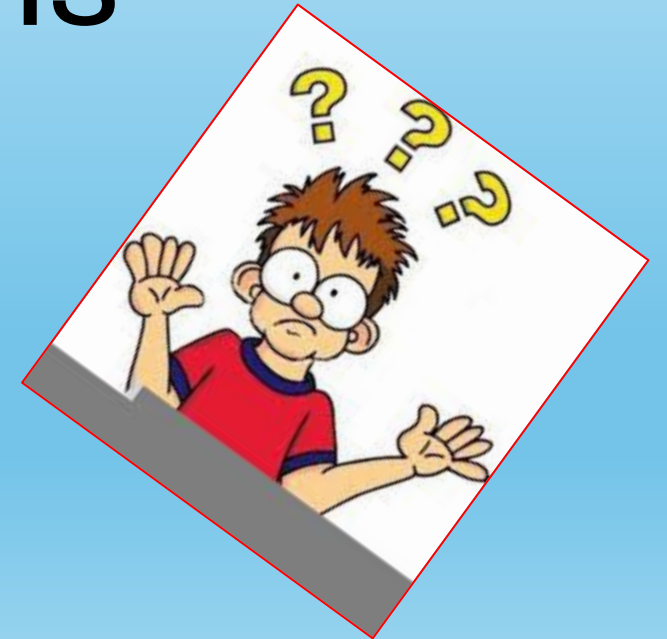


# Analyzing Tax Returns



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](https://www.irs.gov)
- [FTB.ca.gov](https://www.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

**Form 1040** Department of the Treasury—Internal Revenue Service **2024** U.S. Individual Income Tax Return OMB No. 1545-0074 IRS Use Only—Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 2024, or other tax year beginning \_\_\_\_\_, 2024, ending \_\_\_\_\_, 20

See separate instructions.

Your first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Your social security number \_\_\_\_\_

If joint return, spouse's first name and middle initial \_\_\_\_\_ Last name \_\_\_\_\_ Spouse's social security number \_\_\_\_\_

Home address (number and street). If you have a P.O. box, see instructions. \_\_\_\_\_ Apt. no. \_\_\_\_\_ Presidential Election Campaign  
Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund.  You  Spouse

City, town, or post office. If you have a foreign address, also complete spaces below. \_\_\_\_\_ State \_\_\_\_\_ ZIP code \_\_\_\_\_

Foreign country name \_\_\_\_\_ Foreign province/state/country \_\_\_\_\_ Foreign postal code \_\_\_\_\_

**Filing Status**  Single  Head of household (HOH)  
 Married filing jointly (even if only one had income)  
 Married filing separately (MFS)  Qualifying surviving spouse (QSS)  
 Check only one box. If you checked the HOH or QSS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: \_\_\_\_\_  
 If treating a nonresident alien or dual-status alien spouse as a U.S. resident for the entire tax year, check the box and enter their name (see instructions and attach statement if required): \_\_\_\_\_

**Digital Assets** At any time during 2024, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.)  Yes  No

**Standard Deduction** Someone can claim:  You as a dependent  Your spouse as a dependent  
 Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** You:  Were born before January 2, 1960  Are blind Spouse:  Was born before January 2, 1960  Is blind

Dependents (see instructions):	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions):	
					Child tax credit	Credit for other dependents
If more than four dependents, see instructions and check here <input type="checkbox"/>					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>
					<input type="checkbox"/>	<input type="checkbox"/>

