

PREPARING 1120 RETURNS

1120 Tax Applications provide a large number of default return and print options enabling you to customize your 1120 tax return preparation.

When you select 1120S as your return type, folders are available to enter Schedule K and Shareholder information.

Much of the information entered in the federal return automatically carries to each activated state return.

TOPICS

- [General Information \(page 2\)](#)
- [1120S Returns \(page 8\)](#)
- [Income and Deductions \(page 13\)](#)
- [Gains and Losses \(page 18\)](#)
- [Taxes \(page 23\)](#)
- [Balance Sheet/M-1/M-2 \(page 24\)](#)
- [Estimates and Penalties \(page 27\)](#)
- [State Returns \(page 30\)](#)

GENERAL INFORMATION

Use the **General Information** folder to enter company information. Select your return and print options, and answer basic return questions in this area.

The screenshot shows the 'General Information' tab selected in the left-hand menu. The main content area displays the 'ENTITY INFORMATION' section with fields for Name, Name (cont'd), Entity number, and EIN. The 'ADDRESS' section includes fields for Address, City, State, and ZIP. A red box highlights the 'General Information' folder in the left-hand menu.

Figure 1

Under the **Entity Information** tab, scroll down to select the **Return** and **Entity Type** for the company, the business **Dates of Incorporation**, and the **Business Activity Code** information.

The screenshot shows the 'Entity Information' tab selected. The 'RETURN / ENTITY TYPE' section is highlighted with a red box, showing a list of return types: 1120 - U.S. Corporation, 1120S - S Corporation, 1120-C - Cooperative Associations, 1120F - Foreign Corporation, 1120-H - Homeowners Association, 1120-RIC - Regulated Investment Company, 1120-REIT - Real Estate Investment Trust, and 1120-IC-DISC - Interest Charge Corporation. A red box also highlights the 'Entity Information' tab in the top navigation bar.

Figure 2

Select the return type on the **Entity Information** tab. The selected return and entity types affect how the system treats income, deduction, and Schedule M-1 items.

The screenshot shows the 'Entity Information' tab with the 'Return/Entity Type Conversion' section. The 'Entity type' dropdown menu is open, showing a list of options. 'Top consolidation' is highlighted in blue. The 'Return type' dropdown is also visible, showing a list of options. The 'Entity type' dropdown is highlighted with a red box.

Figure 3

Click the **Return Information** tab to select fiscal dates, accounting method, and special filing information.

The screenshot shows the 'Return Information' tab with the 'SIGNING OFFICER' section. The 'Return Information' tab is highlighted with a red box. The 'SIGNING OFFICER' section includes checkboxes for signature date and SSN, and fields for First name, Middle initial, Last name, Title, Phone, Foreign phone, Email, Date, and SSN (Optional). The 'ACCOUNTING METHOD' section includes radio buttons for Cash, Accrual (selected), and Other.

Figure 4

Use **General Information > Return and Print Options > Basic Options** to control factors such as the Number of copies, which forms/schedules print, what optional information prints on forms and attached statements, and which detail statements are generated.

The screenshot shows the 'Basic Options' tab selected in the 'Return and Print Options' section. The left sidebar lists various categories under 'General Information', with 'Return and Print Options' highlighted. The main content area is divided into several sections: 'CLIENT INFORMATION' with a 'Client Code' field (value: HLK1), 'CLIENT NOTES' with a text area, 'NUMBER OF COPIES' with two input fields (both set to 1), and 'EVERY PAGE PRINT OPTIONS' with three rows of checkboxes for 'Print' or 'Suppress'.

Section	Field/Option	Value/Selection
NUMBER OF COPIES	Total number of federal returns to be printed	1
	Total number of state returns to be printed	1
EVERY PAGE PRINT OPTIONS	Corporation Name and Federal EIN	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
	Locator number and Account number	<input checked="" type="radio"/> Print <input type="radio"/> Suppress
	Version number	<input checked="" type="radio"/> Print <input type="radio"/> Suppress

Figure 5

These basic options are normally set up as Tax Defaults, but they may be entered (or changed) on a locator-by-locator basis on the **Return and Print Options** screens in the **General Information** folder.

Basic Options		Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options
Print Copy Type		Federal Deactivation			
ATTACHMENTS					
Statement number printing on the forms.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
Entire "See Statement" text printing on the forms.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
All white paper statements with the tax return.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
Statement numbers printing on the white paper statements.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
Selected federal forms attached to the state returns.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
NON-TAX FORM OPTIONS					
Print Tax return cover sheet.....		<input type="radio"/> Print <input checked="" type="radio"/> Suppress			
Listing of Diagnostics.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
Override Summary Sheet.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			
Estimate Summary Sheet.....		<input checked="" type="radio"/> Print <input type="radio"/> Suppress			

Figure 6

Available selections on the **Basic Options** tab affect the entire return. These options are not specific to a particular form or schedule.

