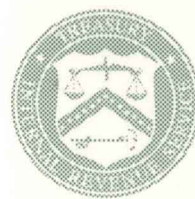
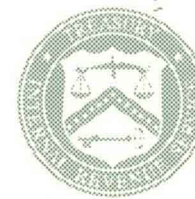
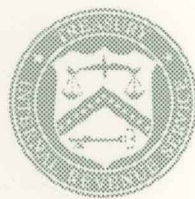
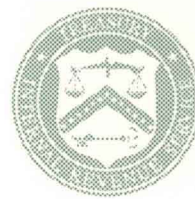
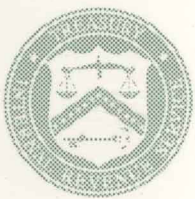


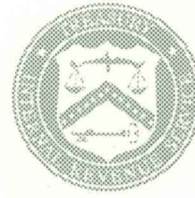
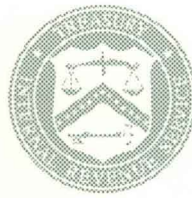
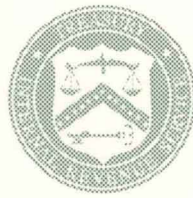
1998



TAX RETURN
PRACTICE
PROBLEMS FOR
CORPORATIONS,
S CORPORATIONS
AND
PARTNERSHIPS



THOMAS M DALTON
WILLIAM R. SIMPSON



1998

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THOMAS M DALTON
University of San Diego

WILLIAM R. SIMPSON
Southeastern Louisiana University

1999

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PREFACE

These income tax practice problems are designed to enhance the skills of students by providing them with a transition between classroom learning and the preparation of actual income tax returns for corporations, S corporations, and partnerships. The Federal income tax forms required for the practice problems have been provided.

Instructional aids, hints, and suggestions have been provided in the form of step-by-step assignments together with references to the tax forms instructions.

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**AURORA, INC.
(C-CORPORATION)**

FACTS

1. Aurora, Inc. was incorporated and started business on January 5, 1995. Aurora sells electronic components through its retail store. Aurora's address is 47 Duncan Avenue, Houston, Texas 77195 and its employer identification number is 74-5231886.

2. Aurora, Inc. has four shareholders, with the ownership divided as follows:

Sharon Kincaid (SS# 604-32-5583)	525 shares
Willard Johnson.....	75 shares
Thomas Smith (SS# 549-59-0246).....	135 shares
Frederick Ellis (SS# 677-36-1868).....	<u>265 shares</u>
TOTAL	<u>1,000 shares</u>

None of the shareholders are related. The stock ownership percentages of the shareholders have remained the same since the corporation was formed. Each shareholder devotes 100% of their working hours to the corporation.

3. Aurora, Inc. is on the accrual basis of accounting and uses a calendar year for reporting its operations. As a small retailer (under \$10 million average annual gross receipts) Aurora, Inc. is not required to capitalize indirect costs into inventory. Aurora's average gross receipts for the three tax years ending December 31, 1997 were \$948,286.

4. The corporation's balance sheet for financial accounting purposes as of December 31, 1997 was as follows:

Assets		
Cash		\$ 63,049
Marketable securities		42,327
Accounts receivable.....	\$ 98,420	
Allowance for doubtful accounts	(1,968)	96,452
Inventory		71,895
Land		191,227
Building	\$ 529,605	
Accumulated depreciation - building	(32,413)	497,192
Equipment	\$ 631,354	
Accumulated depreciation- equipment.....	(269,748)	361,606
Office furniture and fixtures	\$ 9,231	
Accumulated depreciation - furniture and fixtures.....	(4,116)	5,115
Organizational expenditures (original amount = \$18,620)		<u>7,448</u>
Total assets		<u>\$1,336,311</u>

Liabilities and Stockholders' Equity

Liabilities:

Accounts payable	\$ 36,686
Salaries and wages payable	14,812
Payroll taxes payable.....	5,927
Property taxes payable	2,485
Federal income tax payable	682
State franchise tax payable.....	7,055
Notes payable	532,059
Mortgage payable	<u>587,156</u>
Total liabilities	\$1,186,862

Stockholder's equity:

Capital stock (\$5 par).....	\$ 5,000
Paid-in capital in excess of par	103,579
Retained earnings	<u>40,870</u>
Total stockholders' equity.....	<u>\$ 149,449</u>
Total liabilities and stockholders' equity.....	<u>\$1,336,311</u>

5. The corporation's trial balance as of December 31, 1998 provided to you, the tax preparer, is as follows:

Balance sheet:

<u>Account name</u>	<u>Debit</u>	<u>Credit</u>
Cash	88,648	
Accounts receivable.....	103,098	
Allowance for doubtful accounts		2,062
Inventory	74,965	
Marketable securities	109,437	
Building	529,605	
Accumulated depreciation - building.....		43,853
Equipment	690,443	
Accumulated depreciation - equipment		378,752
Office furniture & fixtures	9,231	
Accumulated depreciation - furniture & fixtures.....		5,488
Land	191,227	
Organizational expenditures	18,620	
Accumulated amortization		14,896
Accounts payable		38,659
Federal income tax payable.....		0
Payroll taxes payable.....		6,751
Property taxes payable		2,833
Salaries & wages payable		16,514
State franchise tax payable.....		8,924
Notes payable		459,387
Mortgage payable		584,132
Capital stock (\$5 par).....		5,000
Paid-in capital.....		103,579
Retained earnings (prior years)		40,870
Dividends paid.....	12,000	
Current earnings.....	<u>0</u>	<u>115,574</u>
Totals	<u>1,827,274</u>	<u>1,827,274</u>

Income statement:

<u>Account name</u>	<u>Debit</u>	<u>Credit</u>
Sales		1,271,527
Sales returns & allowances	7,392	
Purchases	194,099	
Purchase discounts		2,054
Purchase returns & allowances		9,312
Inventory variance:		
Beginning inventory	71,895	
Ending inventory		74,965
Cost of goods sold		
Accident and health insurance	8,111	
Accounting fees	4,586	
Advertising	2,728	
Amortization of organizational costs	3,724	
Bad debt expense	1,097	
Charitable contributions (cash)	18,383	
Depreciation:		
Building	11,440	
Furniture & fixtures	1,372	
Equipment	130,210	
Federal income taxes	16,000	
Interest expense	70,296	
Legal expenses	1,720	
Office expense	3,816	
Officers's salaries:		
Sharon Kincaid	76,211	
Frederick Ellis	62,477	
Thomas Smith	48,290	
Payroll taxes	51,934	
Property taxes	4,697	
Rent expense (office equipment)	1,945	
Repairs	25,950	
Salaries & wages:		
Office salaries	11,892	
Sales salaries	360,934	
State franchise taxes	8,924	
Telephone	2,065	
Travel & entertainment:		
Meals & entertainment	2,612	
Other travel expenses	892	
Utilities	36,284	
Worker's compensation insurance	16,285	
Gain on sale of equipment		11,644
Dividend income		1,846
Gain on sale of marketable securities		2,487
Recovery of bad debts	0	0
Sub-totals	1,258,261	1,373,835
Net income	115,574	0
Totals	<u>1,373,835</u>	<u>1,373,835</u>

6. In addition to the information contained in the trial balance, you are aware of the following items:

- a. There is an error in the trial balance. During 1998, the bookkeeper inadvertently debited the notes payable account with the full amount of each note payment rather than with only the principal portion of each payment. The notes payable account represents two notes used to purchase equipment. The monthly payment on the first note is \$4,294 and 12 monthly payments were made in 1998. The correct balance of the first note was \$374,685 on December 31, 1997, \$367,746 on December 31, 1998, and will be \$359,927 on December 31, 1999. The monthly payment on the second note is \$1,762 and 12 monthly payments were made in 1998. The balance of the second note was

\$157,374 on December 31, 1997, \$151,712 on December 31, 1998, and will be \$145,458 on December 31, 1999. The trial balance must be adjusted to correct this error.

