

Shareholder's Basis in S Corporation for Tax Year 2012

	Total to Stock or Loan Basis	Stock Basis	Loan Basis	Loan Face Amount
1 Beginning Balance	0	0	6,500	10,000
2 Contributions to Capital and/or Stock Purchase	0	0	xxxxxxx	xxxxxxx
3 Loans to Corporation	0	xxxxxxx	0	0
4 Subtotal (add lines 1 - 3)	<u>0</u>	<u>0</u>	<u>6,500</u>	<u>10,000</u>

**Complete Net Increase/Decrease Worksheet on page 2 and use information to complete Part I, II, or III

Part I Loan Basis Has Not Been Reduced by Post 1982 Losses

5 Subtotal Income and Gains	+	xxxxxxx	xxxxxxx
6 Nondividend distributions	-	xxxxxxx	xxxxxxx
7 Loan repayments (Principal portion only)	-	xxxxxxx	xxxxxxx
8 Nondeductible Expenses*	-	xxxxxxx	xxxxxxx
9 Subtotal Deductions and Losses	-	xxxxxxx	xxxxxxx
10 Nondeductible Expenses*	-	xxxxxxx	xxxxxxx
11 Ending Balance (line 4 + sum of lines 5 - 10)	=	=	=

Part II Loan Basis Has Been Reduced by Post 1982 Losses and Net Increase**

12 Net Increase**	+	0	1,400	xxxxxxx
13 Loan repayments (Nontaxable principal portion only)***	-	xxxxxxx	(650)	(1,000)
14 Ending Balance (Line 4 + sum of lines 12 - 13)	=	=	<u>7250</u>	<u>9,000</u>

Part III Loan Basis Has Been Reduced by Post 1982 Losses and Net Decrease**

15 Subtotal Income and Gains	+	xxxxxxx	xxxxxxx
16 Nondividend distributions	-	xxxxxxx	xxxxxxx
17 Loan repayments (Nontaxable principal portion only)***	-	xxxxxxx	xxxxxxx
18 Nondeductible Expenses*	-	xxxxxxx	xxxxxxx
19 Subtotal Deductions and Losses	-	xxxxxxx	xxxxxxx
20 Nondeductible Expenses*	-	xxxxxxx	xxxxxxx
21 Ending Balance (line 4 + sum of lines 15 - 20)	=	=	=

* Nondeductible expenses decrease basis before deductible losses and deductions. However, the shareholder can make an election to decrease basis by deductible losses and deductions before nondeductible expenses. Therefore, nondeductible expenses are shown on two separate lines (before and after Subtotal Deductions and Losses).
 Use the first line if the taxpayer did not make the election. Use the second line if the taxpayer made the election. Do not use both lines!

Net Increase/Decrease Worksheet

Net Increase/Decrease

1 Ordinary Business Income (Box 1, Sch. K-1) 2900

2 Separately Stated Items of Income and Gain:

2 Interest 150

3 Dividends _____

4 Royalties _____

5 Capital Gains _____

6 Rental Income _____

7 Tax-exempt Income _____

8 Other Income/Gain _____

9 Excess depletion and business credit recapture _____

10 Subtotal Income and Gains (add lines 1 - 9) A 2,100

11 Nondividend distributions (from Box 16, Sch. K-1, code D) B 500

12 Nondeductible Expenses C 200

13 Ordinary Business Loss (Box 1, Sch. K-1) _____

14 Separately Stated Deductions and Losses:

14 Charitable Contributions _____

15 Section 179 Deduction _____

16 Capital Loss _____

17 Rental Loss _____

18 Deductions Related to Tax-Exempt Income _____

19 Other Deductions/Losses _____

20 Subtotal Deductions and Losses (add lines 13 - 19) D 0

Net Increase/Decrease (A - B - C - D) 1,400

*** Loan repayments result in taxable income if loan basis is less than the loan face amount. The taxable amount is determined as follows:

- 1 Loan basis immediately before the repayment 6,500
- 2 Loan face amount immediately before the repayment 10,000
- 3 Divide line 1 by line 2. 65%
- 4 Enter repayment amount 1,000
- 5 Multiply line 4 by line 3 (Enter on Loan repayment line in loan basis column) 650
- 6 Subtract line 5 from line 4 (Taxable portion - enter on proper form as taxable income) 350

Taxable income from reduced basis loans can be capital or ordinary depending on the nature of the debt. If there is evidence of a written note, the note is considered a capital asset.