



2018 S corporation income tax return checklist

Form 1120S (long)

Client name and number _____

Prepared by _____ Date _____ Reviewed by _____ Date _____

100) General	Yes/ Done	No/ N/A
▶ 101) Determine if this is a first-year return or a final return. If so, take additional steps as necessary. Consider reviewing the AICPA's Initial Business Return Filing Checklist and the IRS's Closing a Business Checklist.		
▶ 102) Consider if any conflict of interest exists between the entity and its owners.		
▶ 103) Identify the authorized officer who will sign the return.		
▶ 104) Obtain a signed engagement letter.		
▶ 105) Confirm the corporation's name, employer identification number, address, tax year and business code.		
▶ 106) Consider asking the appropriate corporate officer to execute a Form 2848, <i>Power of Attorney and Declaration of Representative</i> , and/or Form 8821, <i>Tax Information Authorization</i> .		
▶ 107) Ask the corporation to provide any correspondence, to or from the IRS or state tax authority, including any adjustments made to prior returns that could affect later returns.		
▶ 108) If any adjustments were made to previous returns, verify that shareholders have been notified and determine whether any additional adjustments or filings are necessary.		
▶ 109) Determine whether the corporation has made any change in accounting method. Complete Form 3115, <i>Application for Change in Accounting Method</i> , as necessary.		
▶ 110) Review the proforma or organizer for accuracy.		
▶ 111) Review any business financial statements and footnotes for relevant information, if applicable.		
▶ 112) Obtain and review a copy of the prior year's return, including all forms and supporting schedules.		

▶ 113) Reconcile income and expenses with book entries and review Schedule M-1 of the prior year's return.

▶ 114) Confirm the required tax year and that the requirements of Sec. 444 have been met, if applicable.

▶ 115) Obtain a copy of Schedule K-1 from each partnership or LLC in which the corporation is a partner or member.

▶ 116) Check for carryover items such as prior year deferred income and deductions, installment sales, Sec. 481 adjustments and Sec. 179 amounts.

▶ 117) If the corporation has selected an allowable fiscal tax year, determine that Form 8716, *Election To Have a Tax Year Other Than a Required Tax Year*, has been timely filed and that "required payments" (Form 8752) have been made.

▶ 118) Was S corporation status first elected for this taxable year? If so, confirm that Form 2553, *Election by a Small Business Corporation*, is valid, IRS approval was received and the election is in effect during the year.

▶ 119) Was the corporation formerly taxed under Subchapter C? If so, determine the following: the extent of the unrealized built-in gain at the time of the election, the passive income of the corporation and whether LIFO inventories were used in the last C corporation year.

▶ 120) Was the S corporation status revoked during the year? If so, confirm that the revocation was properly filed and whether the revocation is effective for the year or only prospectively.

▶ 121) Was the S corporation election terminated during the year because of a disqualifying event (e.g., excess number of shareholders, a disqualifying shareholder, activation of a subsidiary, the second class of stock or, for an S corporation with C corporation earnings and profits, passive income for three consecutive years)? If so, and termination is not desired, consider filing for inadvertent termination relief. Note that nonresident aliens can now be potential current beneficiaries of an electing small business trust (ESBT) shareholder without terminating the S election.

▶ 122) Is the corporation classified as a tax shelter? If so, determine whether the accrual basis is required.

▶ 123) Is the corporation a policyholder of employer-owned life insurance contracts? If so, file Form 8925, *Report of Employer-Owned Life Insurance Contracts*.

▶ 124) With respect to each person who was a shareholder at any time during the taxable year, obtain the following: full name, tax identification number, address, tax year and number or percentage of shares owned at any time during the year.

▶ 125) Verify that items of income, deductions, credits, etc., are allocated to the shareholders on a per-share, per-day basis.

▶ 126) Did the corporation engage in any transaction involving virtual currency? If so, consider the tax consequences.

Yes/ No/
Done N/A

▶ 127) Was the corporation an S corporation for only part of the year because of a termination? If so, determine:

1. Was there a 50% cumulative change in stock ownership requiring the use of the actual allocation of items rather than the pro rata method?
2. If there was not a 50% cumulative change in stock ownership, consider an election to use the actual allocation of items rather than the pro rata method.

