

Table of Contents

Reasonable Compensation	1
Historical data	2
Court cases	6
Compliance	9
Fringe benefits	14
Built-In Gains Tax	30
Assets subject to built-in gains tax	30
Assets acquired after the S election	34
Determining built-in gain	35
Determining built-in loss	37
Recognition period	38
Calculating and reporting	40
Shareholder Loss Limitations	54
Basis limit	55
Stock basis	55
Debt basis	64
Form 7203	75
AMT basis	90
At-risk limit	92
At-risk activities	93
Amounts at-risk	94
Amounts not at-risk	98
Adjusting at-risk basis	98
Records	99
Reporting requirements	100
Carryover	110
Recapture	110

Passive activity loss limit	111
Passive activity	112
Grouping activities	117
Passive activity income	119
Passive activity deductions	120
Reporting requirements	121
Disposition of passive activity	132
Excess business loss limit	141
Distributions	161
Amount distributed	161
Constructive distributions	161
No earnings and profits	162
With earnings and profits	166
Accumulated adjustments account	167
Election to distribute earnings and profits first	169
Noncash property distributions	171
Change in Stock Ownership	177
Disposition of stock	177
Outright sale of stock	178
Stock redemption	182
Allocation of income (loss)	185
Specific accounting election	186
Inadvertent termination of S election	190
Reporting a termination	191
Waiver of termination	191
Liquidation of S Corporation	196
S corporation's tax consequences	196
Sale of business assets	196
Liquidating distributions of noncash property	198

Shareholder's tax consequences.....	200
Liabilities assumed by shareholders	201
Liquidating distribution of property subject to liability	201
Forms required to be filed.....	202
Form 966	202
Final Form 1120-S	202
Form 1099-DIV	203
Example	204
Index.....	229