Analyzing Tax Returns



Judge Angela J. Davis Carlos R. Tropea



Introduction & Purpose

- I'm not here as a tax-return preparer or technical instructor, but to provide a street-wise approach of what's behind tax returns. Specifically, today's objective is to present a behind-the-scenes view and understanding of individual and business income and informational tax returns from a non-technical perspective. Let me show you the secrets to assist with your roles and duties.
- When it comes to taxes, let's leave our technical biases and fears aside, and let's learn a new tool to better understand the tax returns and how they may help us on a day-to-day basis.
- Let's see how tax returns relate to the FL-150 and a person's financial "snapshot."



Let's cover some prelim. topics

- Cash vs. accrual basis taxpayers
- Lifestyles
- Common sense approach to viewing income and expenses
- Cash intensive businesses
- Internal Revenue Code §61(a):
 - Except as otherwise provided in this subtitle, gross income means all income from whatever source derived, including (but not limited to) the following items: Compensation for services, including fees, commissions, fringe benefits, and similar items...
- Bartering income
- Constructive dividends
- "Think outside the box"
- Lifestyles

Good and Bad Sources of Info...

- IRS.gov
- FTB.ca.gov
- Online transcripts
- Walkin counter transcripts
- Personal and business financial statements
- Foreign and domestic bank and brokerage statements
- Comparative analysis of tax returns and financial statements
- Petitioners vs. Respondent's information

Form 1040

- Filing-status election:
 - Head of Household
 - Married Filing Separate
- Dependents
- Income
- Total Income
- Adjusted Gross Income
- Standard or Itemized Deductions
- Taxable Income