▶ 128) Were there any terminations of shareholder interests or qualifying dispositions during the year? If so, consider a Sec. 1377 election to terminate the year for purposes of shareholder allocations.

▶ 129) Was there a termination of S status related to the Tax Cuts and Jobs Act? If so, determine if the corporation had an S election in effect on Dec. 31, 2017 and if the shareholders at termination were identical to the shareholders on Dec. 31, 2017. If this is the case, any Sec. 481(a) adjustments may be made ratably over six years.

Comments/explanations

200) Income

Yes/ No/
Done N/A

▶ 201) Request all Forms 1099 received by the corporation.

▶ 202) For each item of income received by the corporation, determine whether it is trade or business, portfolio or rental income.

▶ 203) Does the corporation engage in any passive activities? If so, determine if the grouping of passive activities is adequate and consistent with prior years.

▶ 204) Was the corporation formerly taxed as a C corporation? If so, determine whether any items of income generate built-in gain that may result in the application of the Sec. 1374 built-in gains tax.

▶ 205) Has the corporation made or received any below-market interest loans? If so, determine the amount of imputed interest.

▶ 206) Did the corporation dispose of any property, including through a distribution to shareholders? If so, determine the following: the total amount of the gain or loss on each transaction, character and the amount of depreciation recapture, if any.

▶ 207) Were there any related-party transactions? If so, determine the effects of Sec. 267 and Sec. 1239.

▶ 208) Did the corporation engage in any like-kind exchanges? If so, determine if there is any gain to be recognized and the basis of the replacement property. Note that like-kind exchange treatment is now only available with respect to real property.

▶ 209) Do the installment method rules apply to any sales made by the corporation during the taxable year? If so, determine whether the corporation is a dealer with respect to the property sold. Check to ensure that interest is properly calculated and determine whether there is depreciation recapture that must be immediately reported.

▶ 210) Do the installment method rules apply to any sales made by the corporation during previous tax years? If so, determine whether the installment obligation secures a loan triggering taxation on the unrealized gain amount.

▶ 211) Did the corporation lease any vehicles for business use in the taxable year? If so, calculate the appropriate income inclusion for leased vehicles and property under IRS tables.

▶ 212) Did the corporation barter for any goods or services in the taxable year? If so, obtain the details of the transaction, including the value of the goods and/or services exchanged.

▶ 213) Determine whether the corporation must include in income part or all of the proceeds received from employer-owned life insurance contracts.

▶ 214) Has the corporation taken any item of gross income into account as revenue in an "applicable financial statement" for which the "all-events test" would otherwise not have been met for income tax purposes? Under Sec. 451(b), the all-events test for any such item is treated as met no later than when this occurs.

Financial transactions

▶ 215) Were any securities sold during the year? If so, determine the following: the basis and gain or loss, whether the corporation is a dealer in securities, whether the wash sale rules of Sec. 1091 apply and whether the straddle rules under Sec. 1092 apply.

▶ 216) Did the corporation realize any excludable gain from Sec. 1202 qualified small business stock? If so, determine if the holding period to exclude the gain was met or if the gain was deferred under Sec. 1045.

▶ 217) Were any shares of stock or other securities disposed of during the taxable year? If so, obtain the following: name of the issuer, number of shares (stock) or maturity date (bonds), date acquired, selling price and basis.

▶ 218) Were any market discount bonds disposed of or did any such bonds become worthless in the taxable year? If so, calculate the accrued market discount.

▶ 219) Were any securities sold at a loss in the taxable year? If so, ask if the corporation purchased substantially the same security within 30 days before or after the sale.

▶ 220) Did any securities become worthless during the taxable year? If so, obtain the following: name of the issuer, number of shares (stock) or maturity date (bonds), date acquired, basis, the date on which such securities became worthless and facts demonstrating worthlessness.

▶ 221) Were there any short sales of securities in the taxable year? If so, obtain the following: date of the sale, date the short sale was closed, and whether the corporation also held a long position in the security that was the subject of the short sale.

