

# Shareholder's Basis in S Corporation for Tax Year \_\_\_\_\_

Taxpayer name/ID:

Prepared by:

Date:

		Total to stock or loan basis	Stock basis	Loan basis	Loan face amount
1	Beginning balance				
2	Contributions to capital and/or stock purchase	+		XXXXXXXX	XXXXXXXX
3	Loans to corporation	+	XXXXXXXX		
4	Subtotal (add lines 1-3)				

*\*\*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	+		XXXXXXXX	XXXXXXXX
6	Nondividend distributions	-		XXXXXXXX	XXXXXXXX
7	Loan repayments (principal portion only)	-	XXXXXXXX		
8	Nondeductible expenses*	-			XXXXXXXX
9	Subtotal deductions and losses	-			XXXXXXXX
10	Nondeductible expenses*	-			XXXXXXXX
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**	+			XXXXXXXX
13	Loan repayments (nontaxable principal portion only)***	-	XXXXXXXX		
14	Ending balance (line 4 + sum of lines 12-13)				

## Part III Loan basis has been reduced by post-1982 losses and net decrease

15	Subtotal income and gains	+		XXXXXXXX	XXXXXXXX
16	Nondividend distributions	-		XXXXXXXX	XXXXXXXX
17	Loan repayments (nontaxable principal portion only)***	-	XXXXXXXX		
18	Nondeductible expenses*	-			XXXXXXXX
19	Subtotal deductions and losses	-			XXXXXXXX
20	Nondeductible expenses*	-			XXXXXXXX
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 under Reg. Sec. 1.1367-1(g). Use the second line if the taxpayer made the election. Do not use both lines!

**	Net Increase/Decrease Worksheet	Amount	Net increase/ decrease
1	Ordinary Business Income (Box 1, Sch. K-1)	_____	
	<b>Separately stated items of income and gain:</b>		
2	Interest	_____	
3	Dividends	_____	
4	Royalties	_____	
5	Capital gains	_____	
6	Rental income	_____	
7	Tax-exempt income	_____	
8	Excess depletion and business credit recapture	_____	
9	Other income/gain	_____	
10	Subtotal income and gains (add lines 1-9)		A _____
11	Nondividend distributions (from Box 16, Sch. K-1, code D)		B _____
12	Nondeductible expenses		C _____
13	Ordinary business loss (Box 1, Sch. K-1)	_____	
	<b>Separately stated deductions and losses:</b>		
14	Charitable contributions	_____	
15	Section 179 deduction	_____	
16	Capital loss	_____	
17	Rental loss	_____	
18	Deductions related to tax-exempt income	_____	
19	Foreign taxes paid or accrued	_____	
20	Other deductions/losses		D _____
21	Subtotal deductions and losses (add lines 13-20)		_____
	<b>Net increase/decrease (A - B - C - D)</b>		
***	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	_____	
2	Loan face amount immediately before the repayment	_____	
3	Divide line 1 by line 2	_____	
4	Enter repayment amount	_____	
5	Multiply line 4 by line 3 (enter on loan repayment line in loan basis column)	_____	
6	Subtract line 5 from line 4 (taxable portion - enter on proper form as taxable income)	_____	

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.

## Instructions

### Loan basis has not been reduced by post-1982 losses

- 1) Add contributions to capital to stock basis.
- 2) Add new loans shareholder made to corporation to loan basis and loan face amount.
- 3) Add subtotal Income and gains to stock basis.
- 4) Subtract nondividend distributions from stock basis (but not below zero). If distributions exceed stock basis, the excess is taxed as capital gain.
- 5) Subtract principal loan repayments from loan basis and loan face amount.

#### *No election*

- 6) Subtract nondeductible expenses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining expenses from loan basis (but not below zero).  
If nondeductible expenses exceed stock and loan basis, they are **not** suspended and carried forward.
- 7) Subtract subtotal deductions and Losses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining deduction/losses from loan basis (but not below zero).  
If deductions and losses exceed stock and loan basis, they are suspended and carried forward.

#### *Election*

- 6) Subtract subtotal deductions and Losses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining deduction/losses from loan basis (but not below zero).  
If deductions and losses exceed stock and loan basis, they are suspended and carried forward.
- 7) Subtract nondeductible expenses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining expenses from loan basis (but not below zero).  
If nondeductible expenses exceed stock and loan basis, they are suspended and carried forward.

### Loan basis has been reduced by post-1982 losses

- 1) Add contributions to capital to stock basis.
- 2) Add new loans shareholder made to corporation to loan basis and loan face amount.
- 3) Compute net increase/decrease.  
**Net increase**
- 4) Restore loan basis first by adding net increase to loan basis (up to beginning balance of loan face amount).
- 5) Add any remaining net increase to stock basis.
- 6) Subtract nontaxable portion of principal loan repayment from loan basis, and subtract entire principal loan repayment from loan face amount.

#### **Net decrease (loan basis is not increased by income and gains)**

- 4) Increase stock basis by subtotal Income and gains and decrease stock basis by nondividend distributions (but not below zero).
- 5) Subtract nontaxable portion of principal loan repayment from loan basis, and subtract entire principal loan repayment from loan face amount.

#### *No election*

- 6) Subtract nondeductible expenses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining expenses from loan basis (but not below zero).  
If nondeductible expenses exceed stock and loan basis, they are **not** suspended and carried forward.

- 7) Subtract subtotal deductions and Losses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining deduction/losses from loan basis (but not below zero).

If deductions and losses exceed stock and loan basis, they are suspended and carried forward.

*Election*

- 6) Subtract subtotal deductions and Losses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining deduction/losses from loan basis (but not below zero).

If deductions and losses exceed stock and loan basis, they are suspended and carried forward.

- 7) Subtract nondeductible expenses from stock basis (but not below zero). If stock basis is reduced to zero, subtract remaining expenses from loan basis (but not below zero).

If nondeductible expenses exceed stock and loan basis, they are suspended and carried forward.