2 I U4U	U.S. Individual Income Tax		20	9/	OMB No. 1545	-0074	IRS Use Only-	-Do not w	rite or staple in this s	space.
For the year Jan. 1	-Dec. 31, 2024, or other tax year beginning		.20	24, ending			, 20	See se	parate instructio	ons.
Your first name ar	d middle initial	Last name						Your social security number		
If joint return, spo	use's first name and middle initial	Last name						Spouse'	's social security	numb
Home address (ni	imber and street). If you have a P.O. box, see	instructions.				- 1	lpt. no.		ntial Election Car here if you, or yo	
City, town, or pos	t office. If you have a foreign address, also co	molete spaces b	alow.	Sta	ito	ZIPo	ode	spouse	if filing jointly, w	vant \$
	, , , , , , , , , , , , , , , , , , , ,								this fund. Check low will not chang	
Foreign country n	ame	Foreign	province	/state/count	ty	Foreig	n postal code	your tax	x or refund.	gu
									You :	Spou
Filing Status	Single				Head	of hou	isehold (HOF	ŋ		
Check only	Married filing jointly (even if only o	ne had income)		_					
one box.	Married filing separately (MFS)						urviving spou			
	If you checked the MFS box, enter the		spouse	. If you ch	ecked the HOF	l or Q	SS box, ente	r the ch	lid's name if the	9
	qualifying person is a child but not you				englelaget for its		en tou com	hant it	a have and and	-
	If treating a nonresident alien or di their name (see instructions and a				resident for th	e enti	re aax year, c	neck (N	e bux and enter	
	•									
	At any time during 2024, did you: (a) rec								□Yes □I	Me
	exchange, or otherwise dispose of a dig				a dependent	ŋ/ (S	e instruction	IS.)	⊔ Yes ⊔I	NO
	Someone can claim: You as a de Spouse itemizes on a separate retur	_	-	-						
Deduction	_ Spouse iteritizes on a separate return	ii or you were a	a uuar-	status allet	<u>' </u>				_	
_	You: Were born before January 2, 1	960 Are t	bilind	Spouse	: Was bor				ls blind	
	see Instructions):	(2)	Social s		(3) Relationsh	(p	•		fles for (see instru	
if more .	(1) First name Last name		numb	ar	to you	+	Child tax or	ocit	Credit for other dep	penoe
than four dependents.			+			-	- H	-	H	
see Instructions			+			-	ᅮ	-	H	
and check here			+			_			- i	_
Income	1a Total amount from Form(s) W-2, b	ox 1 (see instru	ictions)					1a		
	b Household employee wages not re	eported on For	m(s) W-	2				1b		
Attach Form(s) W-2 here, Also	c Tip income not reported on line 1a	(see Instructio	ins) .					10	;	
attach Forms W-2G and	d Medicald waiver payments not rep	orted on Form	(s) W-2	(see Instru	uctions)			1d		
W-2G and 1000-R If tax	 Taxable dependent care benefits f 	rom Form 2441	1, line 2	6				1e		
was withheld.	f Employer-provided adoption bene	fits from Form	8839, I	ine 29 .						
If you did not get a Form	g Wages from Form 8919, line 6 .							19		
W-2, see	h Other earned Income (see Instruct				1 1 7	1 -		1h	4	
Instructions.	I Nontaxable combat pay election (s)	see instructions	5)		<u>11</u>	_				
	 Add lines to through th 									
Attach Sch S	Z Add lines 1a through 1h	9a		1 67	avahla Interest			1 <u>z</u>		—
	2a Tax-exempt Interest	2a 2a		_	axable interest			2b		
Attach Sch. B If required.	2a Tax-exempt Interest	2a 3a 4a		ьо	ordinary divider	nds .		<u> </u>		
if required.	2a Tax-exempt Interest 3a Qualified dividends 4a IRA distributions	3a		ь с ь т		nds.		2b		
if required. Standard Seduction for— Single or	2a Tax-exempt Interest	3a 4a		b 0	ordinary divider axable amount	nds. t		2b 3b 4b		
standard deduction for— Single or Married filing separately,	2a Tax-exempt Interest	3a 4a 5a 6a	I, check	b 0 b 1 b 1	ordinary divider axable amount axable amount axable amount	nds. t		2b 3b 4b 5b		
Standard Seduction for— Single or Married fling separately, \$14,000	2a Tax-exempt Interest	3a 4a 5a 6a lection method		b C b T b T c here (see	ordinary divider axable amount axable amount axable amount instructions)	nds. t		2b 3b 4b 5b		
if required. Standard Seduction for— Single or Married filing separately, \$14,000 Married filing jointly or	2a Tax-exempt Interest	3a 4a 5a 6a lection method dule D if require 1, line 10	ed. If no	b C b T b T b T c here (see	ordinary divider axable amount axable amount axable amount instructions) , check here	nds. t		2b 3b 4b 5b 6b 7 8		
if required. Standard Seduction for— Single or Married filing soparately, \$14,000 Married filing jointly or Qualifying spruse, sunviving spouse,	Tax-exempt Interest	3a 4a 5a 6a lection method dule D If requir 1, line 10 , and 8. This is	ed. If no	b C b T b T b T c here (see	ordinary divider axable amount axable amount axable amount instructions) , check here	nds. t		2b 3b 4b 5b 6b 7 8 9		
If required. Standard Seduction for — Single or Married filing separately, \$14,000 Married filing jointly or Qualitying sunviving spouse, \$29,200 Head of 1	Tax-exempt interest	3a 4a 5a 6a lection method dule D If requir 1, line 10 , and 8. This is dule 1, line 26	your to	b C b T b T c here (see of required	ordinary divider axable amount axable amount axable amount instructions) , check here	nds. t		2b 3b 4b 5b 6b 7 8 9 10		
If required. Standard Leduction for — Single or Married filing soparately, \$14,600 Married filing jointly or Qualitying sunwing spouse, \$29,200 1 Head of household,	Tax-exempt interest	3a 4a 5a 6a lection method dule D if requir 1, line 10 , and 8. This is dule 1, line 26 s your adjusted	your to	b C b T b T c here (see of required	ordinary divider axable amount axable amount axable amount instructions) , check here	nds. t		2b 3b 4b 5b 6b 6b 7 8 9 10 11		
standard leduction for— Single or Married filing separably, Married filing jointly or Causilying surviving spouse, \$29,200 Head of household, \$21,000 If you checked	Tax-exempt interest	3a 4a 5a 6a lection method dule D if requir 1, line 10 . , and 8. This is dule 1, line 26 s your adjusted deductions (in	your to	b C b T b T b T c here (see of required	ordinary divider (axable amount (axable amount (axable amount (axable amount (instructions) (, check here	nds. t		2b 3b 4b 5b 6b 7 8 9 10 11 12		
Standard Deduction for— Single or Marriad filing separably, Marriad filing jointly or Marriad fi	Tax-exempt Interest	3a 4a 5a 6a lection method dule D if requir 1, line 10 . , and 8. This is dule 1, line 26 s your adjusted deductions (in	your to	b C b T b T b T c here (see of required	ordinary divider (axable amount (axable amount (axable amount (axable amount (instructions) (, check here	nds. t		20 30 4b 5b 6b 7 8 9 10 11 12 13		
if required. Standard Seduction for— Single or Married fling separately, \$14,000 Married fling ionity or countying sunwing spouse, \$29,200 Head of household, \$21,000 If you checked any box under Standard Deduction, 1	Tax-exempt interest	3a 4a 5a 6a 6a dule D if requir 1, line 10 , and 8. This is dule 1, line 26 s your adjusted deductions (fr	your to gross om Sch	b C b T b T b T c here (see of required	ordinary divider axable amount axable amount faxable amount instructions) , check here 	nds . t t t		2b 3b 4b 5b 6b 7 8 9 10 11 12		

Form 1040 (page 2)

- Refundable credits:
 - Earned Income Tax Credit
- Non-refundable credits:
 - Child Tax Credit
- Refund