▶ 222) Was any income deferred for book purposes? If so, determine whether such income must be included in the current year.

▶ 223) Was any income deferred for book purposes in the previous year, but included for tax purposes in that year? If so, make sure to exclude such income this year.

▶ 224) Was the corporation relieved of any debt obligation in the taxable year, other than by means of payment?

▶ 225) Does the corporation qualify for any exclusion of cancellation of debt income in the taxable year? If so, prepare Form 982, *Reduction of Tax Attributes Due to Discharge of Indebtedness (and Sec. 1082 Basis Adjustment)*.

Interest

▶ 226) Did the corporation receive any interest from U.S. Treasury bills, notes or other bonds?

▶ 227) Was there any accrued interest received on bonds sold before maturity in the taxable year?

▶ 228) Obtain the payor name and amount paid with respect to any other interest received by the corporation.

▶ 229) Was any interest received from a related party? If so, determine whether the loan was at a below-market rate and recalculate the interest, if necessary.

▶ 230) Did the corporation purchase any bonds in the taxable year? If so, was the bond purchased at a premium? What amount of accrued interest was paid in the taxable year? _____

▶ 231) If a bond was purchased at a premium prior to the taxable year, did the corporation elect to amortize the bond premium?

▶ 232) Did the corporation receive any interest on tax-exempt state or local obligations?

▶ 233) Compare the sources and amounts of interest income with prior year returns.

Dividends

▶ 234) Determine whether any dividends received were paid by a domestic corporation on stock held by the corporation for the requisite holding period to be considered qualified dividends.

▶ 235) Compare the sources and amounts of dividends with prior year returns.

Gain or loss on property

▶ 236) Obtain the Closing Disclosure (formerly known as the HUD-1) for any purchases or sales of real property.

▶ 237) Obtain the transaction documents related to any property sales in the taxable year or earlier with respect to which a payment was made, or will be made, in a subsequent year (installment sales).

▶ 238) Were there any sales of tangible property other than inventory in the taxable year? If so, determine sales price, original cost basis, amount and nature (i.e., method) of accumulated depreciation taken in prior years and holding period.

Yes/ No/
Done N/A

- ▶ 239) Were any assets other than securities disposed of during the taxable year? If so, obtain the following information: description; date acquired; date sold; whether personal use, rental or business use; selling price and basis.

Rental income

- ▶ 240) For each rental property, obtain a description of the type and location of the property and the total rent income and expenses (advertising, auto and travel, cleaning and maintenance, commissions, insurance, legal and professional fees, management fees, repairs, supplies, taxes, utilities, wages and salaries, condo or coop fees and other expenses).

- ▶ 241) Are any of the properties low-income housing?

- ▶ 242) Report real estate rental activities on Form 8825, *Rental Real Estate Income and Expenses of a Partnership or an S Corporation*, including whether the passive activity self-rental rules apply.

Comments/explanations

300) Deductions and losses

Yes/ No/
Done N/A

Depreciation

- ▶ 301) Determine if the corporation should make a Sec. 179 election to immediately expense part or all of the cost of qualifying property. Note that the Sec. 179 deduction has been expanded permanently to \$1 million with the phase-out beginning at \$2.5 million. Note that lodging property, roofs, HVAC, fire systems and security systems are eligible.

- ▶ 302) Determine whether there are any property classes to which alternative depreciation system (ADS) depreciation should be applied. Note that the ADS recovery period for rental property has been shortened from 40 to 30 years.

- ▶ 303) Did the corporation acquire any property in the taxable year that qualifies for bonus depreciation? If so, determine if electing out of bonus depreciation is appropriate. Note that 100% bonus depreciation applies to acquisitions made after Sept. 27, 2017.

- ▶ 304) Determine the following for each asset acquired during the taxable year: the MACRS life for each asset placed in service, the appropriate depreciation method and the applicable convention.

- ▶ 305) Did the corporation place in service in the taxable year any qualified improvement property? If so, determine if the special 15-year cost recovery period applies. Note: The statute would require a technical correction to include qualified improvement property as 15-year property.

- ▶ 306) Will the return cover a short tax year? If so, verify compliance with Rev. Proc. 89-15.

