

# WHEN, WHY AND HOW ... BASIS REPORTING AND TRACKING BY S CORP. SHAREHOLDERS ... AS WELL AS PARTNERS AND MEMBERS

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7<sup>TH</sup> ANNUAL IRS-SJSU SMALL BUSINESS TAX INSTITUTE

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SAN JOSE STATE UNIVERSITY



## 4 SITUATIONS **WHEN** STOCK BASIS REPORTING ON 1040 IS REQUIRED FOR S CORPORATION SHAREHOLDERS

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- 1) Distributions to the shareholder by the corporation
- 2) Allocation of S corp. losses to the shareholder
- 3) Disposition (including sale) of all or a portion of the corporation by the shareholder
- 4) Repayment of any loans from an S corporation to a shareholder



## WHY IS THE IRS REQUIRING BASIS REPORTING IN THESE SITUATIONS?

- Distributions to S corporation shareholders are normally tax-free (up to the amount of the corporation's AAA account balance), but only to the extent they do not exceed the shareholder's pre-distribution basis in the stock. If distributions (based on cash or FMV of non-cash property) exceed stock basis, this will normally result in taxable income (capital gain if the stock is a capital asset) to the shareholder.
- There are various loss limitations – including that based on the shareholder's stock basis in the corporation.
- Basis in the stock on a sale (or other disposition) of the stock has to be determined to determine gain or loss (or basis to a gift recipient of the stock ).
- An S corporation shareholder does receive stock basis for loans made directly to the corporation by the shareholder, but must generally decrease their debt basis by any loan repayments by the corporation.



## NOTE ON PARTNERSHIPS



- Even though the IRS is not currently requiring basis reporting on the 1040 for *partnership* interests, many, but not all, of the same or similar issues for S corporation shareholders also apply to partners and members of multi-member LLCs (taxed as partnerships).



## PERPETUAL ADJUSTMENTS TO A PARTNER'S "OUTSIDE" BASIS IN A PARTNERSHIP:



- Initial Outside Basis in the partnership (cost to acq. partnership, or FMV if inherited, commonly FMV if gifted)
- + **Partner's subsequent contributions to partnership** (based on cash or basis of assets (if Sect. 721))
- + **Partner's share of partnership's:**
  - Debt increases
  - Income items
  - Exempt income items
  - – Distributions and withdrawals from partnership (inside basis if not cash)
  - – **Partner's share of partnership:**
    - Debt decreases
    - Nondeductible expenses
    - Deductions and losses



## OUTSIDE BASIS EXAMPLE - PARTNERSHIP



- 'On 1/1/18 Suji, a brand new partner, contributes land with a basis and value of \$60,000 in exchange for a 40% interest in the calendar year ABC partnership.
- 'Here, Suji's initial outside basis in the partnership is \$60,000 (her basis in the land at the time of the contribution because it contributed in a Sect. 721 qualified capital contribution for her partnership interest).
- 'During 2018 ABC has total operating taxable income of \$200,000. Suji is taxed on her allocable share (40%) of ABC's profits (\$80,000).
- 'When Suji reports her \$80,000 share of ABC's partnership income for 2018, her outside basis in the partnership is increased to \$140,000 (\$60,000 initial basis plus \$80,000 for her share of the partnership's profits).
- 'If Suji sold her entire interest in ABC at the very beginning of 2019 for \$140,000, she would have no gain or loss.
- 'However, if she sold her partnership interest at the very beginning of 2019 for \$160,000, she would have a gain of \$20,000.

# THE FOUR LOSS DEDUCTIBILITY LIMITATIONS FOR PARTNERS AND S CORPORATION SHAREHOLDERS

- **Outside Basis Limitation (Punch #1)**



- Amount **At-Risk** Limitation (Punch #2)



- **Passive Loss** Limitations (Punch #3)



- **Excess Business Loss** Limitation (Punch 4)



- Only after going through these tests a partner or S corporation shareholder will know whether or not they will be able to currently deduct some or all of their current year's losses on the K-1 .....The "knockout blow"



## NEW AREA OF SCHEDULE E

- On page two, part II of the 2018 Schedule E it states:

Schedule E (Form 1040) 2018

Attachment Sequence No. **13**

Page **2**

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

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

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

## SCHEDULE E INSTRUCTIONS

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- From Page E-9:

“If you are claiming a deduction for your share of an aggregate loss, check the box on the appropriate line in Part II, column (e), and attach to your return a computation of the adjusted basis of your corporate stock and of any debt the corporation owes you. For details, see the Shareholder's Instructions for Schedule K-1 (Form 1120S).”