**Income**

<b>1a</b> Total amount from Form(s) W-2, box 1 (see instructions)		<b>1a</b>
<b>b</b> Household employee wages not reported on Form(s) W-2		<b>1b</b>
<b>c</b> Tip income not reported on line 1a (see instructions)		<b>1c</b>
<b>d</b> Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		<b>1d</b>
<b>e</b> Taxable dependent care benefits from Form 2441, line 26		<b>1e</b>
<b>f</b> Employer-provided adoption benefits from Form 8839, line 29		<b>1f</b>
<b>g</b> Wages from Form 8919, line 6		<b>1g</b>
<b>h</b> Other earned income (see instructions)		<b>1h</b>
<b>i</b> Nontaxable combat pay election (see instructions)	<b>1i</b>	
<b>z</b> Add lines 1a through 1h		<b>1z</b>
<b>2a</b> Tax-exempt interest	<b>2a</b>	<b>2b</b> Taxable interest
<b>3a</b> Qualified dividends	<b>3a</b>	<b>3b</b> Ordinary dividends
<b>4a</b> IRA distributions	<b>4a</b>	<b>4b</b> Taxable amount
<b>5a</b> Pensions and annuities	<b>5a</b>	<b>5b</b> Taxable amount
<b>6a</b> Social security benefits	<b>6a</b>	<b>6b</b> Taxable amount
<b>c</b> If you elect to use the lump-sum election method, check here (see instructions)	<input type="checkbox"/>	
<b>7</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here	<input type="checkbox"/>	<b>7</b>
<b>8</b> Additional income from Schedule 1, line 10		<b>8</b>
<b>9</b> Add lines 12, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your <b>total income</b>		<b>9</b>
<b>10</b> Adjustments to income from Schedule 1, line 26		<b>10</b>
<b>11</b> Subtract line 10 from line 9. This is your <b>adjusted gross income</b>		<b>11</b>
<b>12</b> <b>Standard deduction or itemized deductions</b> (from Schedule A)		<b>12</b>
<b>13</b> Qualified business income deduction from Form 8995 or Form 8995-A		<b>13</b>
<b>14</b> Add lines 12 and 13		<b>14</b>
<b>15</b> Subtract line 14 from line 11. If zero or less, enter -0-. This is your <b>taxable income</b>		<b>15</b>

Attach Sch. B if required.

Standard Deduction for—  
 • Single or Married filing separately, \$14,000  
 • Married filing jointly or Qualifying surviving spouse, \$29,000  
 • Head of household, \$21,000  
 • If you checked any box under Standard Deduction, see instructions.

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form 1040 (2024)

# Form 1040 (page 2)

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

Form 1040 (2024) Page 2

<b>Tax and Credits</b>		16 Tax (see Instructions). Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	16
		17 Amount from Schedule 2, line 3	17
		18 Add lines 16 and 17	18
		19 Child tax credit or credit for other dependents from Schedule 8812	19
		20 Amount from Schedule 3, line 8	20
		21 Add lines 19 and 20	21
		22 Subtract line 21 from line 18. If zero or less, enter -0-	22
		23 Other taxes, including self-employment tax, from Schedule 2, line 21	23
		24 Add lines 22 and 23. This is your <b>total tax</b>	24
<b>Payments</b>		25 Federal income tax withheld from:	
		a Form(s) W-2	25a
		b Form(s) 1099	25b
		c Other forms (see Instructions)	25c
		d Add lines 25a through 25c	25d
		26 2024 estimated tax payments and amount applied from 2023 return	26
		27 Earned Income credit (EIC)	27
		28 Additional child tax credit from Schedule 8812	28
		29 American opportunity credit from Form 8863, line 8	29
		30 Reserved for future use	30
		31 Amount from Schedule 3, line 15	31
		32 Add lines 27, 28, 29, and 31. These are your <b>total other payments and refundable credits</b>	32
		33 Add lines 25d, 26, and 32. These are your <b>total payments</b>	33
<b>Refund</b>		34 If line 33 is more than line 24, subtract line 24 from line 33. This is the amount you <b>overpaid</b>	34
		35a Amount of line 34 you want <b>refunded to you</b> . If Form 8888 is attached, check here <input type="checkbox"/>	35a
		b Routing number <input type="text"/> c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
		d Account number <input type="text"/>	
		36 Amount of line 34 you want <b>applied to your 2025 estimated tax</b>	36
<b>Amount You Owe</b>		37 Subtract line 33 from line 24. This is the amount you <b>owe</b> . For details on how to pay, go to <a href="http://www.irs.gov/Payments">www.irs.gov/Payments</a> or see Instructions	37
		38 Estimated tax penalty (see Instructions)	38
<b>Third Party Designee</b>		Do you want to allow another person to discuss this return with the IRS? See Instructions <input type="checkbox"/> Yes. Complete below. <input type="checkbox"/> No	
		Designee's name	Phone no.
		Personal identification number (PIN)	
<b>Sign Here</b>		Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.	
		Your signature	Date
		Your occupation	If the IRS sent you an Identity Protection PIN, enter it here (see Inst.)
		Spouse's signature. If a joint return, both must sign.	Date
		Spouse's occupation	If the IRS sent your spouse an Identity Protection PIN, enter it here (see Inst.)
		Phone no.	Email address
<b>Paid Preparer Use Only</b>		Preparer's name	Preparer's signature
		Date	PTIN
		Check it: <input type="checkbox"/> Self-employed	
		Firm's name	Phone no.
		Firm's address	Firm's EIN