- ▶ 307) Does the corporation have tax-exempt shareholders, or does the corporation lease the property to a taxexempt organization? If so, consider the need to use the ADS.

▶ 308) Are there any depreciable industrial development bond financed property or certified historic structures for which a tax credit was taken? If so, consider the applicable limitations on depreciation.

▶ 309) Did the corporation acquire any software in the taxable year? If so, determine whether the 36-month depreciation rules can be applied.

▶ 310) Did the corporation incur any environmental remediation costs in the taxable year? If so, consider the Sec. 198 election to expense such costs.

▶ 311) Did the corporation use any vehicles or any phonographic, photographic, communication, video recording or other entertainment equipment (i.e., listed property) for business purposes in the taxable year? If so, does the corporation have written evidence supporting the business-use percentage? Note that computers are no longer listed property.

▶ 312) Have any assets been demolished or abandoned or are any assets out of service? If so, consider a credit recapture.

▶ 313) Determine if real property and equipment leases are operating leases or capital leases.

Shareholder transactions

▶ 314) Were any shares of stock issued in the taxable year? If so, ensure that the 100-shareholder limit has not been exceeded.

▶ 315) Do all shares of stock have identical economic rights?

▶ 316) Were there any loss transactions or expense amounts accruing to a shareholder or related party? If so, determine whether the Sec. 267 rule limiting the deduction applies.

▶ 317) Obtain current year contributions to retirement plans.

Interest

▶ 318) Was any interest paid in the taxable year? If so, determine that interest is properly allocated among passive activities, business activities and investment income activities.

▶ 319) Does the corporation have average annual gross receipts in excess of \$25 million? If so, the interest deduction may be limited, therefore, do the following:

(1) Calculate total business interest income (do not include investment interest income).

(2) Calculate adjusted taxable income by ignoring any non-business income, business interest, net operating losses (NOLs) and depreciation. Multiply the result by 30%.

(3) Combine the two amounts and compare it to the corporation's deductible interest expense other than floor plan financing interest expense. The general interest deduction is limited to the lesser of these amounts, unless the corporation is an electing farm business or real property trade or business that agrees to use ADS depreciation.

▶ 320) Determine if there is any unused amount of the business interest deduction limitation. If so, the excess is allocated to the shareholders.

▶ 321) Did the corporation have any floor plan financing interest expense? If so, it is fully deductible.

▶ 322) Was any interest expense related to tax-exempt income?

▶ 323) Was any interest incurred to purchase or carry market discount bonds or short-term obligations?

▶ 324) Were any post-1987 bonds purchased at a premium? If so, determine the amount of the amortizable bond premium that offsets interest income.

▶ 325) Was there any interest expense with respect to life insurance policies and endowment or annuity contracts covering beneficial owners and key employees?

▶ 326) Was there any interest allocable to unborrowed policy cash values expense with respect to life insurance policies and endowment or annuity contracts covering beneficial owners and key employees?

Travel, meals and entertainment

▶ 327) Did the corporation have any expenses for travel, meals or business gifts in the taxable year? If so, advise the corporation that business gift deductions are limited to \$25 per recipient and for any separate travel expenses exceeding \$75, they must maintain both a receipt and a documentary evidence of the time and place and business purpose.

▶ 328) Determine the disallowed portion of meals expenses, as well as club dues and verify the correct reporting on Schedule K-1. Note that the 50% limit now applies to on-premises meals provided for the convenience of the employer and that entertainment expenses are no longer deductible.

▶ 329) Confirm that entertainment expenses are not deducted.

Charitable contributions

▶ 330) Did the corporation make any property contributions to charitable organizations in the taxable year? If so, obtain the following: the name and address of the donee organization, information about whether the donee is a public charity or private foundation, a description of the property contributed, the date of the contribution, the value of the property on the date of the contribution, the method used to determine value, the date the property was acquired, how the property was acquired, the corporation's basis in the property and information about whether the charity used the property in a manner unrelated to its charitable purpose. If the corporation made any property contributions to charitable organizations in the taxable year, prepare Form 8283, *Noncash Charitable Contributions*, and provide a copy to each shareholder.

