: 48

Schedule C (Form 1040)

Sole Proprietorship — How Income Flows



Schedule C Cash Flow — Profit or Loss from Business



SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

Department of the Treasury Internal Revenue Service (IRS) **Go to www.irs.gov/ScheduleC for instructions and the latest information.** OMB No. 1545-0074

Attachment Sequence No. **09**

Name of proprietor: _____ Social security number (SSN): _____

A Principal business or profession, including product or service (see instructions): _____ **B** Enter code from instructions: _____

C Business name. If no separate business name, leave blank. _____ **D** Employer ID number (EIN) (see instr.): _____

E Business address (including suite or room no.) _____ City, town or post office, state, and ZIP code: _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

G Did you "materially participate" in the operation of this business during 2021? If "No," see instructions for limit on losses Yes No

H If you started or acquired this business during 2021, check here Yes No

I Did you make any payments in 2021 that would require you to file Form(s) 1099? See instructions Yes No

J If "Yes," did you or will you file required Form(s) 1099? Yes No

Part I Income

1 Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked **1**

2 Returns and allowances **2**

3 Subtract line 2 from line 1 **3**

4 Cost of goods sold (from line 42) **4**

5 Gross profit. Subtract line 4 from line 3 **5**

6 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) **6**

7 Gross income. Add lines 5 and 6 **7**

Part II Expenses. Enter expenses for business use of your home only on line 30.

8 Advertising **8** **18** Office expense (see instructions) **18**

9 Car and truck expenses (see instructions) **9** **19** Pension and profit-sharing plans **19**

10 Commissions and fees **10** **20** Rent or lease (see instructions): **20**

11 Contract labor (see instructions) **11** **a** Vehicles, machinery, and equipment **20a**

12 Depletion **12** **b** Other business property **20b**

13 Depreciation and section 179 expense deduction (not included in Part III) (see instructions) **13** **21** Repairs and maintenance **21**

14 Employee benefit programs (other than on line 19) **14** **22** Supplies (not included in Part III) **22**

15 Insurance (other than health) **15** **23** Taxes and licenses **23**

16 Interest (see instructions): **16** **24** Travel and meals: **24**

a Mortgage (paid to banks, etc.) **16a** **24a** Travel **24a**

b Other **16b** **b** Deductible meals (see instructions) **24b**

17 Legal and professional services **17** **25** Utilities **25**

26 Wages (less employment credits) **26**

27a Other expenses (from line 48) **27a**

b Reserved for future use **27b**

28 Total expenses before expenses for business use of home. Add lines 8 through 27a **28**

29 Tentative profit or (loss). Subtract line 28 from line 7 **29**

30 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. **30**

Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30.

31 Net profit or (loss). Subtract line 30 from line 29. **31**

32 If you have a loss, check the box that describes your investment in this activity. See instructions. **32**

32a All investment is at risk. **32a**

32b Some investment is not at risk. **32b**

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11234P Schedule C (Form 1040)

Part I Income Section

Part II Expenses Section

Other Expenses from Page 2.

Net Profit or Loss to Schedule 1.

Schedule C Cash Flow — Schedule 1 (Form 1040)



Net Profit or Loss
from Schedule C

| SCHEDULE 1 (Form 1040) | | Additional Income and Adjustments to Income | | OMB No. 1545-0074 |
|--|---|--|-----------------------------|--------------------------------------|
| Department of the Treasury Internal Revenue Service | | ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information. | | Attachment Sequence No. 01 |
| Name(s) shown on Form 1040, 1040-SR, or 1040-NR | | | Your social security number | |
| Part I Additional Income | | | | |
| 1 | Taxable refunds, credits, or offsets of state and local income taxes | 1 | | |
| 2a | Alimony received | 2a | | |
| b | Date of original divorce or separation agreement (see instructions) ▶ | | | |
| 3 | Business income or (loss). Attach Schedule C | 3 | | |
| 4 | Other gains or (losses). Attach Form 4797 | 4 | | |
| 5 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 5 | | |
| 6 | Farm income or (loss). Attach Schedule F | 6 | | |
| 7 | Unemployment compensation | 7 | | |
| 8 | Other income: | | | |
| a | Net operating loss | 8a | () | |
| b | Gambling income | 8b | | |
| c | Cancellation of debt | 8c | | |
| d | Foreign earned income exclusion from Form 2555 | 8d | () | |
| e | Taxable Health Savings Account distribution | 8e | | |
| f | Alaska Permanent Fund dividends | 8f | | |
| g | Jury duty pay | 8g | | |
| h | Prizes and awards | 8h | | |
| i | Activity not engaged in for profit income | 8i | | |
| j | Stock options | 8j | | |
| k | Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property | 8k | | |
| l | Olympic and Paralympic medals and USOC prize money (see instructions) | 8l | | |
| m | Section 951(a) inclusion (see instructions) | 8m | | |
| n | Section 951A(a) inclusion (see instructions) | 8n | | |
| o | Section 461(f) excess business loss adjustment | 8o | | |
| p | Taxable distributions from an ABL account (see instructions) | 8p | | |
| z | Other income. List type and amount ▶ | 8z | | |
| 9 | Total other income. Add lines 8a through 8z | 9 | | |
| 10 | Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 | 10 | | |

Total Additional
Income to Page 1

Schedule C Cash Flow — Form 1040, Page 1



1040 Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **2023** OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 2023, or other tax year beginning, 2023, ending, 20 See separate instructions.

Your first name and middle initial Last name Your social security number

If joint return, spouse's first name and middle initial Last name Spouse's social security number

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. Presidential Election Campaign
 Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State ZIP code

Foreign country name Foreign province/state/country Foreign postal code

Filing Status Single Head of household (HOH) Married filing jointly (even if only one had income) Married filing separately (MFS) Qualifying surviving spouse (QSS)
 Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent:

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1959 Are blind **Spouse:** Was born before January 2, 1959 Is blind

Dependents (see instructions):

| (1) First name | Last name | (2) Social security number | (3) Relationship to you | (4) Child tax credit | Credit for other dependents |
|----------------|-----------|----------------------------|-------------------------|--------------------------|-----------------------------|
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |

If more than four dependents, see instructions and check here

Income

| | |
|--|--|
| 1a Total amount from Form(s) W-2, box 1 (see instructions) | 1a |
| b Household employee wages not reported on Form(s) W-2 | 1b |
| c Tip income not reported on line 1a (see instructions) | 1c |
| d Medicaid waiver payments not reported on Form(s) W-2 (see instructions) | 1d |
| e Taxable dependent care benefits from Form 2441, line 26 | 1e |
| f Employer-provided adoption benefits from Form 8839, line 29 | 1f |
| g Wages from Form 9919, line 6 | 1g |
| h Other earned income (see instructions) | 1h |
| i Nontaxable combat pay election (see instructions) 1i | |
| z Add lines 1a through 1h | 1z |
| 2a Tax-exempt interest 2a | 2b Taxable interest 2b |
| 3a Qualified dividends 3a | 3b Ordinary dividends 3b |
| 4a IRA distributions 4a | 4b Taxable amount 4b |
| 5a Pensions and annuities 5a | 5b Taxable amount 5b |
| 6a Social security benefits 6a | 6b Taxable amount 6b |
| 7 Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> | 7 |
| 8 Additional income from Schedule 1, line 10 | 8 |
| 9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income | 9 |
| 10 Adjustments to income from Schedule 1, line 26 | 10 |
| 11 Subtract line 10 from line 9. This is your adjusted gross income | 11 |
| 12 Standard deduction or itemized deductions (from Schedule A) | 12 |
| 13 Qualified business income deduction from Form 8995 or Form 8995-A | 13 |
| 14 Add lines 12 and 13 | 14 |
| 15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income | 15 |

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for:
 • Single or Married filing separately, \$13,850
 • Married filing jointly or Qualifying surviving spouse, \$27,700
 • Head of household, \$20,800
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113008 Form **1040** (2023)



Knowledge Check One

Is the following **True** or **False**?

- A Sole Proprietor has no personal liability for business debt. They are completely distinct and separate from the owner's personal debt.



Check Your Understanding One

The correct answer is **False**.

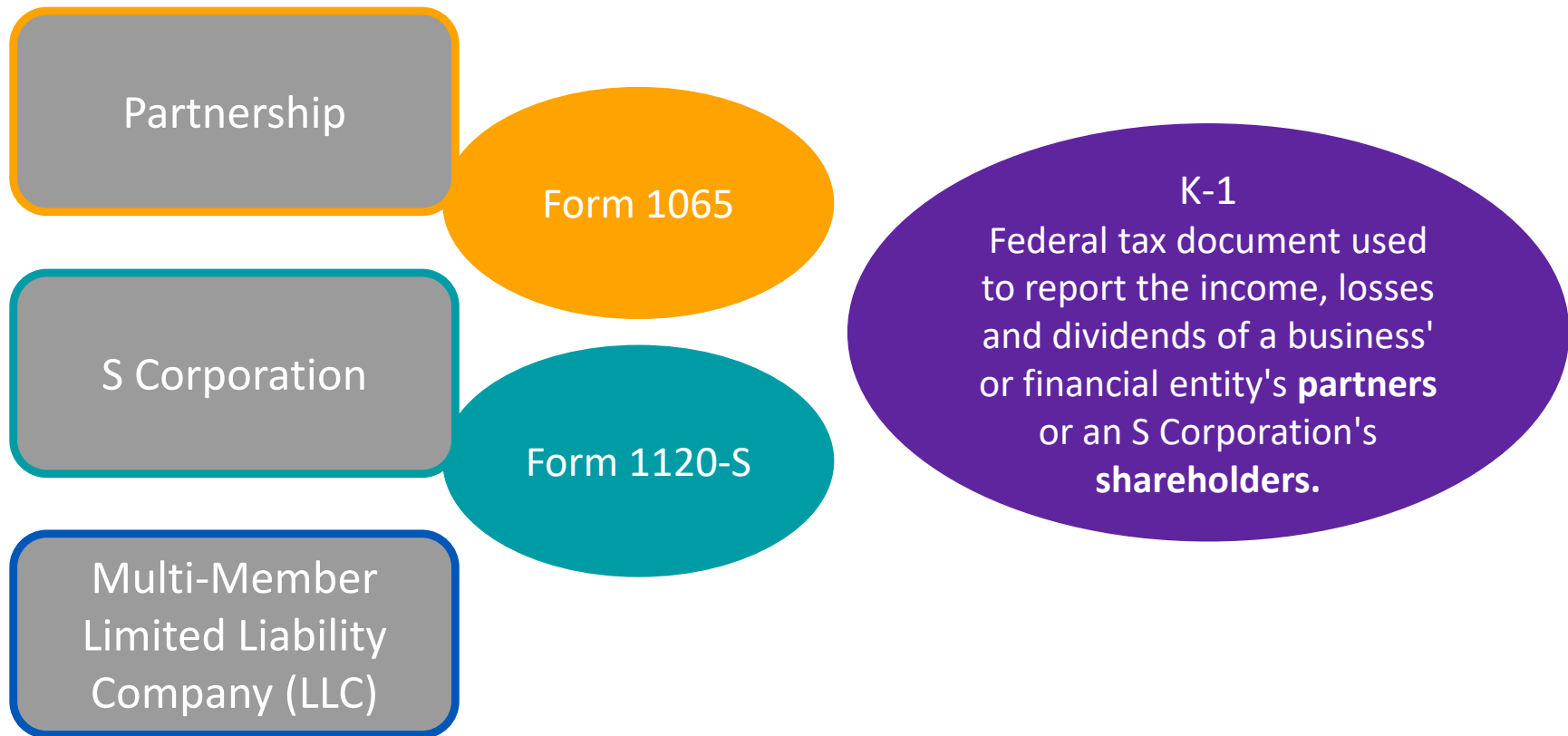
- *Not only does a Sole Proprietor have 100% control of the business, but they also have 100% personal liability since there is no distinction between personal and business debts.*



Schedule K-1



Schedule K-1



Partnerships — S Corporations and Multi-Member LLCs

| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|--|---|---------------------------------|----|---------------------------------|---|--------------------------------------|--|--|---|--------------------------------|----|---------|----|----------------------------------|--|--|----|---------------------------------|----|--|----|---------------------------|----|-------------------------------------|---|-----------------|--|--|----|--------------------|--|--|
| Schedule K-1 (Form 1065) Department of the Treasury Internal Revenue Service | | 651121 OMB No. 1545-0123 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| beginning <input type="text"/> / <input type="text"/> / <input type="text"/> ending <input type="text"/> / <input type="text"/> / <input type="text"/> | | <input type="checkbox"/> Final K-1 <input type="checkbox"/> Amended K-1 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Partner's Share of Income, Deductions, Credits, etc. ▶ See back of form and separate instructions. | | Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Part I Information About the Partnership | | <table border="1"> <tr> <td>1</td> <td>Ordinary business income (loss)</td> <td>14</td> <td>Self-employment earnings (loss)</td> </tr> <tr> <td>2</td> <td>Net rental real estate income (loss)</td> <td></td> <td></td> </tr> <tr> <td>3</td> <td>Other net rental income (loss)</td> <td>15</td> <td>Credits</td> </tr> <tr> <td>4a</td> <td>Guaranteed payments for services</td> <td></td> <td></td> </tr> <tr> <td>4b</td> <td>Guaranteed payments for capital</td> <td>16</td> <td>Schedule K-3 is attached if checked <input type="checkbox"/></td> </tr> <tr> <td>4c</td> <td>Total guaranteed payments</td> <td>17</td> <td>Alternative minimum tax (AMT) items</td> </tr> <tr> <td>5</td> <td>Interest income</td> <td></td> <td></td> </tr> <tr> <td>6a</td> <td>Ordinary dividends</td> <td></td> <td></td> </tr> </table> | | 1 | Ordinary business income (loss) | 14 | Self-employment earnings (loss) | 2 | Net rental real estate income (loss) | | | 3 | Other net rental income (loss) | 15 | Credits | 4a | Guaranteed payments for services | | | 4b | Guaranteed payments for capital | 16 | Schedule K-3 is attached if checked <input type="checkbox"/> | 4c | Total guaranteed payments | 17 | Alternative minimum tax (AMT) items | 5 | Interest income | | | 6a | Ordinary dividends | | |
| 1 | Ordinary business income (loss) | 14 | Self-employment earnings (loss) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2 | Net rental real estate income (loss) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3 | Other net rental income (loss) | 15 | Credits | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4a | Guaranteed payments for services | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4b | Guaranteed payments for capital | 16 | Schedule K-3 is attached if checked <input type="checkbox"/> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4c | Total guaranteed payments | 17 | Alternative minimum tax (AMT) items | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5 | Interest income | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6a | Ordinary dividends | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| A | Partnership's employer identification number | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| B | Partnership's name, address, city, state, and ZIP code | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| C | IRS center where partnership filed return ▶ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| D | <input type="checkbox"/> Check if this is a publicly traded partnership (PTP) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

- Pass-through entities that file separate business tax returns must provide a Schedule K-1 to each owner.
- Each owner (partner, shareholder or member) receives a K-1 that documents their individual share of profit, their actual distributions and their ownership percentage, among other items.