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information. Form 1040 (2024)

# 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		OMB No. 1545-0074	
Department of the Treasury Internal Revenue Service		Attach to Form 1040 or 1040-SR. Go to <a href="http://www.irs.gov/ScheduleA">www.irs.gov/ScheduleA</a> 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 Sequence No. 07	
Name(s) shown on Form 1040 or 1040-SR				Your social security number	
<b>Medical and Dental Expenses</b>	<b>Caution:</b> Do not include expenses reimbursed or paid by others.				
	<b>1</b>	Medical and dental expenses (see instructions)	<b>1</b>		
	<b>2</b>	Enter amount from Form 1040 or 1040-SR, line 11 <b>2</b>	<b>2</b>		
	<b>3</b>	Multiply line 2 by 7.5% (0.075)	<b>3</b>		
	<b>4</b>	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-	<b>4</b>		
<b>Taxes You Paid</b>	<b>5</b> State and local taxes.				
	<b>a</b> 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, check this box <input type="checkbox"/>				
	<b>5a</b>		<b>5a</b>		
	<b>b</b> State and local real estate taxes (see instructions)				
	<b>5b</b>		<b>5b</b>		
	<b>c</b> State and local personal property taxes				
	<b>5c</b>		<b>5c</b>		
<b>d</b> Add lines 5a through 5c					
<b>5d</b>		<b>5d</b>			
<b>e</b> Enter the smaller of line 5d or \$10,000 (\$5,000 if married filing separately)					
<b>5e</b>		<b>5e</b>			
<b>6</b> Other taxes. List type and amount: _____					
<b>6</b>		<b>6</b>			
<b>7</b> Add lines 5e and 6					
<b>7</b>		<b>7</b>			
<b>Interest You Paid</b>	<b>8</b> Home mortgage interest and points. If you didn't use all of your home mortgage loan(s) to buy, build, or improve your home, see instructions and check this box <input type="checkbox"/>				
	<b>a</b> Home mortgage interest and points reported to you on Form 1098. See instructions if limited				
	<b>8a</b>		<b>8a</b>		
	<b>b</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., and address _____				
	<b>8b</b>		<b>8b</b>		
	<b>c</b> Points not reported to you on Form 1098. See instructions for special rules				
	<b>8c</b>		<b>8c</b>		
<b>d</b> Reserved for future use					
<b>8d</b>		<b>8d</b>			
<b>e</b> Add lines 8a through 8c					
<b>8e</b>		<b>8e</b>			
<b>9</b> Investment interest. Attach Form 4952 if required. See instructions					
<b>9</b>		<b>9</b>			
<b>10</b> Add lines 8e and 9					
<b>10</b>		<b>10</b>			
<b>Gifts to Charity</b>	<b>11</b> Gifts by cash or check. If you made any gift of \$250 or more, see instructions				
	<b>11</b>		<b>11</b>		
	<b>12</b> 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				
	<b>12</b>		<b>12</b>		
<b>13</b> Carryover from prior year					
<b>13</b>		<b>13</b>			
<b>14</b> Add lines 11 through 13					
<b>14</b>		<b>14</b>			
<b>Casualty and Theft Losses</b>	<b>15</b> Casualty and theft loss(es) from a federally declared disaster (other than net qualified disaster lossee). Attach Form 4684 and enter the amount from line 18 of that form. See instructions				
<b>15</b>		<b>15</b>			
<b>Other Itemized Deductions</b>	<b>16</b> Other—from list in instructions. List type and amount: _____				
<b>16</b>		<b>16</b>			
<b>Total Itemized Deductions</b>	<b>17</b> Add the amounts in the far right column for lines 4 through 16. Also, enter this amount on Form 1040 or 1040-SR, line 12				
	<b>17</b>		<b>17</b>		
<b>Deductions</b>	<b>18</b> If you elect to itemize deductions even though they are less than your standard deduction, check this box <input type="checkbox"/>				
<b>18</b>		<b>18</b>			