Form 1040 (2024	9									Page Z
Tax and	16	Tax (see Instructions). Chec	k if any from Form	(s): 1 B814	4 2 4972	3			16	
Credits	17	Amount from Schedule 2. I	ne3						17	
	18	Add lines 16 and 17							18	
	19	Child tax credit or credit for		ts from Schedu	de 8812				19	
	20 Amount from Schedule 3, line 8									
	21	Add lines 19 and 20							20	
	22	Subtract line 21 from line 1	0. H zoro or loca	ontor O					22	
	23	Other taxes, including self-			0 llno 01				23	
	24	Add lines 22 and 23. This is			-				24	
D			•						24	
Payments	25	Federal Income tax withhel	a from:			l I				
	а	Form(s) W-2				25a				
	ь	Form(s) 1099				25b				
	С	Other forms (see instruction	18)			25c				
	d	Add lines 25a through 25c							25d	
	26	2024 estimated tax paymer		pplied from 20	23 return				26	
qualifying child, attach Sch. EIC. T	27	Earned Income credit (EIC)				27				
	28	Additional child tax credit fro	m Schedule 8812			28				
	29	American opportunity cred	t from Form 8863	3, line 8		29				
	30	Reserved for future use .				30				
	31	Amount from Schedule 3, I	ne 15			31				
	32	Add lines 27, 28, 29, and 3	1. These are your	total other pa	yments and refu	ndable cr	edits		32	
	33	Add lines 25d, 26, and 32.	These are your to	tal payments					33	
Refund	34	If line 33 is more than line 2	4, subtract line 2	4 from line 33.	This is the amoun	t you over	pald		34	
	35a	Amount of line 34 you want	refunded to you	J. If Form 8888	is attached, chec	k here .	٠	. 🗆	35a	
Direct deposit?	ь	Routing number			c Type:	Checking	□ Sa	evings		
See Instructions.	d	Account number	1 1 1 1		1 1 1	l I I	_			
	36	Amount of line 34 you want	applied to your	2025 estimate	dtax	36				
Amount	37	Subtract line 33 from line 2	4. This is the amo	ount vou owe						
You Owe	٠.	For details on how to pay,							37	
	38	Estimated tax penalty (see				38			-	
Third Party	Do	you want to allow another								
Designee		tructions					es. Con	nplete b	elow.	No
	Des	ignee's		Phone				al Identifi		
	nan	na		no.			numbe	r (PIN)		
Sign		fer penalties of perjury, I declare								
Here	Des	of, they are true, correct, and cor	npiete. Declaration		than taxpayer) is ba	sed on all in	omiation			
	You	ır signature		Date	Your occupation					it you an identity N, enter it here
								(see t		N, antar E hara
Joint return? See instructions.	- Onv	ouse's signature. If a joint return,	both must sion	Date	Spouse's occupation	-		-	<u> </u>	t your spouse an
Keep a copy for	ομ	ruse's signature. Il a joint return,	bour most sign.	Dulie	орошье в оссирани					ction PIN, enter it here
your records.								(500 li	et)	
	Pho	ine no.		Email address						
	Pre	parer's name	Preparer's signat	ture		Date	1	PTIN		Check If:
Paid			'				- 1			Self-employed
Preparer	Firm	n's name						Phon	e mo.	
Use Only	_	n's address						Firm's		
Go to www./rs.or	_	1040 for instructions and the lat	ost information							Form 1040 (2024)
as as manage	and the same		- Indianal							Julii 10-10 (case)

The Form 1040 & its Schedules

- Schedule A: Medical and Dental Expenses, Taxes you Paid, Interest You Paid, Gifts to Charity, Other Itemized Deductions
- Schedule B: Interest and Ordinary Dividends
 - FinCEN & foreign-bank accounts (FBAR)
- Schedule C: Profit or Loss From Business
- Schedule D: Capital Gains and Losses
 - Form 1099-S
 - Form 8949
 - Publication 523

Form 1040, Schedule A

- Medical and Dental Expenses
- Taxes You Paid
- Interest You Paid
- Gifts to Charity
- Other Itemized Deductions

SCHEDULE A (Form 1040)

Itemized Deductions

Attach to Form 1040 or 1040-SR.

Go to www.irs.gov/ScheduleA for instructions and the latest information.

Caution: If you are claiming a net qualified disaster loss on Form 4684, see the instructions for line 16.