▶ 331) Verify that contributions to a college for athletic tickets or seating rights are not deducted.

▶ 332) Did the corporation make any contributions of food inventories to a charity?

Uniform capitalization rules

- ▶ 333) Did the corporation produce or acquire property for inventory in the taxable year? If so, verify the correct application of the uniform capitalization rules under Sec. 263A. Note that most producers or re-sellers meeting the \$25 million gross receipts test are now exempted from the uniform capitalization rules.

 - ▶ 334) Determine if the corporation qualifies for any of the simplified methods of capitalizing indirect costs and consider electing to use the avoided cost method.

 - ▶ 335) Was beginning inventory revalued? If so, ascertain the Sec. 481 adjustment and whether a simplified method should be elected.

 - ▶ 336) Is the corporation in the business of farming or ranching? If so, consider a one-time election out of uniform capitalization rules and the exemption for expenses incurred in the production of animals.
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Long-term contracts

- ▶ 337) Did the corporation enter into any contracts for the manufacture, building, installation or construction of property in the taxable year that were not completed at the end of the year? If so, consider electing the simplified method of allocating costs or the modified percentage-of-completion method. Determine the percentage of completion based on costs incurred and verify that all required costs have been allocated to the contracts. Note that the completed contract method has been expanded to apply to contracts for the construction of real property that is expected to be completed within two years or less if the corporation meets the \$25 million gross receipts test.

 - ▶ 338) Did the corporation complete any long-term contracts in the taxable year? If so, consider whether an election not to apply the look-back method is available, or apply the look-back rule to compare the actual contract price and costs to previously used estimates.
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Other deductions

- ▶ 339) Did the corporation incur any lobbying expenses in the taxable year? If so, ensure that such expenses are not deducted.

 - ▶ 340) Did the corporation pay any trade association dues in the taxable year? If so, determine if such dues include nondeductible lobbying expenses.

 - ▶ 341) If the corporation has previously deducted expenses for employee parking and/or mass transit, note that these expenses are no longer deductible.

 - ▶ 342) Note that no amounts may be deducted for expenses related to sexual harassment cases which are subject to a confidentiality or nondisclosure agreement.

 - ▶ 343) Did the corporation pay any penalties in the taxable year? If so, ensure that such expenses are not deducted.

 - ▶ 344) Verify that the specific write-off method is used for bad debts.

 - ▶ 345) Was there any inventory write-down for book purposes? If so, determine if there should be an adjustment for tax purposes.
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Yes/ No/
Done N/A

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- ▶ 346) Did the corporation have any long-term lease agreements where the lease provides for deferred payments or increasing payments? If so, verify the proper treatment under Sec. 467.

 - ▶ 347) Review increases or decreases in reserve accounts for potential M-1 items.

 - ▶ 348) Did the corporation realize any losses with respect to the sale or other disposition of Sec. 1244 stock?

 - ▶ 349) Did the corporation incur a disaster loss or have any property involuntarily converted during the tax year? If so, consider the special rules pertaining to federally-declared disasters, involuntary conversion rules and elections, and the option to deduct current year qualifying disaster losses on a preceding year tax return by filing an amended return.
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Comments/explanations

400) Credits

Yes/ No/
Done N/A

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- ▶ 401) Consider the following tax credits:
 1. Foreign tax credit (Sec. 27 and Sec. 901)
 2. Rehabilitation credit (Form 3468) (Sec. 47)
 3. Qualifying advanced coal project credit (Form 3468) (Sec. 38, Sec. 46 and Sec. 48A)
 4. Qualifying gasification project credit (Form 3468) (Sec. 38, Sec. 46 and Sec. 48B)
 5. Qualifying advanced energy project credit (Form 3468) (Sec. 38, Sec. 46 and Sec. 48C)
 6. Credit for qualified plug-in electric drive motor vehicles (excluding 2- and 3-wheeled vehicles) (Form 8936) (Sec. 30D)
 7. Credit for federal tax paid on fuels (Form 4136) (Sec. 34, Sec. 6420, Sec. 6421, Sec. 6426 and Sec. 6427). Note the increased IRS scrutiny in this area.
 8. Credit for increasing research activities (Form 6765) (Sec. 41)
 9. Low-income housing credit (Form 8586) (CCA 200812023, Nov. 9, 2007) (Sec. 42)
 10. Disabled access credit (Form 8826) (Sec. 44)
 11. Credit for employer Social Security and Medicare taxes paid on certain employee tips (Form 8846)(Sec. 45B)