## SHAREHOLDER'S BASIS (SLIDE 1 OF 4)

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- Determination of initial basis is similar to that of basis of stock in C corp
  - Depends on manner stock was acquired
    - e.g., gift, inheritance, purchase, exchange
  - Basis is increased by:
    - Stock purchases
    - Capital contributions
    - Nonseparately computed income
    - Separately stated income items



## SHAREHOLDER'S BASIS (SLIDE 2 OF 4)

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- Basis is decreased by:
  - Distributions not reported as income by shareholders (based on FMV if not cash)
  - Nondeductible expenses (e.g., fines, penalties)
  - Nonseparately computed loss
  - Separately stated loss and deduction items
- Similar to partnership basis rules
  - First increase basis by income items
  - Then decrease it by (1) distributions and (2) finally losses



## SHAREHOLDER'S BASIS (SLIDE 3 OF 4)

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- Basis rules are similar to partnership rules except:
  - [For Partnerships] - Partner's basis in partnership interest includes direct investment plus the partner's share of partnership liabilities
  - **Except for loans DIRECTLY from a shareholder to the S Corp, corporate borrowing does not affect shareholder's basis for S Corporation shareholders!!!!!!**





## SHAREHOLDER'S BASIS (SLIDE 4 OF 4)

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- Shareholder's basis cannot be negative
  - Once stock basis is reduced to zero, any additional reductions (losses or deductions, but not distributions) decrease (but not below zero) basis in loans made to S corp (if any).
  - Any excess losses or deductions (for the shareholders) are suspended
  - Once debt basis (if any) is reduced, it is increased by subsequent net increases from all positive and negative adjustments



## TECHNICAL TREATMENT OF S CORPORATION LOSSES

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(SLIDE 1 OF 2)

- Step 1. Allocate total loss to the shareholder on a daily basis, based upon stock ownership (if any changes in ownership percentage during the year).
- Step 2. If shareholder's loss exceeds their combined stock and (if applicable) DIRECT debt basis, then the shareholder's potential deductible loss (subject to the other three loss limitation rules) is limited to the combined stock and DIRECT debt basis. Note: Distributions do not reduce debt basis.
- Step 3. Where loss > combined stock and DIRECT debt basis, excess is suspended and carried over to future tax years.



# TECHNICAL TREATMENT OF LOSSES

(SLIDE 2 OF 2)

- Step 4. In future tax years, any net increase in basis adjustment restores debt basis first, up to its original amount.
- Step 5. Once debt basis is restored, remaining net increase is used to increase stock basis.
- Step 6. Suspended loss from a previous year now reduces stock basis first and debt basis second.