Schedule K-1 (Form 1065 and Form 1120-S)



651121
OMB No. 1545-0123

Final K-1 Amended K-1

Schedule K-1 (Form 1065)
Department of the Treasury
Internal Revenue Service

beginning / / ending / /

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

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS center where partnership filed return

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G General partner or LLC member-manager Limited partner or other LLC member

H1 Domestic partner Foreign partner

H2 If the partner is a disregarded entity (DE), enter the partner's TIN: Name _____

H What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

| | Beginning | Ending |
|---------|-----------|---------|
| Profit | _____ % | _____ % |
| Loss | _____ % | _____ % |
| Capital | _____ % | _____ % |

Check if decrease is due to sale or exchange of partnership interest

K Partner's share of liabilities:

| | Beginning | Ending |
|---------------------------------|-----------|----------|
| Nonrecourse | \$ _____ | \$ _____ |
| Qualified nonrecourse financing | \$ _____ | \$ _____ |
| Recourse | \$ _____ | \$ _____ |

Check this box if item K includes liability amounts from lower tier partnerships

L Partner's Capital Account Analysis

| | |
|--|----------|
| Beginning capital account | \$ _____ |
| Capital contributed during the year | \$ _____ |
| Current year net income (loss) | \$ _____ |
| Other increase (decrease) (attach explanation) | \$ _____ |
| Withdrawals and distributions | \$ _____ |
| Ending capital account | \$ _____ |

M Did the partner contribute property with a built-in gain (loss)?
 Yes No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

| | |
|-----------|----------|
| Beginning | \$ _____ |
| Ending | \$ _____ |

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

| | |
|--|---|
| 1 Ordinary business income (loss) | 14 Self-employment earnings (loss) |
| 2 Net rental real estate income (loss) | |
| 3 Other net rental income (loss) | 15 Credits |
| 4a Guaranteed payments for services | |
| 4b Guaranteed payments for capital | 16 Schedule K-3 is attached if checked <input type="checkbox"/> |
| 4c Total guaranteed payments | 17 Alternative minimum tax (AMT) items |
| 5 Interest income | |
| 6a Ordinary dividends | |
| 6b Qualified dividends | 18 Tax-exempt income and nondeductible expenses |
| 6c Dividend equivalents | |
| 7 Royalties | |
| 8 Net short-term capital gain (loss) | 19 Distributions |
| 9a Net long-term capital gain (loss) | |
| 9b Collectibles (28%) gain (loss) | 20 Other information |
| 9c Unrecaptured section 1250 gain | |
| 10 Net section 1231 gain (loss) | |
| 11 Other income (loss) | |
| 12 Section 179 deduction | 21 Foreign taxes paid or accrued |
| 13 Other deductions | |

For IRS Use Only

22 More than one activity for at-risk purposes?
23 More than one activity for passive activity purposes?
*See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065)

671121
OMB No. 1545-0123

Final K-1 Amended K-1

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

beginning / / ending / /

Shareholder's Share of Income, Deductions, Credits, etc.
See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number

B Corporation's name, address, city, state, and ZIP code

C IRS Center where corporation filed return

D Corporation's total number of shares
Beginning of tax year _____
End of tax year _____

Part II Information About the Shareholder

E Shareholder's identifying number

F Shareholder's name, address, city, state, and ZIP code

G Current year allocation percentage _____ %

H Shareholder's number of shares
Beginning of tax year _____
End of tax year _____

I Loans from shareholder
Beginning of tax year \$ _____
End of tax year \$ _____

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

| | |
|--|---|
| 1 Ordinary business income (loss) | 13 Credits |
| 2 Net rental real estate income (loss) | |
| 3 Other net rental income (loss) | 4 Interest income |
| 4a Ordinary dividends | |
| 4b Qualified dividends | 14 Schedule K-3 is attached if checked <input type="checkbox"/> |
| 6 Royalties | 15 Alternative minimum tax (AMT) items |
| 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) | 9 Net section 1231 gain (loss) |
| 10 Other income (loss) | 16 Items affecting shareholder basis |
| | 17 Other information |
| | 11 Section 179 deduction |
| | 12 Other deductions |
| | 18 <input type="checkbox"/> More than one activity for at-risk purposes? |
| | 19 <input type="checkbox"/> More than one activity for passive activity purposes? |
| | * See attached statement for additional information. |

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S)

A Closer Look



Anatomy of a Partnership K-1 (Form 1065)

Schedule K-1 (Form 1065)
Department of the Treasury
Internal Revenue Service

beginning / / ending / /

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

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, and ZIP code

C IRS center where partnership is located

D Check if this is a public reporting burden (PTIP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G General partner or LLC member-manager Limited partner or other LLC member

H1 Domestic partner Foreign partner

H2 If the partner is a disregarded entity (DE), enter the partner's TIN: Name _____

H3 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

| Beginning | | Ending | |
|-----------|---|--------|---|
| Profit | % | % | % |
| Loss | % | % | % |
| Capital | % | % | % |

Check if decrease is due to sale or exchange of partnership interest

K Partner's share of liabilities:

| Beginning | | Ending | |
|---------------------------------|----|--------|----|
| Nonrecourse | \$ | \$ | \$ |
| Qualified nonrecourse financing | \$ | \$ | \$ |
| Recourse | \$ | \$ | \$ |

Check this box if item K includes an amount lower for partnerships

L Partner Analysis:

| | |
|--|----|
| Beginning capital account | \$ |
| Capital contributed during the year | \$ |
| Current year net income (loss) | \$ |
| Other increase (decrease) (attach explanation) | \$ |
| Withdrawals and distributions | \$ |
| Ending capital account | \$ |

M Did the partner contribute property with a built-in gain (loss)?
 Yes No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss):

| | |
|-----------|----|
| Beginning | \$ |
| Ending | \$ |

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Final K-1 Amended K-1
OMB No. 1545-0123

| | |
|---|---|
| 1 Ordinary business income (loss) | 14 Self-employment earnings (loss) |
| 2 Net rental real estate income (loss) | |
| 3 Other net rental income (loss) | 15 Credits |
| 4a Guaranteed payments for services | |
| 4b Guaranteed payments for capital | include K-3 is attached if checked <input type="checkbox"/> |
| 4c Total guaranteed payments | native minimum tax (AMT) items |
| 5 Interest income | |
| 6a Ordinary dividends | |
| 6b Qualified dividends | 18 Tax-exempt income and nondeductible expenses |
| 6c Dividend equivalents | |
| 7 Royalties | |
| 8 Net short-term capital gain (loss) | 19 Distributions |
| 9a Net long-term capital gain (loss) | |
| 9b Collectibles (28%) gain (loss) | 20 Other information |
| 9c Unrecaptured section 1250 gain | |
| 10 Net section 1231 gain (loss) | |
| 11 Other income (loss) | |
| 12 Section 179 deduction | sign taxes paid or accrued |
| 13 Other deductions | |
| 22 More than one activity for at-risk purposes? | |
| 23 More than one activity for passive activity purposes? | |

*See attached statement for additional information.

For IRS Use Only

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065)

Anatomy of a Partnership K-1 (Form 1065) — Upper Left



Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

beginning / / ending / /

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

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS center where partnership filed return ▶

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G General partner or LLC member-manager Limited partner or other LLC member

H1 Domestic partner Foreign partner

H2 If the partner is a disregarded entity (DE), enter the partner's:
TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ▶

- Name of Partnership.
- Name of the Partner.
- General or Limited Partnership.
- Foreign or Domestic Partnership.
- Type of Partner.

Anatomy of a Partnership K-1 (Form 1065) — Lower Left

| | |
|---|--------------------------------|
| J Partner's share of profit, loss, and capital (see instructions): | |
| | Beginning Ending |
| Profit | % % |
| Loss | % % |
| Capital | % % |
| Check if decrease is due to sale or exchange of partnership interest <input type="checkbox"/> | |
| K Partner's share of liabilities: | |
| | Beginning Ending |
| Nonrecourse \$ | \$ \$ |
| Qualified nonrecourse financing \$ | \$ \$ |
| Recourse \$ | \$ \$ |
| Check this box if Item K includes liability amounts from lower tier partnerships <input type="checkbox"/> | |
| L Partner's Capital Account Analysis | |
| Beginning capital account \$ | _____ |
| Capital contributed during the year . . . \$ | _____ |
| Current year net income (loss) \$ | _____ |
| Other increase (decrease) (attach explanation) \$ | _____ |
| Withdrawals and distributions \$(_____) | _____ |
| Ending capital account \$ | _____ |
| M Did the partner contribute property with a built-in gain (loss)? | |
| <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," attach statement. See instructions. | |
| N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss) | |
| Beginning \$ | _____ |
| Ending \$ | _____ |
| For Paperwork Reduction Act Notice, see the instructions for Form 1065. www.irs.gov | |

- Beginning & Ending Profit, Loss & Capital.
- Ending Capital is the Borrower's Ownership Percentage.
- Partner's Capital Account Analysis.

Anatomy of a Partnership K-1 (Form 1065) — Upper Right



- Ordinary Business Income (or Loss), Net Rental Real Estate Income (or Loss), Other Net Rental Income (or Loss).
- Guaranteed Payments for Services, Capital and Total Guaranteed Payments.

651121
OMB No. 1545-0123

Final K-1 Amended K-1

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

| | |
|---|--|
| 1 Ordinary business income (loss) | 14 Self-employment earnings (loss) |
| 2 Net rental real estate income (loss) | |
| 3 Other net rental income (loss) | 15 Credits |
| 4a Guaranteed payments for services | |
| 4b Guaranteed payments for capital | 16 Schedule K-3 is attached if checked ▶ <input type="checkbox"/> |
| 4c Total guaranteed payments | 17 Alternative minimum tax (AMT) items |
| 5 Interest income | |
| 6a Ordinary dividends | |
| 6b Qualified dividends | 18 Tax-exempt income and nondeductible expenses |
| 6c Dividend equivalents | |
| 7 Royalties | |
| 8 Net short-term capital gain (loss) | |

Anatomy of a Partnership K-1 (Form 1065) — Lower Right

- Distributions.

| | | |
|--|---|-------------------------|
| | | 19 Distributions |
| 9a Net long-term capital gain (loss) | | A |
| 9b Collectibles (28%) gain (loss) | | |
| 9c Unrecaptured section 1250 gain | | |
| 10 Net section 1231 gain (loss) | | |
| 11 Other income (loss) | | |
| 12 Section 179 deduction | 20 Other information | |
| 13 Other deductions | | |
| 22 <input type="checkbox"/> More than one activity for at-risk purposes* | 21 Foreign taxes paid or accrued | |
| 23 <input type="checkbox"/> More than one activity for passive activity purposes* | | |
| *See attached statement for additional information. | | |
| For IRS Use Only | | |
| <small>irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065)</small> | | |

Anatomy of an S Corporation K-1 (Form 1120-S)



671121
OMB No. 1545-0123

Final K-1 Amended K-1

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

beginning / / ending / /

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

Part I Information About the Corporation

A Corporation's employer identification number

B Corporation's name, address, and ZIP code

C IRS Center where corporate

D Corporation's total number of shares
Beginning of tax year
End of tax year

Part II Information About the Shareholder

E Shareholder's identifying number

F Shareholder's name, address, city, state, and ZIP code

G Current year allocation percentage %

H Shareholder's number of shares
Beginning of tax year
End of tax year

I Loans from shareholder
Beginning of tax year
End of tax year

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

| | | | |
|----|--|----|--|
| 1 | Ordinary business income (loss) | 13 | Credits |
| 2 | Net rental real estate income (loss) | | |
| 3 | Other net rental income (loss) | | |
| 4 | Interest income | | |
| 5a | Ordinary dividends | | |
| 5b | Qualified dividends | | check: Schedule K-3 is attached if checked |
| 6 | Royalties | | Alternative minimum tax (AMT) items |
| 7 | Net short-term capital gain (loss) | | |
| 8a | Net long-term capital gain (loss) | | |
| 8b | Collectibles (28%) gain (loss) | | |
| 9c | Unrecaptured section 1250 gain | | |
| 9 | Net section 1231 gain (loss) | 16 | Items affecting shareholder basis |
| 10 | Other income (loss) | | |
| 11 | Section 179 deduction | | |
| 12 | Other deductions | | |
| 18 | <input type="checkbox"/> More than one activity for at-risk purposes* | | |
| 19 | <input type="checkbox"/> More than one activity for passive activity purposes* | | |

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www.irs.gov/Form1120-S Cat. No. 115200 Schedule K-1 (Form 1120-S)

Anatomy of an S Corporation K-1 (Form 1120-S) — Upper Left

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

beginning / / ending / /

**Shareholder's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.

Part I Information About the Corporation

A Corporation's employer identification number

B Corporation's name, address, city, state, and ZIP code

C IRS Center where corporation filed return

D Corporation's total number of shares
Beginning of tax year
End of tax year

Part II Information About the Shareholder

E Shareholder's identifying number

F Shareholder's name, address, city, state, and ZIP code

- Name of S Corporation.
- Name of the Shareholder.

