



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 it 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

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Become Familiar with:

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



Part of the state of the state





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 selfemployed.







| Employer or Business Name | Phone () | Gross Monthly Income | |
|---|--|------------------------------|----------------|
| Address | | Base \$/ | month |
| City | State Zip | Overtime \$/ | month |
| | | Bonus \$/ | month |
| Position or Title | Check if this statement applies: | Commission \$/ | month |
| Start Date / | I am employed by a family member, property seller, real estate agent, or other party to the transaction. | Military Entitlements \$/ | mont |
| Check if you are the Business Owner or Self-Employed | | | month month |



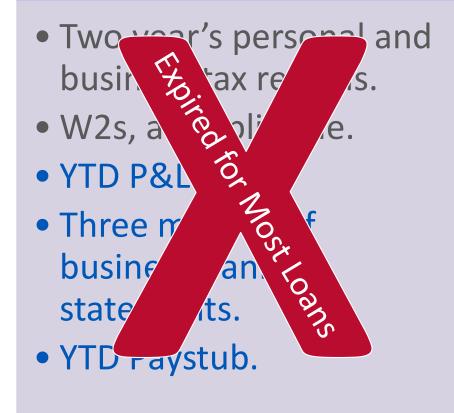
Documentation

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General Guidance

- Two year's personal and business tax returns.
- W2s, as applicable.
- YTD P&L *if* required by the investor or deemed necessary by the underwriter.
 Recommended by GSEs after 120 days.

COVID-19 Guidance







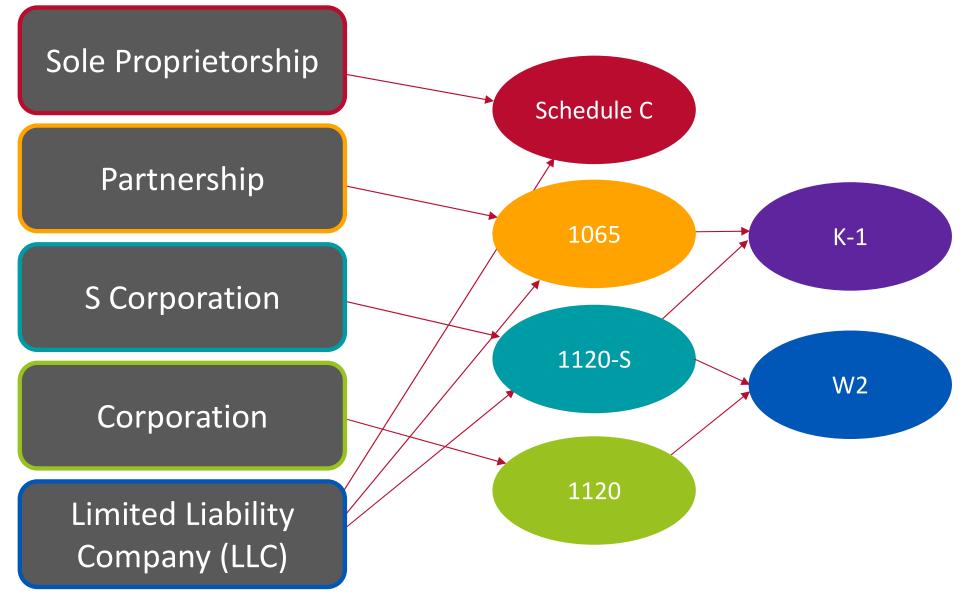
- There are five (5) types of basic business entities. The entity type determines the type of tax return that is filed:
 - Sole Proprietorship.
 - Partnership (General or Limited).
 - S Corporation.
 - Limited Liability Company.
 - Corporation (Closely Held or Publicly Traded).





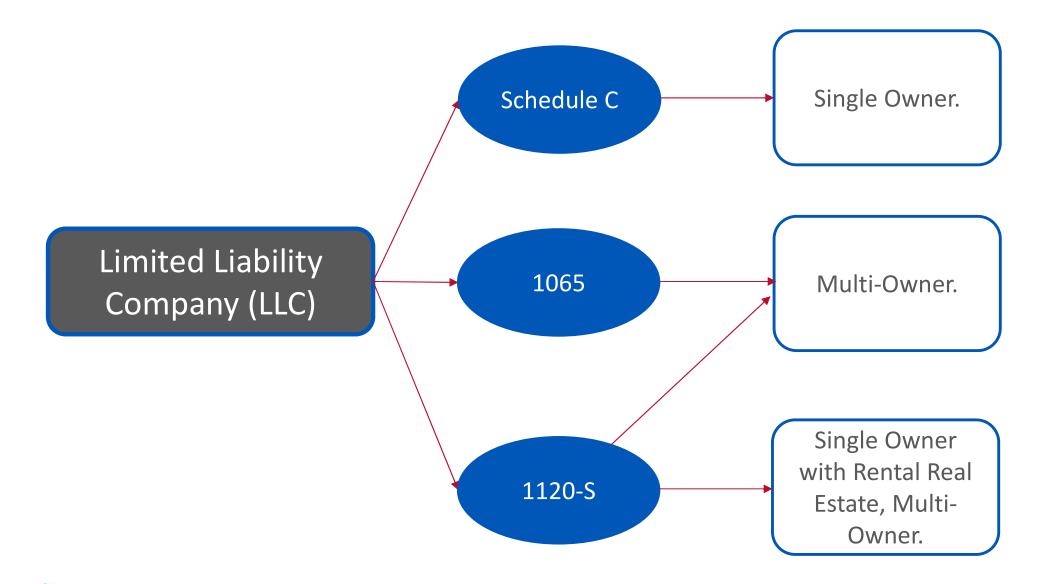
Business Structures and Tax Forms

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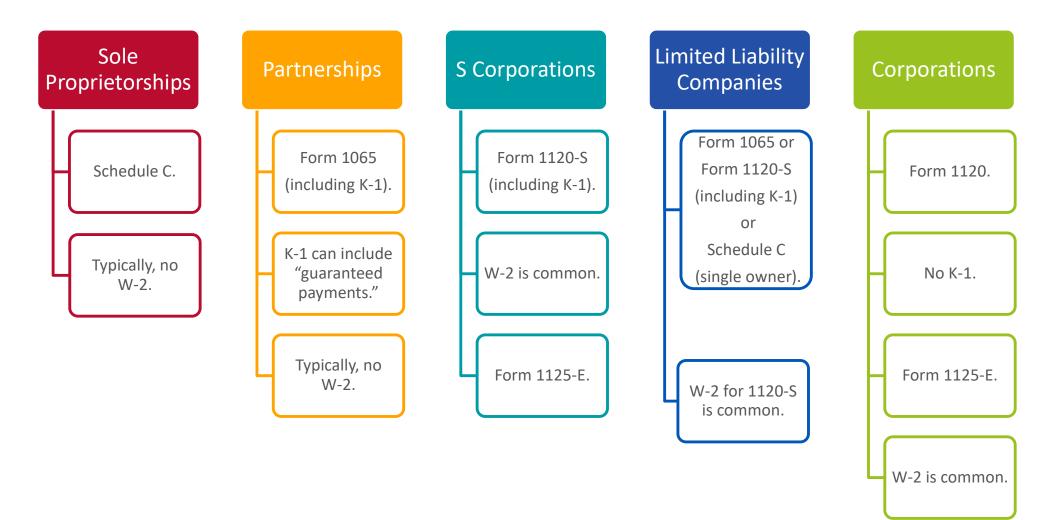
Business Structures and Tax Forms Limited Liability Company (LLC)











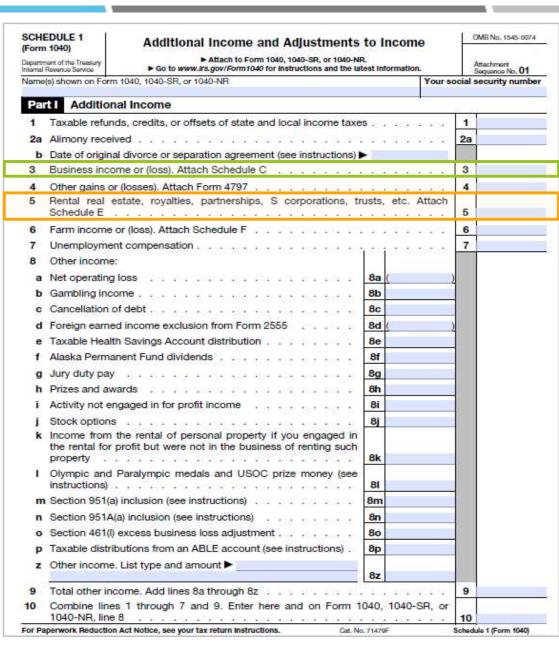


Schedule 1 (form 1040), Additional Income and Adjustments to Income



Borrower **IS** Self-Employed.

Schedule C Sole Proprietorship.



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

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|--------|----|
| | |

| A Dic B If | ent of the Treasury levenue Service (99) shown on return | | | | to Form 1040 | 1040 | | | | | | | | |
|-------------------------|--|-------------------------|----------------------|--|---------------------------------|-------------------|------------------|------------------|---------------------|----------------------|---|------------|--------|-------|
| Part A Dic B If " | shown on return | | ► Go | o to www.irs.gov | /ScheduleE fo | | | | | | | | nce No | |
| A Dio B If " | | | | | | | | | | | Your soci | al securit | y numb | er |
| B If " | | | | Rental Real Es | | | | | | | | | | , use |
| B If " | 0 | | | ons. If you are an | | | 1.12 | C 00 0 0 0 0 0 0 | 6. A 202 | acception with which | | 100 C | | |
| 10000 | l you make any Yes," did you o | | | | require you to | | | | | | | | | No |
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| в | | | | | | | | | | | | | | |
| С | | | | | | | | | | | | | | |
| 1b | Type of Prop (from list be | | al | or each rental re bove, report the | number of fa | r renta | and | | 10.0722 | Rental Days | Persona | | Q | JV |
| Α | | | F | ersonal use day you meet the re | s. Check the equirements to | file as | a | Α | | | | | 1 | 1 |
| В | | | q | ualified joint ver | nture. See inst | ruction | S. | B | | | | | L | |
| С | | 1 | | | | | | C | | | | | | |
| 1000 | of Property: | 100000 | | | | | | | | | | | | |
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| ncom | | STICE | 40 | | Properties: | | antes | A | o Une | B | | - | С | |
| 3 | Rents received | 1 | 8 W 6 | n 1997-yr yr y | 1 23-2794 | 3 | | | | | | | - | |
| 4 | Royalties recei | ved . | | | | 4 | | | | | | | | |
| Expen | ses: | | | | | | | | | | | | | |
| 5 | Advertising . | | | | | 5 | | | | |) | | | |
| 6 | Auto and trave | | | | 1. 1925.91 | 6 | | | | | | | | |
| 7 | Cleaning and r | | | | 0.103203 | 7 | | | | | | | | |
| 8 | Commissions. | | | | •) •)(•)(•) | 8 | | | | | | | | |
| 10 | Insurance Legal and othe | | | | 5 602-05 | 10 | | | - | | | | | |
| 11 | Management f | | | | | 11 | | | | | | | | |
| 12 | | | | nks, etc. (see in | structions) | 12 | | | 1 | | | | | |
| 13 | Other interest. | | | | | 13 | | | | | | | | |
| 14 | Repairs | | | 5 533333 it i | 6 633036 | 14 | | | | | | | | |
| 15 | Supplies | | | | | 15 | | | | | | | | |
| 16 | Taxes | | | | A 1972-792 | 16 | | | - | | | | | |
| 17 | Utilities Depreciation e | | | | | 17 | | | _ | | | | | |
| 19 | Other (list) | | or uep | | 1.10.001 | 19 | | | - | | | | | |
| 20 | Total expenses | s. Add lin | nes 5 t | hrough 19 . | | 20 | | | | | | | | |
| 21 | Subtract line 2 result is a (loss | 0 from I s), see ir | ine 3 (r nstructi | rents) and/or 4 ions to find out | (royalties). If if you must | 21 | | | | | | | | |
| 22 | Deductible ren | tal real | estate | loss after limit ns) | ation, if any, | 21 | | | | 0 | | c | | |
| 23a | | | | on line 3 for al | | | 2532 | 3 90 | 23a | | | | | |
| b | Total of all amo | | | | | | | 2.12 | 23b | - | | | | |
| C | | NAMES OF A | 100 C | on line 12 for a | | | e 34 - | 8 8 | 23c | | | | | |
| d | | | | on line 18 for a | | | 2.5 | * * | 23d | | | | | |
| e 24 | Total of all amo | | | nts shown on li | | | | · · | | 2 2 2020 | . 24 | | | |
| 25 | | | | m line 21 and re | | | | | | | and the second se | ĩ | | |
| 26 | Total rental re here. If Parts | eal esta II, III, IV | te and /, and | I royalty incom line 40 on pag 5. Otherwise, i | ne or (loss). ge 2 do not | Combin apply t | e lines o you | also | d 25. E enter ti | Enter the res | ult | | | |

| ruean | le E (Form 1040) | | | | | Attachment Sequence | e No. 13 | | Page 2 |
|-------------------------|--|--|--|--|---------------------------------|--|---------------------------------------|---------------------------|--|
| me(s |) shown on return. Do not enter name | and social security | umber if show | n on other side. | | | Your so | cial securi | ty number |
| uti | on: The IRS compares amour | nts reported on | vour tax ret | urn with amr | unts show | n on Schedule(s) | K-1 | | |
| art | | | | | | | | a distribut | ion dispose of |
| | stock, or receive a loan re computation. If you report line 28 and attach Form 6 | payment from an a loss from an at | S corporation -risk activity | n, you must cl | eck the box | c in column (e) on li | ne 28 and | attach the | e required basis |
| 1000 | Are you reporting any loss passive activity (if that loss see instructions before cor | s was not repor | ted on Form | | | | | If you an | |
| í | (a) Name | inpieting this se | (b) Enter P partnership for S corpor | s; S foreig | in . | (d) Employer identification number | basis co | check if mputation guired | (f) Check if any amount is not at risk |
| | | | Tur o corpor | partici | | Hartava | 0.0 | | |
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| | | | | | | | | | 10 |
| _ | Passive Income a | Ind Loss | | | No | npassive Incom | e and Lo | OSS | |
| - | (g) Passive loss allowed (attach Form 8582 if required) | (h) Passive i from Schedu | | (i) Nonpassive (see Sched | | (j) Section 179 et deduction from Fo | | | chedule K-1 |
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| - | | | | | | | - | | |
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| b | Totals | - | - | | | | | | |
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| , | Total partnership and S co | | ne or (loss | . Combine li | nes 30 and | 31 | 32 | | |
| art | | | | | (| | 1.000.1 | | |
| 3 | | | (a) Name | | | | - | (b) En identificati | |
| Т | | | | | | | | | |
| | | | | | | | | | |
| | Passive Ir | ncome and Los | S | | 10 | Nonpassive | Income | and Los | s |
| _ | (c) Passive deduction or loss all (attach Form 8582 if require | | | (d) Passive income (e) Deduction or loss from Schedule K-1 from Schedule K-1 | | | (f) Other income from Schedule K-1 | | |
| F | | | | | - | | | | |
| 4a | Totals | | | | | | | | |
| b | Totals | | | | | | 0 | | |
| 5 | Add columns (d) and (f) of lin | e 34a | | | | 14. 15. AV 14. 15. | 35 | | |
| 5 | Add columns (c) and (e) of lin | | no tout st | e estant i | | ue un las duracións un las de las duracións | 36 | (| ī |
| 7 | Total estate and trust inco | | ombine line: | s 35 and 36 | | | 37 | | |
| art | | | | | ent Cond | uits (REMICs)- | -Residu | al Hold | er |
| 3 | (a) Name | (b) Employer ide numbe | ntification | (c) Excess in Schedules (see instr | Q, line 2c | (d) Taxable income from Schedules (| a (net loss) Q, line 1b | (e) in Schede | icome from ules Q, line 3b |
| _ | | | | | | | | | |
| | - | | | | | | | | |
| | Combine columns (d) and (e) | only. Enter the | result here | and include | n the total | on line 41 below | 39 | | |
| art | V Summary | | | | | | | | |
| art | V Summary Net farm rental income or (lo | ss) from Form | 4835. Also, | complete line | 42 below | | 40 | | |
| art | V Summary Net farm rental income or (lo Total income or (loss). Combine lin | ss) from Form es 26, 32, 37, 39, ar | 4835. Also, ad 40. Enter the | complete line result here and | 42 below on Schedule | | 40 | | |
| 9 art 0 1 2 | V Summary Net farm rental income or (lo Total income or (loss). Combine lin Reconciliation of farming farming and fishing income rei (Form 1065), box 14, code B; 1 | es 26, 32, 37, 39, ar and fishing inc ported on Form 4 Schedule K-1 (Fo | 4835. Also, d 40. Enter the come. Enter 1835, line 7; prm 1120-S), | complete line result here and your gross Schedule K-1 box 17, code | a 42 below | | 40 | 2 | |
| art D 1 | V Summary Net farm rental income or (lo Total income or (loss). Combine lin Reconciliation of farming farming and fishing income rep | es 26, 32, 37, 39, ar and fishing inc ported on Form 4 Schedule K-1 (Fc 041), box 14, co fessionals. If you v come or (loss) you 0-NR from all rental | 4835. Also, ad 40. Enter the come. Enter 4835, line 7; arm 1120-S), de F. See ins vere a real esta reported any f e ac | complete line result here and your gross Schedule K-1 box 17, code structions . te professiona | 42 below on Schedule 1 42 | | 40 | | |

Corporations



No indication on 1040.

| Employer or Business Name | Phone () |
|--|--|
| Address | |
| City | State Zip |
| Position or Title | Check if this statement applie |
| Start Date / (mm/yyyy) | I am employed by a family member |
| How long in this line of work? Years Months | property seller, real estate agent, party to the transaction. |
| Check if you are the Business OI have an ownership sha | re of less than 25%. Monthly Incon |
| Owner or Self-Employed OI have an ownership sha | re of 25% or more. \$ |







Business Taxation







Entity Level Taxation vs. Pass-Through Taxation





Pass-Through Taxation

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- 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

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- **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 just two (2) pages. Additional forms/schedules (such as Form 4562) may be required.