- b. The payments for the mortgage on the building have been correctly recorded. The monthly payment is \$6,110 and 12 payments were made in 1998. The balance on the building mortgage will be \$580,724 on December 31, 1999.

7. The bookkeeper has provided to you the depreciation schedule for financial purposes presented below:

Financial Depreciation:

<u>Asset</u>	<u>Date in service</u>	<u>Cost</u>	<u>Method/ Life</u>	<u>Prior Depreciation</u>	<u>1998 Depreciation</u>
Building	2/19/95	*529,605	SL-40	32,413	11,440
Equipment	3/01/95	405,461	SL-5	229,861	81,092
Equipment	3/01/95	**30,295	SL-5	17,167	4,039
Equipment	5/22/97	195,598	SL-5	22,820	39,120
Equipment	8/27/98	89,384	SL-5		5,859
Furniture	1/05/95	***9,231	SL-6	4,116	1,372

* Salvage value 72,000

** Sold September 9, 1998

*** Salvage value 1,000

8. Aurora, Inc. chooses to use the maximum depreciation rates available on all business assets. The corporation chooses not to use the §179 immediate expensing election. In the prior year tax workpapers you find the three depreciation schedules presented below. The 1998 addition has been added to each schedule.

GDS Tax Depreciation (MACRS):

<u>Asset</u>	<u>Date in service</u>	<u>Cost</u>	<u>Method/ Life</u>	<u>Prior Depreciation</u>	<u>1998 Depreciation</u>
Building	2/19/95	529,605	SL-39	39,058	
Equipment	3/01/95	405,461	200DB-7	228,153	
Equipment	3/01/95	*30,295	200DB-7	17,047	
Equipment	5/22/97	195,598	200DB-7	27,951	
Equipment	8/27/98	89,384	200DB-7		
Furniture	1/05/95	9,231	200DB-7	5,194	

*Sold September 9, 1998

Alternative Depreciation System:

<u>Asset</u>	<u>Date in service</u>	<u>Cost</u>	<u>Method/ Life</u>	<u>Prior Depreciation</u>	<u>1998 Depreciation</u>
Building	2/19/95	529,605	SL-40	38,068	
Equipment	3/01/95	405,461	150DB-10	134,491	
Equipment	3/01/95	*30,295	150DB-10	10,049	
Equipment	5/22/97	195,598	150DB-10	14,670	
Equipment	8/27/98	89,384	150DB-10		
Furniture	1/05/95	9,231	150DB-10	3,062	

*Sold September 9, 1998

Adjusted Current Earnings (ACE) Depreciation:

<u>Asset</u>	<u>Date</u> <u>in service</u>	<u>Cost</u>	<u>Method/</u> <u>Life</u>	<u>Prior</u> <u>Depreciation</u>	<u>1998</u> <u>Depreciation</u>
Building	2/19/95	529,605	SL-40	38,068	
Equipment	3/01/95	405,461	SL-10	101,365	
Equipment	3/01/95	*30,295	SL-10	7,574	
Equipment	5/22/97	195,598	SL-10	9,780	
Equipment	8/27/98	89,384	SL-10		
Furniture	1/05/95	*9,231	SL-10	2,308	