## Worksheet for Figuring a Shareholder's Stock and Debt Basis

### Part I—Shareholder Stock Basis

1. Stock basis at the beginning of the corporation's tax year	1.	_____
2. Basis from any capital contributions made or additional stock acquired during the tax year	2.	_____
3a. Ordinary business income (losses go on Part II)	3a.	_____
b. Net rental real estate income (losses go on Part II)	3b.	_____
c. Other net rental income (losses go on Part II)	3c.	_____
d. Interest income	3d.	_____
e. Ordinary dividends	3e.	_____
f. Royalties	3f.	_____
g. Net capital gains (losses go on Part II)	3g.	_____
h. Net section 1231 gain (losses go on Part II)	3h.	_____
i. Other income (losses go on Part II)	3i.	_____
j. Excess depletion adjustment	3j.	_____
k. Tax-exempt income	3k.	_____
l. Recapture of business credits	3l.	_____
m. Other items that increase stock basis	3m.	_____
4. Add lines 3a through 3m	4.	_____
5. Stock basis before distributions. Add lines 1, 2, and 4	5.	_____
6. Distributions (excluding dividend distributions)	6.	_____
<small>Note. If line 6 is larger than line 5, subtract line 6 from line 5 and report the result as a capital gain on Form 9949 and Schedule D. See instructions.</small>		
7. Stock basis after distributions. Subtract line 6 from line 5. If the result is zero or less, enter -0-, skip lines 8 through 14, and enter -0- on line 15	7.	_____
8a. Nondeductible expenses	8a.	_____
b. Depletion for oil and gas	8b.	_____
9. Add lines 8a and 8b	9.	_____
10. Stock basis before loss and deduction items. Subtract line 9 from line 7. If the result is zero or less, enter -0-, skip lines 11 through 14, and enter -0- on line 15	10.	_____
11. Allowable loss and deduction items. Enter the amount from Part III, line 13, column (c)	11.	_____
12. Debt basis restoration (see net increase in instructions for Part II, line 8)	12.	_____
13. Other items that decrease stock basis	13.	_____
14. Add lines 11, 12, and 13	14.	_____
15. Stock basis at the end of the corporation's tax year. Subtract line 14 from line 10. If the result is zero or less, enter -0-	15.	_____



## EXAMPLE OF REPORTING OF SHAREHOLDER BASIS IN AN S CORPORATION ... THE HOW

- The taxpayer, Noriko Jones, is the sole shareholder of Commodore Incorporated, an S Corporation.
- Noriko's stock basis at the beginning of the year is \$75,000
- The corporation has \$200,000 of ordinary income for the year.
- The corporation also has \$2,500 of interest income for the year.
- The corporation makes an \$8,888 cash distribution to Noriko at the end of the year (it is less than the corporation's accumulated adjustments account (AAA)).

Schedule K-1 (Form 1120S)		2018		Final K-1	Amended K-1	OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2018, or tax year				
beginning <u>2018</u> ending _____						
<b>Shareholder's Share of Income, Deductions, Credits, etc.</b>		▶ See page 2 of form and separate instructions.				
<b>Part I Information About the Corporation</b>		<b>Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items</b>				
<b>A</b> Corporation's employer identification number	77-0530201	<b>1</b>	Ordinary business income (loss)	<b>13</b>	Credits	
<b>B</b> Corporation's name, address, city, state, and ZIP code	Commodore Incorporated		(200,000)			
	1986 Tax Way	<b>2</b>	Net rental real estate income (loss)			
	Watsonville CA 95076	<b>3</b>	Other net rental income (loss)			
<b>C</b> IRS Center where corporation filed return	OGDEN	<b>4</b>	Interest income			
		<b>5a</b>	Ordinary dividends			
		<b>5b</b>	Qualified dividends	<b>14</b>	Foreign transactions	
		<b>6</b>	Royalties			
		<b>7</b>	Net short-term capital gain (loss)			
		<b>8a</b>	Net long-term capital gain (loss)			

Part II Information About the Shareholder		8b	Collectibles (28%) gain (loss)		
D	Shareholder's identifying number 888-88-8888	8c	Unrecaptured section 1250 gain		
E	Shareholder's name, address, city, state, and ZIP code Noriko Jones 123 Main Street Freedom CA 95019	9	Net section 1231 gain (loss)		
		10	Other income (loss)	15	Alternative minimum tax (AMT) items
F	Shareholder's percentage of stock ownership for tax year . . . . . 100.00000 %	11	Section 179 deduction	16	Items affecting shareholder basis D 8,888
		12	Other deductions		
				17	Other information A 2,500
				V*	STMT

For IRS Use Only

\* See attached statement for additional information.

### Shareholder's Adjusted Basis Worksheet

*Keep for your records.*

Shareholder Number:	TIN: 888-88-8888	Tax year ending: 12-31-2018	Ownership % 100.000000
Shareholder Name: Noriko Jones			
Corporation Name: Commodore Incorporated		EIN 77-0530201	