Yes/
Done No/
N/A

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12. Credit for qualified clinical testing expenses (orphan drug credit) and associated carrybacks and carryovers (Form 8820) (Sec. 45C)
 13. New markets tax credit for qualifying investments in a “community development” entity (Form 8874) (Sec. 45D)
 14. Credit for pension plan start-up costs (Form 8881) (Sec. 45E)
 15. Credit for employer-provided childcare expenses (Form 8882) (Sec. 45F)
 16. Credit for production from advanced nuclear power facilities (Sec. 45J)
 17. Differential wage payment credit for amounts paid to employees on active military duty (Form 8932) (Sec. 45P)
 18. Carbon dioxide sequestration credit (Form 8933) (Sec. 45Q)
 19. Work opportunity tax credit for certified eligible employees (Form 5884) (Sec. 51)
 20. Credit for qualified forestry conservation bonds (Form 8912) (Sec. 54B)
 21. Credit for holders of new clean renewable energy bonds (Form 8912) (Sec. 54C)
 22. Credit for qualified energy conservation bonds (Form 8912) (Sec. 54D)
 23. Credit for Midwestern tax credit bonds (Form 8912) (Sec. 1400N)
 24. Credit for qualified school construction bonds (Form 8912) (Sec. 54F)
 25. Credit for Build America Bonds (Form 8912) (Sec. 54AA)
 26. Distilled spirits credit (Form 8906) (Sec. 5011)
 27. Credit for employee health insurance expenses of small businesses (Form 8941) (Sec. 45R; see T.D. 9672)
 28. General business credit for wages paid to qualifying employees while they are on family and medical leave.

Comments/explanations

500) Elections	Yes/ Done	No/ N/A
▶ 501) Determine if the corporation should make the safe harbor election to expense the acquisition costs of materials and supplies and other tangible property.		
▶ 502) Consider making an election to expense repairs and maintenance under the safe harbor rules.		
▶ 503) Consider an election to deduct up to \$5,000 of organizational expenses and up to \$5,000 of business start-up costs.		
▶ 504) Consider whether to adopt the recurring item exception to the economic performance rules.		
▶ 505) Consider whether to adopt the ratable accrual method for real estate property taxes.		
▶ 506) Consider electing to deduct certain costs of qualified film or television productions.		
▶ 507) Consider electing to deduct up to \$10,000 of reforestation expenses.		
▶ 508) Consider an election to expense intangible drilling costs.		
▶ 509) Determine if a research and experimental cost election has been made or if one should be made.		
Comments/explanations		

600) International issues	Yes/ Done	No/ N/A
▶ 601) At any time during the tax year, did the corporation have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account or securities account) with an aggregate balance of at least \$10,000? If so, prepare FinCEN Forms 114 and 114a (due by April 15 with an automatic extension to Oct. 15 for the preceding calendar year).		
▶ 602) Determine the applicability of filing the following forms: <ol style="list-style-type: none"> 1. Form 5471, <i>Information Return of U.S. Persons With Respect to Certain Foreign Corporations</i> (corporation has ownership in a controlled foreign corporation (CFC)) 2. Form 8865, <i>Return of U.S. Persons With Respect to Certain Foreign Partnerships</i> (corporation has ownership of an interest in a foreign partnership) 3. Form 8858, <i>Information Return of U.S. Persons With Respect to Foreign Disregarded Entities</i> (corporation has ownership in a foreign disregarded entity) 4. Form 8621, <i>Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund</i> (corporation has ownership in a passive foreign investment company (PFIC))* 5. Form 8938, <i>Statement of Specified Foreign Financial Assets</i> (for closely-held corporations that have ownership in specified foreign financial assets) <p>* Consider whether the mark-to-market election under Sec. 1296 or the election to be treated as a qualified electing fund (QEF) under Sec. 1295 should be made.</p>		

Yes/ No/
Done N/A

▶ 603) Did the corporation have any operations in or transactions with a boycotting country? If so, file Form 5713, *International Boycott Report*.