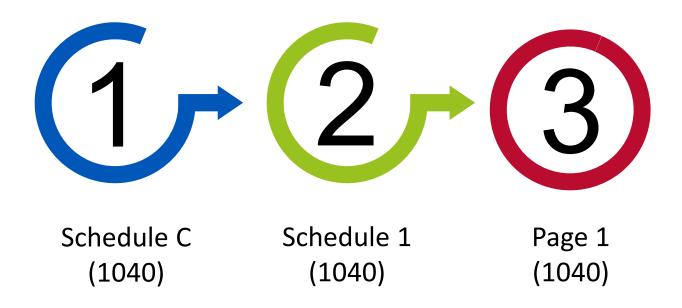
| (Form | EDULE C n 1040) | | | (Sole P | ropriet | | | OMB | No. 154 | 0-0074 |
|-------|---|--------------------------------|--|---|--|--|--|-----------------|-------------|---------|
| | nent of the Treasury Revenue Service (99) | | | | | uctions and the latest information partnerships must generally file | | Attach Seque | ance No. 09 | |
| lame | of proprietor | | | | | | Social se | curity nur | | |
| A | Principal busine | ss or professio | n, including pr | oduct or service (se | e instru | ictions) | B Enter o | ode from in | nstructi | ions |
| c | Business name. If no separate business name, leave blank. | | | | | | | | or (EIN) | (see in |
| | Business addre | es linch dino si | de er men ee | | | | | | | |
| | City, town or po | | | | | | | | | |
| F | Accounting met | | | | | Other (specify) | | | | |
| G | | | | | | 20217 If "No," see instructions for I | imit on loss | es . | Yes | 101 |
| н | | | | | | entral text destruct for deal | | . • E | | _ |
| 1 | | | | | | (s) 1099? See instructions | | E | Yes | |
| J | If "Yes," did you | or will you file | required Form | (s) 1099? | | search think reactions that read | | [] | Yes | |
| Par | Income | | | | | | | | | |
| 1 | Gross receipts | or sales. See in | structions for | ine 1 and check the | box if | this income was reported to you or | | | | |
| | | | | on that form was ci | | | 1 | | | |
| 2 | Returns and allo | | | | | | 2 | | | |
| 3 | Subtract line 21 | from line 1 | | | | retter etter entretter etter ett | 3 | | | |
| 4 | Cost of goods s | old (from line 4 | 12) | | 8.8 | | 4 | | | |
| 5 | | | | no come n | | and and another and an | 5 | | | |
| 6 | | | | | dit or r | efund (see instructions) | 6 | | | |
| 7 | Gross income. | Add lines 5 an | d6 | | | | 7 | | | |
| Part | Expenses | . Enter expe | inses for bus | iness use of you | r hom | e only on line 30. | | | | |
| 8 | Advertising . | | 8 | warmen warmen with the | 18 | Office expense (see instructions) | 18 | | | |
| 9 | Car and truck e | | | 15 | 19 | Pension and profit-sharing plans | | | | |
| | instructions) | | 9 | | 20 | Rent or lease (see instructions): | | | | |
| 10 | Commissions a | | 10 | | a | Vehicles, machinery, and equipmen | 20a | | | |
| 11 | Contract labor (se | A CARL AND A CARL AND A CARL | 11 | | 6 | Other business property | 20b | | | |
| 12 | Depletion . | | 12 | | 21 | Repairs and maintenance | 21 | | | |
| 13 | Depreciation and | d section 179 | | 1 | 22 | Supplies (not included in Part III) | - | | | |
| | expense ded | uction (not | | | 23 | Taxes and licenses | 23 | | | |
| | included in Pi instructions) | art III) (see | 13 | | 24 | Travel and meals: | | | | |
| 14 | Employee bene | | 10 | | | Travel. | 24a | | | |
| 14 | (other than on li | | 14 | | 1. | Deductible meals (see | | | | |
| 15 | Insurance (other | 1 | 15 | | • | instructions) | 246 | | | |
| 16 | Interest (see ins | CONCERNING OF THE | 15 | | 25 | Utilities | - | | | |
| | Mortgage (paid t | | 16a | | 26 | Wages (less employment credits) | 26 | | | |
| b | Other | | 16b | | 278 | | and the second s | | | |
| 17 | Legal and profess | | 17 | | ь | Reserved for future use | 27b | | | |
| 28 | | | | is use of home Arin | _ | through 27a | | | _ | _ |
| 29 | | | | | | • uwoogn zra | 20 | | _ | |
| 30 | Expenses for b unless using the | usiness use o simplified me | f your home. I thod. See instr | Do not report these uctions. | expe | nses elsewhere. Attach Form 882 | | | | |
| | | | | il square footage of | va) you | | - | | | |
| | and (b) the part | | | | | . Use the Simplified | | | | |
| | | | | re the amount to en | ter on I | ine 30 · · · · · · · · · | - 30 | | | |
| 31 | Net profit or (lo | | | | | 11 NO. 11 11 11 11 11 11 11 11 11 11 11 11 11 | | | | |
| | | | | | | edule SE, line 2. (If you Form 1041, line 3. | 31 | | | |
| | If a loss, you r | | A. C. A. | Losates and trusts, i | enter O | rom wit, me s. | _ a1 | | _ | _ |
| 32 | | | | an your investment | in this | anthultu. San instructions | | | | |
| 32 | | | | | | activity. See instructions. | | | | |
| | | | | | | ine 3, and on Schedule | 224 | All investr | montin | |
| | SE, line 2. (If yo Form 1041, line | | box on line 1, s | ee the line 31 instruc | tions.) | Estates and trusts, enter on | | Some inv | | |
| | | | t attach Econ | 6198. Your loss ma | ar ha ll | mited | 320 | at risk. | esone | ni is n |
| | - a you unecked | | e, see the sep | and the second se | y be li | intera. | | chedule C (| | |

| | Cost of Goods Sold (see instructions) | | |
|---------------------------|--|------------------|----------------------------------|
| 13 | Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (att | ach explanation) | |
| 4 | Was there any change in determining quantities, costs, or valuations between opening and closing inventor If "Yes," attach explanation | | s 🗌 No |
| 5 | Inventory at beginning of year. If different from last year's closing inventory, attach explanation | 35 | |
| 6 | Purchases less cost of items withdrawn for personal use | 36 | |
| 7 | Cost of labor. Do not include any amounts paid to yourself | 37 | |
| 8 | Materials and supplies | 38 | |
| 9 | Other costs | 39 | |
| 0 | Add lines 35 through 39 | 40 | |
| 1 | Inventory at end of year | 41 | |
| 2 | Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4 | 42 | |
| art | Information on Your Vehicle. Complete this part only if you are claiming car or are not required to file Form 4562 for this business. See the instructions for line Form 4562. | | |
| 3 | When did you place your vehicle in service for business purposes? (month/day/year) | 1 | |
| | | | |
| 4 | Of the total number of miles you drove your vehicle during 2021, enter the number of miles you used your | vehicle for: | |
| 4 | Of the total number of miles you drove your vehicle during 2021, enter the number of miles you used your Business b Commuting (see instructions) c (| | |
| a | | | |
| a 5 | Business b Commuting (see instructions) c (| Other | |
| a 5 | Businessb Commuting (see instructions)c d | Other | res 🗌 No |
| a 5 6 7a | Business b Commuting (see instructions) c d Was your vehicle available for personal use during off-duty hours? Do you (or your spouse) have another vehicle available for personal use? Do you have evidence to support your deduction? | Other 1 | res 🗌 No res 🗌 No |
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| a 15 16 17a b | Business b Commuting (see instructions) c d Was your vehicle available for personal use during off-duty hours? . Do you (or your spouse) have another vehicle available for personal use? . Do you have evidence to support your deduction? . If "Yes," is the evidence written? . V Other Expenses. List below business expenses not included on lines 8–26 or line | Other | res 🗌 No res 🗌 No res 🗌 No |
| a 5 6 7a b | Business b Commuting (see instructions) c d Was your vehicle available for personal use during off-duty hours? . Do you (or your spouse) have another vehicle available for personal use? . Do you have evidence to support your deduction? . If "Yes," is the evidence written? . V Other Expenses. List below business expenses not included on lines 8–26 or line | Other | res 🗌 No res 🗌 No res 🗌 No |

rns 101 22

Sole Proprietorship – How Income Flows







Schedule C Cash Flow Schedule C, Profit or Loss from Business

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| | (Form 1040) Department of the Treasury Go to www.ins | rofit or Loss From Business (Sole Proprietorship) .gov/ScheduleC for instructions and the latest inform 40-SR, 1040-NR, or 1041; partnerships must generally | | |
|--------------------------|---|---|---|---------------------------------------|
| | Name of proprietor | | Social security number (SSN) | |
| | A Principal business or profession, including pr | oduct or service (see instructions) | B Enter code from instructions | |
| | C Business name. If no separate business nam | e, 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) | | |
| | | on of this business during 20217 If "No," see instructions | for limit on losses . 🔲 Yes 🛄 No | |
| | | g 2021, check here | | |
| Part I Income Section | Did you make any payments in 2021 that wo J If "Yes," did you or will you file required Form | uld require you to file Form(s) 1099? See instructions . | Yes No | |
| | Part I Income | | | |
| | | ine 1 and check the box if this income was reported to yo | | |
| | | on that form was checked | 2 | |
| | 2 Returns and allowances | the state for state for state for | 3 | |
| | 4 Cost of goods sold (from line 42) | 10100101000101000 | 4 | |
| | 5 Gross profit. Subtract line 4 from line 3 . | | 5 | |
| Part II Expenses Section | 6 Other income, including federal and state ga | soline or fuel tax credit or refund (see instructions) | | |
| | Part II Expenses. Enter expenses for bus | iness use of your home only on line 30. | | |
| | 8 Advertising 8 | 18 Office expense (see instruction | | |
| | 9 Car and truck expenses (see instructions) 9 | 19 Pension and profit-sharing pla 20 Rent or lease (see instruction: | the second se | |
| | 10 Commissions and fees . 10 | a Vehicles, machinery, and equip | | |
| | 11 Contract labor (see instructions) 11 | b Other business property . | 20b | |
| | 12 Depletion | 21 Repairs and maintenance . | 21 | |
| | expense deduction (not | 22 Supplies (not included in Part 23 Taxes and licenses | III) . 22 | |
| | included in Part III) (see instructions) 13 | 24 Travel and meals: | | |
| | 14 Employee benefit programs | a Travel | 24a | |
| | (other than on line 19) . 14 15 Insurance (other than health) 15 | b Deductible meals (see | | |
| | 15 Insurance (other than health) 15 16 Interest (see instructions): | 25 Utilities | 24b 25 | Other Free encode from |
| | a Mortgage (paid to banks, etc.) 16a | 26 Wages (less employment cred | fite) 26 | Other Expenses from |
| | b Other | 27a Other expenses (from line 48) | | |
| | 17 Legal and professional services 17 28 Total expenses before expenses for business | b Reserved for future use . | . 27b . 28 | Page 2 |
| | 29 Tentative profit or (loss). Subtract line 28 from | A CALL OF A | 29 | |
| | | Do not report these expenses elsewhere. Attach Form | 8829 | |
| | unless using the simplified method. See instr Simplified method filers only: Enter the tota | | | N |
| | and (b) the part of your home used for busine | | ied | |
| | Method Worksheet in the instructions to figure | | 30 | |
| | 31 Net profit or (loss). Subtract line 30 from line | | 1 | — Net Profit or Loss |
| | checked the box on line 1, see instructions). | 1040), line 3, and on Schedule SE, line 2. (If you Estates and trusts, enter on Form 1041, line 3. | 31 | |
| | If a loss, you must go to line 32. | |] | to Schedule 1 |
| | | bes your investment in this activity. See instructions. Schedule 1 (Form 1040), line 3, and on Schedule | 1 | |
| | | ee the line 31 instructions.) Estates and trusts, enter on | 32a 🗌 All investment is at risk. | |
| | Form 1041, line 3. | | 32b Some investment is not | |
| Arch MI | If you checked 32b, you must attach Form For Paperwork Reduction Act Notice, see the sep | | / at risk. Schedule C (Form 1040) | · · · · · · · · · · · · · · · · · · · |
| acadomy | For Paperwork neoucion Act Nobce, see the sep | anate mad uc dona. Lat. No. 11334P | achedule C (Form 1040) | Business Tax Returns 101 24 |

Schedule C Cash Flow Schedule 1 (Form 1040)

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| (Form 1040) Department of the Treasury Internal Revenue Service | Additional Income and Adjustments Attach to Form 1040, 1040-SR, or 1040-NR Go to www.irs.gov/Form1040 for instructions and the lat | | | Attac | chment uence No. 01 | |
|---|--|----------|----------------|-------|------------------------|--------------------|
| | rm 1040, 1040-SR, or 1040-NR | | | | urity number | |
| Part I Additi | onal Income | | 5 | | - | |
| - 202/2010/20 | unds, credits, or offsets of state and local income taxes | | | 1 | | |
| | eived | | 213 - 260-020- | 2a | | |
| S 2 3 3 3 3 | nal divorce or separation agreement (see instructions) | | | 20 | | |
| | come or (loss). Attach Schedule C | | | 3 | | |
| 101 042/01 000 | or (losses). Attach Form 4797 | | | 4 | | |
| | estate, royalties, partnerships, S corporations, tri | | | - | | |
| | estate, royanes, partnersnips, 5 corporations, in | | | 5 | | |
| | e or (loss). Attach Schedule F | | [| 6 | | |
| | ent compensation | | [| 7 | | |
| 8 Other incon | 16: | | | | | |
| a Net operation | ng loss | 8a (|) | | | |
| | come | 8b | | | | |
| c Cancellation | n of debt | 8c | | | | |
| | ned income exclusion from Form 2555 | 8d (|) | | | |
| | alth Savings Account distribution | 8e | - | | | |
| f Alaska Perr | nanent Fund dividends | 8f | | | | |
| g Jury duty p | ay | 8g | | | | |
| h Prizes and | awards | 8h | | | | |
| | engaged in for profit income | 8i | | | | |
| | ns | 8j | | | | |
| k Income from | n the rental of personal property if you engaged in | | | | | |
| | or profit but were not in the business of renting such | 8k | | | | |
| | d Paralympic medals and USOC prize money (see | oK | | | | |
| | | 81 | | | | |
| | (a) inclusion (see instructions) | 8m | | | | |
| | A(a) inclusion (see instructions) | 8n | | | | |
| | (I) excess business loss adjustment | 80 | | | | |
| | tributions from an ABLE account (see instructions) . | 8p | | | | |
| | ne. List type and amount > | | | | | |
| | | 8z | | | | Total Addit |
| | ncome. Add lines 8a through 8z | 10101 | 112 actan | 9 | | IUtal Audit |
| 10 Combine lin | nes 1 through 7 and 9. Enter here and on Form 10 ne 8 | 40, 1040 | -SR, or | | | Income to P |



Net Profit or Loss

from Schedule C

Schedule C Cash Flow Form 1040

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| Filing Statu Check only one box. | If yo | Single Married filing jointly ou checked the MFS box, enter the son is a child but not your depende | name of | | 100 JUNE 100 COLOR | 100000 | V | | |
|--|-----------|---|------------------|------------------------|-------------------------|-----------------------------|-------------------|--|-----------------|
| Your first name | and m | iddle initial | Last n | ame | | | Your social | security number | |
| lf joint return, s | pouse's | s first name and middle initial | Last n | ame | | | Spouse's so | cial security number | |
| Home address | loumbe | er and street). If you have a P.O. box, si | e instruct | 1005 | | Apt. no. | Presidential | Election Campaign | |
| | frame | and sheety. If you have a rise box, o | | | | r pe no. | | if you, or your | |
| City, town, or p | oost offi | ce. If you have a foreign address, also | complete | spaces below. | State | ZIP code | to go to this | ing jointly, want \$3 fund. Checking a vill not change | |
| Foreign countr | y name | 3 | | Foreign province/state | /county | Foreign postal code | your tax or i | | |
| At any time di | ring 20 | 021, did you receive, sell, exchang | a or oth | anulea dienorea of ar | w financial interes | t in any vidual curre | | Yes No | |
| Standard | | eone can claim: Vou as a c | ALC: NO. | | se as a dependen | and the Way see see and the | | | |
| Deduction | | Spouse itemizes on a separate ret | | | 1994 Contraction (1997) | 6) | | | |
| Age/Diladage | Sus | : 🔲 Were born before January 2, | Accession in the | | 1999 N. 1998 | orn before January | 2 1057 | Is blind | |
| Dependent | | | 1937 | (2) Social securit | | | qualifies for (se | | |
| If more | | irst name Last name | | number | to you | Child tax of | | lit for other dependents | |
| than four | - | | | | | | 14 | | |
| dependents, see instruction | | | | | | | | | |
| and check | 3 | | | | | | | | |
| here 🕨 🗌 | | | | | | | | | |
| | 1 | Wages, salaries, tips, etc. Attach | Form(s) | W-2 | 22222 | er'n n n n | . 1 | | |
| Attach Sch. B if | 2a | Tax-exempt interest | 2a | | b Taxable intere | ist | . 2b | | |
| required. | 3a | Qualified dividends | 3a | | b Ordinary divid | | . <u>3</u> b | | |
| | 4a | IRA distributions | 4a | | b Taxable amou | | . 4b | | |
| | 5a | Pensions and annuities | 5a | | b Taxable amou | | . 5b | | |
| Standard | 6a | Social security benefits | 6a | | b Taxable amou | | . <u>6</u> b | | Other Incom |
| Deduction for | 7 | Capital gain or (loss). Attach Sch | | | | | 7 | | Other Incom |
| Married filing | 8 | Other income from Schedule 1, I | | | | | . 8 | | fuere Cale adul |
| separately, \$12,950 | 9 | Add lines 1, 2b, 3b, 4b, 5b, 6b, 7 | | | come | | ▶ 9 | | from Schedul |
| Married filing jointly or | 10 | Adjustments to income from Sch | | | NERRE | | . 10 | | |
| Qualifying | 11 | Subtract line 10 from line 9. This | | 15 0 Eccold 0.0 | | | 11 | | |
| surviving spouse, \$25,900 | 12a | Standard deduction or itemize | | | | 2a | | | N |
| Head of household. | b | Charitable contributions if you tak | | 14 | e instructions) | 2b | - | | |
| \$19,400 | c | | | | | e n n n n n n | . 12c | | |
| If you checked any box under | 13 | Qualified business income dedu | ction from | n Form 8995 or Forr | n 8995-A | n n n n n n | . 13 | | |
| any box under | 14 | Add lines 12c and 13 | 2. 21. 21. | 2 2 2 2 2 2 | 2 2 2 2 2 | | . 14 | | |
| Standard Deduction, | 15 | Taxable income. Subtract line 1 | 12/2+1 (A) | | 111 Sal | | . 15 | | |



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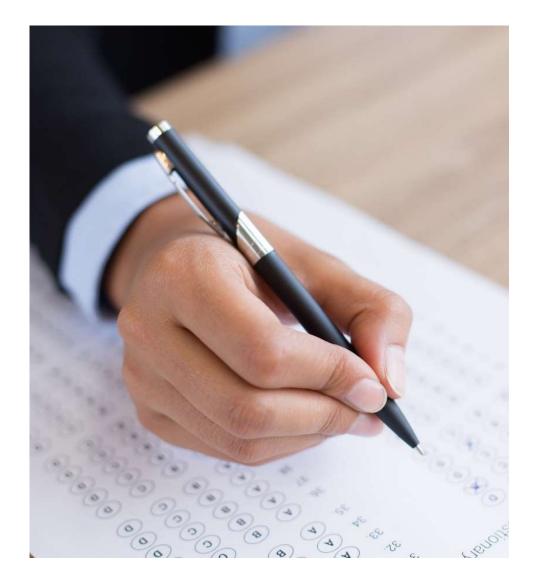
1

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.