**Stock basis**

1	Stock basis, beginning of year (Not less than zero)	1	75,000	
2	Additional Capital Contributions of Stock Purchased	2		
3	Increases for income and gain items:			
a	Ordinary Income (Sch K-1, Line 1)	a		
b	Real Estate Rental Income (Sch K-1, Line 2)	b		
c	Other Rental Income (Sch K-1, Line 3c)	c		
d	Interest, Dividends & Royalties (Sch K-1, Lines 4, 5 & 6)	d	2,500	
e	Capital Gain (Sch K-1, Lines 7 & 8a)	e		
f	Other Portfolio Income (Sch K-1, Line 10a)	f		
g	Section 1231 Gain (Sch K-1, Line 9)	g		
h	Other Income (Sch K-1, Line 10)	h		
	Total Income and Gain Items (Total lines 3a-3h)	3a-h	2,500	
i	Increase for Non-Taxable Income (Sch K-1, Lines 16a & b)	3i		
j	Increase for Excess Depletion Adjustment	3j		
k	Increase from Recapture of Business Credits (See IRC § 49(a), 50(a), 50(c)(2) & 1371(d))	3k		
l	Gain from 179 asset disposition	3l		
4	Stock Basis Before Distributions (Add lines 1 through 3)	4	77,500	
5	Reduction for Non-Taxable Distributions (Sch K-1, Line 16d)	5	8,888	
6	Stock Basis Before Non-Ded. Expense & Depletion (Cannot be negative)	6	68,612	
7a	Decrease for Non-Deductible Expense/Credit Adj (Sch K-1, Line 10c & 13)	a		
b	Decrease for Depletion (Sch K-1, Line 17r)	b		
8	Stock Basis Before Allowable Losses & Deductions (Cannot be negative)	7		
		8	68,612	
9	Decreases for Loss and Deduction items:			
a	Ordinary Loss (Page 2, Col e, Line 9a)	a	68,612	
b	Real Estate Rental Loss (Page 2, Col e, Line 9b)	b		
c	Other Rental Loss (Page 2, Col e, Line 9c)	c		

9 Decreases for Loss and Deduction Items

a Ordinary Loss	(Page 2, Col e, Line 9a)	a	68,612
b Real Estate Rental Loss	(Page 2, Col e, Line 9b)	b	
c Other Rental Loss	(Page 2, Col e, Line 9c)	c	
d Capital Loss	(Page 2, Col e, Line 9d)	d	
e Other Portfolio Loss	(Page 2, Col e, Line 9e)	e	
f Section 1231 Loss	(Page 2, Col e, Line 9f)	f	
g Other Loss	(Page 2, Col e, Line 9g)	g	
h Charitable Contributions	(Page 2, Col e, Line 9h)	h	
i Section 179 Expense	(Page 2, Col e, Line 9i)	i	
j Portfolio Income Expenses	(Page 2, Col e, Line 9j)	j	
k Other Deductions	(Page 2, Col e, Line 9k)	k	
l Interest Expense on Investment Debt	(Page 2, Col e, Line 9l)	l	
m Total Foreign Taxes Paid/Accrued	(Page 2, Col e, Line 9m)	m	
n Section 59(e) Expenditures	(Page 2, Col e, Line 9n)	n	
Total Loss and Deduction Items	(Total Lines 9a-9n)	9a-n	68,612
o Other decreases	(Page 2, Col e, Line 9o)	9o	
p Loss from 179 asset disposition	(Page 2, Col e, Line 9p)	9p	
Total Decrease for Loss and Deductions Items and Business Credits		9	68,612

10 Less: net increase applied to debt basis 10

11 Stock Basis at End of Year (Cannot be negative) 11

**Debt Basis**

12 Debt basis at beginning of year (not less than zero)	12	
13 New loans to corporation during year	13	
14 Restoration of Debt Basis (Line 10)	14	
15 Less: Loans repaid by corporation during the year	15	
16 Less: Applied against excess loss and deductions / non-deductible items	16	
17 Debt basis at the end of tax year (combine lines 12-16) (not less than zero)	17	
18 Shareholder's total basis at end of tax year (combine lines 11 and 17)	18	

**Carryover**

19 Total Beginning of year	Total Disallowed Losses	Debt Basis Applied Against Excess Losses and Deductions
20 Add: Losses and deductions this year	200,000	
21 Less: Applied this year	68,612	
22 End of year (Not less than zero)	131,388	

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Schedule E (Form 1040) 2018 Attachment Sequence No. 13 Page 2

Name(s) show on non return. Do not enter name and social security number if shown on page 1. Your social security number

