



Wolters Kluwer

# **1120S Preparation and Planning 3: Schedule K (2020 Edition) Course Instructions**

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## Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

**Overview of Topics / Table of Contents:** In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

**Definition of Key Terms / Glossary:** You'll find key terms defined for this program in the course information on the following page(s).

**Index / Key Word Search:** You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

**Review Questions:** Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

**Final Exam:** The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

**Course Evaluation:** Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

## About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

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### Course Description

This course reviews S corporation income tax return preparation. The course provides details on the type of income and deductions that should be reported in Schedule K.

This CPE hour course, the third in the series, reviews S corporation income tax return preparation. The course provides details on the type of income and deductions that should be reported in Schedule K. New rules resulting from the 2017 Tax Cuts and Jobs Act are covered in this course, including the Section 199A deduction.

*Presented by Miles Hutchinson, CGMA.*

### Learning Objectives

Upon successful completion of this course, participants should be able to:

- Identify income items subject to pass-through treatment and separately stated income items
- Identify tax credits and credit recapture subject to pass-through treatment
- Recognize how to report items affecting shareholder basis
- Recognize how to successfully complete Schedule K
- Recognize correct statements concerning charitable contributions by an S corporation
- Identify which credit is not reported on Schedule K
- Describe which form adjustments and preferences are reported by an S corporation on
- Identify what is required to be reported separately to shareholders on Schedule K as "other information"

### NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

### Course Level

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

### Prerequisites

None.

### Advance Preparation

None.

**Course Expiration**

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

## Key Terms

- **Alternative Minimum Tax:** The alternative minimum tax (AMT) is parallel tax structure designed to ensure that corporate or individual taxpayers with substantial income do not avoid tax liability by heavy use of exclusions, deductions and credits. The AMT is a flat rate imposed on a taxpayer's alternative minimum taxable income (AMTI), less specific exemption amounts. AMTI is equal to the taxpayer's regular taxable income modified by certain adjustments and tax preferences. If the taxpayer's liability for the AMT exceeds the taxpayer's regular tax liability, the excess amount is payable in addition to the regular tax.
- **Basis:** Basis represents the actual or constructive cost of property to a taxpayer. However, basis has a broader meaning than cost. Basis determines the gain or loss on the sale or disposition of property, and is used to compute cost recovery or depreciation. A taxpayer's adjusted basis in property is deducted from the amount realized to find the gain or loss on the sale or disposition.
- **S Corporation:** An S corporation is a pass-through entity that is treated very much like a partnership for federal income tax purposes. Unlike C corporations, an S corporation does not pay an entity level tax on its income. Instead, all income and expenses are passed through to shareholders. To qualify for S status, a corporation must make an election to be treated as a S corporation. In addition, the corporation must be a small business corporation meaning that it has no more than one class of stock and no more than 75 shareholders. All shareholders must be natural persons who are U.S. citizens or resident aliens, or certain estates and trusts.
- **Shareholder:** A person or entity that owns shares of stock in a corporation or mutual fund.