Anatomy of an S Corporation K-1 (Form 1120-S) — Lower Left

| | | | |
|--|--|-------------------------|---|
| G | Current year allocation percentage | <input type="text"/> | % |
| H | Shareholder's number of shares | | |
| | Beginning of tax year | <input type="text"/> | |
| | End of tax year | <input type="text"/> | |
| I | Loans from shareholder | | |
| | Beginning of tax year | \$ <input type="text"/> | |
| | End of tax year | \$ <input type="text"/> | |
| For IRS Use Only | | | |
| <small>For Paperwork Reduction Act Notice, see the Instructions for Form 1120-S. www</small> | | | |

- Ownership percentage (allocation percentage).

Anatomy of an S Corporation K-1 (Form 1120-S) — Upper Right



- Ordinary Business Income (or Loss), Net Rental Real Estate Income (or Loss), Other Net Rental Income (or Loss).

671121
OMB No. 1545-0123

Final K-1 Amended K-1

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

| | | | |
|-----------|--------------------------------------|-----------|--|
| 1 | Ordinary business income (loss) | 13 | Credits |
| 2 | Net rental real estate income (loss) | | |
| 3 | Other net rental income (loss) | | |
| 4 | Interest income | | |
| 5a | Ordinary dividends | | |
| 5b | Qualified dividends | 14 | Schedule K-3 is attached if checked <input type="checkbox"/> |
| 6 | Royalties | 15 | Alternative minimum tax (AMT) items |
| 7 | Net short-term capital gain (loss) | | |
| 8a | Net long-term capital gain (loss) | | |
| 8b | Collectibles (28%) gain (loss) | | |
| 8c | Unrecaptured section 1250 gain | | |

Anatomy of an S Corporation K-1 (Form 1120-S) — Lower Right

- Distributions.

| | | | |
|---|--|----|-----------------------------------|
| 9 | Net section 1231 gain (loss) | 16 | Items affecting shareholder basis |
| 10 | Other income (loss) | | D |
| | | | |
| | | | |
| | | | |
| | | 17 | Other information |
| 11 | Section 179 deduction | | |
| 12 | Other deductions | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| 18 | <input type="checkbox"/> More than one activity for at-risk purposes* | | |
| 19 | <input type="checkbox"/> More than one activity for passive activity purposes* | | |
| * See attached statement for additional information. | | | |
| <small>w.irs.gov/Form1120S Cat. No. 11520D Schedule K-1 (Form 1120-S)</small> | | | |

Knowledge Check Two

Is the following **True** or **False**?

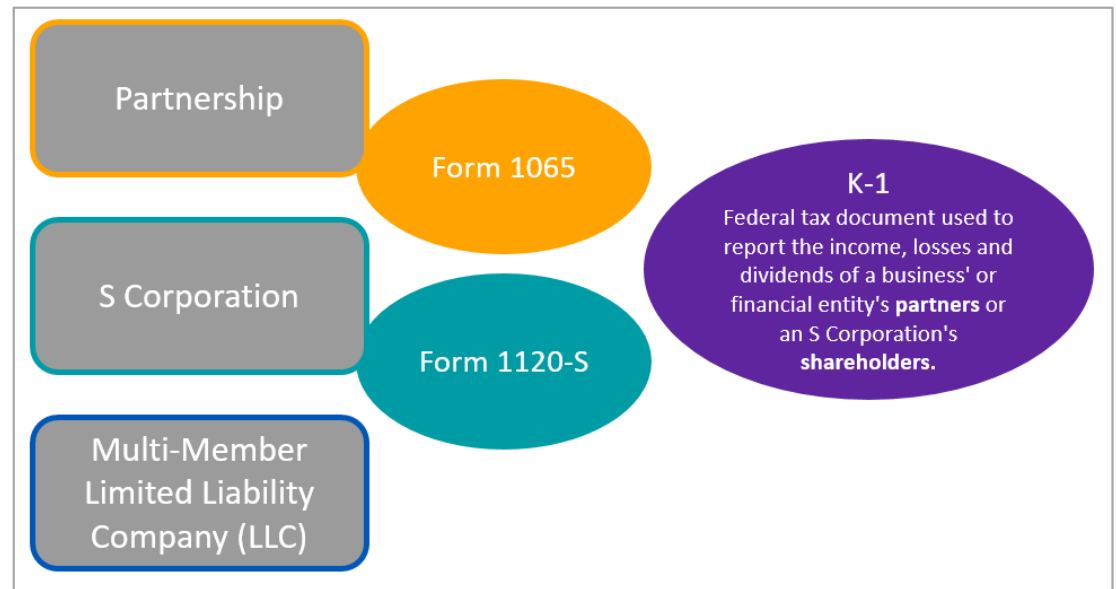
- While Schedule K-1 is generated by the business tax returns, it is considered part of the personal tax return.



Check Your Understanding Two

The correct answer is **True**.

- *You will need all K-1s indicated on the Schedule E even if the AUS does not require business tax returns.*



Partnerships



Partnership Definition

A Partnership is the business relationship existing between two or more persons who join to carry on a trade or business.

A partnership, like a sole proprietorship, is legally and financially inseparable from its owners. Profits and losses may be passed through to the owners' personal income for tax purposes. Debts and liabilities pass through as well.

Owners are called partners.



Partnerships

The business itself pays no business income tax. Instead, the owners pay taxes on the income at individual rates based on their proportionate share of profit or loss.

A Partnership will report the income and expenses of the business on Form 1065, which is a separate business tax return. Owners do not receive W-2s.

The net income (or loss) on the 1065 is carried to the individual's Schedule K-1. Taxable income is passed through to the 1040, Schedule E.

Two Types of Partnerships

General

Each partner has unlimited liability for all debts and obligations of the Partnership.

Limited

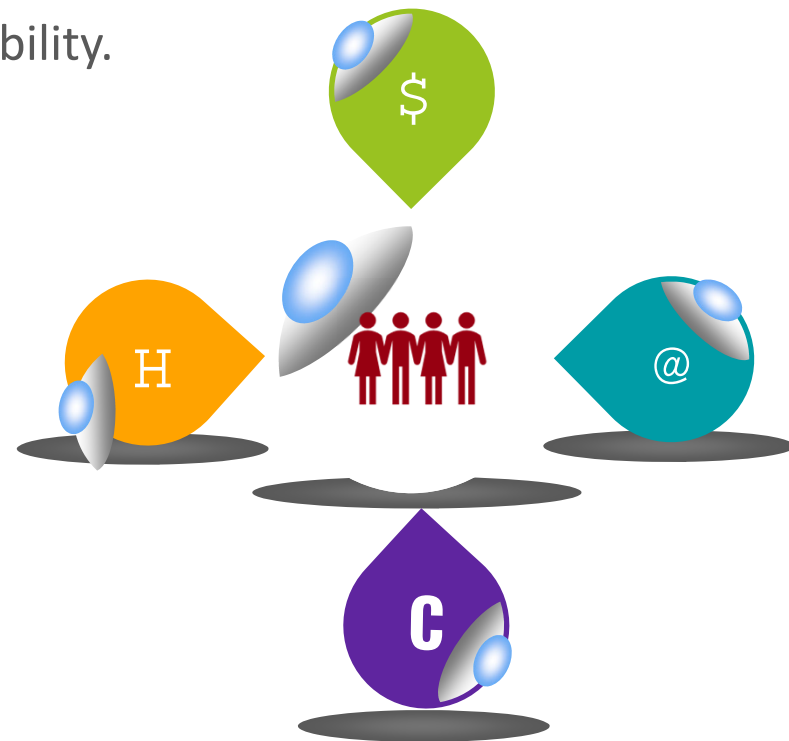
A limited Partnership consists of one or more general partners and one or more limited partners. Limited partners have limited liability. Their liability is limited to the amount of their investment.

General Partnership

Each Partner is a **General Partner**.

Every General Partner has 100% Personal Liability.

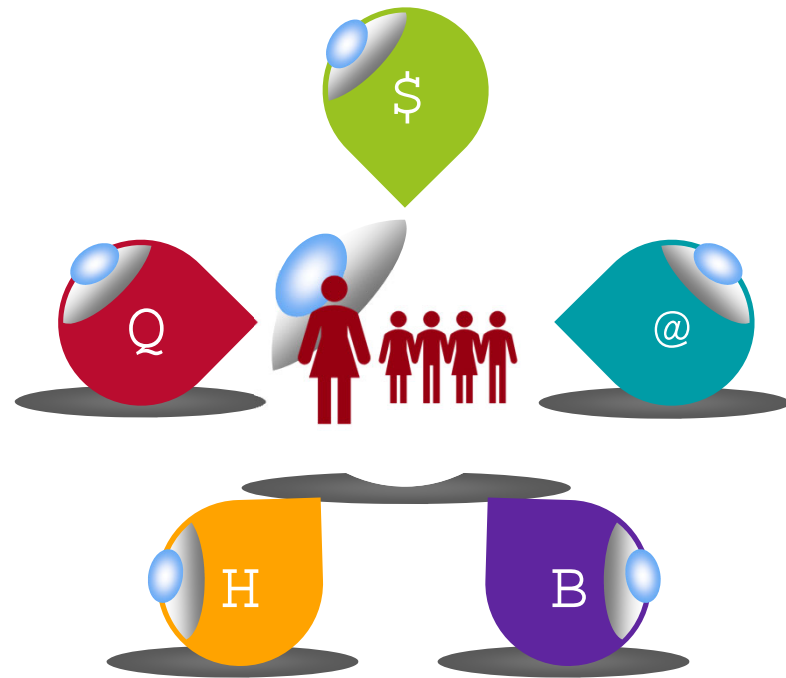
- A** General Partner #1
51% Ownership/100% Liability
- B** General Partner #2
20% Ownership/100% Liability
- C** General Partner #3
15% Ownership/100% Liability
- D** General Partner #4
14% Ownership/100% Liability



Limited Partnership

At least One Partner is a **General Partner**. General Partners have 100% Liability.
Limited Partners have Limited Liability.

- A** General Partner #1
20% Ownership/100% Liability
- B** Limited Partner #2
20% Ownership/Liability limited to investment
- C** Limited Partner #3
20% Ownership/Liability limited to investment
- D** Limited Partner #4
20% Ownership/Liability limited to investment
- E** Limited Partner #5
20% Ownership/Liability limited to investment



Guaranteed Payments

Guaranteed payments to partners are compensation to owners of a partnership in return for time invested, services provided, or capital made available.

The payments are *essentially* a salary for partners that is **independent of whether the partnership is successful.**



Partnerships — Form 1065 and Schedule K-1 (Form 1065)

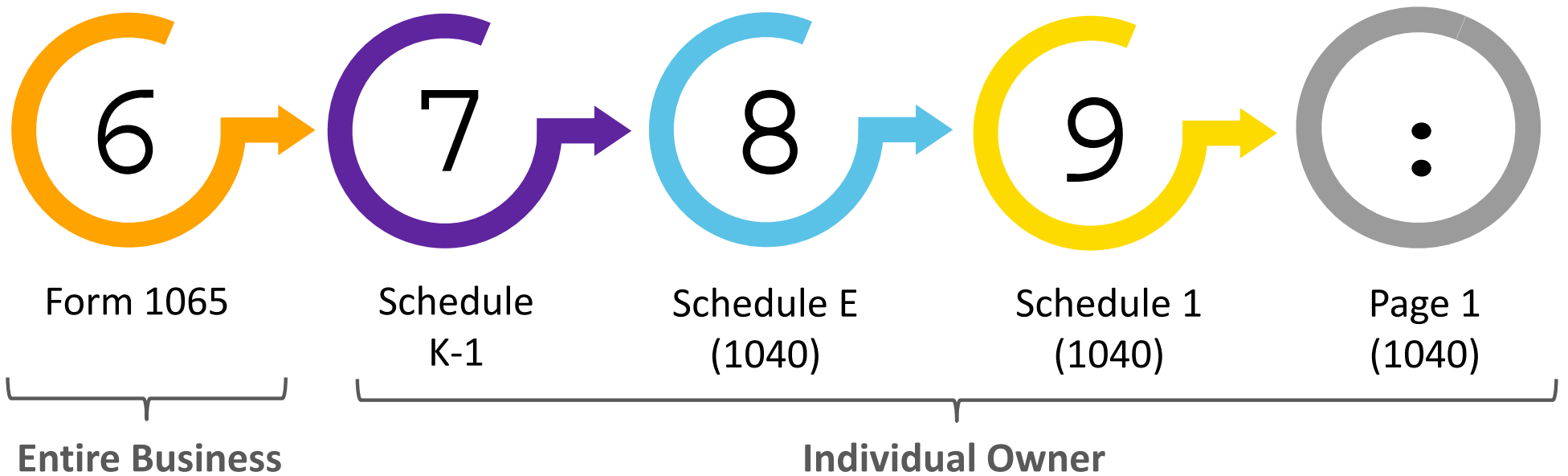


Partnerships must file the Form 1065 (six base pages and a K-1 for each owner); however, filed return can be longer due to additional schedules and attachments.

The image shows a collage of tax forms for partnerships. On the left, there are several pages of Form 1065 (2023), including the 'Analysis of Schedules' page, 'Partners' Distributive Share Items' (Schedule K), 'Other Information' (Schedule B), and 'U.S. Return of Partnership Income' (Form 1065). The main form is 'U.S. Return of Partnership Income' (Form 1065) for the year 2023. It includes sections for 'Partners' Distributive Share Items', 'Other Information', and 'U.S. Return of Partnership Income'. The 'Income' section includes lines for Gross receipts or sales, Cost of goods sold, Ordinary income (loss), Net farm profit (loss), Net gain (loss) from Form 4797, and Total income (loss). The 'Deductions' section includes lines for Salaries and wages, Guaranteed payments, Bad debts, Rent, Taxes and licenses, Interest, Depreciation, and Other deductions. The 'Tax and Payment' section includes lines for Ordinary business income (loss), Interest due under the look-back method, Other taxes, and Total balance due. The 'Sign Here' section includes fields for the partner or limited liability company member and the preparer. The 'Paid Preparer Use Only' section includes fields for the preparer's name, address, and signature.