* Sold September 9, 1998

9. The equipment costing \$30,295 (purchased March 1, 1995) was sold on September 9, 1998 for \$20,733.
10. Organizational costs are amortized over five years for both financial accounting purposes and tax purposes.
11. The corporation uses the reserve method for estimating bad debt expense for financial accounting purposes. The bad debt expense for financial accounting purposes is \$1,097. Specific amounts that were determined to be uncollectible and therefore written off against the reserve totaled \$1,966 for 1998. Recoveries of debts in 1998 that were expensed for both book and tax purposes in prior years were \$963.
12. The travel and entertainment expenses are primarily for business meals and were incurred in the United States. Aurora, Inc. has no business dealings in foreign countries.
13. Federal income taxes of \$16,000 were paid in four quarterly installments of \$4,000 each. The Federal tax liability for the 1997 tax year was \$4,500. The corporation's normal accounting practice is to accrue any additional federal income tax for financial statement purposes through an adjusting journal entry at year-end when the true tax liability is known.
14. The state franchise taxes payable as of December 31, 1997 were paid during 1998. The state franchise taxes applicable to 1998 and deductible for federal tax purposes are \$8,924 and will be paid in 1999.
15. The corporation's charitable contributions were all made to the United Way campaign.
16. On December 1, 1998, Aurora, Inc. paid a dividend to shareholders of \$12 per share.
17. Aurora, Inc. Sold some of its marketable securities (100 shares Anco, Inc., purchased on August 5, 1997) for \$10,389 on October 13, 1998. The cost of the marketable securities sold was \$7,902. On June 8, 1998, Aurora purchased additional marketable securities at a cost of \$75,012. All of Aurora's investment in marketable securities are in domestic corporations. Aurora, Inc. has never owned more than 5 percent of any other corporation.
18. The balance sheet (Form 1120, Schedule L) is prepared using financial accounting).
19. A suggested format for adjusting the trial balance follows these facts.

Adjusting journal entry 1:	Debit	Credit
----------------------------	-------	--------

Adjusting journal entry 2:

	Dec. 31, 1998 TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE	
ACCOUNT NAME	Debit	Credit	Debit	Credit	Debit	Credit
Cash	88,648					
Accounts receivable	103,098					
Allow. for doubtful accts.		2,062				
Inventory	74,965					
Marketable securities	109,437					
Building	529,605					
Accum. depreciation--bldg.		43,853				
Equipment	690,443					
Accum. depreciation--equipment		378,752				
Office furniture & fixtures	9,231					
Accum. depr.-- Furn. & fixtures		5,488				
Land	191,227					
Organizational expenditures	18,620					
Accumulated amortization		14,896				
Accounts payable		38,659				
Federal income tax payable		0				
Payroll taxes payable		6,751				
Property taxes payable		2,833				
Salaries & wages payable		16,514				
State franchise tax payable		8,924				
Notes payable		459,387				
Mortgage payable		584,132				
Capital stock (\$5 par)		5,000				
Paid-in capital		103,579				
Retained earnings (prior)		40,870				
Dividends paid	12,000					
Current earnings		115,574				
TOTALS	1,827,274	1,827,274	0	0	0	0

Aurora, Inc. Tax worksheet 1998 Income statement	Dec. 31, 1998		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		SCHEDULE M-1		TAX - INC STMT	
	TRIAL BALANCE									
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
Sales		1,271,527								
Sales returns & allowances	7,382									
Purchases	184,089									
Purchase discounts		2,054								
Purchase returns & allowances		8,312								
Inventory variance:										
Beginning inventory	71,895									
Ending inventory		74,965								
Accident and health insurance	8,111									
Accounting fees	4,586									
Advertising	2,728									
Amort. of organizational costs	3,724									
Bad debt expense	1,087									
Charitable contributions (cash)	18,383									
Depreciation:										
Building	11,440									
Furniture & fixtures	1,372									
Machinery	130,210									
Federal income taxes	16,000									
Interest expense	70,286									
Legal expenses	1,720									
Office expense	3,816									
Officers' salaries:										
Sharon Kincaid	76,211									
Frederick Ellis	62,477									
Thomas Smith	48,280									
Payroll taxes	51,934									
Property taxes	4,697									
Rent expense (Office equip.)	1,845									
Repairs	25,950									
Salaries & wages:										
Office salaries	11,892									
Sales salaries	360,934									
State franchise taxes	8,924									
Telephone	2,065									
Travel & entertainment:										
Meals & entertainment	2,612									
Other travel expenses	892									
Utilities	36,284									
Worker's compensation insuranc	16,285									
Gain on sale of equipment		11,644								
Dividend income		1,846								
Gain on sale of mkt. securities		2,487								
Recovery of bad debts										
TOTAL	1,258,261	1,373,835	0	0	0	0	0	0	0	0
NET INCOME	115,574				0	0	0	0	0	0
BALANCING TOTALS	1,373,835	1,373,835								

U.S. Corporation Income Tax Return

OMB No. 1545-0123

1998

For calendar year 1998 or tax year beginning _____, 1998, ending _____, 19____
▶ Instructions are separate. See page 1 for Paperwork Reduction Act Notice.