# Form 1040, Schedule B

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

SCHEDULE B (Form 1040)		Interest and Ordinary Dividends		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040 or 1040-SR. Go to <a href="http://www.irs.gov/ScheduleB">www.irs.gov/ScheduleB</a> for instructions and the latest information.		<b>2024</b> Attachment Sequence No. 08
Name(s) shown on return			Your social security number	
<b>Part I</b> <b>Interest</b> (See Instructions and the Instructions for Form 1040, line 2b.) <b>Note:</b> If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.	<b>1</b>	List name of payer. If any interest is from a seller-financed mortgage and the 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:		<b>Amount</b>
	<b>2</b>	Add the amounts on line 1		<b>1</b>
	<b>3</b>	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815.		
	<b>4</b>	Subtract line 3 from line 2. Enter the result here and on Form 1040 or 1040-SR, line 2b		
<b>Note:</b> If line 4 is over \$1,500, you must complete Part III.				<b>Amount</b>
<b>Part II</b> <b>Ordinary Dividends</b> (See Instructions and the Instructions for Form 1040, line 3b.) <b>Note:</b> If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.	<b>5</b>	List name of payer:		
	<b>6</b>	Add the amounts on line 5. Enter the total here and on Form 1040 or 1040-SR, line 3b		<b>5</b>
<b>Note:</b> If line 6 is over \$1,500, you must complete Part III.				<b>Amount</b>
<b>Part III</b> <b>Foreign Accounts and Trusts</b> <b>Caution:</b> If required, failure to file FinCEN Form 114 may result in substantial penalties. Additionally, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. See instructions.				
You must complete this part if you (a) had over \$1,500 of taxable interest or ordinary dividends; (b) had a foreign account; or (c) received a distribution from, or were a grantor of, or a transferor to, a foreign trust.				
			<b>Yes</b>	<b>No</b>
	<b>7a</b>	At any time during 2024, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions . . . . . If "Yes," are you required to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR), to report that financial interest or signature authority? See FinCEN Form 114 and its instructions for filing requirements and exceptions to those requirements . . . . .		
	<b>b</b>	If you are required to file FinCEN Form 114, list the name(s) of the foreign country(-ies) where the financial account(s) is (are) located: . . . . .		
	<b>8</b>	During 2024, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions . . . . .		