The image shows a Schedule K-1 (Form 1065) for the year 2023. It is a form used to report a partner's share of a partnership's current year income, deductions, credits, and other items. The form includes sections for 'Part I Information About the Partnership', 'Part II Information About the Partner', and 'Partner's Share of Current Year Income, Deductions, Credits, and Other Items'. The 'Part I' section includes fields for the partnership's name, address, city, state, and ZIP code, and the partner's name, address, city, state, and ZIP code. The 'Part II' section includes fields for the partner's share of profit, loss, and capital, and the partner's share of ordinary business income, net rental real estate income, and other income. The 'Partner's Share of Current Year Income, Deductions, Credits, and Other Items' section includes fields for the partner's share of ordinary business income, net rental real estate income, other net rental income, guaranteed payments for services, guaranteed payments for capital, other guaranteed payments, interest income, ordinary dividends, qualified dividends, tax-exempt income and nondeductible expenses, distributions, net long-term capital gain, net short-term capital gain, net section 1231 gain, other income, section 179 deduction, and foreign taxes paid or accrued.

Partnership — How Income Flows



Partnerships Cash Flow — Form 1065, Page 1



| Form 1065 | | U.S. Return of Partnership Income | | OMB No. 1545-0123 |
|---|---|---|--------------------------------|---|
| Department of the Treasury Internal Revenue Service | | For calendar year 2023, or tax year beginning _____, ending _____, 20 23 | | Go to www.irs.gov/Form1065 for instructions and the latest information. |
| A Principal business activity | Name of partnership | | | D Employer identification number |
| B Principal product or service | Type or Print | Number, street, and room or suite no. If a P.O. box, see instructions. | E Date business started | |
| C Business code number | City or town, state or province, country, and ZIP or foreign postal code | | | F Total assets (see instructions) |
| | | | | \$ |
| G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return | | | | |
| H Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify): _____ | | | | |
| I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: _____ | | | | |
| J Check if Schedules C and M-3 are attached: <input type="checkbox"/> | | | | |
| K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes | | | | |
| Caution: Include only trade or business income and expenses on lines 1a through 23 below. See instructions for more information. | | | | |
| Income | 1a Gross receipts or sales | b Less returns and allowances | c Balance | 1c |
| | 2 Cost of goods sold (attach Form 1125-A) | | | 2 |
| | 3 Gross profit. Subtract line 2 from line 1c | | | 3 |
| | 4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | | | 4 |
| | 5 Net farm profit (loss) (attach Schedule F (Form 1040)) | | | 5 |
| | 6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | | | 6 |
| | 7 Other income (loss) (attach statement) | | | 7 |
| | 8 Total income (loss). Combine lines 3 through 7 | | | 8 |
| Deductions <small>(see instructions for limitations)</small> | 9 Salaries and wages (other than to partners) (less employment credits) | | | 9 |
| | 10 Guaranteed payments to partners | | | 10 |
| | 11 Repairs and maintenance | | | 11 |
| | 12 Bad debts | | | 12 |
| | 13 Rent | | | 13 |
| | 14 Taxes and licenses | | | 14 |
| | 15 Interest (see instructions) | | | 15 |
| | 16a Depreciation (if required, attach Form 4562) | 16a | | 16c |
| | b Less depreciation reported on Form 1125-A and elsewhere on return | 16b | | 16c |
| | 17 Depletion (Do not deduct oil and gas depletion.) | | | 17 |
| | 18 Retirement plans, etc. | | | 18 |
| | 19 Employee benefit programs | | | 19 |
| | 20 Energy efficient commercial buildings deduction (attach Form 7205) | | | 20 |
| | 21 Other deductions (attach statement) | | | 21 |
| 22 Total deductions. Add the amounts shown in the far right column for lines 9 through 21 | | | 22 | |
| 23 Ordinary business income (loss). Subtract line 22 from line 8 | | | 23 | |
| Tax and Payment | 24 Interest due under the look-back method—completed long-term contracts (attach Form 8697) | | | 24 |
| | 25 Interest due under the look-back method—income forecast method (attach Form 8866) | | | 25 |
| | 26 BBA AAR imputed underpayment (see instructions) | | | 26 |
| | 27 Other taxes (see instructions) | | | 27 |
| | 28 Total balance due. Add lines 24 through 27 | | | 28 |
| | 29 Elective payment election amount from Form 3800 | | | 29 |
| | 30 Payment (see instructions) | | | 30 |
| | 31 Amount owed. If the sum of line 29 and line 30 is smaller than line 28, enter amount owed | | | 31 |
| | 32 Overpayment. If the sum of line 29 and line 30 is larger than line 28, enter overpayment | | | 32 |
| | 32 | | | 32 |
| Sign Here | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge. | | | May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Paid Preparer Use Only | Print/Type preparer's name | Preparer's signature | Date | Check <input type="checkbox"/> if self-employed PTIN |
| | Firm's name | Firm's EIN | Phone no. | |
| | Firm's address | | | |

Income Section

Deductions Section

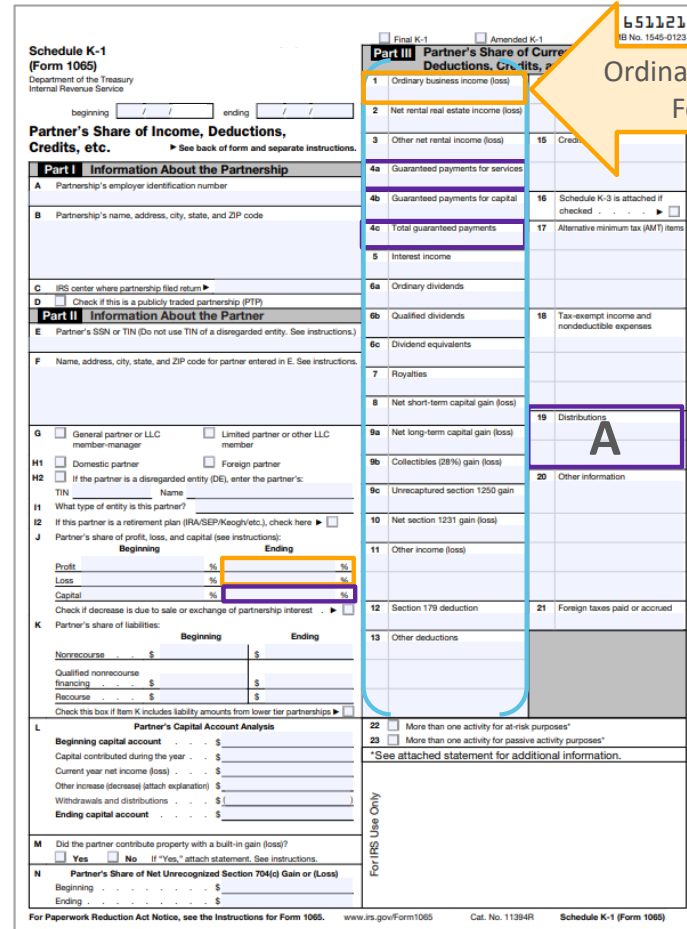
Guaranteed Payments to Schedule K-1.

Ordinary Income to Schedule K-1.



Partnerships Cash Flow — Schedule K-1 (Form 1065)

Ordinary Income (or Loss) from the 1065 is multiplied by the Individual Owner's Percentage of Profit or Loss.



The image shows a Schedule K-1 (Form 1065) with several key areas highlighted and annotated:

- Part III Partner's Share of Current Deductions, Credits, etc.:** Line 1, "Ordinary business income (loss)", is highlighted in orange. An orange arrow points to it with the text "Ordinary Income from Form 1065."
- Part I Information About the Partnership:** Section A, "Partnership's employer identification number", is highlighted in purple.
- Part II Information About the Partner:** Section J, "Partner's share of profit, loss, and capital", is highlighted in orange. The "Beginning" and "Ending" columns for "Profit" and "Loss" are also highlighted in orange.
- Part IV Distributions:** Line 19, "Distributions", is highlighted in purple and contains a large letter "A".
- Form 1065 Header:** The top right corner shows "651121" and "Form No. 1045-0123".

Income and deductions are typically combined and transferred to the Schedule E as either Passive or Non-Passive Income or Loss.

Partnerships Cash Flow — Schedule E (Form 1040)



Ordinary Income from Schedule K-1s.

Schedule E (Form 1040) Attachment Sequence No. **13** Page **2**
 Name(s) shown on return. Do not enter name and social security number if shown on other side. Your social security number

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations — Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on line 28 and attach Form 6198. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section. Yes No

| 28 | (a) Name | (b) Enter "P" for partnership, "S" for S corporation | (c) Check if foreign partnership | (d) Employer identification number | (e) Check if basis computation is required | (f) Check if any amount is not at risk |
|----|----------|--|----------------------------------|------------------------------------|--|--|
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |
| D | | | | | | |

| Passive Income and Loss | | Nonpassive Income and Loss | | |
|--|--------------------------------------|--|--|---|
| (g) Passive loss allowed (attach Form 8582 if required) | (h) Passive income from Schedule K-1 | (i) Nonpassive loss allowed (see Schedule K-1) | (j) Section 179 expense deduction from Form 4562 | (k) Nonpassive income from Schedule K-1 |
| A | | | | |
| B | | | | |
| C | | | | |
| D | | | | |
| 29a Totals | | | | |
| b Totals | | | | |
| 30 Add columns (h) and (k) of line 29a | | | | 30 |
| 31 Add columns (g), (i), and (j) of line 29b | | | | 31 |
| 32 Total partnership and S corporation income or (loss). Combine lines 30 and 31 | | | | 32 |

Part III Income or Loss From Estates and Trusts

| 33 | (a) Name | (b) Employer identification number |
|----|----------|------------------------------------|
| A | | |
| B | | |

| Passive Income and Loss | | Nonpassive Income and Loss | |
|--|--------------------------------------|---|------------------------------------|
| (c) Passive deduction or loss allowed (attach Form 8582 if required) | (d) Passive income from Schedule K-1 | (e) Deduction or loss from Schedule K-1 | (f) Other income from Schedule K-1 |
| A | | | |
| B | | | |
| 34a Totals | | | |
| b Totals | | | |
| 35 Add columns (d) and (f) of line 34a | | | 35 |
| 36 Add columns (c) and (e) of line 34b | | | 36 |
| 37 Total estate and trust income or (loss). Combine lines 35 and 36 | | | 37 |

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

| 38 | (a) Name | (b) Employer identification number | (c) Excess inclusion from Schedules Q, line 2c (see instructions) | (d) Taxable income (net loss) from Schedules Q, line 1c | (e) Income from Schedules Q, line 3b |
|--|----------|------------------------------------|---|---|--------------------------------------|
| A | | | | | |
| B | | | | | |
| 39 Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below | | | | | 39 |

Part V Summary

| | | | |
|--|--|----|----|
| 40 Net farm rental income or (loss) from Form 4835. Also, complete line 42 below | | | 40 |
| 41 Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5 | | | 41 |
| 42 Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AD; and Schedule K-1 (Form 1041), box 14, code F. See instructions | | 42 | |
| 43 Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules | | 43 | |

Total Income or Loss to Schedule 1.



Partnerships Cash Flow — Schedule 1 (Form 1040)



Profit or Loss from
Schedule E.

| SCHEDULE 1 (Form 1040) | | Additional Income and Adjustments to Income | | OMB No. 1545-0074 |
|--|---|--|-----------------------------|--------------------------------------|
| Department of the Treasury Internal Revenue Service | | ▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information. | | Attachment Sequence No. 01 |
| Name(s) shown on Form 1040, 1040-SR, or 1040-NR | | | Your social security number | |
| Part 1 Additional Income | | | | |
| 1 | Taxable refunds, credits, or offsets of state and local income taxes | 1 | | |
| 2a | Alimony received | 2a | | |
| b | Date of original divorce or separation agreement (see instructions) ▶ | | | |
| 3 | Business income or (loss). Attach Schedule C | 3 | | |
| 4 | Other gains or (losses). Attach Form 4797 | 4 | | |
| 5 | Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E | 5 | | |
| 6 | Farm income or (loss). Attach Schedule F | 6 | | |
| 7 | Unemployment compensation | 7 | | |
| 8 | Other income: | | | |
| a | Net operating loss | 8a | | |
| b | Gambling income | 8b | | |
| c | Cancellation of debt | 8c | | |
| d | Foreign earned income exclusion from Form 2555 | 8d | | |
| e | Taxable Health Savings Account distribution | 8e | | |
| f | Alaska Permanent Fund dividends | 8f | | |
| g | Jury duty pay | 8g | | |
| h | Prizes and awards | 8h | | |
| i | Activity not engaged in for profit income | 8i | | |
| j | Stock options | 8j | | |
| k | Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property | 8k | | |
| l | Olympic and Paralympic medals and USOC prize money (see instructions) | 8l | | |
| m | Section 951(a) inclusion (see instructions) | 8m | | |
| n | Section 951A(a) inclusion (see instructions) | 8n | | |
| o | Section 461(f) excess business loss adjustment | 8o | | |
| p | Taxable distributions from an ABLÉ account (see instructions) | 8p | | |
| z | Other income. List type and amount ▶ | 8z | | |
| 9 | Total other income. Add lines 8a through 8z | 9 | | |
| 10 | Combine lines 1 through 7 and 9. Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 | 10 | | |

Additional Income
to 1040.

Partnerships Cash Flow — Form 1040, Page 1



Form 1040 Department of the Treasury—Internal Revenue Service **2023** U.S. Individual Income Tax Return

OMB No. 1545-0074 (PS Use Only—Do not write or staple in this space.)

For the year Jan. 1-Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 2023. See separate instructions.