A Check if a: 1 Consolidated return (attach Form 851) <input type="checkbox"/> 2 Personal holding co. (attach Sch. PH) <input type="checkbox"/> 3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) <input type="checkbox"/>	Use IRS label. Otherwise, print or type.	Name _____ Number, street, and room or suite no. (If a P.O. box, see page 5 of instructions.) _____ City or town, state, and ZIP code _____	B Employer identification number _____ C Date incorporated _____ D Total assets (see page 5 of instructions) _____
---	---	--	---

E Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address

Income	1a Gross receipts or sales _____ b Less returns and allowances _____ c Bal ▶ _____	1c	
	2 Cost of goods sold (Schedule A, line 8)	2	
	3 Gross profit. Subtract line 2 from line 1c	3	
	4 Dividends (Schedule C, line 19)	4	
	5 Interest	5	
	6 Gross rents	6	
	7 Gross royalties	7	
	8 Capital gain net income (attach Schedule D (Form 1120))	8	
	9 Net gain or (loss) from Form 4797, Part II, line 18 (attach Form 4797)	9	
	10 Other income (see page 6 of instructions—attach schedule)	10	
	11 Total income. Add lines 3 through 10 ▶	11	
Deductions (See instructions for limitations on deductions.)	12 Compensation of officers (Schedule E, line 4)	12	
	13 Salaries and wages (less employment credits)	13	
	14 Repairs and maintenance	14	
	15 Bad debts	15	
	16 Rents	16	
	17 Taxes and licenses	17	
	18 Interest	18	
	19 Charitable contributions (see page 8 of instructions for 10% limitation)	19	
	20 Depreciation (attach Form 4562) 20		
	21 Less depreciation claimed on Schedule A and elsewhere on return 21a		21b
	22 Depletion	22	
	23 Advertising	23	
	24 Pension, profit-sharing, etc., plans	24	
	25 Employee benefit programs	25	
	26 Other deductions (attach schedule)	26	
	27 Total deductions. Add lines 12 through 26 ▶	27	
	28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11	28	
	29 Less: a Net operating loss deduction (see page 9 of instructions) 29a		
	b Special deductions (Schedule C, line 20) 29b		29c
Tax and Payments	30 Taxable income. Subtract line 29c from line 28	30	
	31 Total tax (Schedule J, line 12)	31	
	32 Payments: a 1997 overpayment credited to 1998 32a		
	b 1998 estimated tax payments 32b		
	c Less 1998 refund applied for on Form 4466 32c ()		
	d Bal ▶ 32d		
	e Tax deposited with Form 7004 32e		
	f Credit for tax paid on undistributed capital gains (attach Form 2439) 32f		
	g Credit for Federal tax on fuels (attach Form 4136). See instructions 32g		32h
	33 Estimated tax penalty (see page 10 of instructions). Check if Form 2220 is attached ▶ <input type="checkbox"/>	33	
Sign Here	34 Tax due. If line 32h is smaller than the total of lines 31 and 33, enter amount owed	34	
	35 Overpayment. If line 32h is larger than the total of lines 31 and 33, enter amount overpaid	35	
	36 Enter amount of line 35 you want: Credited to 1999 estimated tax ▶ Refunded ▶	36	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer _____ Date _____ Title _____								
Paid Preparer's Use Only	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:30%;">Preparer's signature _____</td> <td style="width:10%;">Date _____</td> <td style="width:10%;">Check if self-employed <input type="checkbox"/></td> <td style="width:50%;">Preparer's social security number _____</td> </tr> <tr> <td>Firm's name (or yours if self-employed) and address _____</td> <td>EIN _____</td> <td colspan="2">ZIP code _____</td> </tr> </table>	Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's social security number _____	Firm's name (or yours if self-employed) and address _____	EIN _____	ZIP code _____	
Preparer's signature _____	Date _____	Check if self-employed <input type="checkbox"/>	Preparer's social security number _____						
Firm's name (or yours if self-employed) and address _____	EIN _____	ZIP code _____							