For form- or schedule-specific options, select the **Pg 1-5 Options** or **Tax Form Options** tab. Selections on these screens pertain to the computation and/or print of specific forms.

Page 1-5 Options

Basic Options	Pg 1-5 Options	Tax Form Options	E-file Options	Accrual Options	Deprecia
Print Copy Type		Federal Deactivation			
1120 - U.S. CORPORATION OPTIONS					
<input type="checkbox"/> 52-53 week return under Regulation 1.441-2(a)(1)(iii)(A) <input type="checkbox"/> 52-53 week return under Regulation 1.441-2(a)(1)(iii)(B)		TRANSFER TO ALL MEMBERS OF CONSOLIDATION (Click the Button) <input type="checkbox"/> 52-53 week return under Reg 1.441-2(a)(1)(iii)(A) <input type="checkbox"/> 52-53 week return under Reg 1.441-2(a)(1)(iii)(B)			
<input type="checkbox"/> Automatically calculate beginning unappropriated Retained Earnings (For consolidated returns only) <input type="checkbox"/> Automatically calculate ending unappropriated Retained Earnings <input type="checkbox"/> Calculate book/tax differences of capital loss and contributions for member of a consolidated group <input type="checkbox"/> Do NOT have system automatically compute ending unappropriated Retained Earnings <input type="checkbox"/> Net state taxes on Schedule M-1 line 5 and line 8 (member of Consolidation only) <input type="checkbox"/> Subconsolidation elimination with multi-level columnar detail (must be selected on the elimination company you want to print). Use with Look-Through option only <input type="checkbox"/> Suppress print of Schedule M-3 <input type="checkbox"/> Check to indicate common parent in a multi-tier consolidation. <input type="checkbox"/> Do not print schedules for 1120, L, M-1 and M-2 if total receipts and ending assets are less than \$250,000. <input type="checkbox"/> Do not rollover your selected detail suppression to next year.					
TAX RECONCILIATION AND SUMMARY					
<input type="checkbox"/> Print Both <input type="checkbox"/> Print Reconciliation Only					

Figure 7

Tax Form Options

Printing options are defined by selection of options for various Forms and Schedules.

Basic Options

Pg 1-5 Options

Tax Form Options

E-file Options

Accrual Options

Print Copy Type

Federal Deactivation

SCHEDULE D

☐ Carry Capital Loss to Page 1 (Applies to taxable entity types only, i.e Single or Top Consolidated)

☐ Automatically prorate capital gains and losses under Section 582

SCHEDULE M-1

☐ Print Schedule M-1 when the Schedule M-3 is used

SCHEDULE M-3

Schedule M-3 Options

SCHEDULE N

☐ Force Print Schedule N

☐ Suppress printing of Schedule N (Complete)

SUPPRESS PRINTING OF DETAIL SUPPORTING SCHEDULES FOR:

☐ Schedule N - Question 3

☐ Schedule N - Question 6a

Figure 8

1120S RETURNS

The **Return Type** selection under the **Entity Information** tab controls the folders you see in the Organizer. Selection of *1120 - US Corporation* as a return type results one set of folders, as shown below.

The screenshot shows the 'Entity Information' tab selected. The 'Return type' dropdown is set to '1120-1120S Corporation'. The left sidebar shows a list of folders under 'General Information', including 'Basic Return Information', 'Return and Print Options', 'Questions', 'Paid Preparer/ERO Information', 'Bank Information', 'Tax Defaults', 'Federal E-file', 'Federal E-file Extension', 'Consolidated Returns', 'Amended Return', 'Income and Deductions', 'Gains and Losses', 'Taxes', 'Credits', 'Payments and Extension', and 'Estimates and Penalties'.

Figure 9

When you select *1120 - S Corporation* as your **Return Type**, additional folders appear in the Organizer tab for you to enter, such as **Schedule K** and **Shareholder Information**.

The screenshot shows the 'Entity Information' tab selected. The 'Return type' dropdown is set to '1120S - S Corporation'. The left sidebar shows a list of folders under 'General Information', including 'Schedule K', 'Income', 'Deductions', 'Credits', 'Foreign Transactions', 'Alternative Minimum Tax Items', 'Items Affecting S/h Basis/Other Info', 'Shareholder Information', 'Amended Return', 'Income and Deductions', 'Gains and Losses', 'Taxes', and 'Payments and Extension'. A red arrow points from the '1120S - S Corporation' dropdown to the 'Schedule K' folder in the sidebar.