Your first name and middle initial _____ Last name _____ Your social security number _____

If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____

Home address (number and street). If you have a P.O. box, see instructions. Apt. no. _____ Presidential Election Campaign
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.
 You Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. State _____ ZIP code _____

Foreign country name _____ Foreign province/state/county _____ Foreign postal code _____

Filing Status Single Head of household (HOH) Married filing jointly (even if only one had income) Married filing separately (MFS) Qualifying surviving spouse (QSS)

Check only one box. If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1959 Are blind Spouse: Was born before January 2, 1959 Is blind

Dependents (see instructions):

| (1) First name | Last name | (2) Social security number | (3) Relationship to you | (4) Check the box if qualifies for (see instructions): Child tax credit | Credit for other dependents |
|----------------|-----------|----------------------------|-------------------------|--|-----------------------------|
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |
| | | | | <input type="checkbox"/> | <input type="checkbox"/> |

Income

| 1a | 1b | 1c | 1d | 1e | 1f | 1g | 1h | 1i | 1j | 2a | 2b | 3a | 3b | 4a | 4b | 5a | 5b | 6a | 6b | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | |
|---|--|---|---|---|---|------------------------------|--|---|-------------------------|---------------------|------------------|---------------------|--------------------|-------------------|----------------|------------------------|----------------|--------------------------|----------------|---|--|--|---|--|--|---|---|---------------------|--|
| Total amount from Form(s) W-2, box 1 (see instructions) | Household employee wages not reported on Form(s) W-2 | Tip income not reported on line 1a (see instructions) | Medicaid waiver payments not reported on Form(s) W-2 (see instructions) | Taxable dependent care benefits from Form 2441, line 26 | Employer-provided adoption benefits from Form 8839, line 29 | Wages from Form 9819, line 6 | Other earned income (see instructions) | Nontaxable combat pay election (see instructions) | Add lines 1a through 1h | Tax-exempt interest | Taxable interest | Qualified dividends | Ordinary dividends | IRA distributions | Taxable amount | Pensions and annuities | Taxable amount | Social security benefits | Taxable amount | If you elect to use the lump-sum election method, check here (see instructions) | Capital gain or (loss). Attach Schedule D if required. If not required, check here | Additional income from Schedule 1, line 10 | Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income | Adjustments to income from Schedule 1, line 26 | Subtract line 10 from line 9. This is your adjusted gross income | Standard deduction or itemized deductions (from Schedule A) | Qualified business income deduction from Form 8995 or Form 8995-A | Add lines 12 and 13 | Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income |

Standard Deduction for—

- Single or Married filing separately: \$13,850
- Married filing jointly or Qualifying surviving spouse: \$27,700
- Head of household: \$20,800
- If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 113208 Form 1040 (2023)

Additional Income from Schedule 1.



Knowledge Check Three

Is the following **True** or **False**?

- Guaranteed Payments to Partners are determined by the individual partner's profit percentage.



Check Your Understanding Three

The correct answer is **False**.

- *Guaranteed Payments to Partners are determined by the Partnership Agreement, without regard to profit or ownership percentages. If applicable, they are paid out regardless of business performance (profit or loss).*



S Corporations



S Corporation Definition

An S Corporation is a corporation that elects to pass income, losses, deductions and credits through to their shareholders for federal tax purposes.

Owners are called shareholders.



S Corporations

The business itself pays no business income tax. Instead, the owner pays taxes on the income at individual rates.

An S Corporation will report the income and expenses of the business on Form 1120-S, which is a separate business tax return. Owners typically receive W-2s.

S Corporations are limited to 100 shareholders.

The net income (or loss) on the 1120-S is carried to the individual's K-1 Form. Taxable income is passed through to the Schedule E.

S Corporation — Form 1120-S



The 1120-S is made up of five (5) pages, but the filed return may be much longer due to additional schedules and attachments.

Form 1120-S (2023) Schedule M-1 Reconciliation of Income (Loss) Note: The corporation may be required to file this schedule if it has a net operating loss for the year.

Form 1120-S (2023) Schedule K Shareholders' Pro Rata Share Items (continued)

Form 1120-S (2023) Schedule B Other Information (see instructions) (continued)

Form 1120-S (2023) Schedule L Balance Sheets per Books

Form 1120-S (2023) Schedule M-2 Analysis of Accumulated Adjustments Previously Taxed, Accumulated (see instructions)

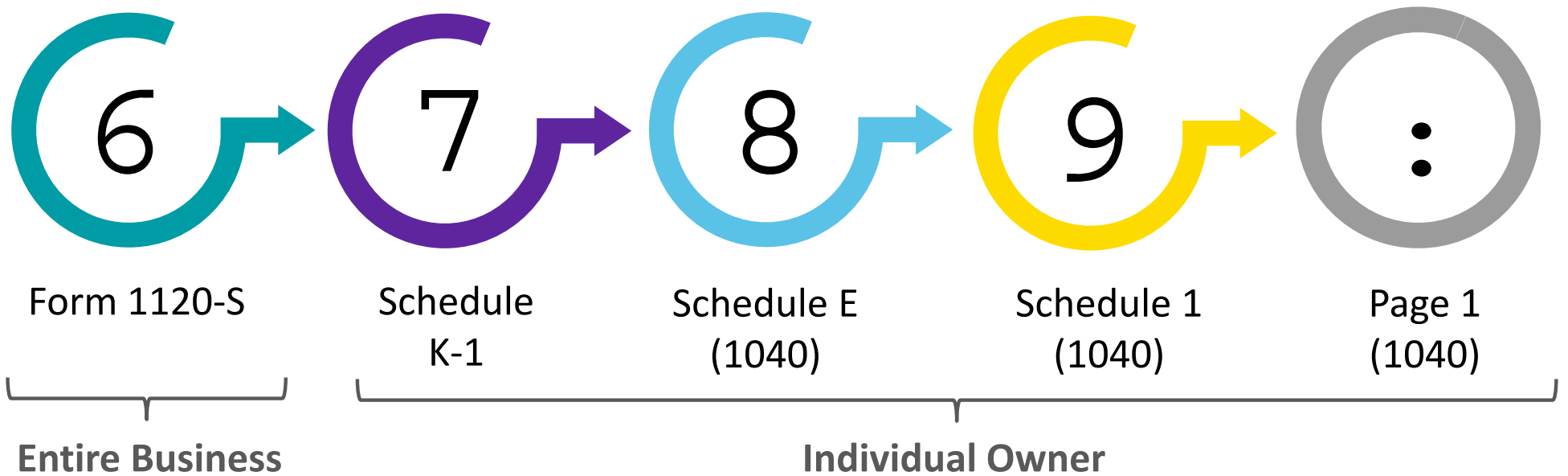
Form 1120-S (2023) Schedule K Shareholders' Pro Rata Share Items

Form 1120-S (2023) Schedule B Other Information (see instructions)

Form 1120-S (2023) U.S. Income Tax Return for an S Corporation

The image displays five pages of Form 1120-S (2023) and several associated schedules. Page 1 is the main U.S. Income Tax Return for an S Corporation, containing sections for income, deductions, and tax payments. Pages 2 through 6 are supplementary schedules: Schedule M-1 (Reconciliation of Income (Loss)), Schedule K (Shareholders' Pro Rata Share Items), Schedule L (Balance Sheets per Books), Schedule M-2 (Analysis of Accumulated Adjustments Previously Taxed, Accumulated), and another Schedule K (Shareholders' Pro Rata Share Items). Each page contains various tables and forms for reporting financial data, including income, expenses, assets, liabilities, and shareholder distributions. The forms include checkboxes for various options and instructions for completion.

S Corporation — How Income Flows



S Corporations Cash Flow — Form 1120-S



| Form 1120-S | | U.S. Income Tax Return for an S Corporation | | OMB No. 1545-0123 |
|--|--|--|-------------|--|
| Department of the Treasury Internal Revenue Service | | | 2023 | |
| Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. Go to www.irs.gov/Form1120S for instructions and the latest information. | | | | |
| For calendar year 2023 or tax year beginning 2023, ending 20 | | | | |
| A S election effective date | | Name | | D Employer identification number |
| B Business activity code number (see instructions) | | TYPE OR PRINT Number, street, and room or suite no. If a P.O. box, see instructions. | | E Date incorporated |
| C Check if Sch. M-3 attached <input type="checkbox"/> | | City or town, state or province, country, and ZIP or foreign postal code | | F Total assets (see instructions) |
| G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No | | H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination | | G Total assets (see instructions) |
| I Enter the number of shareholders who were shareholders during any part of the tax year | | J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes | | S |
| Caution: Include only trade or business income and expenses on lines 1a through 22. See the instructions for more information. | | | | |
| 1a Gross receipts or sales | | b Less returns and allowances | | c Balance |
| 2 Cost of goods sold (attach Form 1125-A) | | 3 Gross profit. Subtract line 2 from line 1c | | 4 Net gain (loss) from Form 4797, line 17 (attach Form 4797) |
| 5 Other income (loss) (see instructions—attach statement) | | 6 Total income (loss). Add lines 3 through 5 | | 7 Compensation of officers (see instructions—attach Form 1125-E) |
| 8 Salaries and wages (less employment credits) | | 9 Repairs and maintenance | | 10 Bad debts |
| 11 Rents | | 12 Taxes and licenses | | 13 Interest (see instructions) |
| 14 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) | | 15 Depletion (Do not deduct oil and gas depletion.) | | 16 Advertising |
| 17 Pension, profit-sharing, etc., plans | | 18 Employee benefit programs | | 19 Energy efficient commercial buildings deduction (attach Form 7205) |
| 20 Other deductions (attach statement) | | 21 Total deductions. Add lines 7 through 20 | | 22 Ordinary business income (loss). Subtract line 21 from line 6 |
| 23a Excess net passive income or LIFO recapture tax (see instructions) | | 23b Tax from Schedule D (Form 1120-S) | | 23c Add lines 23a and 23b (see instructions for additional taxes) |
| 24a Current year's estimated tax payments and preceding year's overpayment credited to the current year | | 24b Tax deposited with Form 7004 | | 24c Credit for federal tax paid on fuels (attach Form 4136) |
| 24d Elective payment election amount from Form 3800 | | 24z Add lines 24a through 24d | | 25 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> |
| 26 Amount owed. If line 24z is smaller than the total of lines 23c and 25, enter amount owed | | 27 Overpayment. If line 24z is larger than the total of lines 23c and 25, enter amount overpaid | | 28 Enter amount from line 27: Credited to 2024 estimated tax Refunded |
| Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. | | | | |
| Sign Here | | Signature of officer | | Date Title |
| Paid Preparer Use Only | | Print/Type preparer's name | | Preparer's signature Date |
| | | Firm's name | | Check <input type="checkbox"/> if self-employed PTIN |
| | | Firm's address | | Firm's EIN |
| | | Phone no. | | |

Income Section

Deductions Section

Compensation of Officers to Form 1125-E and 1040.

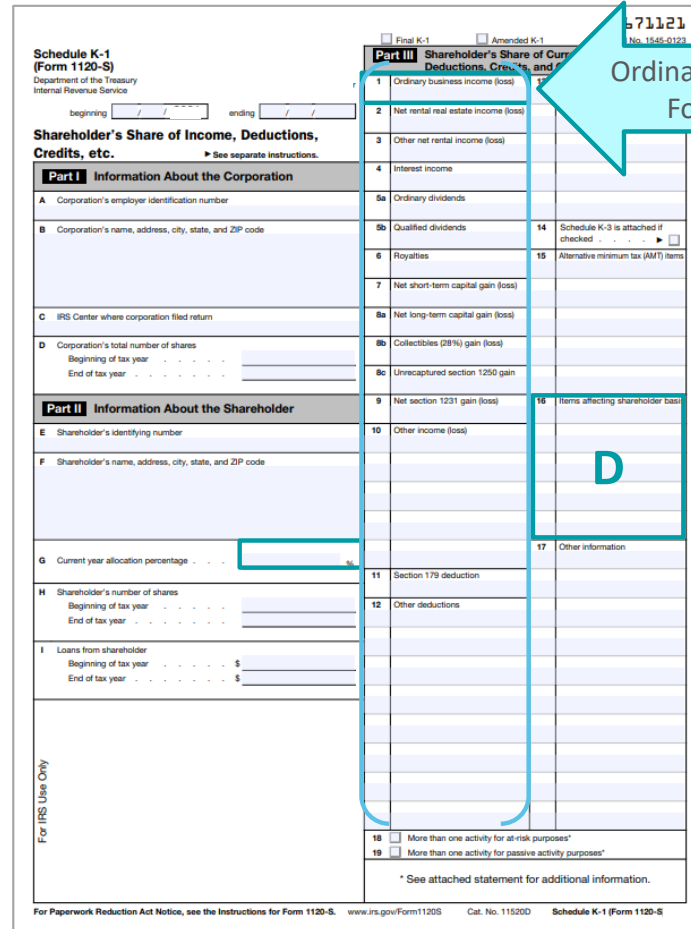
Ordinary Income to Schedule K-1s.