**Noriko Jones** 888-88-8888

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

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

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

28	(a) Name	(b) Enter P for partnership, S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if amount is not at risk
A	Commodore Incorporated	S		77-0530201	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
B						
C						
D						

Passive Income and Loss		Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss from Schedule K-1	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A		68,612		
B				
C				
D				
29a Totals		68,612		
29b Totals		68,612		
30 Add columns (h) and (k) of line 29a				30
31 Add columns (g), (i), and (j) of line 29b				31 (68,612)
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31				32 (68,612)

**Part III Income or Loss From Estates and Trusts**

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

Form 1120S	Attach this worksheet to your return.	2018
Name of shareholder: <b>Noriko Jones</b>	SIN: 888-88-8888	
Name of corporation: <b>Commodore Incorporated</b>	EN: 77-0530201	
<b>Part I - Shareholder Stock Basis</b>		
1. Stock basis at the beginning of the corporation's tax year	1.	75,000
2. Basis from any capital contributions made or additional stock acquired during the tax year	2.	
3a. Ordinary business income (losses go on Part III)	3a.	
b. Net rental real estate income (losses go on Part III)	3b.	
c. Other net rental income (losses go on Part III)	3c.	
d. Interest income	3d.	2,500
e. Ordinary dividends	3e.	
f. Royalties	3f.	
g. Net capital gains (losses go on Part III)	3g.	
h. Net section 1231 gain (losses go on Part III)	3h.	
i. Other income (losses go on Part III)	3i.	
j. Excess depletion adjustment	3j.	
k. Tax-exempt income	3k.	
l. Recapture of business credits	3l.	
m. Other items that increase stock basis	3m.	
4. Add lines 3a through 3m	4.	2,500
5. Stock basis before distributions. Add lines 1, 2, and 4	5.	77,500
6. Distributions (excluding dividend distributions)	6.	8,888
Note. If line 6 is larger than line 5, subtract line 5 from line 6 and report the result as a capital gain on Form 9940 and Schedule D. See instructions.		
7. Stock basis after distributions. Subtract line 6 from line 5. If the result is zero or less, enter -0-, skip lines 8 through 14, and enter -0- on line 15	7.	68,612
8a. Nondeductible expenses	8a.	
b. Depletion for oil and gas	8b.	
9. Add lines 8a and 8b	9.	
10. Stock basis before loss and deduction items. Subtract line 9 from line 7. If result is zero or less, enter -0-, skip lines 11 through 14, and enter -0- on line 15	10.	68,612
11. Allowable loss and deduction items. Enter the amount from Part III, line 13, column (c)	11.	68,612
12. Debt basis restoration (see net increase in instructions for Part II, line 8)	12.	
13. Other items that decrease stock basis	13.	
14. Add lines 11, 12, and 13	14.	68,612
15. Stock basis at the end of the corporation's tax year. Subtract line 14 from line 10. If the result is zero or less, enter -0-	15.	0

<b>SCHEDULE 1</b> (Form 1040) Department of the Treasury Internal Revenue Service <small>Name(s) shown on Form 1040</small>		<b>Additional Income and Adjustments to Income</b> Attach to Form 1040. Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		OMB No. 1545-0074 <b>2018</b> Attachment Sequence No. <b>01</b>
<b>Noriko Jones</b>			Your social security number <b>888-88-8888</b>	
<b>Additional Income</b>	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	
	14	Other gains or (losses). Attach Form 4797	14	
	15a	Reserved	15b	
	16a	Reserved	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	(68,612)
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Reserved	20b	
21	Other income. List type and amount	21		
22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23.	22	(68,612)	
<b>Adjustments to Income</b>	23	Educator expenses	23	
	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	24	