Schedule A Cost of Goods Sold (See page 10 of instructions.)

1	Inventory at beginning of year	1	
2	Purchases	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost as described in Regulations section 1.471-3

(ii) ☐ Lower of cost or market as described in Regulations section 1.471-4

(iii) ☐ Other (Specify method used and attach explanation.) ► _____

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO **9d** _____

e If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Schedule C Dividends and Special Deductions (See page 11 of instructions.)

	(a) Dividends received	(b) %	(c) Special deductions (a) × (b)
1	Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock)	70	
2	Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock)	80	
3	Dividends on debt-financed stock of domestic and foreign corporations (section 246A)	see instructions	
4	Dividends on certain preferred stock of less-than-20%-owned public utilities	42	
5	Dividends on certain preferred stock of 20%-or-more-owned public utilities	48	
6	Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction	70	
7	Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction	80	
8	Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b))	100	
9	Total. Add lines 1 through 8. See page 12 of instructions for limitation		
10	Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958	100	
11	Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1))	100	
12	Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3))	100	
13	Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11		
14	Income from controlled foreign corporations under subpart F (attach Form(s) 5471)		
15	Foreign dividend gross-up (section 78)		
16	IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d))		
17	Other dividends		
18	Deduction for dividends paid on certain preferred stock of public utilities		
19	Total dividends. Add lines 1 through 17. Enter here and on line 4, page 1		
20	Total special deductions. Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1		

Schedule E Compensation of Officers (See instructions for line 12, page 1.)

Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are \$500,000 or more.

(a) Name of officer	(b) Social security number	(c) Percent of time devoted to business	Percent of corporation stock owned		(f) Amount of compensation
			(d) Common	(e) Preferred	
1		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
		%	%	%	
2	Total compensation of officers				
3	Compensation of officers claimed on Schedule A and elsewhere on return				
4	Subtract line 3 from line 2. Enter the result here and on line 12, page 1				

Schedule J Tax Computation (See page 13 of instructions.)

1 Check if the corporation is a member of a controlled group (see sections 1561 and 1563) <input type="checkbox"/>			
Important: Members of a controlled group, see instructions on page 13.			
2a If the box on line 1 is checked, enter the corporation's share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order):			
(1) \$	(2) \$	(3) \$	
b Enter the corporation's share of: (1) Additional 5% tax (not more than \$11,750)		\$	
(2) Additional 3% tax (not more than \$100,000)		\$	
3 Income tax. Check if a qualified personal service corporation under section 448(d)(2) (see page 13) <input type="checkbox"/>			3
4a Foreign tax credit (attach Form 1118)		4a	
b Possessions tax credit (attach Form 5735)		4b	
c Check: <input type="checkbox"/> Nonconventional source fuel credit <input type="checkbox"/> QEV credit (attach Form 8834)		4c	
d General business credit. Enter here and check which forms are attached: <input type="checkbox"/> 3800			
<input type="checkbox"/> 3468 <input type="checkbox"/> 5884 <input type="checkbox"/> 6478 <input type="checkbox"/> 6765 <input type="checkbox"/> 8586 <input type="checkbox"/> 8830 <input type="checkbox"/> 8826		4d	
<input type="checkbox"/> 8835 <input type="checkbox"/> 8844 <input type="checkbox"/> 8845 <input type="checkbox"/> 8846 <input type="checkbox"/> 8820 <input type="checkbox"/> 8847 <input type="checkbox"/> 8861		4e	
e Credit for prior year minimum tax (attach Form 8827)			5
5 Total credits. Add lines 4a through 4e			6
6 Subtract line 5 from line 3			7
7 Personal holding company tax (attach Schedule PH (Form 1120))			8
8 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611			9
9 Alternative minimum tax (attach Form 4626)			10
10 Add lines 6 through 9			11
11 Qualified zone academy bond credit (attach Form 8860)			12
12 Total tax. Subtract line 11 from line 10. Enter here and on line 31, page 1			

Schedule K Other Information (See page 15 of instructions.)