▶ 604) Were there any transfers of property to a foreign corporation? If so, consider providing information to shareholders for filing Form 926, *Return by a U.S. Transferor of Property to a Foreign Corporation*.

▶ 605) Were there any transfers to or from a foreign trust, including direct and indirect distributions and the receipt of loans (unless with arm's-length terms)? If so, file Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts*.

▶ 606) Was there a transfer of stock or securities to a foreign corporation (or successive transfers of assets that are considered indirect stock transfers under Regs. Sec. 1.367(a)-3(d)) during the taxable year? If so, determine if a gain recognition agreement (GRA) and related forms are required or if an annual certification is required with respect to a GRA filed with a prior year return.

▶ 607) Is the taxpayer a shareholder which owns 10% or more of the vote or value of a CFC? If so, has the inclusion of global intangible low-taxed income (GILTI) been considered (Sec. 951A)?

▶ 608) Did the taxpayer make a valid installment payment election on their 2017 return to pay the repatriation tax (Sec. 965) over eight installments? If so, the second installment (8% of the total repatriation tax) is due with the 2018 return.

▶ 609) Is the corporation subject to the repatriation tax (Sec. 965) on its 2017 return? If so, did a specified triggering event occur during the taxable year? Consider whether a triggering event occurred and, if so, consider making an election to pay the tax over eight installments.

Comments/explanations

700) Other issues

Yes/ No/
Done N/A

▶ 701) Verify that the following items are separately stated: taxable income or loss from passive activities; taxable income or loss from other activities (for example, portfolio income or loss); net capital gain or loss allocable to passive loss limitation activities; net capital gain or loss allocable to other activities; tax-exempt interest; net alternative minimum tax (AMT) adjustment separately computed for passive loss limitation activities and other activities; general business credits; low-income housing tax credit; rehabilitation credit; foreign income taxes and discharge of indebtedness income.

▶ 702) Ensure that Schedules K-1 report results on an activity-by-activity basis.