S Corporations Cash Flow — Schedule K-1 (Form 1120-S)

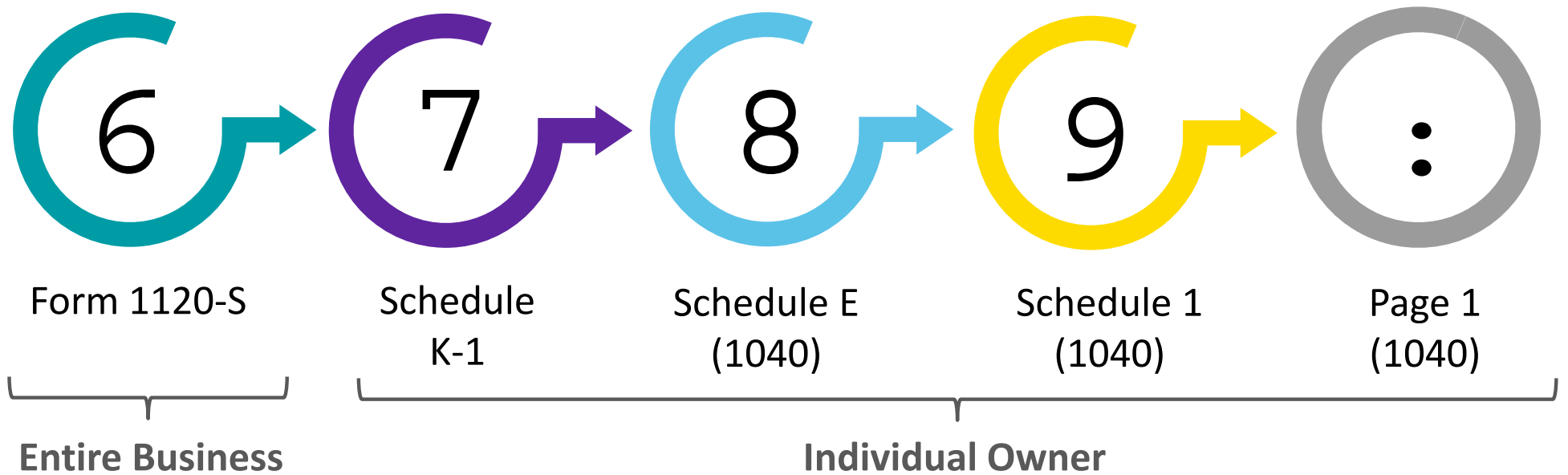
Ordinary Income (or Loss) from the 1120-S is multiplied by the Current Year Allocation Percentage.

Income and deductions are typically combined and transferred to the Schedule E as either Passive or Non-Passive Income or Loss.



The image shows a Schedule K-1 (Form 1120-S) for the year 2021. A red arrow points to line 1, 'Ordinary business income (loss)', with the text 'Ordinary Income from Form 1120-S.' A red box labeled 'D' is drawn around lines 9 through 17, which include 'Net section 1231 gain (loss)', 'Other income (loss)', 'Other information', 'Section 179 deduction', and 'Other deductions'. A red box labeled 'D' is also drawn around line 16, 'Items affecting shareholder basis'. The form includes sections for 'Information About the Corporation', 'Information About the Shareholder', and 'For IRS Use Only'.

S Corporation — How Income Flows



Knowledge Check Four

Is the following **True** or **False**?

- The 1120-S is made up of five (5) pages, but the filed return may be much longer due to additional schedules and attachments.

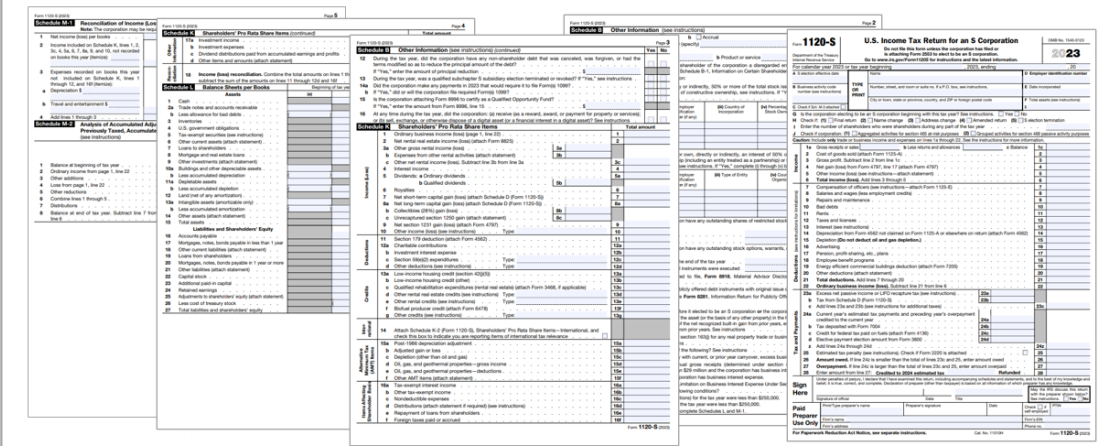


Check Your Understanding Four

The correct answer is **True**.

- *The 1120-S is made up of five (5) pages, but the filed return may be much longer due to additional schedules and attachments.*

The 1120-S is made up of five (5) pages, but the filed return may be much longer due to additional schedules and attachments.



Limited Liability Companies



Limited Liability Company Definition

A Limited Liability Company is a hybrid legal entity (allowed by state statute) that has certain characteristics of both a Corporation and a Partnership or Sole Proprietorship.

Owners are called members.



Limited Liability Companies

The business itself pays no business income tax. Instead, the owner pays taxes on the income at individual rates.

A multi-member LLC will report the income and expenses for the business on either Form 1065 or Form 1120-S (they can choose how they wish to structure). A single-member LLC will file a Schedule C.

If the business is structured like an S Corporation, W-2s are typical. However, if structured like a Sole Proprietorship or Partnership, owners do not typically receive W-2s.

Limited Liability Companies



Limited Liability Companies do not have their "own" tax form — they will file either a Schedule C, Form 1065 or Form 1120-S.

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship)

OMB No. 1545-0074
2023
Attachment Sequence No. 09

Department of the Treasury
Internal Revenue Service
Go to www.irs.gov/ScheduleC for instructions and the latest information.

Name of proprietor _____ Social security number (SSN) _____

Principal business or profession, including product or service (see instructions) _____ B Enter code from instructions _____

Business name, if no separate business name, leave blank _____ D Employer ID number (EIN) (see instr.) _____

Business address (including suite or room no.) _____
City, town or post office, state, and ZIP code _____

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) _____
G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses _____ Yes No
H If you started or acquired this business during 2023, check here _____
I Do you make any payments in 2023 that would require you to file Form(s) 1099? See instructions _____ Yes No
J "Yes," did you or will you file required Form(s) 1099? _____ Yes No

Part I Income

| | | |
|---|--|---|
| 1 | Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "statutory employee" box on that form was checked <input type="checkbox"/> | 1 |
| 2 | Returns and allowances | 2 |
| 3 | Subtract line 2 from line 1 | 3 |
| 4 | Cost of goods sold (from line 43) | 4 |
| 5 | Gross profit. Subtract line 4 from line 3 | 5 |
| 6 | Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) | 6 |
| 7 | Gross income. Add lines 5 and 6 | 7 |

Part II Expenses. Enter expenses for business use of your home only on line 30.

| | | | | | |
|----|---|-----|-----|---|-----|
| 8 | Advertising | 8 | 18 | Office expenses (see instructions) | 18 |
| 9 | Car and truck expenses (see instructions) | 9 | 19 | Pension and profit-sharing plans (see instructions) | 19 |
| 10 | Commissions and fees | 10 | 20 | Rent or lease (see instructions) | 20 |
| 11 | Contract labor (see instructions) | 11 | 20a | Vehicles, machinery, and equipment | 20a |
| 12 | Depletion | 12 | 20b | Other business property | 20b |
| 13 | Depreciation and section 179 expense deduction (not included in Part III) (see instructions) | 13 | 21 | Repairs and maintenance | 21 |
| 14 | Employee benefit programs (other than on line 19) | 14 | 22 | Supplies (not included in Part III) | 22 |
| 15 | Insurance (other than health) | 15 | 23 | Taxes and licenses | 23 |
| 16 | Interest (see instructions): | 16a | 24 | Travel and meals: | 24 |
| a | Mortgage (paid to banks, etc.) | 16a | 24a | Travel | 24a |
| b | Other | 16b | 24b | Deductible meals (see instructions) | 24b |
| 17 | Legal and professional services | 17 | 25 | Utilities | 25 |
| 18 | Total expenses before expenses for business use of home. Add lines 8 through 27b | 18 | 26 | Wages (less employment credits) | 26 |
| 19 | Tentative profit or (loss). Subtract line 28 from line 7 | 19 | 27a | Other expenses (from line 48) | 27a |
| 20 | Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. | 20 | 27b | Energy efficient commercial bldgs deduction (attach Form 7250) | 27b |
| 21 | Simplified method filers only: Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____ Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 | 21 | 28 | Total deductions. Add the amounts shown in the far right column for lines 9 through 21 | 28 |
| 22 | Net profit or (loss). Subtract line 30 from line 20 | 22 | 29 | Ordinary business income (loss). Subtract line 22 from line 8 | 29 |
| 23 | If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estates and trusts, enter on Form 1041, line 3. | 23 | 30 | Interest due under the look-back method—completed long-term contracts (attach Form 8697) | 30 |
| 24 | If a loss, you must go to line 32. | 24 | 31 | Interest due under the look-back method—income forecast method (attach Form 8699) | 31 |
| 25 | If you have a loss, check the box that describes your investment in this activity. See instructions. | 25 | 32 | BBA AAR imputed underpayment (see instructions) | 32 |
| 26 | If you checked 25a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. If you checked the box on line 1, see the 31 instructions. Estates and trusts, enter on Form 1041, line 3. | 26 | 33 | Other taxes (see instructions) | 33 |
| 27 | If you checked 25b, you must attach Form 6198. Your loss may be limited. | 27 | 34 | Total balance due. Add lines 24 through 27 | 34 |
| 28 | | 28 | 35 | Elective payment election amount from Form 3800 | 35 |
| 29 | | 29 | 36 | Amount owed (see instructions) | 36 |
| 30 | | 30 | 37 | Amount owed, if the sum of line 29 and line 30 is smaller than line 28, enter amount owed | 37 |
| 31 | | 31 | 38 | Overpayment, if the sum of line 29 and line 30 is larger than line 28, enter overpayment | 38 |
| 32 | | 32 | 39 | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge. | 39 |

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2023

Form 1065 U.S. Return of Partnership Income

OMB No. 1545-0123
2023

Department of the Treasury
Internal Revenue Service
Go to www.irs.gov/Form1065 for instructions and the latest information.

A Principal business activity _____ Name of partnership _____ D Employer identification number _____

B Principal product or service _____ Number, street, and room or suite no., if a P.O. box, see instructions _____ E Date business started _____

C Business code number _____ City or town, state or province, country, and ZIP or foreign postal code _____ F Total assets (see instructions) _____

G Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return

H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) _____

I Number of Schedules K-1. Attach one for each partner who was a partner at any time during the tax year _____

J Check if Schedules C and M-3 are attached _____

K Check if partner(s): (1) Aggregated activities for section 465 at-risk purposes (2) Grouped activities for section 469 passive activity purposes

Caution: Include only trade or business income and expenses on lines 1a through 23 below. See instructions for more information.

| | | | | | |
|-----|---|-----|-----|---|-----|
| 1a | Gross receipts or sales | 1a | 1c | Balance | 1c |
| 2 | Cost of goods sold (attach Form 1125-A) | 2 | 3 | Gross profit. Subtract line 2 from line 1a | 3 |
| 3 | Gross profit. Subtract line 2 from line 1a | 3 | 4 | Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | 4 |
| 4 | Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) | 4 | 5 | Net farm profit (loss) (attach Schedule F (Form 1040)) | 5 |
| 5 | Net farm profit (loss) (attach Schedule F (Form 1040)) | 5 | 6 | Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | 6 |
| 6 | Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) | 6 | 7 | Other income (loss) (attach statement) | 7 |
| 7 | Other income (loss) (attach statement) | 7 | 8 | Total income (loss). Combine lines 3 through 7 | 8 |
| 8 | Total income (loss). Combine lines 3 through 7 | 8 | 9 | Salaries and wages (other than to partners) (less employment credits) | 9 |
| 9 | Salaries and wages (other than to partners) (less employment credits) | 9 | 10 | Guaranteed payments to partners | 10 |
| 10 | Guaranteed payments to partners | 10 | 11 | Repairs and maintenance | 11 |
| 11 | Repairs and maintenance | 11 | 12 | Bad debts | 12 |
| 12 | Bad debts | 12 | 13 | Rent | 13 |
| 13 | Rent | 13 | 14 | Taxes and licenses | 14 |
| 14 | Taxes and licenses | 14 | 15 | Interest (see instructions) | 15 |
| 15 | Interest (see instructions) | 15 | 16a | Depreciation (if required, attach Form 4562) | 16a |
| 16a | Depreciation (if required, attach Form 4562) | 16a | 16b | Less depreciation reported on Form 1125-A and elsewhere on return | 16b |
| 16b | Less depreciation reported on Form 1125-A and elsewhere on return | 16b | 17 | Depletion (Do not deduct oil and gas depletion) | 17 |
| 17 | Depletion (Do not deduct oil and gas depletion) | 17 | 18 | Retirement plans, etc. | 18 |
| 18 | Retirement plans, etc. | 18 | 19 | Employee benefit programs | 19 |
| 19 | Employee benefit programs | 19 | 20 | Energy efficient commercial buildings deduction (attach Form 7205) | 20 |
| 20 | Energy efficient commercial buildings deduction (attach Form 7205) | 20 | 21 | Other deductions (attach statement) | 21 |
| 21 | Other deductions (attach statement) | 21 | 22 | Total deductions. Add the amounts shown in the far right column for lines 9 through 21 | 22 |
| 22 | Total deductions. Add the amounts shown in the far right column for lines 9 through 21 | 22 | 23 | Ordinary business income (loss). Subtract line 22 from line 8 | 23 |
| 23 | Ordinary business income (loss). Subtract line 22 from line 8 | 23 | 24 | Interest due under the look-back method—completed long-term contracts (attach Form 8697) | 24 |
| 24 | Interest due under the look-back method—completed long-term contracts (attach Form 8697) | 24 | 25 | Interest due under the look-back method—income forecast method (attach Form 8699) | 25 |
| 25 | Interest due under the look-back method—income forecast method (attach Form 8699) | 25 | 26 | BBA AAR imputed underpayment (see instructions) | 26 |
| 26 | BBA AAR imputed underpayment (see instructions) | 26 | 27 | Other taxes (see instructions) | 27 |
| 27 | Other taxes (see instructions) | 27 | 28 | Total balance due. Add lines 24 through 27 | 28 |
| 28 | Total balance due. Add lines 24 through 27 | 28 | 29 | Elective payment election amount from Form 3800 | 29 |
| 29 | Elective payment election amount from Form 3800 | 29 | 30 | Amount owed (see instructions) | 30 |
| 30 | Amount owed (see instructions) | 30 | 31 | Amount owed, if the sum of line 29 and line 30 is smaller than line 28, enter amount owed | 31 |
| 31 | Amount owed, if the sum of line 29 and line 30 is smaller than line 28, enter amount owed | 31 | 32 | Overpayment, if the sum of line 29 and line 30 is larger than line 28, enter overpayment | 32 |
| 32 | Overpayment, if the sum of line 29 and line 30 is larger than line 28, enter overpayment | 32 | 39 | Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge. | 39 |

Signature of partner or limited liability company member _____ Date _____ May the IRS discuss this return with the preparer shown below? Yes No

Preparer's name _____ Preparer's signature _____ Date _____ Check if PTIN self-employed _____ Firm's EIN _____ Firm's address _____ Phone no. _____

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 113902Z Form 1065 2023

Form 1120-S U.S. Income Tax Return for an S Corporation

OMB No. 1545-0123
2023

Department of the Treasury
Internal Revenue Service
Go to www.irs.gov/Form1120S for instructions and the latest information.