2024
Attachment

Caution: Do not include expenses reimbursed or paid by others. Medical and Medical and dental expenses (see instructions) Dental 2 Enter amount from Form 1040 or 1040-SR, line 11 2 Expenses 4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-Taxes You 5 State and local taxes. a State and local income taxes or general sales taxes. You may include either income taxes or general sales taxes on line 5a, but not both. If you elect to include general sales taxes instead of income taxes, b State and local real estate taxes (see instructions) c State and local personal property taxes e Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing 6 Other taxes. List type and amount: Interest 8 Home mortgage interest and points. If you didn't use all of your home You Paid mortgage loan(s) to buy, build, or improve your home, see Caution: Your instructions and check this box a Home mortgage interest and points reported to you on Form 1098. limited, See b Home mortgage interest not reported to you on Form 1098. See instructions if limited. If paid to the person from whom you bought the home, see instructions and show that person's name, identifying no., c Points not reported to you on Form 1098. See instructions for special d Reserved for future use 9 Investment interest. Attach Form 4952 if required. See instructions Gifts to 11 Gifts by cash or check. If you made any gift of \$250 or more, see Charity 12 Other than by cash or check. If you made any gift of \$250 or more, see instructions. You must attach Form 8283 if over \$500 . . . 14 Add lines 11 through 13 Casualty and 15 Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster losses). Attach Form 4684 and enter the amount from line 18 of that form. See Theft Losses 16 Other-from list in instructions. List type and amount: Other Itemized Deductions Total 17 Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Itemized Deductions 18 If you elect to itemize deductions even though they are less than your standard deduction,

For Paperwork Reduction Act Notice, see the Instructions for Form 1040.

Cat. No. 17145C

Schedule A (Form 1040) 202

Form 1040, Schedule B

- Interest Income
- Dividends Income
- Foreign Bank Accounts
- FinCEN Reporting Requirements

SCHEDULE B (Form 1040)

Department of the Treasury Internal Revenue Service

Interest and Ordinary Dividends

Go to www.irs.gov/ScheduleB for instructions and the latest information.

Part I	1	List name of payer. If any interest is from a seller-financed mortgage and the		Ame	ount	
Interest		buyer used the property as a personal residence, see the instructions and list this interest first. Also, show that buyer's social security number and address:				
(See Instructions		,,,,,	1			
and the			1			_
Instructions for Form 1040.			1			_
line 2b.)			1			_
Note: If you			1			_
received a			1			—
Form 1099-INT,			1			_
Form 1099-OID, or substitute			1			_
statement from			1			_
a brokerage firm,			1			_
list the firm's name as the			1			_
payer and enter			1			_
the total interest shown on that			1			_
form.						_
	2	Add the amounts on line 1	2			_
	3	Excludable interest on series EE and I U.S. savings bonds issued after 1989.	\vdash			_
	•	Attach Form 8815	3			
	4	Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b	4			_
	Note:	If line 4 is over \$1,500, you must complete Part III.	_	Amo	ount	_
Part II	9	List name of payer:				_
Ordinary						_
Dividends						_
(See Instructions						_
and the			1			_
Instructions for Form 1040.			1			_
line 3b.)			5			_
Note: If you			1			_
received a			1			_
Form 1099-DIV or substitute			1			_
statement from			1			_
a brokerage firm,			1			_
list the firm's name as the			1			_
payer and enter			1			_
the ordinary	6	Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b	6			_
dividends shown on that form.	Note:	If line 6 is over \$1,500, you must complete Part III.				_
Part III		nust complete this part if you (a) had over \$1,500 of taxable interest or ordinary d	lividor	nde: /h\ ha	d a for	in
		inus: complete this part if you (a) had over \$1,500 of taxable interest or ordinary d int; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign			u a lore	nyı
Foreign		an, or to received a distribution from, or ward a granter or, or a transition to, a torogr	11100	-		
Accounts					Yes I	No
and Trusts	7a	At any time during 2024, did you have a financial interest in or signature authority of	over a	financial		
Caution: If required, failure to)	account (such as a bank account, securities account, or brokerage account) locat country? See instructions	ed in	a foreign		
file FInCEN Form		•		Cinner sint		
114 may result in substantial		If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank				
substantial penalties.		Accounts (FBAR), to report that financial interest or signature authority? See Fin0 and its instructions for filing requirements and exceptions to those requirements.	JEN I	orm 114		
Additionally, you						
may be required to file Form 8938,	b	If you are required to file FinCEN Form 114, list the name(s) of the foreign country(financial account(s) is (are) located:	-ies) v	where the		
Statement of Specified Foreign						
Financial Assets.	8	During 2024, did you receive a distribution from, or were you the grantor of, or t	ransf	eror to, a		
See Instructions.		foreign trust? If "Yes," you may have to file Form 3520. See instructions				

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 17146N

Form 1040, Schedule C

- Cash vs. Accrual
- Line of business code
- Income, COGS, and Gross Income
- Expenses
- Net Profit and Loss
- Depreciation Expense
- IRC § 179 Expense

SCHEDULE C (Form 1040)

Department of the Treasur

Profit or Loss From Business (Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SR, 1040-NR, or 1041; partnerships must generally file Form 1065

Go to www.lrs.gov/ScheduleC for instructions and the latest information.