# 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)		Profit or Loss From Business (Sole Proprietorship)		OMB No. 1545-0074
Department of the Treasury Internal Revenue Service		Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065. Go to <a href="http://www.irs.gov/ScheduleC">www.irs.gov/ScheduleC</a> for instructions and the latest information.		<b>2024</b> Attachment Sequence No. <b>09</b>
Name of proprietor			Social security number (SSN)	
A Principal business or profession, including product or service (see instructions)			B Enter code from instructions	
C Business name. If no separate business name, leave blank.			D Employer ID number (EIN) (see instr.)	
E Business address (including suite or room no.) City, town or post office, state, and ZIP code				
F Accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify) _____				
G Did you "materially participate" in the operation of this business during 2024? If "No," see instructions for limit on losses <input type="checkbox"/> Yes <input type="checkbox"/> No				
H If you started or acquired this business during 2024, check here <input type="checkbox"/> Yes <input type="checkbox"/> No				
I Did you make any payments in 2024 that would require you to file Form(s) 1099? See instructions <input type="checkbox"/> Yes <input type="checkbox"/> No				
J If "Yes," did you or will you file required Form(s) 1099? <input type="checkbox"/> Yes <input type="checkbox"/> No				
<b>Part I Income</b>				
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked <input type="checkbox"/>		1	
2	Returns and allowances		2	
3	Subtract line 2 from line 1		3	
4	Cost of goods sold (from line 42)		4	
5	<b>Gross profit.</b> Subtract line 4 from line 3		5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)		6	
7	<b>Gross income.</b> Add lines 5 and 6		7	
<b>Part II Expenses.</b> Enter expenses for business use of your home <b>only</b> on line 30.				
8	Advertising	8	18	Office expense (see instructions)
9	Car and truck expenses (see instructions)	9	19	Pension and profit-sharing plans
10	Commissions and fees	10	20	Rent or lease (see instructions):
11	Contract labor (see instructions)	11	20a	a Vehicles, machinery, and equipment
12	Depletion	12	20b	b Other business property
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	21	Repairs and maintenance
14	Employee benefit programs (other than on line 19)	14	22	Supplies (not included in Part III)
15	Insurance (other than health)	15	23	Taxes and licenses
16	Interest (see instructions):	16	24	Travel and meals:
a	Mortgage (paid to banks, etc.)	16a	24a	a Travel
b	Other	16b	24b	b Deductible meals (see instructions)
17	Legal and professional services	17	25	Utilities
18			26	Wages (less employment credits)
19			27a	Other expenses (from line 48)
20			27b	b Energy efficient commercial bldgs deduction (attach Form 7205)
21			28	Total expenses before expenses for business use of home. Add lines 8 through 27b
22			29	Tentative profit or (loss). Subtract line 28 from line 7
23			30	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: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30
24			31	<b>Net profit or (loss).</b> 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.
25			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 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. • If you checked 32b, you must attach Form 6198. Your loss may be limited.
26			32a	<input type="checkbox"/> All investment is at risk.
27			32b	<input type="checkbox"/> Some investment is not at risk.

# 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

Form <b>1065</b>		U.S. Return of Partnership Income		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2024, or tax year beginning _____, 2024, ending _____, 20____.		<b>2024</b>
Go to <a href="http://www.irs.gov/Form1065">www.irs.gov/Form1065</a> for instructions and the latest information.				
A Principal business activity	Name of partnership	D Employer identification number		
B Principal product or service	Number, street, and room or suite no. If a P.O. box, see instructions.	E Date business started		
C Business code number	City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see instructions) \$		
G Check applicable boxes: (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change (5) <input type="checkbox"/> Amended return				
H Check accounting method: (1) <input type="checkbox"/> Cash (2) <input type="checkbox"/> Accrual (3) <input type="checkbox"/> Other (specify): _____				
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: _____				
J Check if Schedules C and M-3 are attached <input type="checkbox"/>				
K Check if partnership: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes				
<b>Caution:</b> Include <b>only</b> trade or business income and expenses on lines 1a through 23 below. See instructions for more information.				
Income	1a Gross receipts or sales	b Less returns and allowances	c Balance	1c
	2 Cost of goods sold (attach Form 1125-A)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6
	7 Other income (loss) (attach statement)			7
	8 <b>Total income (loss).</b> Combine lines 3 through 7			8
Deductions (see instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9
	10 Guaranteed payments to partners			10
	11 Repairs and maintenance			11
	12 Bad debts			12
	13 Rent			13
	14 Taxes and licenses			14
	15 Interest (see instructions)			15
	16a Depreciation (if required, attach Form 4562)	16a		
	b Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c
	17 Depletion (Do not deduct oil and gas depletion.)			17
	18 Retirement plans, etc.			18
19 Employee benefit programs			19	
20 Energy efficient commercial buildings deduction (attach Form 7205)			20	
21 Other deductions (attach statement)			21	
22 <b>Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 21			22	
23 <b>Ordinary business income (loss).</b> Subtract line 22 from line 8			23	
Tax and Payment	24 Interest due under the look-back method—completed long-term contracts (attach Form 8697)			24
	25 Interest due under the look-back method—income forecast method (attach Form 8866)			25
	26 BBA AAR imputed underpayment (see instructions)			26
	27 Other taxes (see instructions)			27
	28 <b>Total balance due.</b> Add lines 24 through 27			28
	29 Elective payment election amount from Form 3800			29
	30 Payment (see instructions)			30
	31 <b>Amount owed.</b> If the sum of line 29 and line 30 is smaller than line 28, enter amount owed			31
	32 <b>Overpayment.</b> If the sum of line 29 and line 30 is larger than line 28, enter overpayment			32
<b>Sign Here</b> 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 partner or limited liability company member) is based on all information of which preparer has any knowledge.				
Signature of partner or limited liability company member		Date		May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No
Print/Type preparer's name		Preparer's signature	Date	Check <input type="checkbox"/> if self-employed
Firm's name		Firm's EIN		
Firm's address		Phone no.		