	Yes	No		Yes	No
1 Check method of accounting: a <input type="checkbox"/> Cash			7 Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.)		
b <input type="checkbox"/> Accrual c <input type="checkbox"/> Other (specify) ▶			If "Yes," attach Form 5471 for each such corporation. Enter number of Forms 5471 attached ▶		
2 See page 17 of the instructions and state the:			8 At any time during the 1998 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country?		
a Business activity code no. (NEW) ▶			If "Yes," the corporation may have to file Form TD F 90-22.1. If "Yes," enter name of foreign country ▶		
b Business activity ▶			9 During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the corporation may have to file Form 3520		
c Product or service ▶			10 At any time during the tax year, did one foreign person own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation? If "Yes,"		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)			a Enter percentage owned ▶		
If "Yes," attach a schedule showing: (a) name and identifying number, (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.			b Enter owner's country ▶		
4 Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group?			c The corporation may have to file Form 5472. Enter number of Forms 5472 attached ▶		
If "Yes," enter employer identification number and name of the parent corporation ▶			11 Check this box if the corporation issued publicly offered debt instruments with original issue discount <input type="checkbox"/>		
5 At the end of the tax year, did any individual, partnership, corporation, estate or trust own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).)			If so, the corporation may have to file Form 8281.		
If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in 4 above.) Enter percentage owned ▶			12 Enter the amount of tax-exempt interest received or accrued during the tax year ▶ \$		
6 During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See sections 301 and 316.)			13 If there were 35 or fewer shareholders at the end of the tax year, enter the number ▶		
If "Yes," file Form 5452. If this is a consolidated return, answer here for the parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.			14 If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ <input type="checkbox"/>		
			15 Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ \$		

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash				
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts	()		()	
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach schedule)				
7	Loans to stockholders				
8	Mortgage and real estate loans				
9	Other investments (attach schedule)				
10a	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		()	
11a	Depletable assets				
b	Less accumulated depletion	()		()	
12	Land (net of any amortization)				
13a	Intangible assets (amortizable only)				
b	Less accumulated amortization	()		()	
14	Other assets (attach schedule)				
15	Total assets				
Liabilities and Stockholders' Equity					
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach schedule)				
19	Loans from stockholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach schedule)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings—Appropriated (attach schedule)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach schedule)				
27	Less cost of treasury stock	()		()	
28	Total liabilities and stockholders' equity				

Note: You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than \$25,000.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 16 of instructions.)

1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):	
2	Federal income tax			Tax-exempt interest \$ _____	
3	Excess of capital losses over capital gains			_____	
4	Income subject to tax not recorded on books this year (itemize): _____			_____	
5	Expenses recorded on books this year not deducted on this return (itemize):		8	Deductions on this return not charged against book income this year (itemize):	
a	Depreciation \$ _____		a	Depreciation \$ _____	
b	Contributions carryover \$ _____		b	Contributions carryover \$ _____	
c	Travel and entertainment \$ _____			_____	
6	Add lines 1 through 5		9	Add lines 7 and 8	
			10	Income (line 28, page 1)—line 6 less line 9	

Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

1	Balance at beginning of year		5	Distributions: a Cash	
2	Net income (loss) per books			b Stock	
3	Other increases (itemize): _____			c Property	
			6	Other decreases (itemize): _____	
4	Add lines 1, 2, and 3		7	Add lines 5 and 6	
			8	Balance at end of year (line 4 less line 7)	