2024
Attachment Sequence No. 09

Internal Revenue Service Social security number (SSN) Principal business or profession, including product or service (see instructions) Business name. If no separate business name, leave blank. Business address (including suite or room no.) City, town or post office, state, and ZIP code Accounting method: (1) Cash (2) Accrual (3) Other (specify) Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on losses If you started or acquired this business during 2024, check here Yes No Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions Yes No If "Yes," did you or will you file required Form(s) 1099? 2 5 Other income, including federal and state gasoline or fuel tax credit or refund (see instructions Expenses, Enter expenses for business use of your home only on line 30. Pension and profit-sharing plans 19 (see Instructions) Rent or lease (see instructions): Commissions and fees . Vehicles, machinery, and equipment Contract labor (see instructions) Other business property Depreciation and section 179 Supplies (not included in Part III) . expense deduction (not 23 Instructions) Employee benefit programs Wages (less employment credits) 27a Mortgage (paid to banks, etc.) 27a Other expenses (from line 48) . Energy efficient commercial bidgs 29 Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. Simplified method filers only: Enter the total square footage of (a) your home and (b) the part of your home used for business: Method Worksheet in the instructions to figure the amount to enter on line 30 Net profit or (loss), Subtract line 30 from line 29. if a profit, enter on both Schedule 1 (Form 1040), line 3, and on Schedule SE, line 2. (if you checked the box on line 1, see instructions.) Estates and trusts, enter on Form 1041, line 3. . If a loss, you must go to line 32. 32 If you have a loss, check the box that describes your investment in this activity. See instructions. . If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 3, and on Schedule 32a All Investment is at risk. SE, line 2. (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on Form 1041, line 3. 32b Some investment is not If you checked 32b, you must attach Form 6198. Your loss may be limited.

Form 1065

- · Cash vs. Accrual
- Flowthrough business entity
 - Percentage of ownership & profits
 - Partnership agreement
- Income, COGS, and Gross Income
- Expenses, depreciation, & IRC § 179
- Ordinary Business Income (Loss)
- Schedule K and K-1

	.106	i 5		U.S. R	eturn of Partnershi	p Incon	ne		OMB	No. 1545-0123
·om			For cale	ndar year 2024, or tax yea	r beginning , 202	4, ending	.2	n .	6	0004
	ertment of th	ne Treasury			//Form 1065 for Instructions and	the latest i	nformation.	-1	2	2024
		ness activity		Name of partnership				$\overline{}$	D Empk	oyer identification number
		,								,
B Pr	incipal produ	ct or service	Туре	Number, street, and room	or sulte no. If a P.O. box, see instruction	ons.			E Date	business started
	usiness coo	to sumbor	or Print	Ohy or town white or next	ince, country, and ZIP or foreign posta	Londo		\longrightarrow	E Total	lassets
	USE INSIS COL	a numba		Cay or town, salar or provi	no, county, and 21- or lower posts	r COOL				Instructions)
									\$	
G	Check an	olicable b	oxes:	(1) Initial return (2	(3) Final return (3) Name	change (4) Address ch	ange	<u>(5)</u> □	Amended return
					Accrual (3) Other		,		.,	
ı	Number o	f Schedule	s K-1. A	Attach one for each pers	on who was a partner at any time	during the	tax year:			
_										🗆
					section 465 at-risk purposes (2)					
Cau	_				nd expenses on lines 1a throu	gh 23 belo				information.
		Gross recei			b Less returns and allowances		c Balance		C	
		_		old (attach Form 1125					2	
9					1c			_	3	
ncome					tnerships, estates, and trusts		ement)	_	4	
2					F (Form 1040))			_	5	
-					l, line 17 (attach Form 4797)			_	6	
)				7	
					through 7			_	8	
	9				tners) (less employment credit	18)		_	9	
8	10			ments to partners .					0	
Deductions assing tructions for Imbations)	11			intenance				_	1	
트	12								2	
5	13	Rent							3	
ş	14			ses					4	
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를	16a				4562)					
å	ь				125-A and elsewhere on retur		_		6c	
2	17				s depletion.)				7	
왍	18			s, etc					8	
ĭ	19								9	
ĕ	20				deduction (attach Form 7205)			_	20	
•	1								21	
					shown in the far right column f				22	
	23				ubtract line 22 from line 8 .				23	
_					hod-completed long-term co				24	
Tax and Payment					hod-income forecast method	•	m 8866)	_	25	
Ē					e instructions)				26	
ě									27	
÷					ugh 27				28	
듩					m Form 3800				29	
ă									90	
Н	31				nd line 30 is smaller than line				11	
	32				nd line 30 is larger than line 28			-	12	
		and belief,	It is true	, correct, and complete. De	examined this return, including according according to the control of preparer (other than partr	npanying scho ner or limited i	lability company me	us, and to ember) is	based o	on all information of
Siç	jn	which prep	eror has	any knowledge.				_		
He	re									discuss this return
		Classet	of our	or or Imited Johilly comme		Date		See ins	structions	rer shown below? s. Yes No
_		Print/Type		er or limited liability compar 's name	Properor's signature	LAURE	Dato			PTIN
Pai		· mio rypo	- open or					Check self-em		
Pre	parer	Firm's nam			<u> </u>			Firm's E		
Us	e Only	Firm's nam						Phone n		
				Notice, see separate in	etructions	C-1 N- 1	40007	-none n		Form 1065 (2024)
-01	raperwo	IK HEUUCU	UITACL	mource, see separate in	BUUCUUIIS.	Cat. No. 1	TOMUZ			rom 1000 (2024)