A S election effective date _____ Name _____ D Employer identification number _____

B Business activity code number (see instructions) _____ TYPE OR PRINT _____ Number, street, and room or suite no., if a P.O. box, see instructions _____ E Date incorporated _____

C Check if S-1 attached _____ City or town, state or province, country, and ZIP or foreign postal code _____ F Total assets (see instructions) _____

G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. Yes No

H Check if: (1) Final return (2) Name change (3) Address change (4) Amended return (5) S election termination

I Enter the number of shareholders who were shareholders during any part of the tax year _____

J Check if corporation: (1) Aggregated activities for section 465 at-risk purposes (2) Grouped activities for section 469 passive activity purposes

Caution: Include only trade or business income and expenses on lines 1a through 23. See the instructions for more information.

| | | | | | |
|-----|---|-----|-----|---|-----|
| 1a | Gross receipts or sales | 1a | 1c | Balance | 1c |
| 2 | Cost of goods sold (attach Form 1125-A) | 2 | 3 | Gross profit. Subtract line 2 from line 1a | 3 |
| 3 | Gross profit. Subtract line 2 from line 1a | 3 | 4 | Net gain (loss) from Form 4797, line 17 (attach Form 4797) | 4 |
| 4 | Net gain (loss) from Form 4797, line 17 (attach Form 4797) | 4 | 5 | Other income (loss) (see instructions—attach statement) | 5 |
| 5 | Other income (loss) (see instructions—attach statement) | 5 | 6 | Total income (loss). Add lines 3 through 5 | 6 |
| 6 | Total income (loss). Add lines 3 through 5 | 6 | 7 | Compensation of officers (see instructions—attach Form 1125-E) | 7 |
| 7 | Compensation of officers (see instructions—attach Form 1125-E) | 7 | 8 | Salaries and wages (less employment credits) | 8 |
| 8 | Salaries and wages (less employment credits) | 8 | 9 | Repairs and maintenance | 9 |
| 9 | Repairs and maintenance | 9 | 10 | Bad debts | 10 |
| 10 | Bad debts | 10 | 11 | Rents | 11 |
| 11 | Rents | 11 | 12 | Taxes and licenses | 12 |
| 12 | Taxes and licenses | 12 | 13 | Interest (see instructions) | 13 |
| 13 | Interest (see instructions) | 13 | 14 | Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) | 14 |
| 14 | Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) | 14 | 15 | Depletion (Do not deduct oil and gas depletion) | 15 |
| 15 | Depletion (Do not deduct oil and gas depletion) | 15 | 16 | Advertising | 16 |
| 16 | Advertising | 16 | 17 | Pension, profit-sharing, etc., plans | 17 |
| 17 | Pension, profit-sharing, etc., plans | 17 | 18 | Employee benefit programs | 18 |
| 18 | Employee benefit programs | 18 | 19 | Energy efficient commercial buildings deduction (attach Form 7205) | 19 |
| 19 | Energy efficient commercial buildings deduction (attach Form 7205) | 19 | 20 | Other deductions (attach statement) | 20 |
| 20 | Other deductions (attach statement) | 20 | 21 | Total deductions. Add lines 7 through 20 | 21 |
| 21 | Total deductions. Add lines 7 through 20 | 21 | 22 | Ordinary business income (loss). Subtract line 21 from line 6 | 22 |
| 22 | Ordinary business income (loss). Subtract line 21 from line 6 | 22 | 23a | Excise net passive income or LIFO recapture tax (see instructions) | 23a |
| 23a | Excise net passive income or LIFO recapture tax (see instructions) | 23a | 23b | Excise net passive income or LIFO recapture tax (see instructions) | 23b |
| 23b | Excise net passive income or LIFO recapture tax (see instructions) | 23b | 23c | Excise net passive income or LIFO recapture tax (see instructions) | 23c |
| 23c | Excise net passive income or LIFO recapture tax (see instructions) | 23c | 24a | Current year's estimated tax payments and preceding year's overpayment credited to the current year | 24a |
| 24a | Current year's estimated tax payments and preceding year's overpayment credited to the current year | 24a | 24b | Refundable credits | 24b |
| 24b | Refundable credits | 24b | 24c | Credit for federal tax paid on fuels (attach Form 4136) | 24c |
| 24c | Credit for federal tax paid on fuels (attach Form 4136) | 24c | 24d | Elective payment election amount from Form 3800 | 24d |
| 24d | Elective payment election amount from Form 3800 | 24d | 24e | Add lines 24a through 24d | 24e |
| 24e | Add lines 24a through 24d | 24e | 25 | Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> | 25 |
| 25 | Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/> | 25 | 26 | Amount owed, if line 24e is smaller than the total of lines 23c and 25, enter amount owed | 26 |
| 26 | Amount owed, if line 24e is smaller than the total of lines 23c and 25, enter amount owed | 26 | 27 | Overpayment, if line 24e is larger than the total of lines 23c and 25, enter amount overpaid | 27 |
| 27 | Overpayment, if line 24e is larger than the total of lines 23c and 25, enter amount overpaid | 27 | 28 | Enter amount from line 27. Credited to 2024 estimated tax. Refunded | 28 |

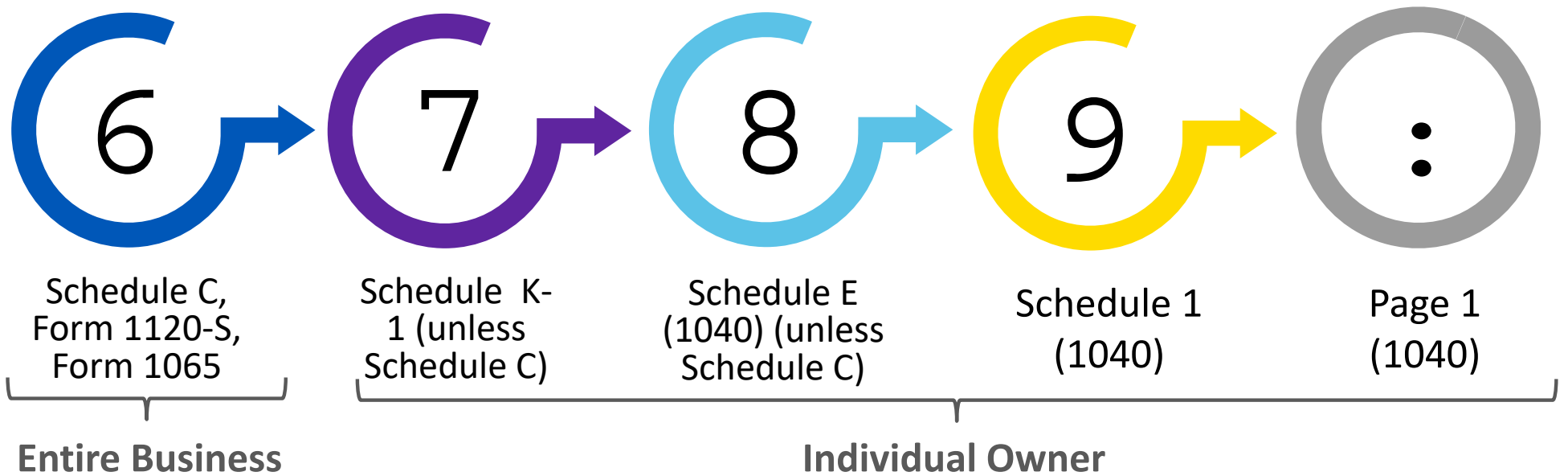
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____ May the IRS discuss this return with the preparer shown below? Yes No

Preparer's name _____ Preparer's signature _____ Date _____ Check if PTIN self-employed _____ Firm's EIN _____ Firm's address _____ Phone no. _____

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 115104 Form 1120-S 2023

Limited Liability Company — How Income Flows



Knowledge Check Five

Is the following **True** or **False**?

- Since there is no LLC tax form, all multi-member limited liability companies must file an 1120-S.



Check Your Understanding Five

The answer is **False**.

- *Multi-member LLCs can choose to structure and file as either a partnership (1065) or an S-Corporation (1120-S).*



Corporations



Corporation Definition

A Corporation is a company authorized to act as a single entity. In forming a Corporation, prospective shareholders exchange money, property, or both, for the Corporation's capital stock.

Owners are called shareholders.



The business itself pays business income tax on its income. W-2s for owners are typical. Each owner pays tax on dividends and wages at a personal tax rate.

A Corporation will report the income and expenses for the business on Form 1120.

Corporations do not file K-1s since there is no pass-through taxation. Form 1125-E shows ownership.*

**Form 1125-E isn't a required filing if total receipts are <\$500,000.*

Corporations

Closely Held

Generally, a closely held Corporation is a Corporation that has more than 50% of the value of its outstanding stock owned (directly or indirectly) by five or fewer individuals at any time during the last half of the tax year.

Publicly Traded

Publicly traded companies, or public companies, are Corporations that have sold their shares on a public stock exchange through an initial public offering to the general public. This allows anyone to purchase or sell ownership shares of the company.

Corporation — Form 1120



The 1120 is made up of six (6) pages, but the filed return may be much longer due to additional schedules and attachments.

Form 1120 (2021) **Schedule L Balance Sheets per Books**

Form 1120 (2021) **Schedule K Other Information (continue)**

Form 1120 (2021) **Schedule K Other Information (see instructions)**

Form 1120 (2021) **Schedule J Tax Computation and Payment (see instructions)**

Form 1120 (2021) **Schedule C Dividends, Inclusions, and Special Deductions**

Form 1120 (2021) **U.S. Corporation Income Tax Return**

OMB No. 1545-0022

For calendar year 2021 or tax year beginning 2021, ending 2021.

Go to www.irs.gov/Form1120 for instructions and the latest information.

Department of the Treasury Internal Revenue Service

Name: _____

Address: _____

City or town, state or province, county, and ZIP or foreign postal code: _____

Employer identification number: _____

Check if: Initial return Final return Name change Address change

1a Gross receipts or sales **1a**

1b Returns and allowances **1b**

2 Cost of goods sold (attach Form 1125-A) **2**

3 Gross profit. Subtract line 2 from line 1a **3**

4 Dividends and inclusions (Schedule C, line 23) **4**

5 Interest **5**

6 Gross rents **6**

7 Gross royalties **7**

8 Capital gain net income (attach Schedule D (Form 1120)) **8**

9 Net gain or (loss) from Form 4797, Part 8, line 17 (attach Form 4797) **9**

10 Other income (see instructions—attach statement) **10**

11 Total income. Add lines 3 through 10 **11**

12 Compensation of officers (see instructions—attach Form 1125-E) **12**

13 Salaries and wages (less employment credits) **13**

14 Repairs and maintenance **14**

15 Bad debts **15**

16 Rents **16**

17 Taxes and licenses **17**

18 Interest (see instructions) **18**

19 Charitable contributions **19**

20 Depreciation from Form 4562 not claimed on Form 1125-A or otherwise on return (attach Form 4562) **20**

21 Depletion **21**

22 Advertising **22**

23 Pension, profit-sharing, etc. plans **23**

24 Employee benefit programs **24**

25 Reserved for future use **25**

26 Other deductions (attach statement) **26**

27 Total deductions. Add lines 12 through 26 **27**

28a Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 **28a**

28b Net operating loss deduction (see instructions) **28b**

29a Special deductions (Schedule C, line 24) **29a**

29b Add lines 28a and 29a **29b**

30 Taxable income. Subtract line 29b from line 28a. See instructions **30**

31 Total tax (Schedule J, Part I, line 11) **31**

32 Reserved for future use **32**

33 Total payments and credits (Schedule J, Part II, line 23) **33**

34 Estimated tax penalty. See instructions. Check if Form 2220 is attached **34**

35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed **35**

36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid **36**

37 Enter amount from line 36 you want. Credited to 2022 estimated tax **37**

Sign Here

Signature of officer _____ Date _____ Title _____

Print/type preparer's name _____ Date _____ Check if self-employed

Preparer Use Only

Preparer's name _____ Phone no. _____

Preparer's address _____

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 114502 Form 1120

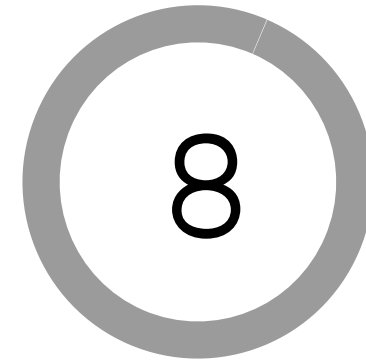
Corporation — How Income Flows



Form 1120



Form 1125-E (If
gross receipts
are > \$500,000)



Dividends and W-2
wages reported on 1040
(Schedule B and Page 1,
respectively).



Entire Business



Individual Owner

Corporations Cash Flow — Form 1120



1120 U.S. Corporation Income Tax Return OMB No. 1545-0123

Form 1120 For calendar year or tax year beginning ending 20

Department of the Treasury Internal Revenue Service

Go to www.irs.gov/Form1120 for instructions and the latest information.