Figure 10

The **Shareholder Information** screen must be filled out in order to generate 1120S Schedule K-1s. The **Shareholder number** is a required entry on this screen (the name was filled in when you added the new shareholder).

The screenshot displays the 'Shareholder Information' screen. On the left, the 'Organizer' pane shows the 'Shareholder Information' section expanded, with 'Tim Rice' selected. The main area shows the 'SHAREHOLDER INFORMATION' form. A red box highlights the 'Shareholder number (Mandatory)' field, which contains the value '1'. Another red box highlights the 'Shareholder name' field, which contains 'Tim Rice'. The 'Shareholder I.D.' field contains '0906085'. Below this, there is a section for 'OWNERSHIP PERCENTAGE' with the 'Beginning number of shares' field set to '100.0000'.

Figure 11

You must also enter either the beginning number of shares or the ownership percentage at end of year. If a shareholder comes into the S Corporation midyear, enter None for the beginning number of shares.

If you enter the **Beginning number of shares**, the system takes your entered amount, plus or minus any share transfers, and computes the shareholder's ending ownership percentage on a weighted, share-by-share basis.

Shareholder Information -- Tim Rice

SHAREHOLDER INFORMATION

Shareholder number (Mandatory)..... 1

Shareholder name [Reformat for State Purpose](#) Tim Rice

Shareholder I.D. (numbers only, do not include dashes)..... 0906085

OR

If no ID, select a reason for missing ID..... ☒ (None selected) ☐ Applied for ☐ Foreign

Format Shareholder I.D. as EIN..... ☐

Section 1377(a)(2) election made..... ☐

Final K-1..... ☐

OWNERSHIP PERCENTAGE

Beginning number of shares..... 100.0000

Ownership percentage for tax year (Override).....

Shareholder was in the corporation at end of tax year..... ☐

(Required only if ownership percentage is entered above as an override)

Figure 12

If you enter an **Ownership percentage for the tax year (Override)**, the system uses this amount to compute the shareholder's K-1. Because this is an overriding entry, the share transfers you enter will not be taken into consideration.

Shareholder Information ... **Tim Rice**

SHAREHOLDER INFORMATION

Shareholder number (Mandatory)..... 1

Shareholder name **Reformat for State Purpose** Tim Rice

Shareholder I.D. (numbers only, do not include dashes)..... 0906085

OR

If no ID, select a reason for missing ID..... ☒ (None selected) ☐ Applied for ☐ Foreign

Format Shareholder I.D. as EIN..... ☐

Section 1377(a)(2) election made..... ☐

Final K-1..... ☐

OWNERSHIP PERCENTAGE

Beginning number of shares.....

Ownership percentage for tax year (Override)..... 0.5000000000000000

Shareholder was in the corporation at end of tax year..... ☐

(Required only if ownership percentage is entered above as an override)

Figure 13

For share transfers, Period 1 must begin on the first day of the tax year and end one day before the initial share transfer. The next period begins on the day of the transfer and ends one day before the next share transfer.

Organizer Tax Forms Collapse All

Schedule K

Shareholder Information

Shareholder Data

Shareholder Information

Tim Rice

Shareholder Information

State Shareholders Information

Shareholder Basis

Janet Hansley

Edward Lloyd

Add new Shareholder Information

Share Transfers

Special Allocations

Time Segment Allocations

Shareholder Footnotes

Amended Return

Income and Deductions

Transfers on First Day of Year **Period 01 - Period 03** Period 04 - Period 06 Period 07 - Period 09 Period 10 - Period 12 Period 13 - Period 15 Period 16 - Period 18 Period 19 - Period 21 Period 22 - Period 24

PERIOD 1 (MANDATORY ENTRY)

From..... 01/01/

To..... 12/31/

Days (Override).....

Shares Held at Beginning of Year

Do not enter share transfers for period one. Shares held at the beginning of the year are assumed to be held throughout period one.

Beginning and ending dates are a mandatory entry for period one. Period one must begin on the first day of the tax year. Period one must end on the day on which the first share transfer took place.

PERIOD 2

From..... 11/01/

To..... 12/31/

Days (Override).....

PERIOD 3

From..... 01/01/

To..... 12/31/

Days (Override).....