Form 1120-S

- Cash vs. Accrual
- Flowthrough business entity
 - Percentage of ownership & profits
 - LLC agreement
- Income, COGS, and Gross Income
- Expenses, depreciation, & IRC § 179
- Ordinary Business Income (Loss)
- Schedule K and K-1

U.S. Income Tax Return for an S Corporation

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		nue Service	G	io to www.irs.gov/Form112	OS for instructions	and the latest	Information.		
Fo	r calend	dar year 2024 o	r tax vea	r beginning		, 2024, endir	na		. 20
		offective date		Name			_	D Employ	yer identification number
		activity code	OR	Number, street, and room or s	uite no. If a P.O. box, s	ee Instructions.		E Date in	corporated
-	number (s	see Instructions)	PRINT						
				City or town, state or province	, country, and ZIP or to	reign postal code	1	F Total as	sets (see instructions)
C	Check If Sc	th. M-3 attached						\$	
G	Is the o	corporation electi	ing to be a	an S corporation beginning	with this tax year? S	See instructions	s. Yes I	No	
н	Check	if: (1) 🗆 Final re	tum (2)	□ Name change (3) □ /	Address change (4	4) Amended	d return (5)	S election	termination
ı	Enter t	he number of sh	areholde	rs who were shareholders	during any part of t	he tax year .			
J	Check	if corporation: (1) Aggr	egated activities for section 4	65 at-risk purposes	(2) Groupe	d activities for se	ection 469 p	passive activity purposes
Ca	ution: ir	clude only trade	or busine	ss Income and expenses on	lines 1a through 22.	See the Instruc	tions for more	information	1.
	1a	Gross receipts or	sales	b Less ret	ums and allowances		c Balan	ice 1c	:
•	2	Cost of goods	sold (atta	ch Form 1125-A)				. 2	
ncome	3	Gross profit. Su	ubtract lin	ne 2 from line 1c				. 3	
8	4			n 4797, Part II, line 17 (atta				. 4	
=	5	Other income (I	loss) (see	instructions-attach state	ment)			. 5	
	6			d lines 3 through 5				. 6	
	7			s (see instructions-attach				. 7	
1	8	Salaries and wa	ages (less	employment credits) .				. 8	
흝	9		_	e				. 9	
ŧ	10							. 10)
€	11	Rents						. 11	
ě	12							. 12	
ě	13)				. 13	
3	14			4562 not claimed on Form			ttach Form 45	_	
(see instructions for limitations)	15			ct oil and gas depletion)		are dirictani (a		. 15	
8	16							. 16	
	17			etc., plans				. 17	
ŝ	18		-	ims				. 18	
왍	19			cial buildings deduction (a				19	
Deductions	20	Other deduction						20	
ð	21			•				. 21	
	22			me (loss). Subtract line 21				. 22	
_	23a			me or LIFO recapture tax ($\overline{}$		-	
	b	Tax from Sched				\vdash			
	c			see instructions for addition				. 23	e e
23	24a			d tax payments and prece				.	
동	240			88					
Ę	ь			17004		24b			
E.	c			d on fuels (attach Form 41)				_	
Tax and Payments	ď			n amount from Form 3800		\longrightarrow			
æ	z	Add lines 24a ti				$\overline{}$. 24	z
Ē	25			ee instructions). Check if F				25	_
	26			z is smaller than the total of				. 26	
	27			z is larger than the total of				27	
	28			27: Credited to 2025 esti		anount o	Refunded	. 28	
	·	Under penalties of	pertury, I d	lociare that I have examined this	return, including accor	npanying schedul	les and statement	s, and to the	best of my knowledge and
Si	gn	bellef, it is true, co	meet, and o	complete. Declaration of prepare	r (other than taxpayer) i	is based on all inf	ormation of which	properer he	s any knowledge.
Н	ere				I				e IRS discuss this return e preparer shown below?