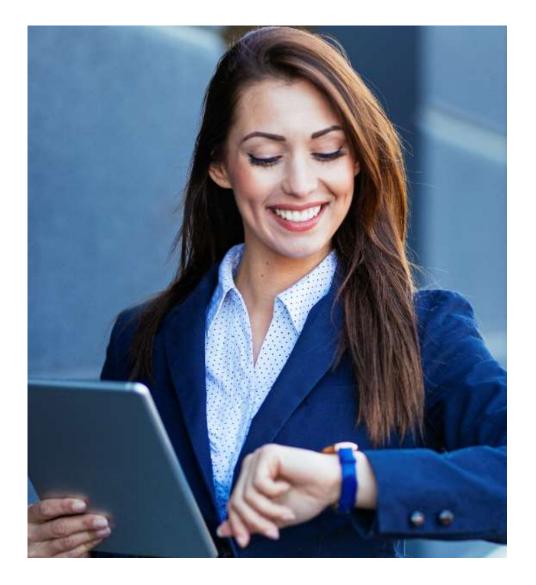


Check Your Understanding One

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The correct answer is *False*.

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







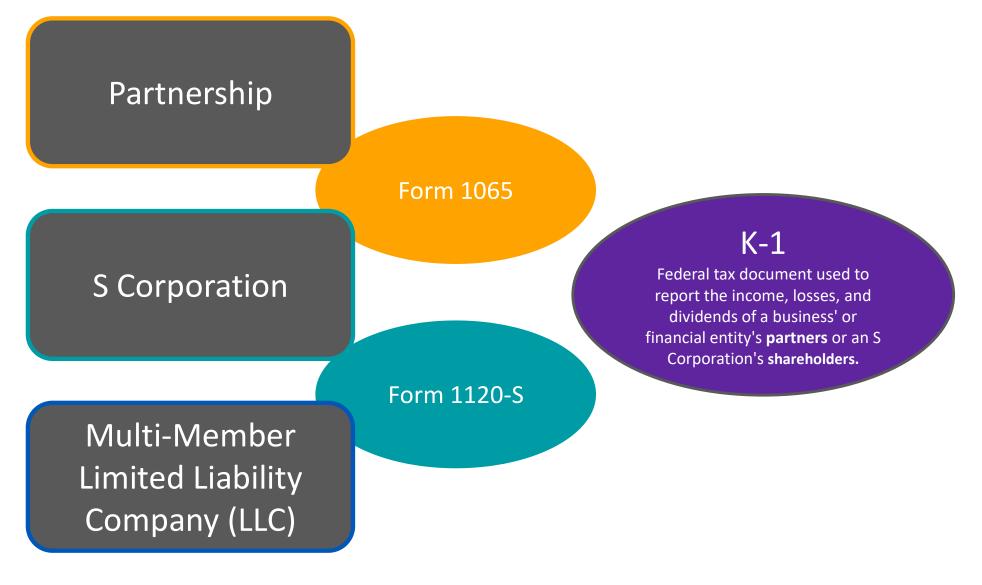


Schedule K-1



Schedule K-1

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Partnerships, S Corporations and Multi-Member LLCs



| Schedule K-1 (Form 1065) | Pa | Final K-1 Amended art III Partner's Share of Deductions, Cred | Cur | L51121 OMB No. 1545-0123 rrent Year Income, and Other Items |
|---|------------|---|-----|--|
| Department of the Treasury Internal Revenue Service | 1 | Ordinary business income (loss) | 14 | Self-employment earnings (loss) |
| beginning / / ending / / | 2 | Net rental real estate income (loss) | | |
| Partner's Share of Income, Deductions, Credits, etc. > See back of form and separate instructions. | 3 | Other net rental income (loss) | 15 | Credits |
| Part I Information About the Partnership | 4 a | Guaranteed payments for services | 1 | |
| A Partnership's employer identification number | 4b | Guaranteed payments for capital | 16 | Schedule K-3 is attached if |
| B Partnership's name, address, city, state, and ZIP code | | Guaranteeu payments for capitar | | checked |
| | 4c | Total guaranteed payments | 17 | Alternative minimum tax (AMT) items |
| | 5 | Interest income | | |
| C IRS center where partnership filed return > | 6 a | Ordinary dividends | | |
| D Check if this is a publicly traded partnership (PTP) | 1 | | | |

- 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



| | edule K-1 rm 1065) | | _ | Final K-1 Amende art III Partner's Share o Deductions, Cred | f Cu | OMB No. 1545-01: rrent Year Income, and Other Items |
|----------|---|--|------------------|---|--------|---|
| lepa | rtment of the Treasury al Revenue Service | | 1 | Ordinary business income (loss) | | Self-employment earnings (loss |
| | beginning / / end | ng 🦯 / | 2 | Net rental real estate income (loss) | | |
| | tner's Share of Income, Dedu dits, etc. See back of for | m and separate instructions. | 3 | Other net rental income (loss) | 15 | Credits |
| F | art Information About the Par | tnership | 4a | Guaranteed payments for services | | |
| A | Partnership's employer identification number | | | | | |
| в | Partnership's name, address, city, state, and ZIF | Fooda | 4b | Guaranteed payments for capital | 16 | Schedule K-3 is attached if checked |
| Č | r a nearp a name, adareta, cry, sian, and cr | cone | 4c | Total guaranteed payments | 17 | Atternative minimum tax (AMT) iter |
| | | | 5 | Interest income | 1 | |
| с | IRS center where partnership filed return > | | 6a | Ordinary dividends | | |
| D | Check if this is a publicly traded partnership | | | | | |
| E | Partner's SSN or TIN (Do not use TIN of a disreg | | Gb | Qualified dividends | 18 | Tax-exempt income and nondeductible expenses |
| F | Name, address, city, state, and ZIP code for partn | A I I I I I I I I I I I I I I I I I I I | 6c | Dividend equivalents | | |
| ŝ | Harris, address, city, sales, and city coop ion parts | | 7 | Royalties | 1 | |
| | | | 8 | Net short-term capital gain (loss) | 19 | Distributions |
| G | General partner or LLC | ted partner or other LLC | 9a | Net long-term capital gain (loss) | | |
| HI | | ign partner | 9b | Collectibles (28%) gain (loss) | 1 | |
| H2 | If the partner is a disregarded entity (DE), en TIN Name | ter the partner's: | 9c | Unrecaptured section 1250 gain | 20 | Other information |
| 11 | What type of entity is this partner? | 200 | 10 | | - | |
| 12 J | If this partner is a retirement plan (IRA/SEP/Keog Partner's share of profit, loss, and capital (see in | structions): | | Net section 1231 gain (loss) | | |
| | Beginning | Ending | 11 | Other income (loss) | | |
| | Profit % | | | | - | |
| | Loss % Capital % | % | | | | |
| | Capital % Check if decrease is due to sale or exchange of | % | 12 | Section 179 deduction | 21 | Foreign taxes paid or accrued |
| × | Partner's share of liabilities: | partnersnip interest 🕨 🛄 | 1 | | 1 | i congri antes para si acciona |
| | Beginning | Ending | 13 | Other deductions | | |
| | Nonrecourse \$ | 5 | 1000 | | | |
| | | | | | | |
| | Qualified nonrecourse financing \$ | 5 | | | | |
| | Recourse S | \$ | | | | |
| | Check this box if item K includes liability amounts fr | om lower tier opringshins | | | | |
| L | Partner's Capital Account | and the second | 22 | More than one activity for at-ris | ik num | neas" |
| 2 | Beginning capital account | Analysia | 23 | More than one activity for pass | | |
| | Capital contributed during the year | | | ee attached statement for ac | | |
| | | | | se attached statement for at | annon | ai inomiauon, |
| | Current year net income (loss) \$ | | | | | |
| | Other increase (decrease) (attach explanation) \$ | | > | | | |
| | Withdrawals and distributions \$ | 2 | E. | | | |
| | Ending capital account S | | For IRS Use Only | | | |
| | 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - 1997 - | | Us. | | | |
| м | Did the partner contribute property with a built-in | | \$2 | | | |
| <u> </u> | Yes No if "Yes," attach stateme | | -L | | | |
| N | Partner's Share of Net Unrecognized Sect | tion 704(c) Gain or (Loss) | 5 | | | |
| | | | 1.00 | | | |
| | Beginning | | | | | |

| Schedule K-1 Form 1120-S) | | Final K-1 Amended art III Shareholder's Share Deductions, Credits | of C | OMB No. 1545-012 Current Year Income, Other Items |
|---|----|---|---------|---|
| lepartment of the Treasury Iternal Revenue Service | 1 | Ordinary business income (loss) | | Credits |
| beginning / / ending / / | 2 | Net rental real estate income (loss) | | |
| Shareholder's Share of Income, Deductions, | | | | |
| Credits, etc. | 3 | Other net rental income (joss) | | |
| Part I Information About the Corporation | 4 | Interest income | | |
| A Corporation's employer identification number | 5a | Ordinary dividends | | |
| B Corporation's name, address, city, state, and ZIP code | 5b | Qualified dividends | 14 | Schedule K-3 is attached if checked |
| | 6 | Royaities | 15 | Alternative minimum tax (AMT) items |
| | 7 | Net short-term capital gain (loss) | | |
| C IRS Center where corporation filed return | 8a | Net long-term capital gain (loss) | | |
| D Corporation's total number of shares Beginning of tax year | 80 | Collectibles (28%) gain (loss) | | |
| End of tax year | 80 | Unrecaptured section 1250 gain | | |
| Part II Information About the Shareholder | 9 | Net section 1231 gain (loss) | 16 | Items affecting shareholder basis |
| E Shareholder's identifying number | 10 | Other income (loss) | | |
| | | | 17 | Other information |
| G Current year allocation percentage | 11 | Section 179 deduction | 17 | Other information |
| H Shareholder's number of shares | 1. | occurrent and action | | |
| Beginning of tax year | 12 | Other deductions | | |
| Loans from shareholder | | | | |
| Beginning of tax year | | | | |
| | | | | |
| Au. | | | | |
| 9% 0 | | | | |
| For IRS Use Only | | | | |
| For | 18 | More than one activity for at-risi | k purpt | oses" |
| | | More than one activity for passi | | |
| | 1 | * See attached statement | | 20125 20425 N |

Business Tax Returns 101 32

A Closer Look

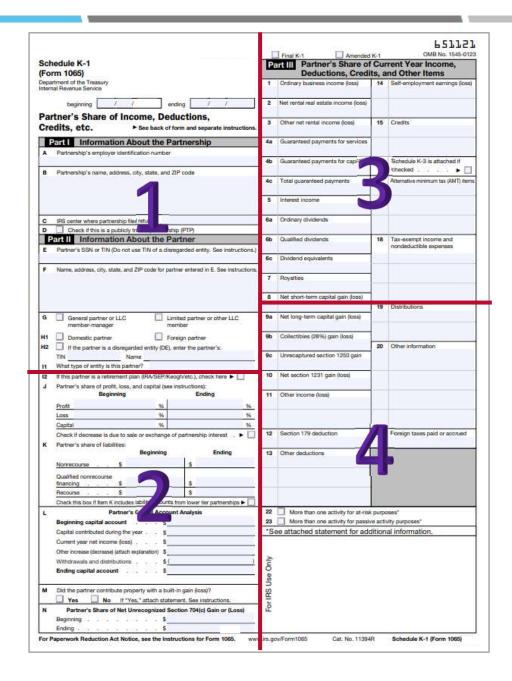






Anatomy of a Partnership K-1

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Anatomy of a Partnership K-1 Upper Left

| | beginning / / ending / / |
|-------------|---|
| | tner's Share of Income, Deductions, dits, etc. See back of form and separate instruction |
| P | art I Information About the Partnership |
| A | Partnership's employer identification number |
| | |
| в | 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) |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner |
| D | Check if this is a publicly traded partnership (PTP) |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction |
| P E | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction Name, address, city, state, and ZIP code for partner entered in E. See instruction |
| P | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction Name, address, city, state, and ZIP code for partner entered in E. See instructio General partner or LLC Limited partner or other LLC |
| D E F | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction Name, address, city, state, and ZIP code for partner entered in E. See instructio General partner or LLC member-manager Limited partner or other LLC member |
| P E | Check if this is a publicly traded partnership (PTP) art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instruction Name, address, city, state, and ZIP code for partner entered in E. See instructio General partner or LLC Limited partner or other LLC |

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

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Anatomy of a Partnership K-1 Lower Left



| J | Partner's share of profit, loss, and capital (see in Beginning | Ending |
|---|---|---|
| | Profit % | |
| | Loss % | |
| | Capital % | |
| | Check if decrease is due to sale or exchange of | partnership interest . > |
| ĸ | Partner's share of liabilities: Beginning | Ending |
| | Nonrecourse \$ | \$ |
| | Qualified nonrecourse financing \$ | \$ |
| | Recourse \$ | \$ |
| | Check this box if Item K includes liability amounts f | rom lower tier partnerships 🕨 |
| L | Partner's Capital Account | t Analysis |
| | Beginning capital account . . \$ Capital contributed during the year . . \$ Current year net income (loss) . . \$ Other increase (decrease) (attach explanation) \$ \$ Withdrawals and distributions . . \$ | |
| | Beginning capital account . . \$ Capital contributed during the year . . \$ Current year net income (loss) . . \$ Other increase (decrease) (attach explanation) \$ \$ Withdrawals and distributions . . \$ | in gain (loss)? |
| M | Beginning capital account \$ Capital contributed during the year \$ Current year net income (loss) \$ Other increase (decrease) (attach explanation) \$ Withdrawals and distributions \$ Ending capital account \$ | in gain (loss)? ent. See instructions. |

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



Anatomy of a Partnership K-1 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.

| Pa | art III Partner's Share of Deductions. Credit | | rent Year Income, nd 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 |
| la | Guaranteed payments for services | | |
| Ь | Guaranteed payments for capital | 16 | Schedule K-3 is attached if checked |
| lc | Total guaranteed payments | 17 | Alternative minimum tax (AMT) items |
| 5 | Interest income | | |
| ja | Ordinary dividends | ÷ | |
| ib | Qualified dividends | 18 | Tax-exempt income and nondeductible expenses |
| ic | Dividend equivalents | - | |
| 7 | Royalties | | |



Anatomy of a Partnership K-1 Lower Right

Distributions.

