

Shareholder's Basis in S Corporation for Tax Year _____

			Sub Total	Total to Stock or Loan Basis	Net Increase Decrease	Stock Basis	Loan Basis	Loan Face Amount
Beginning Balance								
1 Contributions to Capital and/or Stock Purchases	1	+		_____			_____	_____
2 Loans to Corporation	2	+		_____		_____	_____	_____
Subtotal						_____	_____	_____
3 Ordinary Income (Line 1, Sch K-1)	3	+		_____		_____	_____	_____
4 Business Credit Recapture When Added Back to Asset Basis	4	+		_____		_____	_____	_____
Separately Stated Items of Income and Gain:								
5 Interest	5	+		_____		_____	_____	_____
6 Dividends	6	+		_____		_____	_____	_____
7 Capital Gains	7	+		_____		_____	_____	_____
8 Rental Income	8	+		_____		_____	_____	_____
9 Tax Exempt Income	9	+		_____		_____	_____	_____
10 Other	10	+		_____		_____	_____	_____
Subtotal Income & Gain Items				_____	A→	_____	_____	_____
11 Net Positive Adjustment (If loan basis has been reduced by post 1982 losses)	11	+		_____		_____	_____	_____
12 Non-taxable Distributions (Tax free return of stock basis, Line 20, Sch K-1)	12	-		_____	B→	_____	_____	_____
13 Loan Repayments (Principal non-taxable portion only)*	13	-		_____		_____	_____	_____
Subtotal						_____	_____	_____
14 Non-Deductible Items of Expense**	14	-		_____	C→	_____	_____	_____
15 Ordinary Loss (Line 1, Sch K-1)	15	-		_____		_____	_____	_____
16 Business Credits When Reduce Asset Basis	16	-		_____		_____	_____	_____
Separately Stated Items of Expense and Loss:								
17 Charitable Contributions	17	-		_____		_____	_____	_____
18 Section 179 Expense	18	-		_____		_____	_____	_____
19 Capital Loss	19	-		_____		_____	_____	_____
20 Rental Loss	20	-		_____		_____	_____	_____
21 Deductions Related to Tax Exempt Income	21	-		_____		_____	_____	_____
22 Other	22	-		_____		_____	_____	_____
Subtotal Expense & Loss Items*				_____	D→	_____	_____	_____
23 Net Increase / Decrease (+A-B-C-D)	23			_____		_____	_____	_____
24 Non-Deductible Items of Expense**	24	-		_____		_____	_____	_____
Ending Balance						_____	_____	_____

Instructions

If Loan Basis Has Not Been Reduced by Post 1982 Losses

- 1) Add contributions to capital to Stock Basis
- 2) Add new loans shareholder has made to the corporation to Loan Basis and Loan Face Amount
- 3) Add Subtotal Income and Gains to Stock Basis
- 4) Subtract Nontaxable Distributions from Stock Basis Only (Do Not Go Below Zero)
- 5) Subtract Nontaxable Principal Loan Repayments from Loan Basis and Loan Face Amount
- 6) Subtract Subtotal Expense and Loss from Stock Basis (Do Not Go Below Zero)
- 7) If Stock Basis has been reduced to zero, allocate any Expense and Loss items to Loan Basis (Do Not Go Below Zero)

If Loan Basis Has Been Reduced by Post 1982 Losses

- 1) Add contributions to capital to Stock Basis
- 2) Add new loans shareholder has made to the corporation to Loan Basis and Loan Face Amount
- 3) Compute Net Increase/ Decrease

Net Increase

- 4) Restore Loan Basis 1st by net increase amount up to Loan Face Amount Beginning Balance [IRC Sec §1367(b)(2)(B) ; Reg §1.1367-2(c)(1)]
- 5) Allocate any Remaining Increase to Stock Basis
- 6) Subtract Nontaxable Principal Loan Repayments from Loan Basis and Loan Face Amount *

Net Decrease: If there is a net decrease, loan basis is not increased by items of income and gain. [IRC Sec §1367(b)(2)] Instead:

- 4) Increase Stock Basis by Subtotal of income & gain and Decrease Stock Basis by Nontaxable Distributions (Do Not Go Below Zero)
- 5) Subtract Nontaxable Principal Loan Repayments from Loan Basis and Loan Face Amount *
- 6) Allocate Subtotal of expense and loss items first to Stock Basis (Do Not Go Below Zero) **
- 7) Allocate any remaining expense and loss amounts to Loan Basis (Do Not Go Below Zero)
- 8) If both Stock and Loan Basis have been reduced to Zero Suspend & Carryforward any remaining Expense and Loss Items

* Payments made on reduced basis loans result in taxable income (See worksheet below) Enter the full loan repayment amount in the Loan Face Amount column.

Loan Repayments will result in income if Loan Basis is less than Loan Face Amount. Below are the steps to use to determine the taxable amount.

- | | | |
|---|---|-------|
| 1) Loan Basis Immediately Before the Repayment | 1 | _____ |
| 2) Loan Face Amount Immediately Before the Repayment | 2 | _____ |
| 3) Divide 1 by 2 | 3 | _____ |
| 4) Enter Repayment Amount | 4 | _____ |
| 5) Multiply Line 4 by 3 (Enter on Loan Repayment Line Loan Basis Column) | 5 | _____ |
| 6) Subtract Line 5 from 4 (Taxable Portion - Enter on proper form (Sch E, etc.) as taxable income *** | 6 | _____ |

*** Income from payments on reduced basis loans may 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.

** Nondeductible items of expense are taken into account prior to deductible expenses; therefore they are shown on the worksheet after increases and before other expenses. The taxpayer can make an election under Reg §1.1367-1(f) to take nondeductible expenses into account after deductible expenses. The worksheet contains the nondeductible expense line in two places. Use the first line if the taxpayer has not made an election under Reg. §1.1367-1(f). Use the second line if the taxpayer has made the election to take deductible expenses into account before nondeductible expenses. DO NOT USE BOTH LINES!

Distributions in excess of Stock Basis are taxable as capital gains to the shareholder. In the case of excess distributions, do not enter less than zero for ending Stock Basis balance for the year.