Check I salf-amploya Firm's EIN

Schedule K-1

- K-1 similar for Form 1065 & 1120-S
- Flowthrough business entity
 - Distributive share
 - Percentage of ownership & profits
 - Flowthrough concept
- Income, COGS, and Gross Income
- Expenses, depreciation, & IRC § 179

Amended K-1 Schedule K-1 Part III Partner's Share of Current Year Income (Form 1065) Deductions, Credits, and Other Items Department of the Treasury Internal Revenue Servic For calendar year 2024, or tax year Net rental real estate income (loss) Partner's Share of Income, Deductions, 3 Other net rental income (loss) Credits, etc. Part Information About the Partnership 4a Guaranteed payments for services A Partnership's employer identification number 4b Guaranteed payments for capital Schedule K-3 is attached if checked B Partnership's name, address, city, state, and ZIP code 4c Total guaranteed payments 17 Alternative minimum tax (AMT) items 5 Interest Income IRS center where partnership filed return: Check if this is a publicly traded partnership (PTP) 6a Ordinary dividends Part I Information About the Partner 6b Qualified dividend: 18 Tax-exempt Income and Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.) nondeductible expenses 6c Dividend equivalents Name, address, city, state, and ZIP code for partner entered in E. See instructions Limited partner or other LLC General partner or LLC 8 Net short-term capital gain (loss) 19 Distributions 9a Net long-term capital gain (loss) If the partner is a disregarded entity (DE), enter the partner's: 9b Collectibles (28%) gain (loss) 20 Other Information 12 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here . 9c Unrecaptured section 1250 gain Partner's share of profit, loss, and capital (see instructions): 10 Net section 1231 gain (loss) 11 Other Income (loss) Sale or Exchange of partnership interest. See instructions. Partner's share of liabilities: 12 Section 179 deduction 21 Foreign taxes paid or accrued 13 Other deductions financing payment obligations by the partner. See instructions . . . 22 More than one activity for at-risk purposes 23 More than one activity for passive activity purposes* *See attached statement for additional information. Did the partner contribute property with a built-in gain (loss)? Yes No If "Yes," attach statement. See instructions Partner's Share of Not Unrecognized Section 704(c) Gain or (Loss)

Schedule K-1 (Form 1065) 2024

For Paperwork Reduction Act Notice, see the Instructions for Form 1065.

Form 1120

- Pays corporate income tax
- Compensation of officers vs. salaries and wages
- NOT a Flowthrough business entity
 - Percentage of ownership
- Income, COGS, and Gross Income
- Ordinary and necessary expenses
- Schedule L
- Loans to and from shareholders
- Undistributed earnings and profits

_	11	20		U.S. C	corporation in				ırn			OMB No. 1545-0123
Form		of the Treasury	For cale	lendar year 2024 or tax			024, en				20	୭⋒24
Inten	nal Reve	nue Service 🌷			ov/Form1120 for Inst	tructions and	d the la	test in	formation	_		20 4
	heck if	ted return		Name						В	Employer k	dentification number
(2	ttach Fo	rm 851)	TYPE							┸		
ьu	ite/nonlit ated retu	e consoli-	OR	Number, street, and roo	om or suite no. If a P.O. bo	ix, see instruct	ilons.			C	Date Incorpo	orated
2 P	arsonal t	holding co.	PRINT							_		
(a	maon so	th. PH) arvice corp		City or town, state or pr	ovince, country, and ZIP	or foreign post	al code			DT	otal assets	(see instructions)
(5	ee Instru	ctions) .								┸	\$	
4 S	chedule I	M-3 attached	E Check	- 17	(2) Final re	tum ((3)	Name d	hange	(4)	Address	s change
	1a	Gross receip						1a			_	
	b	Returns and						1b				
	C			1b from line 1a						-	. <u>1c</u>	
	2	_		ttach Form 1125-A).						-	. 2	
	3			line 2 from line 1c .						-	. 3	
Ě	4		nd inclusio	ons (Schedule C, line 2	23)					-	. 4	
00 00 00 00	5	Interest .								-	. 5	
=	6	Gross rents								-	. 6	
	7	Gross royal	ties							-	. 7	
	8	Capital gain	net incom	ne (attach Schedule D	(Form 1120))					-	. 8	
	9	Net gain or	(loss) from	Form 4797, Part II, IIn	e 17 (attach Form 479	7)				-	. 9	
	10	Other Incom	ne (see Inst	tructions-attach state	ement)						. 10	
	11	Total Incon	ne. Add lin	nes 3 through 10							. 11	
~	12	Compensat	on of offic	ers (see Instructions-	attach Form 1125-E)					-	. 12	
쭕	13	Salaries and	wages (le	ess employment credits	8)						. 13	
ĕ	14	Repairs and	_								14	
흥	15	Bad debts									. 15	
8	16	Rents .									16	
5	17	Taxes and I	looneoe							-	17	
¥	18	Interest (see		onel						-	18	
蓋	19	Charttable o								-	19	
Ē										-		
ŧ	20			m 4562 not claimed or	n Form 1125-A or eise	where on retu	um (atta	ich Hor	m 4562) .	-	. 20	
윤	21	Depletion .								-	. 21	
8	22	Advertising								-	. 22	
퓽	23		_	g, etc., plans						-	. 23	
롩	24	Employee b	enefit prog	grams						-	. 24	
Ë.	25	Energy effic	lent comm	nercial buildings deduc	tion (attach Form 720)	5)				-	. 25	
8	26	Other deduc	ctions (atta	ach statement)						-	. 26	
	27	Total dedu	ctions. Ad	ld lines 12 through 26						-	. 27	
.5.	28	Taxable Inc	ome before	e net operating loss de	eduction and special d	eductions. St	ubtract	line 27	from line	11.	. 28	
9	29a	Net operatir	ng loss ded	duction (see Instruction	ns)			29a				
Deductions (See instructions for limitations on deductions.)	b		_	chedule C, Ilne 24) .				29b				
•	С	Add lines 29									. 29c	1
	30	Taxable Inc	ome. Sub	stract line 29c from line	28. See Instructions						. 30	
Parundable Gradits, and Payments	31			line 12)							. 31	
를	32	Reserved for		,						-	32	
5 2	33			redits (Schedule J, line	23)						. 33	
1 E	34			. See Instructions. Che	-	ched				. г	34	
34	35			33 is smaller than the			int nive	п			. 35	
	36			33 is larger than the to						-	. 36	
ě	37			e 36 you want: Credit e			. overpe		D.	- efunde		
		Inder penalties of	perjury, I ded	dare that I have examined this	return, including accompany	ing schedules and	d stateme	nts, and				ellef, it is true, correct, an
Sig	ın 🖟	omplete. Declara	tion of prepare	dare that I have examined this or (other than texpayer) is bas	ed on all information of which	preparer has any	knowlad	ga.		,	Mary three Tr	O albaman libba anto-
He					1						with the pro	S discuss this return aparer shown below?
пе		Signature of off	inne		Date	Title				—		tions. Yes No
_	_		proparor's	namo	Properor's signature	1100		Date		T '		PTIN
Pai	id	- Tallo Type	habana a		para suguado					Chi	ack 🔲 if	
Pre	pare	er									l-employed	<u> </u>
Us	e On	ly Firm's nar							-	n's EIN		
_		Firm's add								me no.		- 4400
For	Papen	work Reduct	ion Act No	lotice, see separate ir	nstructions.		Cat. N	lo. 1140	50Q			Form 1120 (2024