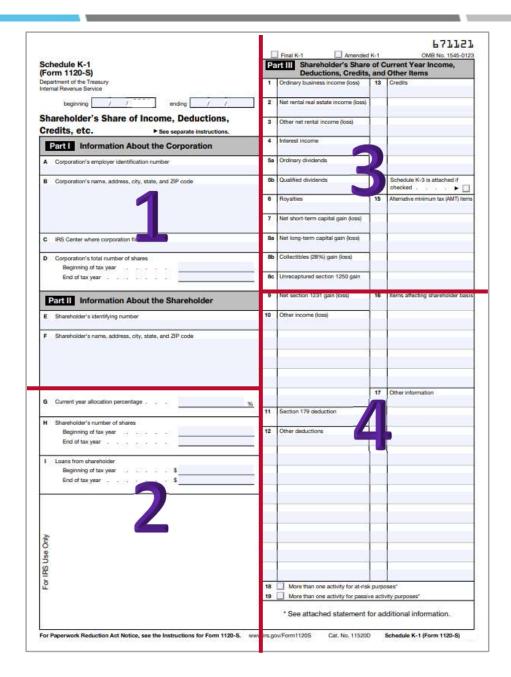


| 9a Net long-term capital gain (loss) A 9b Collectibles (28%) gain (loss) 20 9c Unrecaptured section: 1250 gain 0 10 Net section: 1231 gain (loss) 1 11 Other income (loss) 1 |
|--|
| C Unrecaptured section 1250 gain Net section 1231 gain (loss) |
| C Unrecaptured section 1250 gain |
| 10 Net section 1231 gain (loss) |
| |
| 11 Other income (loss) |
| |
| 2 Section 179 deduction 21 Foreign taxes paid or accre |
| 13 Other deductions |
| More than one activity for at-risk purposes* More than one activity for passive activity purposes* See attached statement for additional information. |



Anatomy of an S Corporation K-1

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Anatomy of an S Corporation K-1 Upper Left



| h | areholder's Share of Income, Deductions, |
|---|--|
| | edits, etc. > See separate instructions. |
| F | Part I Information About the Corporation |
| A | Corporation's employer identification number |
| в | Corporation's name, address, city, state, and ZIP code |
| с | |
| | IRS Center where corporation filed return |
| D | Corporation's total number of shares |
| D | |
| | Corporation's total number of shares Beginning of tax year |
| | Corporation's total number of shares Beginning of tax year End of tax year |

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

Anatomy of an S Corporation K-1 Lower Left



| _ | Current year allocation percentage , , . |
|------------------|--|
| н | Shareholder's number of shares |
| | Beginning of tax year |
| | End of tax year |
| E | Loans from shareholder |
| | Beginning of tax year \$ |
| | End of tax year |
| e O | |
| For IRS Use Only | |

Ownership percentage (allocation percentage).



Anatomy of an S Corporation K-1 Upper Right



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

| Pa | rt III Shareholder's Share Deductions, Credits, | of C | Current Year Income, |
|----|--|------|-------------------------------------|
| 1 | Ordinary business income (loss) | 13 | Credits |
| 2 | Net rental real estate income (loss) | | |
| 1 | Other net rental income (loss) | | |
| | Interest income | | |
| ia | Ordinary dividends | | |
| ib | Qualified dividends | 14 | Schedule K-3 is attached if checked |
| 5 | Royalties | 15 | Alternative minimum tax (AMT) items |
| , | Net short-term capital gain (loss) | | |
| la | Net long-term capital gain (loss) | | |
| b | Collectibles (28%) gain (loss) | | |
| Bc | Unrecaptured section 1250 gain | | |



Anatomy of an S Corporation K-1 Lower Right



Distributions.

| | Other income (loss) | D 17 | Other information |
|-----|-----------------------------------|---------|-------------------|
| 1 | | 17 | Other information |
| 1 | | 17 | Other information |
| 1 | | 17 | Other Information |
| 1.1 | | 17 | Other information |
| 1 1 | | | Other Information |
| | Section 179 deduction | 1 | |
| 2 (| Other deductions | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| 8 | More than one activity for at-ris | | |
| 9 | More than one activity for passi | | |
| | | | |

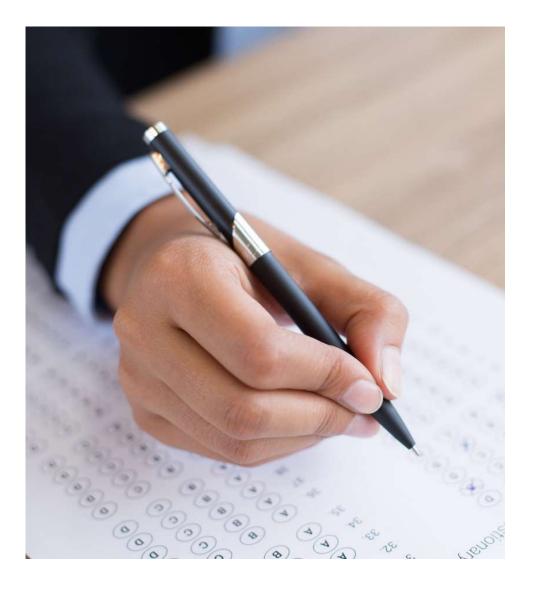


Knowledge Check Two



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.

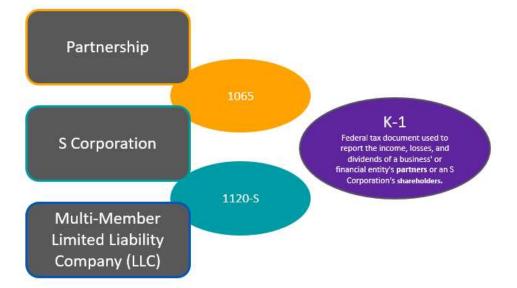




* Arch | MI

The correct answer is *True*.

 You will need all K-1's 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 individuals' 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.

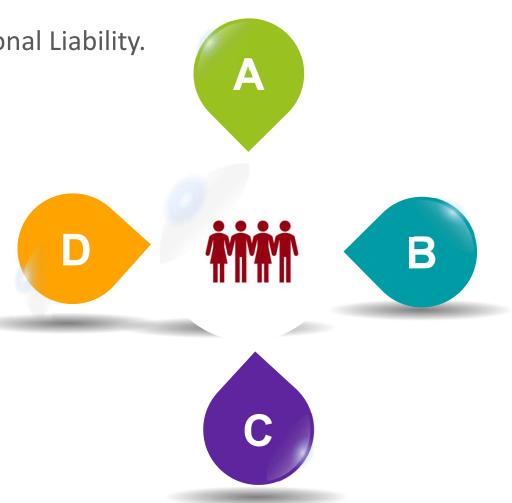
Every General Partner has 100% Personal Liability.



В

General Partner #1 51% Ownership / 100% Liability

- General Partner #2 20% Ownership / 100% Liability
- C General Partner #3 15% Ownership / 100% Liability
- D General Partner #4 14% Ownership / 100% Liability







At Least One Partner is a General Partner. General Partners have 100% Liability.

Limited Partners have Limited Liability.

Α

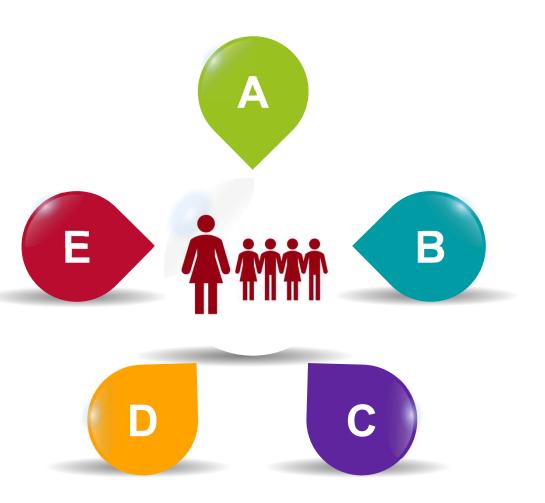
B

С

D

Ε

- General Partner #1 20% Ownership / 100% Liability
- Limited Partner #2 20% Ownership / Liability limited to investment
- Limited Partner #3 20% Ownership / Liability limited to investment
- Limited Partner #4 20% Ownership / Liability limited to investment
- Limited Partner #5
 20% Ownership / Liability limited to investment



Guaranteed Payments

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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 or not the partnership is successful.



Form 1065 and Schedule K-1 (Form 1065)

X Arch | MI

The 1065 is made up of five (5) pages, but the filed return may be much longer due to additional schedules and attachments.

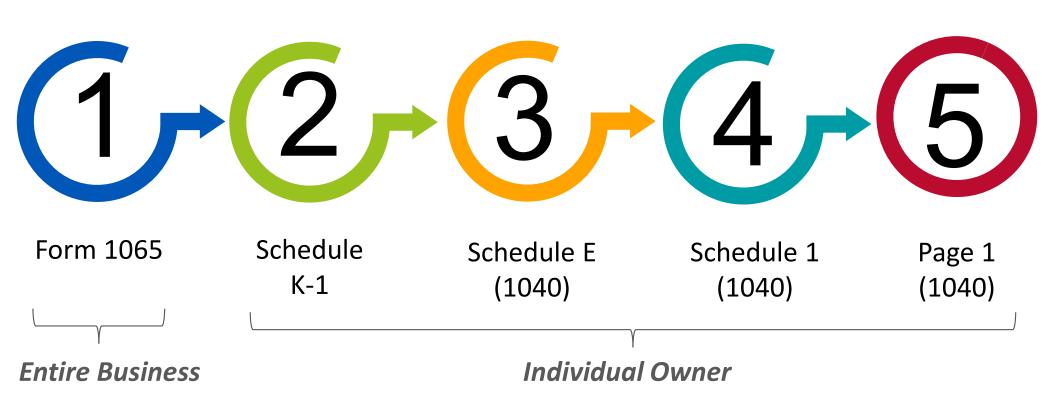
| Form 10 | and the second second | | Form 1065 | 10 | 65 | U.S. | Return of Partner | ship Incom | ne | ON | /B No. 1545-0123 |
|--|-----------------------|------------------------|----------------------------|------------------------------------|--|---|--|---------------------------------------|----------------------|------------------|---------------------------|
| oun | 1 | | Schedule B | | Fo | r calendar year 2021, or tax | year beginning | ending | , 20 | D . | |
| | 2 | Form 1055 | 1 What type | Department of Internal Reven | | ► Go to www.irs | | ns and the latest i | information. | 20208 | |
| | 38 | Schedule B | a 🗌 Domes | A Principal but | | Name of partnership | | 264 C & T AT AT A C & T A C & T | CONTRACTOR OF THE | D. Se | tployer identification nu |
| | - F | c is the p | c 🔲 Domes | A Triscipar ou | and a mental | manne er parereransp | | | | 0.0 | and a subscreen free |
| | | substant | e 🗌 Foreigr | B Principal pro | duct or service | Number street and m | om or suite no. If a P.O. box, see in: | structions | | E Dr | te husiness start |
| 805 | 4 | 734(d))? | 2 At the end | a constantine to a | ., | ar | | | | | |
| (ross) | | 11 Check t kind exc | a Did any fo | C Business of | | | province, country, and ZIP or foreign | postal code | | F To | tal assets |
| P | 5 | partners | exempt or | | | | | | | | se instructions) |
| 9 | 6 | 12 At any | loss, or ca B-1, Inforr | | | | | | | s | |
| ncome | | 12 At any undivide | | G Check a | pplicable boxes | : (1) 🗌 Initial return | (2) Final return (3) | Name change (4 | Address ch | ange (5) | Amended ret |
| i i | 7 | 13 If the p | b Did any in the partne | H Check a | conunting methy | of (1) Cash | (2) Accoust (3) | Other (eneriful) | | and constant as | |
| - | 8 | Disregar | on Partner | I Number | of Schedules K | -1. Attach one for each p | erson who was a partner at any | time during the ta | x year 🕨 | | |
| | 98 | instructi | 3 At the end | J Check if | Schedules C a | nd M-3 are attached . | | | | | 🕨 |
| | t | 14 Does th | a Own direc | K Check If | partnership: (* | I) 🗌 Aggregated activities | for section 465 at-risk purposes | (2) Grouped | activities for secti | on 469 passh | ve activity purp |
| | c | Informat | stock entit | Caution: In | clude only tra | ide or business income | e and expenses on lines 1a t | through 22 below | v. See instruction | ons for more | e information. |
| | 10 | 15 Enter th | If "Yes," c | 1a | | | | 18 | 1 | | |
| | 11 | to this n | | b | Returns and | allowances | | 11 | 2 | 100 0 | |
| 8 | 12 | 16a Did you | | C | | | 1a | 1. 1. i. i. i. | 1 2 2 2 2 | . 1c | |
| Deductions | 13a | b If "Yes," | | 2 2 | | | 125-A) | | | . 2 | |
| not | L L | 17 Enter ti | | amoon | | | ne1c | | | . 3 | |
| 6 | ٩ | Corpora | | 2 4 | | | partnerships, estates, and tra | | | | |
| | C | 18 Enter th | | - 5 | | | lule F (Form 1040)) | | | | |
| Self- Employ- | 14a | 19 During t | | 6 | | | rt II, line 17 (attach Form 47) | | | | |
| la l | Ł | and 104 | b Own direc | 7 | | | ent) | | | . 7 | |
| 0.5 | | 20 Was the | or capital | 8 | | e (loss). Combine line | | | | . 8 | |
| | 15a | 21 Is the pa | interest of | - 9 | | | partners) (less employment o | | | | |
| \$ | Ł | 22 During t | 42 | S 10 | | | · | | | . 10 | |
| Credits | ٩ | not allov | | (suggsplui) | | | | | | . 11 | |
| ŏ | ¢ | If "Yes," | | 8 12 | | | | 977 BEAUST 177 | | . 12 | |
| | e | 23 Did the | | g 13 | | | | | | . 13 | |
| | 1 | busines | | suogonatsu | | | 4 4 4 4 4 4 4 4 4 4 4 | 69 3030 A | 14 - 40 ar 14 - 40 | . 14 | |
| International Transactions | 16 | 24 Does th | | | Interest (see | instructions) | | 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | 1 | . 15 | |
| Sac | | a The part | 4 Does the i | a 16a | | | rm 4562) | | | - | |
| ran ter | | b The par precedir | a The partne | SU 17 | | | m 1125-A and elsewhere on | | 7 | 16c | |
| | 178 | c The par | b The partne | Deductions 17 18 19 20 | | | gas depletion.) | | | 18 | |
| e Xe s | | If "Yes" | c Schedules | 19 | Frendenieni p | naris, etc | | es serve re | - | 19 | |
| ative Im Tax | | 25 Is the pa | extension: | 20 | Other deduc | tions (attach statemen | | NI 1973 N | 3 19 3 3 13 | 20 | |
| E | | If "Yes." | d The partne | 0 21 | 20 Other deductions (attach statement) | | | | | | |
| Alternative Minimum Tax | - | 26 Enter th | If "Yes," t | 22 | | | Subtract line 21 from line 8 | | | . 21 | |
| 2 | 1 | interest | or item L (| 00 | | | nethod-completed long-ten | | | | |
| | 18a | Complet | 5 Is this par | 10 24 | | | hethod-completed long-ten | | | | |
| 5 | E | 27 At any t | 6 During the | E 25 | | | see instructions) | | | | |
| Other Information | | disclosu | so as to re | 23 24 25 26 | | | | | | 26 | |
| Ë | 198 | 28 Since D | 7 Has this p | D 27 | Total balan | ce due. Add lines 23 th | nrough 26 | | | 27 | |
| Į. | t | 28 Since D constitu | informatio | 8 28 | | | | | | 28 | |
| 1 | 208 | purpose | 8 At any tim | 29 I | | | than line 27, enter amount of | | | | |
| ter | t | the fore | a financial | H 30 | | | an line 27, enter overpayme | | 1 1 1 1 1 | 30 | |
| = | 6 | Percent | See instru | - | Under penaltie | s of periury, I declare that I h | ave examined this return, including | accompanying sche | dules and statement | ts, and to the b | sest of my knowle |
| | 21 | 29 Is the pa | Financial / | Cian | and belief, it is | true, correct, and complete has any knowledge. | . Declaration of preparer (other than | n partner or limited li | ability company me | mber) is based | i on all informatic |
| | | if "Yes," ti | 9 At any tir | Sign | in the second second | and the second se | | | | May the IRS | S discuss this ret |
| | | If "No," | transferor | Here | 1 | | | N | | with the pre | parer shown belo |
| 1 | | Designation of | Transactio | | Signature | of partner or limited liability o | ompany member | Date | | See instruction | ons. Yes |
| | | Enter below the | 10a Is the part | Paid | Print/Type pre | paner's name | Preparer's signature | | Date | Check 🔲 i | PTIN |
| | | Name of PR > | See instru | 2.1 | Sectores and a sector of the | | 14144 (ACCORT STREETING) | | 1 | self-employer | 4 |
|] | | U.S. address of F | b Did the pa | Preparer | | • | 1 | 11 | | Firm's EIN > | |
| 1 | | | attach a s | Use Only | Firm's address | • | | | | Phone no. | |
| | | If the PR is an en | 8 | For Paperw | ork Reduction | Act Notice, see separat | e instructions. | Cat. No. 1 | 1390Z | | Form 1065 |
| | | U.S. address of | | 721 | | 14 MA | | | | | |
| | | designated individ | | | | | | | | | |

| | edule K-1 | Pa | | | | rent Year Income, |
|--------|---|------------------|-------------------|--------------------------|-------|---|
| | m 1065) tment of the Treasury | | | ss income floss | | nd Other Items |
| tern | al Revenue Service | 1 | Crainary busine | iss income (loss) | 14 | Self-employment earnings (loss) |
| | beginning / / ending / / | 2 | Net rental real o | estate income (loss) | | |
| | tner's Share of Income, Deductions, dits, etc. • See back of form and separate instructions. | 3 | Other net renta | l income (loss) | 15 | Credits |
| F | Partnership's employer identification number | 4a | Guaranteed pa | yments for services | | |
| 8 | Partnership's name, address, city, state, and ZIP code | 4b | Guaranteed pa | yments for capital | 16 | Schedule K-3 is attached if checked |
| | | 40 | Total guarante | ed payments | 17 | Alternative minimum tax (AMT) items |
| | | 5 | Interest income | 2 | | |
| C D | IRS center where partnership fied return Check if this is a publicly traded partnership (PTP) | 6a | Ordinary divide | nds | | |
| F | art II Information About the Partner Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.) | Gb | Qualified divide | inds | 18 | Tax-exempt income and nondeductible expenses |
| F | Name, address, city, state, and ZIP code for partner entered in E. See instructions. | 6c | Dividend equiv | alents | | |
| | | 7 | Royalties | | | |
| | | 8 | Net short-term | capital gain (loss) | 19 | Distributions |
| G | General partner or LLC Limited partner or other LLC member-manager | 9a | Net long-term | capital gain (loss) | | |
| 11 | Domestic partner Foreign partner If the partner is a disregarded entity (DE), enter the partner's: | 96 | Collectibles (25 | 96) gain (loss) | 20 | Other information |
| 1 | TIN Name What type of entity is this partner? | 90 | Unrecaptured : | ection 1250 gain | | |
| 2 | If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here | 10 | Net section 12 | 31 gain (loss) | | |
| | Beginning Ending Profit % % | 11 | Other income (| 055) | | |
| | Loss % % | | | | | |
| | Capital % % | | | | | |
| к | Check if decrease is due to sale or exchange of partnership interest Partner's share of labilities: | 12 | Section 179 de | | 21 | Foreign taxes paid or accrued |
| | Beginning Ending Nonrecourse | 13 | Other deductio | rs | | |
| | Ouslified nonrecourse financing \$ | | | | | |
| | Recourse \$ \$ | | | | | |
| _ | Check this box if item K includes liability amounts from lower tier partnerships | 22 | | | | |
| L | Partner's Capital Account Analysis | 100 | | one activity for at-risi | | |
| | Beginning capital account | | | one activity for passi | | |
| | Capital contributed during the year | 36 | re attached s | tatement for ad | ution | ar mormation, |
| | Current year net income (loss) \$ | | | | | |
| | Other increase (decrease) (attach explanation) \$ | > | | | | |
| | Withdrawals and distributions | E. | | | | |
| | Ending capital account | se C | | | | |
| м | Did the partner contribute property with a built-in gain (loss)? Yes No If "Yes," attach statement. See instructions. | For IRS Use Only | | | | |
| N | Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss) | For | | | | |
| | Partner's share of Net Unrecognized Section /U4(c) Gain of (Loss) Beginning | 100 | | | | |
| | | | | | | |