Transfers

S/h	Transfers
1	100.0000
2	100.0000
3	100.0000
4	100.0000
5	100.0000
6	-500.0000

The beginning date for period two must

Continue entering share transfers for

Figure 14

Even though each Schedule K-1 amount is based on the shareholder’s ownership percentage, you can specially allocate the K-1s, if necessary. Individual amounts or all Schedule K items can be specially allocated.

S/h	Shareholder Name	Ratio
1	Tim Rice	1
2	Janet Hansley	1
3	Edward Lloyd	1
1		1
Total		

Figure 15

Most Schedule K amounts are computed based on your entries on other Organizer screens. You can override these amounts on the **Schedule K** screens.

TCC	Other Interest Income- TRC 34-310	Amount
Total		45,000

Figure 16

Entries that originate from the **Schedule K** Organizer screen do not have (Override) after their description. These amounts do not carry in from other areas so they need to be entered on the **Schedule K** screens.

INCOME (LOSS)	
Ordinary income (loss) (Override).....	
Net income (loss) from rental real estate activities (Override).....	
Gross income from other rental activities (Override).....	
Expenses from other rental activities (Override).....	
Net income (loss) from other rental activities (Automatic).....	
34-300 Interest on U.S. obligations.....	45,000

TCC	Other Interest Income- TRC 34-310	Amount
Total		

Figure 17

INCOME AND DEDUCTIONS

The **Income and Deductions** folder contains a subfolder for each income and deduction item on the 1120 return. These folders are organized in the same order they are found on Form 1120, Page 1.

Organizer Tax Forms Collapse All

- Federal E-file Extension
- Consolidated Returns
- Schedule K
- Shareholder Information
- Amended Return
- Income and Deductions
 - Income**
 - \$965 Inclusion of Deferred Foreign Inc
 - Gross Receipts from Installment Sales
 - Nonaccrual Experience Method Schedule
 - COGS/COOPS
 - Pass-Through Entity
 - Deductions
 - Rental Activity
 - Farm Income and Expense
 - Look Back Int for Contracts
 - Look Back Int for Property

INCOME

TRC

30-100 Gross receipts or sales..... 134,000,000

30-105 Less returns and allowances.....

TCC Interest (other than portfolio interest) - TRC 31-380 Amount

Total

31-660 Net gain or loss from Form 4797 if no detail entered on..... Form 4797 50,000

31-662 Net farm profit (loss) if no detail entered on..... Farm Income

Recapture under Section 280F if no detail entered..... Depr Detail

Bad debt recapture, if no detail entered on..... Bad Debts

TCC Other Income - TRC 31-900 Amount

Figure 18

You can either enter total amounts on the **Income and Deductions > Income** screen or click the link and be directed to the applicable Organizer screen to enter detail information.

INCOME

TRC

30-100 Gross receipts or sales..... 134,000,000

30-105 Less returns and allowances.....

TCC Interest (other than portfolio interest) - TRC 31-380 **Amount**

TCC	Interest (other than portfolio interest) - TRC 31-380	Amount

Total

31-660 Net gain or loss from Form 4797 if no detail entered on..... [Form 4797](#) 50,000

31-662 Net farm profit (loss) if no detail entered on..... [Farm Income](#)

Recapture under Section 280F if no detail entered..... [Depr Detail](#)

Bad debt recapture, if no detail entered on..... [Bad Debts](#)

TCC Other Income - TRC 31-900 **Amount**

TCC	Other Income - TRC 31-900	Amount

Figure 19

Use the **COGS/COOPS** screen to enter **Cost of goods sold/operations** data. The system uses depreciation and amortization data entered elsewhere in the return unless you make overriding entries here.

Organizer | Tax Forms | Collapse All

- Federal E-file Extension
- Consolidated Returns
- Schedule K
- Shareholder Information
- Amended Return
- Income and Deductions**
 - Income
 - \$965 Inclusion of Deferred Foreign Inc
 - Gross Receipts from Installment Sales
 - Nonaccrual Experience Method Schedule
 - COGS/COOPS**
 - Pass-Through Entity
 - Deductions
 - Rental Activity

Cost of Goods Sold/Cost of Operations

FORM 1125-A PRINT OPTION

☐ Force print
☐ Suppress print
☒ Automatic

CHECK TO SUPPRESS DETAIL OF

☐ Explanation of refigured closing inventory
☐ Additional section 263A costs
☐ Other method for valuing closing inventory
☐ Cost of labor
☐ Other costs
☐ Explanation of Changes in determining Opening and Closing Inventories

TRC

40-110 Beginning inventory.....