# 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

Form <b>1120-S</b>		U.S. Income Tax Return for an S Corporation		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		Do not file this form unless the corporation has filed or is attaching Form 2553 to elect to be an S corporation. Go to <a href="http://www.irs.gov/Form1120S">www.irs.gov/Form1120S</a> for instructions and the latest information.		<b>2024</b>
For calendar year 2024 or tax year beginning		, 2024, ending		, 20
A S election effective date	Name	D Employer identification number		
B Business activity code number (see instructions)	TYPE OR PRINT Number, street, and room or suite no. If a P.O. box, see instructions.	E Date incorporated		
C Check if Sch. M-3 attached <input type="checkbox"/>	City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see instructions)		\$
G Is the corporation electing to be an S corporation beginning with this tax year? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No				
H Check if: (1) <input type="checkbox"/> Final return (2) <input type="checkbox"/> Name change (3) <input type="checkbox"/> Address change (4) <input type="checkbox"/> Amended return (5) <input type="checkbox"/> S election termination				
I Enter the number of shareholders who were shareholders during any part of the tax year				
J Check if corporation: (1) <input type="checkbox"/> Aggregated activities for section 465 at-risk purposes (2) <input type="checkbox"/> Grouped activities for section 469 passive activity purposes				
<b>Caution:</b> Include <b>only</b> trade or business income and expenses on lines 1a through 22. See the instructions for more information.				
Income	1a Gross receipts or sales	b Less returns and allowances	c Balance	1c
	2 Cost of goods sold (attach Form 1125-A)			2
	3 Gross profit. Subtract line 2 from line 1c			3
	4 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			4
	5 Other income (loss) (see instructions—attach statement)			5
	6 <b>Total income (loss).</b> Add lines 3 through 5			6
Deductions (see instructions for limitations)	7 Compensation of officers (see instructions—attach Form 1125-E)			7
	8 Salaries and wages (less employment credits)			8
	9 Repairs and maintenance			9
	10 Bad debts			10
	11 Rents			11
	12 Taxes and licenses			12
	13 Interest (see instructions)			13
	14 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			14
	15 Depletion (do not deduct oil and gas depletion)			15
	16 Advertising			16
	17 Pension, profit-sharing, etc., plans			17
	18 Employee benefit programs			18
	19 Energy efficient commercial buildings deduction (attach Form 7205)			19
	20 Other deductions (attach statement)			20
	21 <b>Total deductions.</b> Add lines 7 through 20			21
	22 <b>Ordinary business income (loss).</b> Subtract line 21 from line 6			22
Tax and Payments	23a Excess net passive income or LIFO recapture tax (see instructions)	23a		
	b Tax from Schedule D (Form 1120-S)	23b		
	c Add lines 23a and 23b (see instructions for additional taxes)			23c
	24a Current year's estimated tax payments and preceding year's overpayment credited to the current year	24a		
	b Tax deposited with Form 7004	24b		
	c Credit for federal tax paid on fuels (attach Form 4136)	24c		
	d Elective payment election amount from Form 3800	24d		
	z Add lines 24a through 24d			24z
	25 Estimated tax penalty (see instructions). Check if Form 2220 is attached <input type="checkbox"/>			25
	26 <b>Amount owed.</b> If line 24z is smaller than the total of lines 23c and 25, enter amount owed			26
27 <b>Overpayment.</b> If line 24z is larger than the total of lines 23c and 25, enter amount overpaid			27	
28 Enter amount from line 27: <b>Credited to 2025 estimated tax</b> <b>Refunded</b>			28	
<b>Sign Here</b> 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.				
Signature of officer		Date	Title	May the IRS discuss this return with the preparer shown below? See instructions. <input type="checkbox"/> Yes <input type="checkbox"/> No
<b>Paid Preparer Use Only</b>		Print/Type preparer's name		Preparer's signature
		Date	Check <input type="checkbox"/> if self-employed	PTIN
		Firm's name	Firm's EIN	
		Firm's address	Phone no.	