Form 1040 (2018) Page **2**

1		Wages, salaries, tips, etc. Attach Form(s) W-2		1	600,000
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.	2a	Tax-exempt interest	2a	2b	2,500
	3a	Qualified dividends	3a	3b	
	4a	IRAs, pensions, and annuities	4a	4b	
	5a	Social security benefits	5a	5b	
	6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22		6	533,888
7		Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6		7	533,888
8		Standard deduction or itemized deductions (from Schedule A)		8	33,000
9		Qualified business income deduction (see instructions)		9	
10		Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-		10	500,888
<b>Standard Deduction for-</b> • Single or married filing separately, \$12,000 • Married filing jointly or Qualifying widow(er), \$24,000 • Head of household, \$18,000 • If you checked any box under Standard	11	a Tax (see inst) <b>151,018</b> any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>	11	151,018	
	12	b Add any amount from Schedule 2 and check here <input type="checkbox"/>	12	0	
13		Subtract line 12 from line 11. If zero or less, enter -0-		13	151,018
14		Other taxes. Attach Schedule 4		14	3,693
15		Total tax. Add lines 13 and 14		15	154,711

## POTENTIAL CONSEQUENCES OF NOT KEEPING TRACK OF BASIS AND REPORTING S CORP. STOCK BASIS (WHEN REQUIRED)

- Basis will presumed to be ZERO.
- So in the previous example, if the stock basis is not determined and therefore presumed to be zero:
  - 1) The \$6,388 of the \$8,888 distribution could be taxable to Noriko (assuming basis was allowed for the \$2,500 full share of interest income).
  - 2) None of the operating loss from the corporation will be deductible in 2018 on Noriko's 1040 return!

<b>SCHEDULE 1</b> (Form 1040) Department of the Treasury Internal Revenue Service <small>Name(s) shown on Form 1040</small>		<b>Additional Income and Adjustments to Income</b> Attach to Form 1040. Go to <a href="http://www.irs.gov/Form1040">www.irs.gov/Form1040</a> for instructions and the latest information.		OMB No. 1545-0074 <b>2018</b> Attachment Sequence No. <b>01</b>
<b>Noriko Jones</b>		Your social security number <b>888-88-8888</b>		
<b>Additional Income</b>	1-9b	Reserved	1-9b	
	10	Taxable refunds, credits, or offsets of state and local income taxes	10	
	11	Alimony received	11	
	12	Business income or (loss). Attach Schedule C or C-EZ	12	
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/>	13	6,388
	14	Other gains or (losses). Attach Form 4797	14	
	15a	Reserved	15b	
	16a	Reserved	16b	
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	0
	18	Farm income or (loss). Attach Schedule F	18	
	19	Unemployment compensation	19	
	20a	Reserved	20b	
	21	Other income. List type and amount <input type="checkbox"/>	21	
	22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23.	22	6,388



Form 1040 (2018)		Page 2		
Attach Form(s) W-2. Also attach Form(s) W-2G and 1099-R if tax was withheld.  <b>Standard Deduction for-</b> • Single or married filing separately, \$12,000 • Married filing jointly or Qualifying Widow(er), \$24,000 • Head of household, \$18,000 • If you checked any box under Standard	1	Wages, salaries, tips, etc. Attach Form(s) W-2	1	600,000
	2a	Tax-exempt interest	2a	
	2b	Taxable interest	2b	2,500
	3a	Qualified dividends	3a	
	3b	Ordinary dividends	3b	
	4a	IRAs, pensions, and annuities	4a	
	4b	Taxable amount	4b	
	5a	Social security benefits	5a	
	5b	Taxable amount	5b	
	6	Total income. Add lines 1 through 5. Add any amount from Schedule 1, line 22	6	608,888
	7	Adjusted gross income. If you have no adjustments to income, enter the amount from line 6; otherwise, subtract Schedule 1, line 36, from line 6	7	608,888
	8	Standard deduction or itemized deductions (from Schedule A)	8	33,000
	9	Qualified business income deduction (see instructions)	9	
	10	Taxable income. Subtract lines 8 and 9 from line 7. If zero or less, enter -0-	10	575,888
	11	a Tax (see inst) <u>177,683</u> any from: 1 <input type="checkbox"/> Form(s) 8814 2 <input type="checkbox"/> Form 4972 3 <input type="checkbox"/>	11	177,683
12	b Add any amount from Schedule 2 and check here <input type="checkbox"/>	12	0	
13	a Child tax credit/credit for other dependents b Add any amount from Schedule 3 & check here <input type="checkbox"/>	13	177,683	
14	Other taxes. Attach Schedule 4	14	3,932	
15	Total tax. Add lines 13 and 14	15	181,615	