Business Tax Returns 101 54









Partnerships Cash Flow Form 1065



| | Form 100 | 65 | | 6. Return of Partnersh | ip Income | OMB No. 1545-0123 | |
|-------------------|-------------------|---|---|---|--|--|----------------------|
| | Department of th | e Treasury | | tax year beginning | ending , 20 | | |
| | Internal Revenue | | | irs.gov/Form1065 for instructions a | nd the latest information. | | |
| | A Principal busin | less activity | Name of partnership | 1 | | D Employer identification number | |
| | B Principal produ | ct or service Type | Number, street, and | room or suite no. If a P.O. box, see instrue | ations. | E Date business started | |
| | C Business cod | | City or town, state o | r province, country, and ZIP or foreign pos | tal code | F Total assets (see instructions) | |
| | Charline | plicable boxes: | 1) I teltial eature | 1 (2) 🗌 Final return (3) 🗌 Nan | a abaras (4) 🗌 Addenas aba | S | |
| | | counting method: | | | er (specify) | nge (o) 🗆 Amended return | |
| | I Number of | Schedules K-1. At | tach one for each | person who was a partner at any tim | e during the tax year > | | |
| | | | | es for section 465 at-risk purposes | | n 460 nassive activity numnees | |
| | | | | me and expenses on lines 1a thro | | | |
| | 112-120 | | | | | | |
| | | | | ne1a | | . 1c | ` |
| | 2 | Cost of goods so | | | - 경험주상이 하지만 경험주상이 하지 | . 2 | |
| | | | | line 1c | | . 3 | |
| | 3 | Net farm profit (lo | ss) (attach Sch | edule F (Form 1040)) | | . 5 | |
| ncome Section | | | | Part II, line 17 (attach Form 4797) | | . 6 | Guaranteed |
| | | | | ment) | | 8 | Guaranteeu |
| | ÷ 9 | Salaries and war | es lother than to | o partners) (less employment cred | | 9 | Doumonts to |
| | | | | 8 | | . 10 | – Payments to |
| | 8 00 0 | Repairs and mair Bad debts | tenance | | | . 11 | Calcard La IV 4 |
| | 2 State 1 | | | | | 13 | Schedule K-1. |
| | | | | on anata ana anata an | 40408 408 40408 408 | . 14 | |
| | | | | Form 4562) | . 16a | . 15 | |
| | 8 b | | | orm 1125-A and elsewhere on ret | | 16c | |
| | 5 17 | | | d gas depletion.) | | | |
| eductions Section | 5 18 | | | | $ \mathbf{x}_{i}^{(1)} = \mathbf{x}_{i}^{(1)} + \mathbf{x}_{i}^{$ | | |
| | | | | ent) | | . 19 | |
| | 21 | | | unts shown in the far right column | for lines 9 through 20 | 21 | |
| | | | | Subtract line 21 from line 8 . | | . 22 | Ordinary Incomo |
| | te 23 24 | | | method - completed long-term of method - income forecast metho | | . 23 | 🚽 Ordinary Income 🚿 |
| | | | | t (see instructions) | | | to Cohodulo I/ 1 |
| | E 26 | Other taxes (see | instructions) | a care al care as | 10.10.00 000 00.000 000 | . 26 | to Schedule K-1. |
| | 2 27 | | | through 26 | | . 27 | |
| | | | A DATE OF STREET STREET | er than line 27, enter amount owe | | . 28 | |
| | ₩ <u>30</u> | Overpayment. If | line 28 is larger | than line 27, enter overpayment | | . 30 | |
| | | Under penalties of p and belief, it is true, | erjury, I declare that correct, and comple | I have examined this return, including aco ste. Declaration of preparer (other than pa | ompanying schedules and statements ther or limited liability company men | s, and to the best of my knowledge ober) is based on all information of | |
| | Sign | which preparer has a | ny knowledge. | | | May the IRS discuss this return | |
| | Here | | | | ¥ | with the preparer shown below? | |
| | | | ner or limited liability | | Date | See instructions. Yes No | |
| | Paid | Print/Type preparer's | name | Preparer's signature | Date | Check if PTIN self-employed | |
| | Preparer | Firm's name | | | | Firm's EIN ► | |
| | Use Only | Firm's address > | | | 1.0 | Phone no. | |
| Arch MI | For Paparago | k Reduction Act N | lotica see senar | sta instructions | Cat. No. 11390Z | Form 1065 | |

Partnerships Cash Flow Schedule K-1 (Form 1065)

Schedule K-1

Credits, etc.

ending

See back of form and separate

Partner's Share of Income, Deductions,

Part I Information About the Partnership

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

Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

Partnership's employer identification number

IRS center where partnership filed return >

(Form 1065) Department of the Treasur Internal Revenue Service

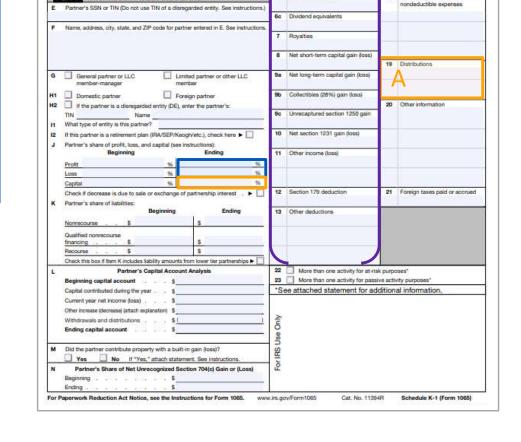


651121

Ordinary Income from

Form 1065.

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



Final K-1

5 Interest income

6a Ordinary dividends

6b Qualified dividends

Part III Partner's Share of Curr

3 Other net rental income (loss)

Guaranteed payments for ser

Guaranteed payments for capital

Deductions, Credits,

15 Cr

Schedule K-3 is attached

17 Alternative minimum tax (AMT) item

18 Tax-exempt income and

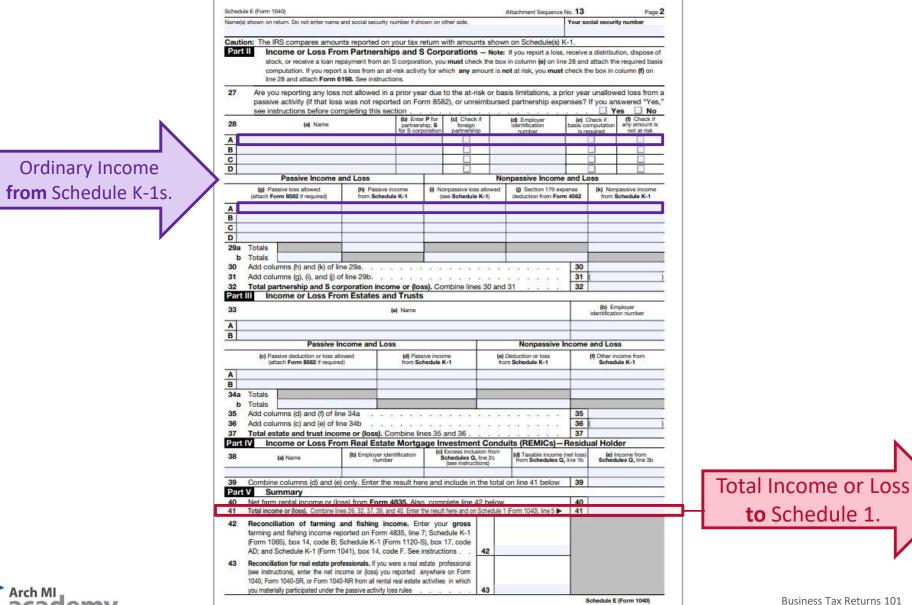
checked

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



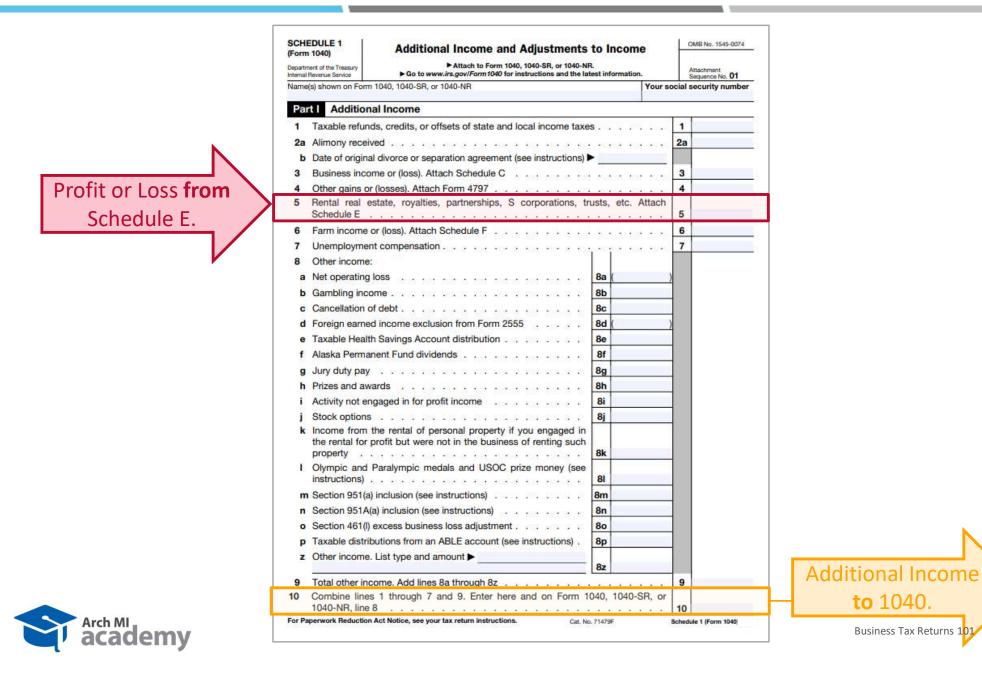
Partnerships Cash Flow Schedule E (Form 1040)

X Arch | MI



Partnerships Cash Flow Schedule 1 (Form 1040)

X Arch | MI



Partnerships Cash Flow Form 1040



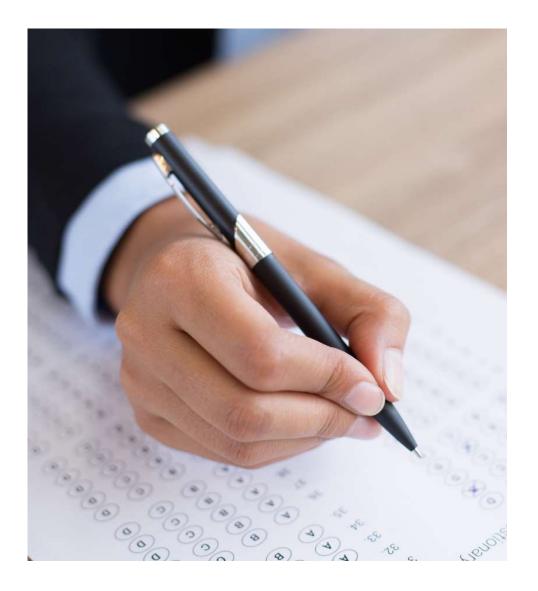
| Filing Statu Check only one box. | IS Single Married filing joint If you checked the MFS box, enter person is a child but not your deper- person is a child but not your deper- | the name of your | | and the second second second | Sector Contraction of the | | | |
|--|---|---|---|------------------------------|---|---|--|--|
| Your first name | ne and middle initial | Last name | | | | Your social s | ecurity number | |
| If joint return, s | spouse's first name and middle initial | Last name | | | | Spouse's soc | ial security number | |
| Home address | s (number and street). If you have a P.O. bo | x, see instructions. | | | Apt. no. | Presidential I Check here it | Election Campaign f you, or your | |
| City, town, or | post office. If you have a foreign address, a | ilso complete space | s below. | State | ZIP code | to go to this | g jointly, want \$3 fund. Checking a II not change | |
| Foreign countr | try name | Foreig | gn province/state/ | county | Foreign postal code | your tax or re | | |
| At any time d | luring 2021, did you receive, sell, exch | ange, or otherwis | e dispose of any | / financial interest | in any virtual curre | ncy? | Yes No | |
| Dependent | Spouse itemizes on a separate Second Secon | | | ouse: 🔲 Was bi | om before January 2 ship (4) 🖌 if q Child tas o | ualifies for (see | Is blind Instructions): for other dependents | |
| If more than four dependents, see instruction and check | | | | | | | | |
| Attach Sch. B if required. Randard Peduction for- Single or Married filing separately, \$12.950 | 1 Wages, salaries, tips, etc. At 2a Tax-exempt interest 3a Qualified dividends 4a IRA distributions 5a Pensions and annuities . 5a Social security benefits . 7 Capital gain or (loss). Attach 8 Other income from Schedule 9 Add lines 1, 2b, 3b, 4b, 5b, 6t | 2a 3a 4a 5a 6a Schedule D if req 1, line 10 | | | ends nt nt nt | 1 2b 3b 4b 5b + 6b 7 . 8 | | dditional Incom rom Schedule 1 |
| Married Tiing jointly or Qualifying surviving spouse \$25,900 Head of household, \$19,400 If you checked any box under Standard Deduction, see instructions. | 10 Adjustments to income from 11 Subtract line 10 from line 9. 12a Standard deduction or item b Charitable contributions if you c Add lines 12a and 12b . 13 Qualified business income d 14 Add lines 12c and 13 . 15 Taxable income Subtract ii | Schedule 1, line 2 This is your adjust nized deductions a take the standard eduction from For | 6 (from Schedule I deduction (see m 8995 or Form | ne | 2a 2b | 10 11 11 12c 13 14 15 | | |

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

X Arch | MI

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.



