Table of Contents

Forming a C Corporation	1
Advantages and disadvantages	2
Advantages of C corporations	2
Disadvantages of C corporations	6
Incorporating	9
Exchanging cash for stock	10
Exchanging property for stock	10
Exchanging services for stock	18
Summary	18
Completing Form 1120	24
Engagement letter	24
1120 — Corporation Tax Return Engagement Letter (Sample) .	24
Tax year	26
Accounting method	26
Cash method	27
Accrual method	28
Exceptions	30
Heading	32
Income	35
Gross receipts	35
Dividends and inclusions	36
Interest	36
Gross rents	36
Gross royalties	36
Capital gain net income	36
Net gain or (loss) from Form 4797, Part II, Line 17	37
Other income	37

Form 1125-A — Cost of Goods Sold	38
Identifying items in inventory	39
Valuing inventory	40
Completing Form 1125-A	42
Deductions	46
Compensation	47
Repairs and maintenance	50
Bad debts	50
Rent expense	51
Taxes and licenses	52
Interest	53
Charitable contributions	55
Depreciation	58
Depletion	73
Advertising	73
Qualified retirement plans	73
Employee fringe benefits	74
Other deductions	75
Taxable income before special deductions	80
Net operating loss deduction	81
Special deductions	81
Schedule C — Dividends, Inclusions, and Special Deductions	82
Refundable credits and payments	89
Schedule J — Tax Computation and Payment	91
Schedule K — Other Information	97
Schedule L — Balance Sheets per Books	103
Assets	103
Liabilities and shareholders' equity	106

Vİİ

Schedule M-2 — Analysis of Unappropriated Retained Earnings per Books (Schedule L, Line 25)	112
Completing the return	113
Electronic filing	113
Signing the return	113
Refund	114
Paying the tax	114
How to make an electronic deposit	114
When to file	115
Where to file	117
Assembling the return	118
Case Study — XYZ Corp	119
Distributions	140
Taxation of distributions	140
Earnings and profits	140
Qualified dividends	146
Types of distributions	147
Nonliquidating distributions	147
Liquidating distributions	148
Distributions of stock or stock rights	149
Constructive dividends	149
Form 1099-DIV reporting dividends and other distributions	150
Backup withholding	150
Form 5452	151
Stock basis	153

Ap	pendix	160
	Appendix A: Case study solution	161
	Appendix B: Corporation code sections	172
	Appendix C: Corporation tax forms	173
	Appendix D: Other corporation tax forms	174
Inc	dex	175

viii © NATP