# 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

651123  
OMB No. 1545-0123

**Schedule K-1 (Form 1065) 2024**

Department of the Treasury Internal Revenue Service

For calendar year 2024, or tax year beginning / / 2024 ending / /

**Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items**

1	Ordinary business income (loss)	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked <input type="checkbox"/>
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)	20	Other information
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

**Part I Information About the Partnership**

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS center where partnership filed return:

D  Check if this is a publicly traded partnership (PTP)

**Part II Information About the Partner**

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.

G  General partner or LLC member-manager  Limited partner or other LLC member

H1  Domestic partner  Foreign partner

H2  If the partner is a disregarded entity (DE), enter the partner's TIN \_\_\_\_\_ Name \_\_\_\_\_

H3 What type of entity is this partner?

H4 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

Check if decrease is due to:  
 Sale or  Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

	Beginning	Ending
Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$
Recourse	\$	\$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions.

**L Partner's Capital Account Analysis**

Beginning capital account	\$
Capital contributed during the year	\$
Current year net income (loss)	\$
Other increase (decrease) (attach explanation)	\$
Withdrawals and distributions	\$(
Ending capital account	\$

M Did the partner contribute property with a built-in gain (loss)?  
 Yes  No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

**For IRS Use Only**

22  More than one activity for at-risk purposes\*

23  More than one activity for passive activity purposes\*

\*See attached statement for additional information.

For Paperwork Reduction Act Notice, see the Instructions for Form 1065. www.irs.gov/Form1065 Cat. No. 11394R Schedule K-1 (Form 1065) 2024