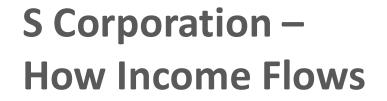


XArch | MI

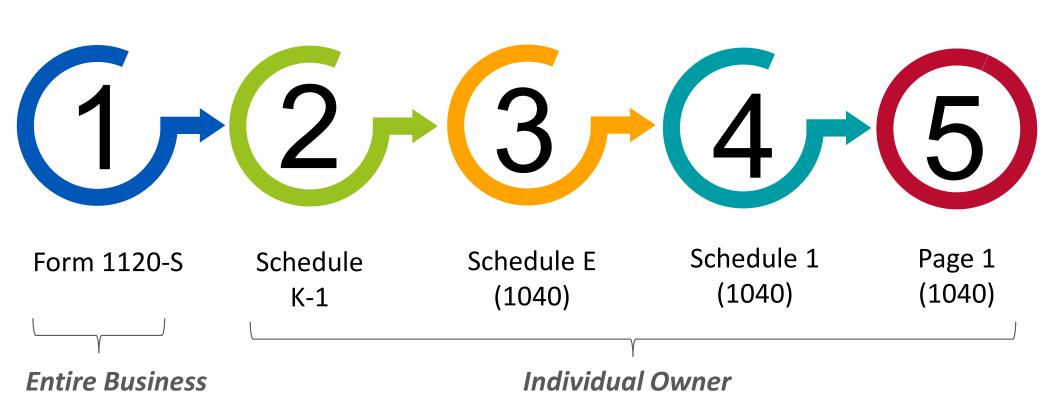
The 1120-S is made up of six (5) pages, but the filed return may be much longer due to additional schedules and attachments.

| Note: The c Net income (loss) per boo Income included on Schec 3c, 4, 5a, 6, 7, 8a, 9, and | Form 1120-S Scheedule K Shareholders' Pro Rata Shar 5 17a Investment income | Form 1120-S Schedule B Other Information (see instructions) (continued) | Form 1120-S Schedule B Other Information (see instru 1 Check accounting method: a Cash | Department of the Treasury Internal Resenue Service Do not file this form unless the corporation. For calendar year or tax year beginning ending ,20 |
|---|--|---|---|---|
| on books this year (itemize | b Investment expenses c Dividend distributions paid from a d Other items and amounts (attach | 12 During the tax year, did the corporation have any non-shareholder terms modified so as to reduce the principal amount of the debt? | c Other (spe 2 See the instructions and enter the: | |
| Expenses recorded on I | ¢ 5 9 5 18 Income (loss) reconciliation. C | If "Yes," enter the amount of principal reduction | a Business activity > 3 At any time during the tax year, was any sha | B Business activity code number (see instructions) PRINT POL box, see instructions. E Date incorporated Date incorporated |
| not included on Schel through 12 and 16f (itemiz Depreciation \$ | Schedule L Balance Sheets per Books | 14a Did the corporation make any payments in 2021 that would require it b tf "Yes," did the corporation file or will it file required Form(s) 1099? | nominee or similar person? If "Yes," attach Sch 4 At the end of the tax year, did the corporation: | City or town, state or province, country, and ZIP or foreign postal code F Total assets (see instruction C Check if Sch. M-3 attached S |
| | Assets | 15 Is the corporation attaching Form 8996 to certify as a Qualified Oppo If "Yes," enter the amount from Form 8996, line 15 | a Own directly 20% or more, or own, directly or foreign or domestic corporation? For rules of (| G is the corporation electing to be an S corporation beginning with this tax year? See instructions. Yes No H Check it: (1) Final return (2) Name change (3) Address change (4) Amended return (5) Selection termination |
| Travel and entertainment | 1 Cash | Schedule K Shareholders' Pro Rata Share Items Ordinary business income (loss) (page 1, line 21) | below | Enter the number of shareholders who were shareholders during any part of the tax year |
| Add lines 1 through 3 . dule M-2 Analysis c | b Less allowance for bad debts 3 Inventories | 2 Net rental real estate income (loss) (attach Form 8825) | (i) Name of Corporation (ii) Emplo Identifica Number (if | J Check if corporation: (1) Aggregated activities for section 466 at-risk purpose (2) Grouped activities for section 469 passive activity pur Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information. |
| Previously (see instru | 4 U.S. government obligations 5 Tax-exempt securities (see instructions) | 3a Other gross rental income (loss) | | 1a Gross receipts or sales 1a b Returns and allowances 1b |
| | 6 Other current assets (attach statement) . 7 Loans to shareholders | c Other net rental income (loss). Subtract line 3b from line 3a | | c Balance. Subtract line 1b from line 1a |
| Balance at beginning of ta | Mortgage and real estate loans Other investments (attach statement) | S Dividends: a Ordinary dividends | | 3 Gross profit. Subtract line 2 from line 1c 3 4 Net gain (loss) from Form 4797, line 17 (attach Form 4797) 4 |
| Ordinary income from pag | 10a Buildings and other depreciable assets . | 6 Royalties | b Own directly an interest of 20% or more, or o capital in any foreign or domestic partnership (| 5 Other income (loss) (see instructions-attach statement) |
| Other additions Loss from page 1, line 21 | b Less accumulated depreciation 11a Depletable assets | 8a Net long-term capital gain (loss) (attach Schedule D (Form 1 | trust? For rules of constructive ownership, see (i) Name of Entity (ii) Emplo | 7 Compensation of officers (see instructions-attach Form 1125-E) |
| Other reductions Combine lines 1 through 5 | b Less accumulated depletion 12 Land (net of any amortization) | b Collectibles (28%) gain (loss) | Identifica Number (if | 8 Salaries and wages (less employment credits) |
| Distributions | 13a Intangible assets (amortizable only) b Less accumulated amortization | 9 Net section 1231 gain (loss) (attach Form 4797) 10 Other income (loss) (see instructions) Type ► | | 10 Bad debts |
| ine 6 | 14 Other assets (attach statement) 15 Total assets | t1 Section 179 deduction (attach Form 4562) | | 12 12 13 Interest (see instructions) |
| | Liabilities and Shareholders' Equit | b Investment interest expense | 5a At the end of the tax year, did the corporation h | 14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562) |
| | 16 Accounts payable | d Other deductions (see instructions) Type► | If "Yes," complete lines (i) and (ii) below. (i) Total shares of restricted stock | 15 Depletion (Do not deduct oil and gas depletion.) 15 16 Advertising 16 |
| | 18 Other current liabilities (attach statement) 19 Loans from shareholders | 13a Low-income housing credit (section 42(i)(5)) .< | (ii) Total shares of non-restricted stock b At the end of the tax year, did the corporation h | 17 Pension, profit-sharing, etc., plans 17 18 Employee benefit programs 18 |
| | 20 Mortgages, notes, bonds payable in 1 year o 21 Other liabilities (attach statement) | c Qualified rehabilitation expenditures (rental real estate) (atta d Other rental real estate credits (see instructions) Type | If "Yes," complete lines (i) and (ii) below. | 19 Other deductions (attach statement) 19 20 Total deductions. Add lines 7 through 19 20 |
| | 22 Capital stock | e Other rental credits (see instructions) Type ► f Biofuel producer credit (attach Form 6478) | (ii) Total shares of stock outstanding at the e (iii) Total shares of stock outstanding if all ins | 21 22a Excess net passive income or LIFO recepture tax (see instructions) |
| | 24 Retained earnings | g Other credits (see instructions) Type > | 6 Has this corporation filed, or is it required information on any reportable transaction? | b Tax from Schedule D (Form 1120-S) |
| | 25 Adjustments to shareholders' equity (attach stat 26 Less cost of treasury stock | 14 Attach Schedule K-2 (Form 1120-S), Shareholders' Pro Rat | 7 Check this box if the corporation issued public if checked, the corporation may have to file File | |
| | 27 Total liabilities and shareholders' equity | check this box to indicate you are reporting items of interna | Instruments. | b Tax deposited with Form 7004 |
| | | 15a Post-1986 depreciation adjustment | 8 If the corporation (a) was a C corporation before basis determined by reference to the basis of the | 24 Estimated tay penalty (see instructions) Check if Form 2220 is attached |
| | | p r p | (b) has net unrealized built-in gain in excess of th gain reduced by net recognized built-in gain from | 25 Amount award If line 22d is smaller than the total of lines 22e and 24 enter amount award |
| | | d Oil, gas, and geothermal properties—gross income e Oil, gas, and geothermal properties—deductions | 9 Did the corporation have an election under sec in effect during the tax year? See instructions. | 20 Overpayment. In the 20 is larger that the total of mess 20 and 4+, either arround verpaid |
| | | f Other AMT items (attach statement) | 10 Does the corporation satisfy one or more of the a The corporation owns a pass-through entity with | Sign belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |
| | | b Other tax-exempt income | b The corporation's aggregate average annual | Here Signature of officer Date Title See instructions. |
| | | d Distributions (attach statement if required) (see instructions) | c The corporation is a tax shelter and the corporation | Paid Print type prepare s anne Prepare s agranue Date Check i if Print |
| | | e Repayment of loans from shareholders | If "Yes," complete and attach Form 8990. 11 Does the corporation satisfy both of the followi | Preparer Use Only Firm's same ► Firm's same |
| | | 12 | a The corporation's total receipts (see instruction b The corporation's total assets at the end of the | Firm's address > Phone no. Phone no. Phone no. Phone no. Phone no. Phone no. For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form 1120-5 |
| | | | If "Yes," the corporation is not required to com | Form 1120-5 Business Tax Returns 101 |

Business Tax Returns 101 66









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 > Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. OMB No. 1545-0123 |
|--------------------|--|
| | For calendar year or tax year beginning ending , 20 |
| | A Selection effective date Name D Employer identification number |
| | B Business activity code number (see instructions) PRINT Number, street, and room or suite no. If a P.O. box, see instructions. E Date incorporated |
| | 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 (I: (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 Check II: corporation: (1) Aggregated activities for section 465 at-risk propeses (2) Grouped activities for section 465 at-risk propeses |
| | Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information. |
| | 1a Gross receipts or sales b Returns and allowances c Balance. Subtract line 1b from line 1a |
| Income Section | 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) . 4 Compensation of Compensation of |
| | 5 Other income (loss) (see instructions – attach statement) |
| | 7 Compensation of officers (see instructions-attach Form 1125-E) 7 Officers to Point 8 Salaries and wages (less employment credits) 8 1125-E and 1040. |
| | In Bad debts In 11 Rents In 12 Taxes and licenses In |
| | 13 Interest (see instructions) 13 14 Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 14 15 Depletion (Do not deduct oil and gas depletion.) 15 16 Advertising 16 17 Pension, profit-sharing, etc., plans 17 |
| Deductions Section | 18 Employee benefit programs 18 Imployee benefit programs Imployee benefit programs 19 Other deductions (attach statement) 19 Imployee benefit programs |
| | 22a Excess net passive income or LIFO recepture tax (see instructions) |
| | 27 Enter amount from line 26: Credited to 2022 estimated tax ▶ Refunded ▶ 27 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 perparer (other than taxpayor) is based on all information or which preparer thas any knowledge. |
| | Here May the IRS discuss this return |
| | Signature of officer Date Title See instructions. Yes No Paid Print/Type preparer's name Preparer's signature Date Check [] if PTIN Preparer |
| | Use Only Firm's came Firm's EIN Firm's EIN Firm's einthead Firm's eint |
| | For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11510H Form 1120-S |

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.

| Schedule K-1 | | Final K-1 Amende | | | 0. 1545-0123 | | |
|---|----|---|--------|--------------------------------|----------------|----------|------------|
| Form 1120-S) | | Deductions, Credit | | Or | dinar | / Income | e from |
| Department of the Treasury Internal Revenue Service | - | Ordinary business income (loss) | K | 0. | | · | |
| beginning / / ending / / | Z | Net rental real estate income (loss | | | For | m 1120- | S. |
| Shareholder's Share of Income, Deductions, Credits, etc. | 3 | Other net rental income (ioss) | | | | | |
| Part I Information About the Corporation | 4 | Interest income | | N | | | |
| A Corporation's employer identification number | 5a | Ordinary dividends | | | | | |
| B Corporation's name, address, city, state, and ZIP code | | Qualified dividends | 14 | Schedule K-3 is att checked | | | |
| | 6 | Royalties | 15 | Alternative minimum t | ax (AMT) items | | |
| | 7 | Net short-term capital gain (loss) | | | | | |
| C IRS Center where corporation filed return | 8a | Net long-term capital gain (loss) | | | | | Income ar |
| D Corporation's total number of shares Beginning of tax year | Bb | Collectibles (28%) gain (loss) | | | | | |
| End of tax year | 80 | Unrecaptured section 1250 gain | | | | | deductior |
| Part II Information About the Shareholder | 9 | Net section 1231 gain (loss) | 16 | Items affecting share | eholder basit | | are typica |
| E Shareholder's identifying number | 10 | Other income (loss) | | | | | |
| F Shareholder's name, address, city, state, and ZIP code | | | | h | | | combine |
| | | | | | | | and transf |
| | _ | | | | | | and transi |
| | | - | | | | | to the |
| G Current year allocation percentage | | | 17 | Other information | | | to the |
| | 11 | Section 179 deduction | | | | | Schedule |
| H Shareholder's number of shares Beginning of tax year | 12 | Other deductions | | | | | |
| End of tax year | | | | | | | as either |
| Loans from shareholder | | | | | | | |
| Beginning of tax year \$ | | | | | | | Passive o |
| Eno ortax year | | | | | | | N D 1 |
| | | | | | | | Non-Passi |
| | | | | | | | Income o |
| Only | | | - | | | | |
| 2 | | | | | | | Loss. |
| For IRS Use Only | | | | | 0 | | |
| ē. | 18 | 18 More than one activity for at-risk purposes" 19 More than one activity for passive activity purposes" | | | | | |
| | 19 | 129 0718 05555 XX | 64 - C | 5 | Ú. | | |
| | | * See attached statement | tor a | ditional informat | ion. | | |

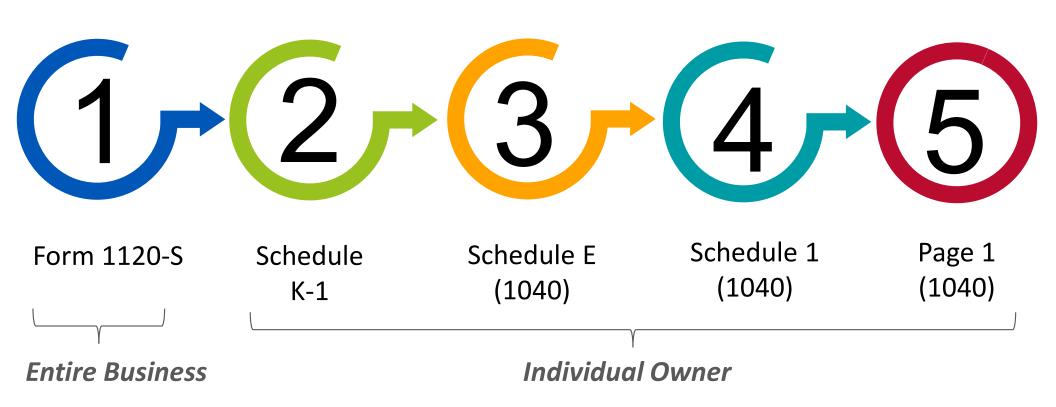


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Business Tax Returns 101 69







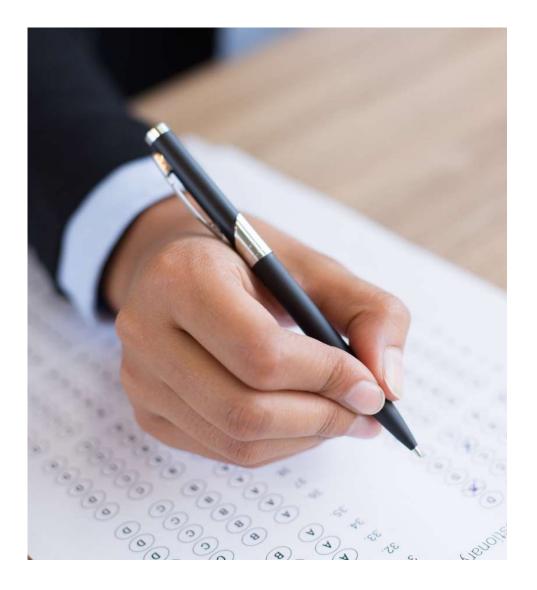


Knowledge Check Four



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.





X Arch | MI

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. <form><form><form>

The 1065 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 singlemember 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

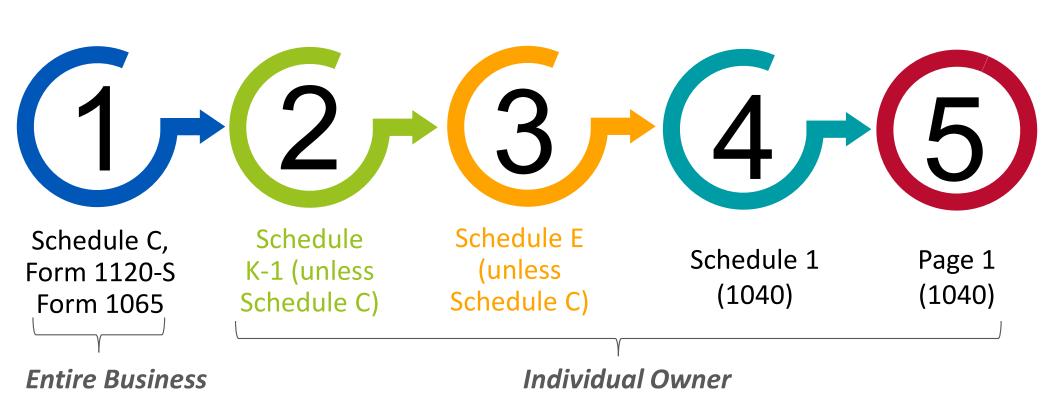
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Limited Liability Companies do not have their "own" tax form — they will file either a Schedule C, Form 1065 or Form 1120-S.