Form 1065, 1120-S, and 1120, Schedule L

- Total assets
- Total liabilities
- Loans to and from shareholders
- Equity
- Accumulated earnings and profits
- Undistributed earnings and profits
- Constructive dividends

	edule L Balance Sheets per Books	Beginning	of tax year	E Id of t	ax year
	Assets	(a)	(b)	(c)	(d)
1	Cash				
28	Trade notes and accounts receivable				
ь	Less allowance for bad debts	()		(
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities (see instructions)				
6	Other current assets (attach statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other Investments (attach statement)				
	Buildings and other depreciable assets				
b	Less accumulated depreciation	()		(
11a	Depletable assets	,			
b	Less accumulated depletion	,		,	
	•	,			
12	Land (net of any amortization)				
13a		,		,	
ь	Less accumulated amortization)			
14	Other assets (attach statement)				
15	Total assets				
	Liabilities and Shareholders' Equity				ı
16	Accounts payable				
17	Mortgages, notes, bonds payable in less than 1 year				
18	Other current liabilities (attach statement)				
19	Loans from shareholders				
20	Mortgages, notes, bonds payable in 1 year or more				
21	Other liabilities (attach statement)				
22	Capital stock: a Preferred stock				
	b Common stock				
23	Additional paid-in capital				
24	Retained earnings-Appropriated (attach statement)				
25	Retained earnings—Unappropriated				
26	Adjustments to shareholders' equity (attach statement)				
27	Less cost of treasury stock		1	1	r
28	Total liabilities and shareholders' equity			-	
	edule M-1 Reconciliation of Income (L	oss) per Rooks V	Vith Income per F	Return	
COIN	Note: The corporation may be requi			iotai ii	
1	Net income (loss) per books				
2	Federal Income tax per books			led on books this year n this return (itemize):	
3					
	Excess of capital losses over capital gains .		Tax-exempt in	terest •	
4	Income subject to tax not recorded on books				
	this year (itemize):				
				this return not charged	
5	Expenses recorded on books this year not			come this year (itemize):	
	deducted on this return (Itemize):		 Depreciation 		
а	Depreciation \$		b Charitable contr	ibutions \$	
b	Charitable contributions . \$				
C	Travel and entertainment . \$				
	· · · · · · · · · · · · · · · · · · ·		9 Add lines 7 an	18	
6	Add lines 1 through 6		10 Income (page 1,	line 28)—line 6 less line 9	
Sch	edule M-2 Analysis of Unappropriated	Retained Earnin	gs per Books (Sc	hedule L, Line 25)	•
1	Balance at beginning of year		5 Distributions: a		
2	Net Income (loss) per books			b Stock	
	Other increases (Itemize):			c Property	
3			e Other decrease	es (Itemize):	
			6 Other decrease		
	Add lines 1, 2, and 3		7 Add lines 5 and	es (itemize): d 6	

Analyzing Tax Returns



Carlos R. Tropea Judge Angela J. Davis



carlos.tropea@doj.ca.gov