# 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

Form <b>1120</b>		U.S. Corporation Income Tax Return		OMB No. 1545-0123
Department of the Treasury Internal Revenue Service		For calendar year 2024 or tax year beginning _____, 2024, ending _____, 20____		<b>2024</b>
Go to <a href="http://www.irs.gov/Form1120">www.irs.gov/Form1120</a> for instructions and the latest information.				
<b>A Check if:</b> <b>1a</b> Consolidated return (attach Form 951) <input type="checkbox"/> <b>b</b> LIFO/honorable consolidated return <input type="checkbox"/> <b>2</b> Personal holding co. (attach Sch. PH) <input type="checkbox"/> <b>3</b> Personal service corp. (see instructions) <input type="checkbox"/> <b>4</b> Schedule M-3 attached <input type="checkbox"/>		<b>Name</b> _____ <b>Number, street, and room or suite no. If a P.O. box, see instructions.</b> _____ <b>City or town, state or province, country, and ZIP or foreign postal code</b> _____		<b>B Employer identification number</b> _____ <b>C Date incorporated</b> _____ <b>D Total assets (see instructions)</b> \$ _____
<b>E Check if:</b> (1) <input type="checkbox"/> Initial return (2) <input type="checkbox"/> Final return (3) <input type="checkbox"/> Name change (4) <input type="checkbox"/> Address change				
Income	<b>1a</b> Gross receipts or sales	<b>1a</b>		
	<b>b</b> Returns and allowances	<b>1b</b>		
	<b>c</b> Balance. Subtract line 1b from line 1a			<b>1c</b>
	<b>2</b> Cost of goods sold (attach Form 1125-A)			<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c			<b>3</b>
	<b>4</b> Dividends and inclusions (Schedule C, line 23)			<b>4</b>
	<b>5</b> Interest			<b>5</b>
	<b>6</b> Gross rents			<b>6</b>
	<b>7</b> Gross royalties			<b>7</b>
	<b>8</b> Capital gain net income (attach Schedule D (Form 1120))			<b>8</b>
	<b>9</b> Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)			<b>9</b>
<b>10</b> Other income (see instructions—attach statement)			<b>10</b>	
<b>11</b> Total income. Add lines 3 through 10			<b>11</b>	
Deductions (See instructions for limitations on deductions.)	<b>12</b> Compensation of officers (see instructions—attach Form 1125-E)			<b>12</b>
	<b>13</b> Salaries and wages (less employment credits)			<b>13</b>
	<b>14</b> Repairs and maintenance			<b>14</b>
	<b>15</b> Bad debts			<b>15</b>
	<b>16</b> Rents			<b>16</b>
	<b>17</b> Taxes and licenses			<b>17</b>
	<b>18</b> Interest (see instructions)			<b>18</b>
	<b>19</b> Charitable contributions			<b>19</b>
	<b>20</b> Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)			<b>20</b>
	<b>21</b> Depletion			<b>21</b>
	<b>22</b> Advertising			<b>22</b>
	<b>23</b> Pension, profit-sharing, etc., plans			<b>23</b>
	<b>24</b> Employee benefit programs			<b>24</b>
	<b>25</b> Energy efficient commercial buildings deduction (attach Form 7205)			<b>25</b>
	<b>26</b> Other deductions (attach statement)			<b>26</b>
	<b>27</b> Total deductions. Add lines 12 through 26			<b>27</b>
	<b>28</b> Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11.			<b>28</b>
<b>29a</b> Net operating loss deduction (see instructions)	<b>29a</b>			
<b>b</b> Special deductions (Schedule C, line 24)	<b>29b</b>			
<b>c</b> Add lines 29a and 29b			<b>29c</b>	
Tax, refundable credits, and payments	<b>30</b> Taxable income. Subtract line 29c from line 28. See instructions			<b>30</b>
	<b>31</b> Total tax (Schedule J, line 12)			<b>31</b>
	<b>32</b> Reserved for future use			<b>32</b>
	<b>33</b> Total payments and credits (Schedule J, line 23)			<b>33</b>
	<b>34</b> Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>			<b>34</b>
	<b>35</b> Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed			<b>35</b>
	<b>36</b> Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid			<b>36</b>
	<b>37</b> Enter amount from line 36 you want: Credited to 2025 estimated tax <input type="checkbox"/> Refunded <input type="checkbox"/>			<b>37</b>
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.				
<b>Sign Here</b>		Signature of officer _____ Date _____ Title _____		
<b>Paid Preparer Use Only</b>		Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check <input type="checkbox"/> if self-employed PTIN _____ Firm's name _____ Firm's EIN _____ Firm's address _____ Phone no. _____		

# 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

Form 1120 (2024) Page 6

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
<b>Assets</b>					
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 statement)				
7	Loans to shareholders				
8	Mortgage and real estate loans				
9	Other investments (attach statement)				
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 statement)				
15	<b>Total assets</b>				
<b>Liabilities and Shareholders' Equity</b>					
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	( )		( )	
28	<b>Total liabilities and shareholders' equity</b>				

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return				
Note: The corporation may be required to file Schedule M-3. See Instructions.				
1	Net income (loss) per books		7	Income recorded on books this year not included on this return (itemize):
2	Federal income tax per books			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	Charitable contributions \$		b	Charitable contributions \$
c	Travel and entertainment \$			
6	Add lines 1 through 5		9	Add lines 7 and 8
			10	Income (page 1, line 28) — line 6 less line 9

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

Form 1120 (2024)

# Analyzing Tax Returns



Carlos R. Tropea  
Judge Angela J. Davis



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