| SCHEDULE C (Form 1040) (Sole Proprietorship) | ess | OMB No. 1545-0074 | | | | | | | |
|--|--|--|--|-------------------------------------|-----------------------------|--------------------------------|---|--------------------------|--|
| Department of the Treasury Internal Revenue Service (99) Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships | e latest information. | <i>d</i> | | Form 112 | | ► Do not f | e Tax Return for an S C le this form unless the corporation ha | s filed or | OMB No. 1545-0123 |
| Name of proprietor | Form 1065 | U.S. Return of Partnership Income | OMB No. 1545-0123 | Department of t Internal Revenue | | | ng Form 2553 to elect to be an S corp v/Form1120S for instructions and the | | |
| | Form For o | alendar year 2021, or tax year beginning ending , 2 | 0 | For calenda | | x year beginning | | anding | , 20 |
| A Principal business or profession, including product or service (see instructions) | Department of the Treasury Internal Revenue Service | ► Go to www.irs.gov/Form1065 for instructions and the latest information. | 2020 | A Selection ef | flective date | Name | | - A | D Employer identification number |
| C Business name. If no separate business name, leave blank. | A Principal business activity | Name of partnership | D Employer identification nu | 8 Business act | tivity code 0 | Number, street, and | room or suite no. If a P.O. box, see instructio | ദ്ര. | E Date incorporated |
| E Business address (including suite or room no.) | B Principal product or service Type | Number, street, and room or suite no. If a P.O. box, see instructions. | E Date business starte | | P | RINT City or town, state | or province, country, and ZIP or foreign postal | code | F Total assets (see instructions) |
| City, town or post office, state, and ZIP code | C Business code number Prin | | F Total assets | C Check I Sch. | M-3 attached | | A 1 A 1 A 1 | | s |
| F Accounting method: (1) Cash (2) Accrual (3) Other (specify) | | City or town, state or province, country, and ZIP or foreign postal code | F Total assets (see instructions) | G is the con | rporation electing | to be an S corporation b | eginning with this tax year? See instruc | tions. Yes 1 | No |
| G Did you "materially participate" in the operation of this business during 2021? If "No," | | | | | | | (3) Address change (4) Ame | | |
| H If you started or acquired this business during 2021, check here | G Check sonicable boxes | (1) Initial return (2) Final return (3) Name change (4) Address cf | anne (5) Amended reti | | | | cholders during any part of the tax yea | | |
| I Did you make any payments in 2021 that would require you to file Form(s) 1099? See | H Check accounting method: | | ange (-) _ renended rete | J Check if | | | section 465 at-risk purposes (2) Gro | | |
| J If "Yes," did you or will you file required Form(s) 1099? | | Attach one for each person who was a partner at any time during the tax year > | | | | | enses on lines 1a through 21. See the in | | information. |
| Part I Income | | M-3 are attached | 🕨 | | | | | 1a | |
| 1 Gross receipts or sales. See instructions for line 1 and check the box if this income w | K Check if partnership: (1) | Aggregated activities for section 465 at-risk purposes (2) Couped activities for sect | ion 469 passive activity purpo | bF | Returns and allows | inces | | 1b | 10 |
| Form W-2 and the "Statutory employee" box on that form was checked | | e or business income and expenses on lines 1a through 22 below. See instructi | ons for more information. | | | | | | |
| 2 Returns and allowances | | orsales | | | | | | | |
| 3 Subtract line 2 from line 1 | b Returns and a | llowances | | | | | tach Form 4797) | | |
| 4 Cost of goods sold (from line 42) | | ract line 1b from line 1a. | | | | | ich statement) | | |
| 5 Gross profit. Subtract line 4 from line 3 | | sold (attach Form 1125-A) | | | | | 5 | | |
| Other income, including rederal and state gasoline or fuel tax credit or retund (see inst Gross income, Add lines 5 and 6 | | Subtract line 2 from line 1 c | | 2 7 0 | Compensation of o | fficers (see instruction | -attach Form 1125-E) | | . 7 |
| Part II Expenses. Enter expenses for business use of your home only on lin | | t (loss) (attach Schedule F (Form 1040)) | | 8 S | Salaries and wage | s (less employment cre | dits) | | . 8 |
| 8 Advertising 8 18 Office expen | | from Form 4797, Part II, line 17 (attach Form 4797) | | 1 9 F | Repairs and mainte | anance | | | . 9 |
| 9 Car and truck expenses (see 19 Pension and | | (loss) (attach statement) | | | Bad debts | | NA GARGE NA GARGE NA | | . 10 |
| | | (loss). Combine lines 3 through 7 | | | | | ana analos ana analos ana | | . 11 |
| 10 Commissions and fees . 10 a Vehicles, mar | | vages (other than to partners) (less employment credits) | | | | | the entry the entry the | | . 12 |
| 11 Contract labor (see instructions) 11 b Other busine | § 10 Guaranteed pa | ayments to partners | . 10 | 13 Ir | nterest (see instru | ctions) | بدور ويدوع مرد والا | | . 13 |
| 12 Depletion | 11 Repairs and m | naintenance | . 11 | | | | or elsewhere on return (attach Form 4 | | |
| 13 Depreciation and section 179 22 Supplies (no | | e na eleke na eleke na eleke na eleke na eleke r | | | | | pletion.) | | |
| expense deduction (not | | | | 10 A | Advertising | in a standard | | alla da lada lad | 10 |
| included in Part III) (see 13 24 Travel and m | | MS65 | | | | | | | |
| 14 Employee benefit programs a Travel | 15 Interest (see in | nstructions) | . 15 | | | | | | |
| (other than on line 19) . 14 b Deductible n | | tion reported on Form 1125-A and elsewhere on return . 16b | 16c | | | | | | |
| 15 Insurance (other than health) 15 instructions) | | not deduct oil and gas depletion.) | | | | | ct line 20 from line 6 | | |
| 16 Interest (see instructions): 25 Utilities | | ans, etc. | | | | | | 22a | |
| a Mortgage (paid to banks, etc.) 16a 26 Wages (less | | efit programs | | | | | | 22b | |
| b Other 16b 27a Other expen | | ons (attach statement) | | | | | radditional taxes) | | . 22c |
| 17 Legal and professional services 17 b Reserved fo | 21 Total deducti | ons. Add the amounts shown in the far right column for lines 9 through 20 | . 21 | | | | | 23a | |
| 28 Total expenses before expenses for business use of home. Add lines 8 through 27a | | iness income (loss). Subtract line 21 from line 8 | | | | | | 236 | |
| 29 Tentative profit or (loss). Subtract line 28 from line 7 | | nder the look-back method-completed long-term contracts (attach Form 8697 | | | | | Form 4136) | 23c | . 23d |
| 30 Expenses for business use of your home. Do not report these expenses elsewher | | nder the look-back method-income forecast method (attach Form 8866) | | | | | heck if Form 2220 is attached | | |
| unless using the simplified method. See instructions. | | uted underpayment (see instructions) | | | | | the total of lines 22c and 24, enter am | | 25 |
| Simplified method filers only: Enter the total square footage of (a) your home: | | ee instructions) | | | | | e total of lines 22c and 24, enter amou | | |
| and (b) the part of your home used for business: | | instructions) | | | | | 2022 estimated tax > | Refunded | |
| Method Worksheet in the instructions to figure the amount to enter on line 30 | a contracting and | d. If line 28 is smaller than line 27, enter amount owed | | | Inder penalties of perj | ury, I declare that I have exa | mined this return, including accompanying sci | hedules and statement | s, and to the best of my knowledge and |
| 31 Net profit or (loss). Subtract line 30 from line 29. | | t. If line 28 is larger than line 27, enter overpayment | | Sign | selief, it is true, correct | , and complete. Declaration | of preparer (other than taxpayer) is based on | all information of which | May the IRS discuss this return |
| If a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line | Under penalties of | of perjury, I declare that I have examined this return, including accompanying schedules and statemer | ts, and to the best of my knowle | Here | 1 | | | | with the preparer shown below? |
| checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, | Sign and belief, it is tr which preparer h | rue, correct, and complete. Declaration of preparer (other than partner or limited liability company me as any knowledge. | mber) is based on all information | Construction of the | Signature of officer | | Date Title | | See instructions, Yes No |
| If a loss, you must go to line 32. | Here | | May the IRS discuss this retu | Paid | Print/Type prepare | 's name | Preparer's signature | Date | Check if PTIN |
| 32 If you have a loss, check the box that describes your investment in this activity. See if | Design of the second seco | | with the preparer shown below See instructions. Yes N | Preparer | | | | | self-employed |
| If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on | | partner or limited liability company member Date | | Use Only | Firm's name | | | 0.0 | Firm's EIN ► |
| SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and th Form 1041, line 3. | Paid Print/Type prepa | rer's name Preparer's signature Date | Check I if PTIN | | Firm's address F | | | | Phone no. |
| Form 1041, line 3. If you checked 32b, you must attach Form 6198. Your loss may be limited. | Preparer | | self-employed | For Paperwo | ork Heduction Act | Notice, see separate in | structions. Cat. | No. 11510H | Form 1120-S |
| For Paperwork Reduction Act Notice, see the separate instructions. Ca | Line Only Fim's name | | Firm's EIN > | | | | Rus | siness Tax | Returns 101 75 |
| For Faperwork needboon Act house, see the separate instructions. | Firm's address | | Phone no. | - S | | | Dus | | |
| | For Paperwork Reduction A | ct Notice, see separate instructions. Cat. No. 11390Z | Form 1065 | | | | | | |

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.

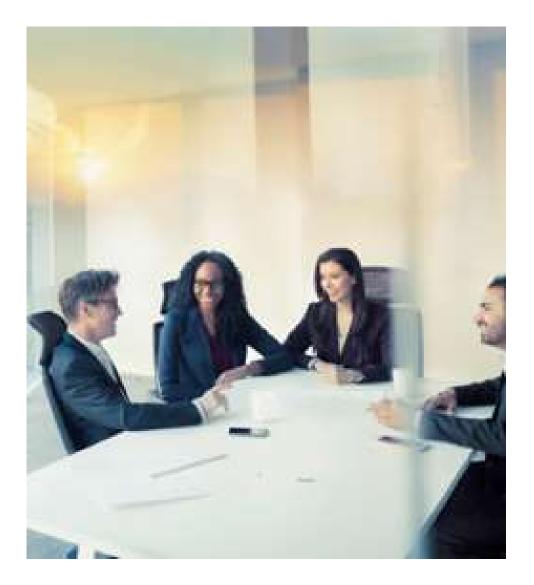




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The answer is *False*.

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









Corporations



Corporation Definition

X Arch | MI

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.





Corporations



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 passthrough taxation. Form 1125-E shows ownership.*

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



Corporation Types



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

X Arch | MI

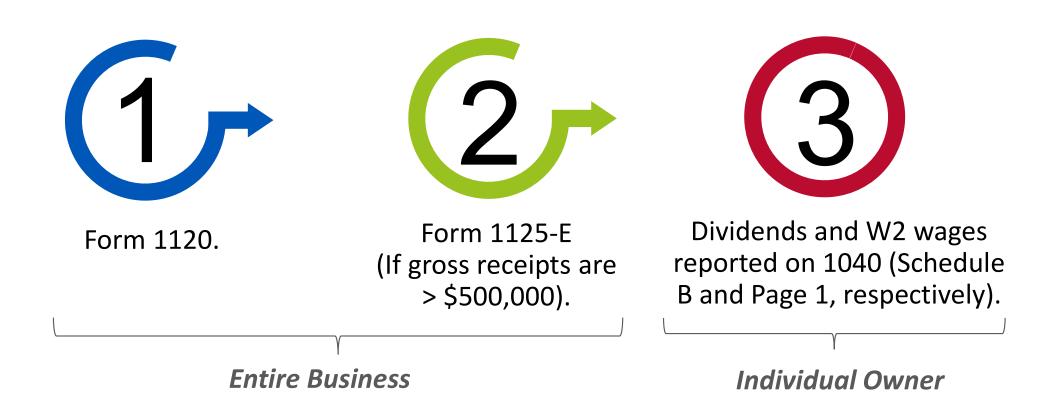
The 1120 is made up of six (6) pages, but the filed return may be much longer due to additional schedules and attachments.

| Form 1120 | | | Í | | 1120 U.S. Corporation Income Tax Return OMB No. 1545-0123 |
|---|--|--|---|--|--|
| Schedule L Balance St | Form 1120 | Form 1120 | | Form 1120 | Form I I Z V For calendar year or tax year beginning ending , 20 |
| Asset | Schedule K Other Information | Schedule K Other Information (se | Form 1120 | Schedule C Dividends, Inclusions, | Department of the Treasury Internal Revenue Service For Calendar year of tax year beginning ending ending 20 |
| 1 Cash | 13 Are the corporation's total receipts (pa | | Schedule J Tax Computation a | instructions) | A Check if: B Employer identification number |
| 2a Trade notes and accounts n | tax year less than \$250,000? | 1 Check accounting method: a 🗌 Cash | Part I-Tax Computation | | 1a Consolidated veturn (attach Form 851) |
| b Less allowance for bad deb | If "Yes," the corporation is not requir | 2 See the instructions and enter the: | 1 Check if the corporation is a member of | Dividends from less-than-20%-owned dc | b Lite/nonlife consol Number, street, and room or suite no. If a P.O. box, see instructions. C Date incorporated |
| 3 Inventories | distributions and the book value of pro | a Business activity code no. > | | stock) | dated returnO VH |
| 4 U.S. government obligation | 14 Is the corporation required to file Scher | b Business activity | 2 Income tax. See instructions | 2 Dividends from 20%-or-more-owned do | altack Sch. PH. City or town, state or province, country, and ZIP or foreign postal code D Total assets (see instructions) |
| 5 Tax-exempt securities (see | If "Yes," complete and attach Schedule | c Product or service ► | 3 Base erosion minimum tax amount (atta | stock) | 3 Personal service corp. S |
| 6 Other current assets (attach | 15a Did the corporation make any payment | 3 Is the corporation a subsidiary in an affiliat | 4 Add lines 2 and 3 | | see and the second seco |
| 7 Loans to shareholders | b If "Yes," did or will the corporation file r | If "Yes," enter name and EIN of the parent | 5a Foreign tax credit (attach Form 1118) | 3 Dividends on certain debt-financed stock | 1a Gross receipts or sales |
| 8 Mortgage and real estate lo | | | b Credit from Form 8834 (see instructions | | b Returns and allowances |
| 9 Other investments (attach s | 16 During this tax year, did the corporation | 4 At the end of the tax year: | General business credit (attach Form 3) | 4 Dividends on certain preferred stock of le | c Balance Subtract line 1b from line 1a |
| 10a Buildings and other depreci | own stock? | | d Credit for prior year minimum tax (attac | | 2 Cost of goods sold (attach Form 1125-A) |
| b Less accumulated deprecia | 17 During or subsequent to this tax year, I | a Did any foreign or domestic corporation organization own directly 20% or more, or | e Bond credits from Form 8912 | 5 Dividends on certain preferred stock of 20 | Cost of good state in the 2 from line 1 c 3 |
| 11a Depletable assets | of its assets in a taxable, non-taxable, o | corporation's stock entitled to vote? If "Ye | 6 Total credits. Add lines 5a through 5e | | 4 Dividentia and inclusions (Schedule C, line 23) 4 |
| b Less accumulated depletion | 18 Did the corporation receive assets in a | b Did any individual or estate own directly 2 | 7 Subtract line 6 from line 4 | 6 Dividends from less-than-20%-owned for | |
| 12 Land (net of any amortizatio | market value of more than \$1 million? | classes of the corporation's stock entitled | 8 Personal holding company tax (attach 5 | | |
| | 19 During the corporation's tax year, did | | 9a Recapture of investment credit (attach I | 7 Dividends from 20%-or-more-owned fore | |
| 13a Intangible assets (amortizab | under chapter 3 (sections 1441 through | 5 At the end of the tax year, did the corporat | b Recapture of low-income housing credi | Lividends from 20%-or-more-owned fore | 7 Gross royalties 7 |
| b Less accumulated amortiza | 20 Is the corporation operating on a coope | a Own directly 20% or more, or own, directly o | | 9 Disidanda from udadh annad fariha an | 8 Capital gain net income (attach Schedule D (Form 1120)) |
| 14 Other assets (attach statem | 21 During the tax year, did the corporation | any foreign or domestic corporation not inclu | Interest due under the look-back m Form 8697). | 8 Dividends from wholly owned foreign sub | 9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797) |
| 15 Total assets | 267A? See instructions | If "Yes," complete (i) through (iv) below. | d Interest due under the look-back metho | C CONTRACTOR CONTRACTOR | 10 Other income (see instructions-attach statement) |
| Liabilities and Share | If "Yes," enter the total amount of the d | () Name of Corporation | a Interest due under the look-back metho e Alternative tax on gualifying shipping at | 9 Subtotal. Add lines 1 through 8. See inst | 11 Total income. Add lines 3 through 10 |
| 16 Accounts payable | 22 Does the corporation have gross rece | | | 10 Dividends from domestic corporations | 2 12 Compensation of officers (see instructions – attach Form 1125-E) |
| 17 Mortgages, notes, bonds paya | | | f Interest/tax due under section 453A(c) a | company operating under the Small Busir | 5 13 Salaries and wages (less employment credits) |
| 18 Other current liabilities (attail | and (3)) | | g Other (see instructions-attach stateme | 9494 (044) 0440 (040) 0400 (040) 040 (040) 040 | 14 Repairs and maintenance |
| 19 Loans from shareholders . | | | 10 Total. Add lines 9a through 9g | 11 Dividends from affiliated group members | 3 15 Bad debts |
| 20 Mortgages, notes, bonds paya | 23 Did the corporation have an election ur | | 11 Total tax. Add lines 7, 8, and 10. Enter | | 2 16 Rents |
| 21 Other liabilities (attach state | during the tax year? See instructions | | Part II-Reserved For Future Use | 12 Dividends from certain FSCs | 0 17 Taxes and licenses |
| 22 Capital stock: a Preferred | 24 Does the corporation satisfy one or mo | | 12 Reserved for future use | 13 Foreign-source portion of dividends re- | 5 18 Interest (see instructions) |
| b Common | a The corporation owns a pass-through e | b Own directly an interest of 20% or more, or | Part III—Payments and Refundable Cree | corporation (excluding hybrid dividends) (| 2 19 Charitable contributions |
| 23 Additional paid-in capital . | b The corporation's aggregate average a | (including an entity treated as a partnership) | 13 2020 overpayment credited to 2021 | 14 Dividends from foreign corporations no | 20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562) 20 |
| 24 Retained earnings-Appropria | current tax year are more than \$26 mill | If "Yes," complete (i) through (iv) below. | 14 2021 estimated tax payments | (including any hybrid dividends) | 5 21 Depletion |
| 25 Retained earnings-Unappr | c The corporation is a tax shelter and the | | 15 2021 refund applied for on Form 4466 | | g 22 Advertising |
| 26 Adjustments to shareholders' et | If "Yes," complete and attach Form 899 | (I) Name of Entity | 16 Combine lines 13, 14, and 15 | 15 Reserved for future use | B 23 Pension, profit-sharing, etc., plans |
| 27 Less cost of treasury stock | 25 Is the corporation attaching Form 8996 | | 17 Tax deposited with Form 7004 | | 24 Employee benefit programs |
| 28 Total liabilities and sharehol | If "Yes," enter amount from Form 8996 | | 18 Withholding (see instructions) | 16a Subpart F inclusions derived from the sa | 25 Reserved for future use |
| Schedule M-1 Reconcilia | and service and the service of the s | | 19 Total payments. Add lines 16, 17, and | the stock of a lower-tier foreign corporat | 26 Other deductions (attach statement) 26 |
| Note: The co | 26 Since December 22, 2017, did a foreign indirectly by the corporation, and was | | 20 Refundable credits from: | (see instructions) | 27 Total deductions. Add lines 12 through 26 |
| 1 Net income (loss) per books | 50% (for example, the shareholders h | | a Form 2439 | b Subpart F inclusions derived from hybrid | 28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11. 28 |
| 2 Federal income tax per book | percentage by vote and by value. See i | | b Form 4136 | 5471) (see instructions) | 2 29 A Net operating loss deduction (see instructions) |
| | Percentage: By Vote | | c Reserved for future use | Other inclusions from CFCs under subpart | |
| - | a bounder by too | 6 During this tax year, did the corporation | d Other (attach statement-see instructio | Form(s) 5471) (see instructions) | b Special deductions (Schedule C, line 24) |
| 4 Income subject to tax not | | excess of the corporation's current and ac | | | C Add lines 29a and 29b Zec Solution Subtract line 29c from line 28. See instructions Solution So |
| this year (itemize): | | If "Yes," file Form 5452, Corporate Report | 21 Total credits. Add lines 20a through 2 | 17 Global Intangible Low-Taxed Income (GIL | |
| | | If this is a consolidated return, answer her | 22 Reserved for future use | | |
| 5 Expenses recorded on b | | 7 At any time during the tax year, did one t | 23 Total payments and credits. Add lines | 18 Gross-up for foreign taxes deemed paid | |
| deducted on this return (iter | | classes of the corporation's stock entitled | | | 33 Total payments and credits (Schedule J, Part III, line 23) |
| a Depreciation | | For rules of attribution, see section 318. If | | 19 IC-DISC and former DISC dividends not in | 34 Estimated tax penalty. See instructions. Check if Form 2220 is attached |
| b Charitable contributions . | | (a) Percentage owned > | | | 35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed |
| c Travel and entertainment . | | (c) The corporation may have to file Form | | 20 Other dividends | 36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid |
| | | (c) The corporation may have to the Form Corporation Engaged in a U.S. Trade or Bill | | | 37 Enter amount from line 36 you want: Credited to 2022 estimated tax ► Refunded ► 37 |
| 6 Add lines 1 through 5 | | 8 Check this box if the corporation issued p | | 21 Deduction for dividends paid on certain p | bider penaltais of perjury, t declares that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is hour, context, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. |
| Schedule M-2 Analysis o | | Check this box if the corporation issued pi If checked, the corporation may have to file | | | Sign May the IRS discuss this return |
| Balance at beginning of yea | | 9 Enter the amount of tax-exempt interest re | | 22 Section 250 deduction (attach Form 8993 | Here with the preparer shown below? Bee instructions. Yes No |
| 2 Net income (loss) per books | | | | | Signature of officer Date Title |
| 3 Other increases (itemize): | | 10 Enter the number of shareholders at the er | | 23 Total dividends and inclusions. Add co | Paid Print/Type preparer's name Preparer's signature Date Check # PTIN |
| | | 11 If the corporation has an NOL for the tax y | | page 1, line 4 | sett-employed |
| | | If the corporation is filing a consolidated n | | 24 Total special deductions. Add column (c | Use Only Firm's Dame Firm's Da |
| 4 Add lines 1, 2, and 3 | | or the election will not be valid. | | | Firm's address > Phone no. |
| | | 12 Enter the available NOL carryover from p | | | For Paperwork Reduction Act Notice, see separate instructions. Gat. No. 11480Q Form 1120 |
| | | page 1, line 29a.) | | | |
| | | | | | Business Tax Returns 101 83 |
| | | | | - | Business Tax Returns TOT 83 |
| _ | L | | L | | |