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- 703) Determine that proper reporting and detail have been provided for all items that affect a shareholder's tax liability, such as the following:
1. Ordinary trade or business activities
 2. Rental activities
 3. The depreciation of built-in gain or loss property (Sec. 704(c))
 4. Portfolio income by type (for example, U.S. government interest income or state or municipal interest income) and the related deductions. Consider the need to attach the required statement under Regs. Sec. 1.265-1(d)(1).
 5. Gains and losses, dates of dispositions, respective holding periods and types of assets sold
 6. Passive activity data
 7. At-risk activity data
 8. Shareholder's medical insurance and other fringe benefits (Rev. Rul. 91-26)
 9. Discharge of indebtedness income
 10. All items that affect shareholder basis calculations (for example, nondeductible items, property distributions, etc.)
 11. Tax credit information
 12. Interest incurred in the production of property, which may have to be capitalized
 13. Casualty loss information
 14. Charitable contributions, including a copy of Form 8283, when required
 15. Other pass-through items (for example, intangible drilling costs, depletion, etc.)
 16. Unrelated business taxable income
 17. Note reporting requirements for different types of ordinary dividends
 18. Each corporate shareholder's distributive share of the corporation's interest expense so that the corporation can determine whether its interest expense deduction is limited under Sec. 163(j) (Form 8926)
 19. Tax-exempt income (federal or state)
 20. Other items required to be reported (see the list of codes included with the current year's Schedule K-1 to ensure that all items have been addressed)
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- ▶ 704) Determine that proper reporting and detail have been provided for all items that affect a shareholder's potential Sec. 199A deduction, including whether any trade or business of the corporation is a specified service trade or business and each shareholder's:
1. Allocable share of qualified business income for each trade or business of the corporation
 2. Allocable share of W-2 wages paid with respect to each trade or business of the corporation
 3. Allocable share of the unadjusted basis of qualified property immediately after acquisition for each trade or business of the corporation
 4. Allocable share of qualified real estate investment trust (REIT) dividends received by the corporation
 5. Allocable share of publicly traded partnership income or loss received by the corporation
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- ▶ 705) Did the corporation have undistributed C corporation earnings and profits at the beginning of the taxable year? If so, determine the following: whether any distributions should be treated as taxable dividends (issue Forms 1099-DIV) and whether the passive investment income is greater than 25% of gross receipts.
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- ▶ 706) If the corporation was formerly taxed under Subchapter C, determine if there are any loss or credit carryovers from C corporation years and consider the tax payable on the disposition of property for which an investment tax credit was taken in a C corporation year.
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- ▶ 707) Determine that equity increases and decreases (Schedule M-2) are properly segregated among the accumulated adjustment account, the other adjustments account and the shareholder's undistributed previously taxed income.
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- ▶ 708) Did the corporation make any nondividend distributions? If so, prepare Form 5452, *Corporate Report of Nondividend Distributions*.
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- ▶ 709) Were there any credit recapture amounts? If so, determine information necessary to allow each shareholder to compute a credit recapture.
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- ▶ 710) Was there any interest expense on debt-financed distributions? If so, determine that appropriate information has been provided to shareholders as required by Notice 89-35.
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- ▶ 711) Did the corporation pay insurance premiums for a group health insurance plan for any more-than-2% shareholder/employee? If so, verify that the premiums paid are reported as taxable wages on the shareholder's Form W-2 (but not subject to Social Security and Medicare) and deducted by the corporation.
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- ▶ 712) Did the corporation pay other fringe benefits for more-than-2% shareholders? If so, verify that the fringe benefits that are claimed as deductions by the corporation have been reported on the shareholders' Forms W-2 as wages.
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- ▶ 713) Did the corporation purchase life insurance on employees or shareholders after Aug. 17, 2006? If so, ensure that the corporation has satisfied the notification and information reporting requirements.
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- ▶ 714) Did the corporation engage in any applicable asset acquisitions? If so, determine the allocation of the purchase price to be reflected on Form 8594, *Asset Acquisition Statement*.
-

Yes/ No/
Done N/A

▶ 715) Determine if health plan(s) and/or reimbursement arrangements are compliant with the Affordable Care Act (ACA). If applicable, file Form 1094/1095-C.

▶ 716) Determine if the corporation has filed all required Forms 1095, 1098, 1099 and 1042.

▶ 717) Provide the corporation with complete federal and state returns, including copies of any disclosure consent form(s) and advise the corporation to retain copies for at least six years.

▶ 718) Determine if requirements for avoiding penalties for improper disclosure or use of taxpayer information by tax return preparers imposed under Sec. 6713 and Sec. 7216 have been met, including any Sec. 7216 requirements under the ACA.

▶ 719) Consider checking the box to allow the IRS to contact the preparer.

▶ 720) Determine if all tax positions meet the "substantial authority" standard or if any positions disclosed on Form 8275, *Disclosure Statement*, meet the "reasonable basis" standard.

▶ 721) Are there any tax shelters and reportable transactions? If so, prepare Form 8886, *Reportable Transaction Disclosure Statement*, and determine if the "more likely than not" standard has been met.

▶ 722) Prepare filing instructions and a transmittal letter.

▶ 723) If paper-filing an extended return, attach the extension request.

Comments/explanations

800) State and local filing requirements

Yes/ No/
Done N/A

▶ 801) Determine state and local filing requirements.

▶ 802) Consider the following:

1. Nexus issues
2. State returns filed in a previous year (still have nexus, final return required, etc.)
3. If the corporation is doing business in new states
4. Apportionment (considering each state's rules)

Yes/ No/
Done N/A

5. Each state's modifications requirements (due date, recognition of S corporation status, attachment requirements, etc.)

6. State tax adjustments/credits:

a. Review state specifics regarding items that may not conform to federal law.

b. Note any specific state tax credits allowable.

7. Estimated tax payments. Note any paid during 2018. Determine whether they are required for 2019.

Comments/explanations