A Check it:

1a Consolidated return (attach Form 981) **TYPE**

OR

2 Personal holding co. (attach Sch. PH) **PRINT**

3 Personal service corp. (see instructions)

4 Schedule M-2 attached

B Employer identification number

C Date incorporated

D Total assets (see instructions)

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

| | | |
|---|------------|--|
| 1a Gross receipts or sales | 1a | |
| b Returns and allowances | 1b | |
| c Balance. Subtract line 1b from line 1a | 1c | |
| 2 Cost of goods sold (attach Form 1125-A) | 2 | |
| 3 Gross profit. Subtract line 2 from line 1c | 3 | |
| 4 Dividends and inclusions (Schedule C, line 23) | 4 | |
| 5 Interest | 5 | |
| 6 Gross rents | 6 | |
| 7 Gross royalties | 7 | |
| 8 Capital gain net income (attach Schedule D (Form 1120)) | 8 | |
| 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) | 9 | |
| 10 Other income (see instructions—attach statement) | 10 | |
| 11 Total income. Add lines 3 through 10 | 11 | |
| 12 Compensation of officers (see instructions—attach Form 1125-E) | 12 | |
| 13 Salaries and wages (less employment credits) | 13 | |
| 14 Repairs and maintenance | 14 | |
| 15 Bad debts | 15 | |
| 16 Rents | 16 | |
| 17 Taxes and licenses | 17 | |
| 18 Interest (see instructions) | 18 | |
| 19 Charitable contributions | 19 | |
| 20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) | 20 | |
| 21 Depletion | 21 | |
| 22 Advertising | 22 | |
| 23 Pension, profit-sharing, etc., plans | 23 | |
| 24 Employee benefit programs | 24 | |
| 25 Reserved for future use | 25 | |
| 26 Other deductions (attach statement) | 26 | |
| 27 Total deductions. Add lines 12 through 26 | 27 | |
| 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. | 28 | |
| 29a Net operating loss deduction (see instructions) | 29a | |
| b Special deductions (Schedule C, line 24) | 29b | |
| c Add lines 29a and 29b | 29c | |
| 30 Taxable income. Subtract line 29c from line 28. See instructions | 30 | |
| 31 Total tax (Schedule J, Part I, line 11) | 31 | |
| 32 Reserved for future use | 32 | |
| 33 Total payments and credits (Schedule J, Part III, line 23) | 33 | |
| 34 Estimated tax penalty. See instructions. Check if Form 2220 is attached | 34 | |
| 35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed | 35 | |
| 36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid | 36 | |
| 37 Enter amount from line 36 you want: Credited to 2022 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/> | 37 | |

Sign Here

Signature of officer _____ Date _____ Title _____

Print/type preparer's name _____ Preparer's signature _____ Date _____ Check if PTIN if self-employed

Firm's name _____ Firm's EIN _____

Firm's address _____ Phone no. _____

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 114500 Form 1120

Income Section

Deductions Section

Compensation of Officers to Form 1125-E.

Profit Can Become Dividends and/or Retained Earnings.



Form 1125-E

- Form 1125-E is a Compensation of Officers schedule. It breaks down the names, stock ownership and amount of compensation for S Corporations and Corporations with \$500,000 or more in total receipts.

| Form 1125-E (Rev. October 2016) Department of the Treasury Internal Revenue Service | | Compensation of Officers ▶ Attach to Form 1120, 1120-C, 1120-F, 1120-REIT, 1120-RIC, or 1120S. ▶ Information about Form 1125-E and its separate instructions is at www.irs.gov/form1125e . | | | OMB No. 1545-0123 |
|--|--|--|------------------------|---|-------------------------------|
| Name ABC Corporation | | | | Employer identification number 98-7654321 | |
| Note: Complete Form 1125-E only if total receipts are \$500,000 or more. See instructions for definition of total receipts. | | | | | |
| (a) Name of officer | (b) Social security number (see instructions) | (c) Percent of time devoted to business | Percent of stock owned | | (f) Amount of compensation |
| | | | (d) Common | (e) Preferred | |
| Frankie Owner | 321-45-6789 | 100 % | 25 % | 20 % | \$275,000 |
| Johnny Owner | 123-45-6789 | 100 % | 20 % | 15 % | \$250,000 |

Compensation of Officers from Form 1120.

Compensation of Officers to 1040 as W-2.

- For S Corporations, this form isn't vital, since you will have a K-1. But for Corporations, if this form isn't filed, you'll have to go to outside sources to obtain ownership interest information for your borrower (State Corporation Commission, Articles of Incorporation, etc.).

Form 1040, Page 1 — Schedule B (Form 1040)



Form 1040 Department of the Treasury—Internal Revenue Service **2023** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 2023. See separate instructions.

Your first name and middle initial _____ Last name _____ Your social security number _____

If joint return, spouse's first name and middle initial _____ Last name _____ Spouse's social security number _____

Home address (number and street), if you have a P.O. box, see instructions. _____ Apt. no. _____ Presidential Election Campaign

City, town, or post office. If you have a foreign address, also complete spaces below. _____ State _____ ZIP code _____ Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.

Foreign country name _____ Foreign province/state/country _____ Foreign postal code _____ You Spouse

Filing Status Single Head of household (HOH) Married filing jointly (even if only one had income) Married filing separately (MFS) Qualifying surviving spouse (QSS)

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) Yes No

Standard Deduction Someone can claim: You as a dependent Your spouse as a dependent Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness You: Were born before January 2, 1959 Are blind **Spouse:** Was born before January 2, 1959 Is blind

Dependents (see instructions):

| (1) First name | Last name | (2) Social security number | (3) Relationship | (4) Child tax credit | Credit for other dependents |
|----------------|-----------|----------------------------|------------------|----------------------|-----------------------------|
| | | | | | |
| | | | | | |

Income

| 1a | 1b | 1c | 1d | 1e | 1f | 1g | 1h | 1i | 1j | 2a | 2b | 3a | 3b | 4a | 4b | 5a | 5b | 6a | 6b | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|--|--|---|---|---|---|------------------------------|--|---|-------------------------|---------------------|------------------|---------------------|--------------------|-------------------|----------------|------------------------|----------------|--------------------------|----------------|--|--|---|--|--|---|---|---------------------|--|
| Total amount from Form(s) W-2, box _____ | Household employee wages not reported on Form W-2, box _____ | Tip income not reported on line 1a (see instructions) | Medicaid waiver payments not reported on Form 2441, line 26 | Taxable dependent care benefits from Form 2441, line 26 | Employer-provided adoption benefits from Form 8839, line 29 | Wages from Form 9919, line 6 | Other earned income (see instructions) | Nontaxable combat pay election (see instructions) | Add lines 1a through 1j | Tax-exempt interest | Taxable interest | Qualified dividends | Ordinary dividends | IRA distributions | Taxable amount | Pensions and annuities | Taxable amount | Social security benefits | Taxable amount | Capital gain or (loss). Attach Schedule D if required. If not required, check here | Additional income from Schedule 1, line 10 | Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income | Adjustments to income from Schedule 1, line 26 | Subtract line 10 from line 9. This is your adjusted gross income | Standard deduction or itemized deductions (from Schedule A) | Qualified business income deduction from Form 8995 or Form 8995-A | Add lines 12 and 13 | Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income |

Attach Form(s) W-2 here. Also attach Forms W-9 and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, \$13,850
- Married filing jointly or Qualifying surviving spouse, \$27,700
- Head of household, \$20,800
- If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11200B Form 1040 (2023)

SCHEDULE B (Form 1040) Interest and Ordinary Dividends OMB No. 1545-0074

Department of the Treasury Internal Revenue Service (99) Attach to Form 1040 or 1040-SR. Attachment Sequence No. 08

Name(s) shown on return _____ Your social security number _____

Part I Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address

(See instructions and the Instructions for Form 1040, line 2b.)

Note: If you received a Form 1099-INT, Form 1099-DIV, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

2 Add the amounts on line 1

3 Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.

4 Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b

Note: If line 4 is over \$1,500, you must complete Part III.

Part II Ordinary Dividends

5 List name of payer

(See instructions and the Instructions for Form 1040, line 3b.)

Note: If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

6 Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b

Note: If line 6 is over \$1,500, you must complete Part III.

Part III Foreign Accounts and Trusts

You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

7a At any time during 2021, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions

If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements

b If you are required to file FinCEN Form 114, enter the name of the foreign country where the financial account is located

8 During 2021, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions.

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 17146N Schedule B (Form 1040)

Knowledge Check Six

Which of the following is NOT considered a pass-through entity?

1. Sole Proprietorship.
2. Partnership.
3. S Corporation.
4. Limited Liability Companies.
5. Corporation.



Check Your Understanding Six

The correct answer is **5. Corporation.**

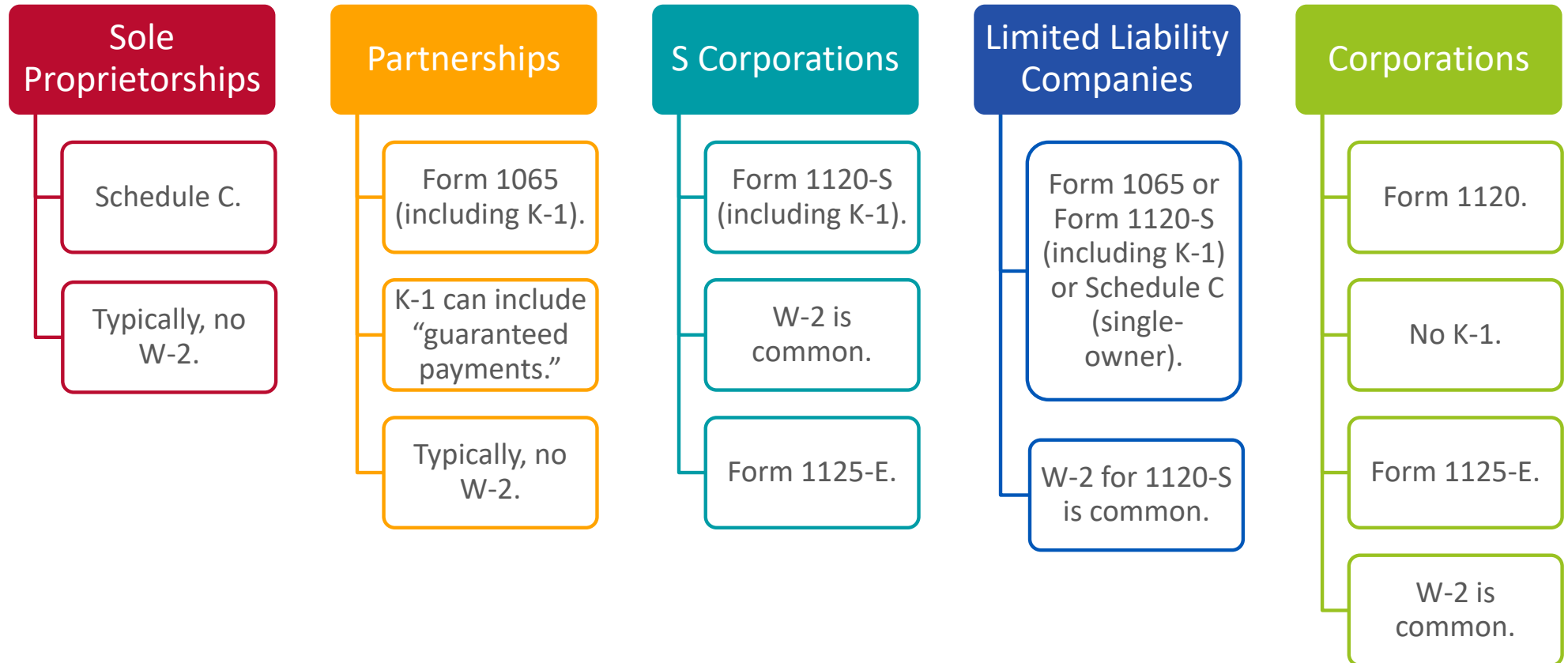
- *A corporation is NOT considered a pass-through entity as it does not file a K-1. Form 1125-E shows ownership.*



Recap of Business Entities and Forms



Business Entities Forms and Schedules



Tools, Questions and Contact



The screenshot shows the Arch MI website with several annotations. A yellow circle highlights the 'Training' dropdown menu in the top navigation bar. A yellow box highlights the dropdown menu items: 'Course Offerings', 'Upcoming Webinars', 'Training Videos and Podcasts', 'Training Resources', and 'Homebuyer Education'. A yellow arrow points from the 'Training Resources' item to a yellow box containing the text 'Calculators under Training Resources > Income Analysis'. Another yellow arrow points from the 'Welcome to Arch MI' heading to a yellow box containing the text 'If you are ready for the next step, check out our Business Tax Returns 201 webinar or video.' The website header includes 'Arch Capital Group', 'Insurance', 'Reinsurance', 'Mortgage', 'Investors', 'News', and a search icon. The main navigation includes 'Origination & Servicing', 'Underwriting', 'Training', 'Resources', and 'Contact Us'. The right sidebar has 'Get a Quote', 'Order MI', and 'Service Loans'. The footer has 'Get a Quote', 'Order MI & Service Loans', and 'Look Up Loan Status'.

THANK YOU

FOLLOW US ON:



LinkedIn (Arch Mortgage Insurance Company)

X (@archmi_us)

Facebook.com (Facebook.com/Arch-Mortgage-Insurance)

Instagram (archmi_us)

Vimeo (archmi_us)

ARCH MORTGAGE INSURANCE COMPANY® | 230 NORTH ELM STREET GREENSBORO NC 27401 | ARCHMI.COM

© 2024 Arch Mortgage Insurance Company. All Rights Reserved. Arch MI is a marketing term for Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company. Arch Mortgage Insurance Company is a registered mark of Arch Capital Group (U.S.) Inc. or its affiliates. MCUS-0423BF-0224

Diana Swift

Senior National Trainer
and Instructional Designer

dswift@archmi.com