Corporation – How Income Flows

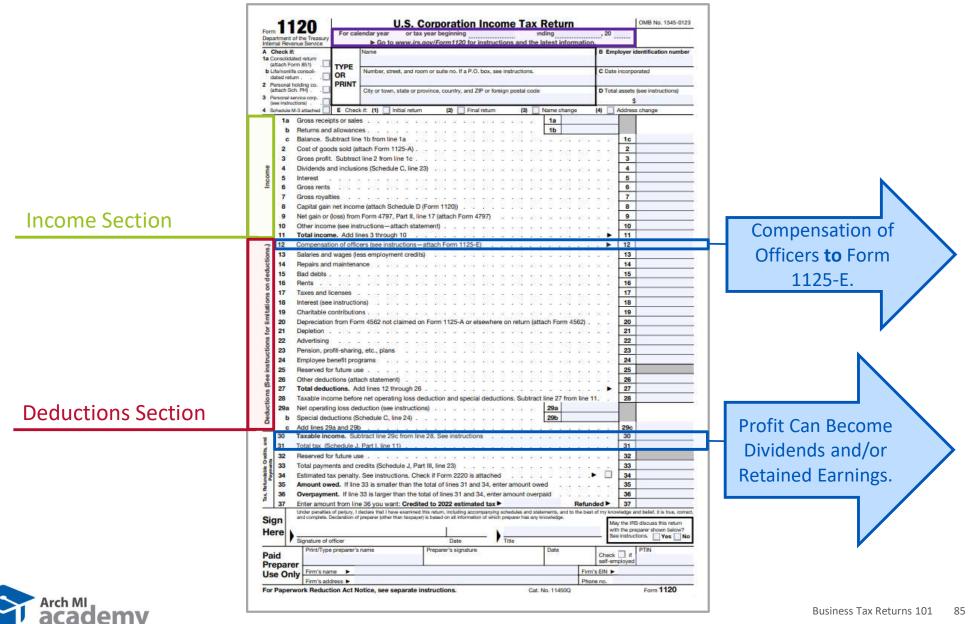






Corporations Cash Flow Form 1120









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 (Rev. Octobe Department o internal Rever | the Treasury | 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/form11 | | | | | OMB No. 1545-0123 | |
|--|--------------|--|--|--------------------------------|--------------------|---------------|-----------------------------------|-------|
| Name | ABC | Corporation | | | | | er identification num -7654321 | ber |
| Note: Com | plete Form 1 | 125-E only if total receipts are | \$500,000 or more. See instr | ructions for defin | ition of total red | ceipts. | | |
| | (a) Na | me of officer | (b) Social security number (see instructions) | (c) Percent of time devoted to | Percent of s | | (f) Amount of compensation | |
| ensation of | | | | business | (d) Common | (e) Preferred | | Comp |
| cers from | Frankie | e Owner | 321-45-6789 | 100 👷 | 25 % | 20 % | \$275,000 | of Of |
| m 1120. | | / Owner | 123-45-6789 | 100 👞 | 20 🐝 | 15 🐝 | \$250,000 | |

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.).



Cor

Form 1040, Schedule B (Form 1040)

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| Filing Status Check only one box. | If yo | Single Married filing jointly understand the MFS box, enter the nition is a child but not your dependent | ame of | - | | IFS) 🔲 Head necked the HOH | | | _ | ng widow(er) (QV me <mark>if t</mark> he qualifyir | |
|--|----------------|--|----------|----------------------------|-------------------------|--------------------------------|-----------|---|--|---|--|
| Your first name | and mi | ddle initial | Last n | ame | | | | | Your social | security number | |
| | | | | | | | | | 1 | 1 | |
| lf joint return, sp | ouse's | first name and middle initial | Last n | ame | | | | | Spouse's s | ocial security numb | |
| Home address (| numbe | r and street). If you have a P.O. box, see | instruct | ions. | | | | Apt. no. | | I Election Campai | |
| Cit. 1 | | W | | | | State | ZIP | and a | | if you, or your ling jointly, want \$ | |
| uty, town, or pr | ost om | ce. If you have a foreign address, also co | mpiete | spaces below | w. | State | ZIP | code | to go to thi | s fund. Checking | |
| Foreign country name | | | | Foreign province/state/cou | | | Fore | ign postal code | box below will not change your tax or refund. | | |
| | | | | | | | | | Vou Spo | | |
| any time dur | ing 20 | 21, did you receive, sell, exchange, | , or oth | erwise disp | ose of any | financial intere | st in any | y virtual curre | ncy? | Yes No | |
| ependents more an four pendents, e instructions id check ire ► | (see (1) Fi | Ware born before January 2, 1 instructions): inst name Last name Wages, salaries, tips, etc. Attach F Tax-exempt interest | | | cial security number | (3) Relation to you | ns , | fore January 2 (4) V if q Child tax c | ualifies for (se | is blind se instructions): dit for other depend | |
| ch. B if quired. | 3a | | 3a | | | | | | . <u>3b</u> | | |
| | 4a | | 4a | | | | | | . 4b | | |
| ndard | 5a 6a | | 5a 6a | | | b Taxable amo b Taxable amo | | | . <u>5b</u> | | |
| luction for- | 7 | Capital gain or (loss). Attach Scher | | if required. | | | | | 7 | | |
| ngle or arried filing | 8 | Other income from Schedule 1, lin | | | | | | | 8 | | |
| parately, 2,950 | 9 | Add lines 1, 2b, 3b, 4b, 5b, 6b, 7, | | This is you | r total inco | me | 2.2 | | • 9 | | |
| arried filing | 10 | Adjustments to income from Sche | | | 2 2 2 3 | | 2.2 | | 10 | | |
| ntly or ualifying | 11 | Subtract line 10 from line 9. This is | | | ross incon | 10 | 2.2 | | ► 11 | | |
| rviving spouse, 5,900 | 12a | Standard deduction or itemized | 125 | | | | 12a | | | | |
| ead of | b | Charitable contributions if you take | | | | 70 E | 12b | | | | |
| busehold, 19,400 | c | Add lines 12a and 12b | | | | | | | 12c | | |
| you checked | 13 | Qualified business income deducti | ion from | n Form 899 | 95 or Form | 8995-A | 2.2 | | 13 | | |
| hy box under tandard | 14 | Add lines 12c and 13 | | | 2 2 2 | | 18 18 1 | 0.00.00.00.0 | 14 | | |
| | | | | | | | | | | | |

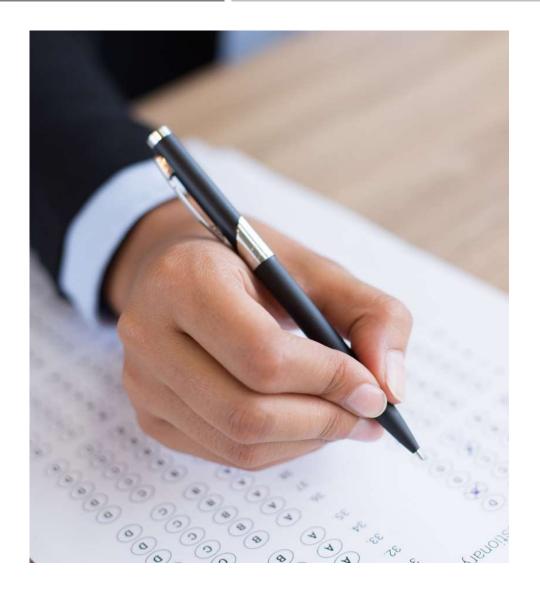
| (Form 1040) | 6 | Interest and Ordinary Dividends | | OMB No. 1545-0074 |
|---|-------------------|--|--------|-------------------------------|
| Department of the Tra Internal Revenue Servi | asury ice (99) | Go to www.irs.gov/ScheduleB for instructions and the latest information. Attach to Form 1040 or 1040-SR. | | Attachment Sequence No. 08 |
| Name(s) shown on n | | An and a second se | Your | social security number |
| | | | - | |
| Part I | 1 | List name of payer. If any interest is from a seller-financed mortgage and the | | Amount |
| Interest | | 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 > | | |
| | | interest inst. Also, and a site buyer a social secondy number and address P | | 8 |
| See instructions and the | | | | 1 |
| Instructions for Form 1040, line | | | | |
| 2b.) | | | | 2 |
| Note: If you | | | | |
| received a Form | | | 1 | 2 |
| 1099-INT, Form 1099-OID, or | | | | |
| substitute | | | | - |
| statement from a brokerage firm. | | *************************************** | | |
| ist the firm's | | | | - |
| name as the payer and enter | | | | |
| the total interest | | | | |
| shown on that | | | | 100 |
| | 2 | Add the amounts on line 1 | 2 | |
| | 3 | Excludable interest on series EE and I U.S. savings bonds issued after 1989. | | 3 |
| | | Attach Form 8815 | 3 | |
| | 4 | Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, | 3 | |
| | Mater | line 2b | 4 | Amount |
| Part II | Note: | List name of payer | | Amount |
| Dividends See instructions and the nstructions for form 1040, line 3b.) Note: If you eceived a Form (099-DIV or substitute statement from | | Dividends | | |
| a brokerage firm, ist the firm's name as the payer and enter | | | | |
| the ordinary dividends shown | 82 | | | |
| on that form. | 6 | Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, | 6 | |
| | Note: | line 3b | 0 | · · · · · · · · · · · · |
| Part III | Your | In mile of sover \$1,500, you must complete Part in. nust complete this part if you (a) had over \$1,500 of taxable interest or ordinary divide n account; or (o) received a distribution from, or were a grantor of, or a transferor to, a | | |
| Foreign | | At any time during 2021, did you have a financial interest in or signature authority of | | |
| | rd | account (such as a bank account, securities account, or brokerage account) locati | | |
| | | country? See instructions | | |
| | | If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank | and | Financial |
| Accounts and Trusts | | | | |
| and Trusts Caution: If required, failure | | Accounts (FBAR), to report that financial interest or signature authority? See Find | CEN I | Form 114 |
| Caution: If required, failure to file FinCEN | | Accounts (FBAR), to report that financial interest or signature authority? See Fin0 and its instructions for filing requirements and exceptions to those requirements. | | |
| and Trusts Caution: If equired, failure | b | Accounts (FBAR), to report that financial interest or signature authority? See Find | ntry v | where the |





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.





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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.





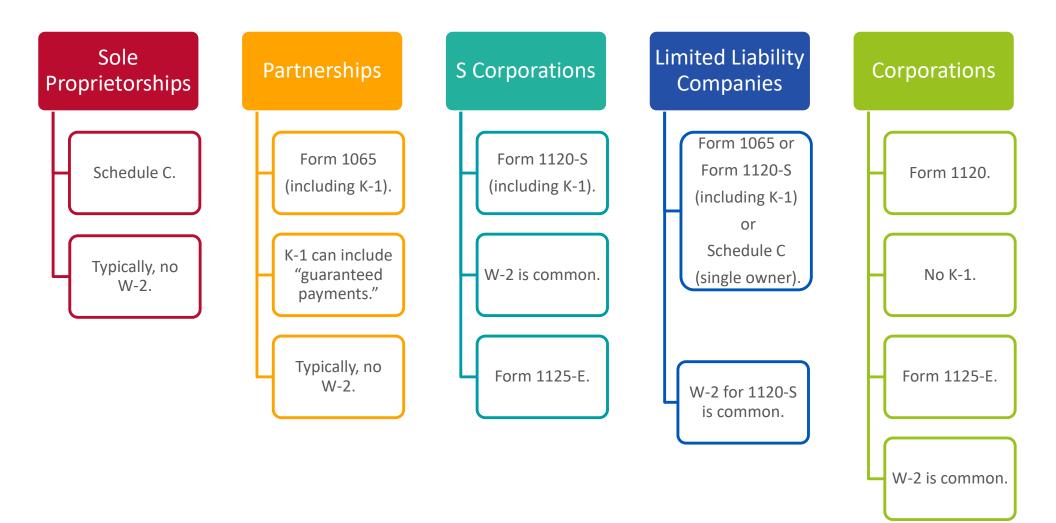


Recap of Business Entities and Forms













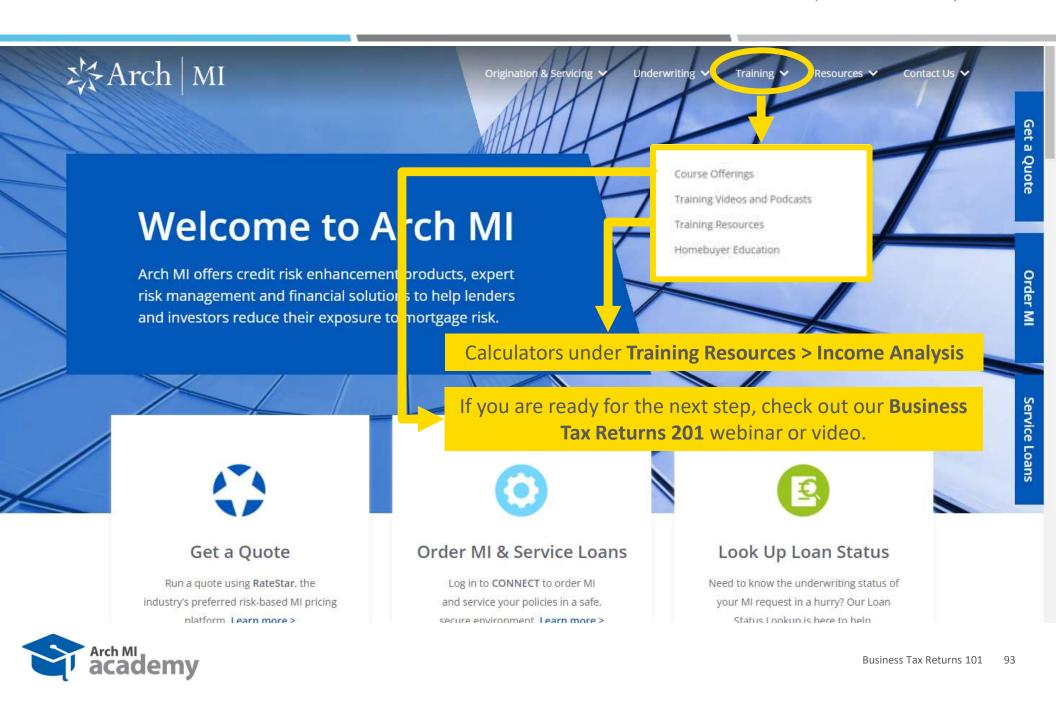


Tools, Questions and Contact



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Diana Swift

Senior National Trainer and Instructional Designer

dswift@archmi.com

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