Explanation of Refigured Prior Year Closing Inventory

Figure 20

Scroll down the **COGS/COOPS** screen to select the **Inventory valuation method**. If necessary, you can override the system-calculated cost of goods sold/operations amount.

40-190 Ending inventory..... 8,400,000
Cost of goods sold/operations (Override).....

METHOD OF INVENTORY VALUATION

☐ Cost ☒ Lower of cost or market
Other (If no detail entered below).....

Description of Other Method Used	Explanation of Other Method

CHECK IF

☐ There was a write-down of subnormal goods this year
☐ LIFO inventory method was adopted this year for any goods

Figure 21

Use the **Income and Deductions > Deductions > Officers' Compensation** screens to enter officer information and percent of time devoted to business.

Organizer Tax Forms Collapse All

- Gross Receipts from Installment Sales
- Nonaccrual Experience Method Schedule
- COGS/COOPS
- Pass-Through Entity
- ▾ Deductions
- Detail
- ▾ Officers Compensation
- Summary of Officers Comp
- Individual Officers
- Depreciation and Amortization
- Depletion
- Rental Activity
- Farm Income and Expense
- Look Back Int for Contracts
- Look Back Int for Property
- C Corp Taxable Income
- Gains and Losses

COMPENSATION OF OFFICERS

FORM 1125-E PRINT OPTION
☐ Force print
☐ Suppress Print
☒ Automatic

[Enter Officer Detail](#)

Compensation of officers claimed on Form 1125-A or elsewhere on return.....

☐ Print "Information available in Taxpayer's Office" (federal return only) (not allowed for e-filing)
☐ Print "Information available in Taxpayer's Office" (state returns only) (not allowed for e-filing)
☐ Suppress officer names and social security numbers for efile purposes
☐ Show only last 4 digits of officers' SSN

Statement for disallowance of deduction for employee compensation in excess of \$1 million

Figure 22

Each income and deduction activity has its own folder and separate set of subfolders. This enables you to keep all information for a particular activity together.

The screenshot shows the 'Organizer' pane on the left with a tree view. The 'Rental Activity' folder is expanded, showing subfolders like 'RRE - 001', 'Activity Information', 'Depreciation and Amortization', 'Add new K-1 Rental Activity Footnote...', and 'Add new Rental Activity'. A red box highlights the 'Rental Activity' folder, and a red arrow points from it to the 'Rental Activities' tab in the main form. The main form has tabs for 'Rental Activities', 'Rental Income and Expense', 'Rental Credits', and 'Other Items'. The 'Rental Activities' tab is active, showing 'ACTIVITY INFORMATION' and 'TYPE OF ACTIVITY' sections. The 'ACTIVITY INFORMATION' section includes fields for 'Activity number (Mandatory)', 'Activity name (Mandatory)*', 'Location*', and 'Fully disposed of in current year'. The 'TYPE OF ACTIVITY' section includes radio buttons for 'Ordinary', 'Rental real estate (Form 8825)', 'Other rental', 'Portfolio', and 'Not applicable'. A note at the bottom states: 'Note: Net income from ordinary and portfolio activities does not flow into the S Corporation return. Information entered for these activity types is used to print activity schedules for shareholders. Ordinary activity type should always select for return type other than S corporation'.

Figure 23

The system assigns each activity a unique **Activity number** to identify it. The **Activity name** is a required entry. When adding a new activity, you are prompted to enter this information. For pass-through entities, type the activity number and name of the partnership, estate, or trust. For Form 8825 properties, type the location of the activity.

This is a close-up screenshot of the 'Rental Activity' form. The 'ACTIVITY INFORMATION' section contains the following fields: 'Activity number (Mandatory)' (empty), 'Activity name (Mandatory)*' (filled with 'RRE - 001'), 'Location*' (filled with '4356 W. Main St., Dallas, Tx. 78205'), and 'Fully disposed of in current year' (checkbox, unchecked). The 'TYPE OF ACTIVITY' section contains radio buttons for 'Ordinary', 'Rental real estate (Form 8825)' (selected), 'Other rental', 'Portfolio', and 'Not applicable'. A note at the bottom states: 'Note: Net income from ordinary and portfolio activities does not flow into the S Corporation return. Information entered for these activity types is used to print activity schedules for shareholders. Ordinary activity type should always select for return type other than S corporation'.

Figure 24

Scroll down the **Rental Activities** tab to select the **Type of Activity**. Click the applicable tabs to enter income and expenses and other information for this activity.

Fully disposed of in current year..... ☐

TYPE OF ACTIVITY

☐ Ordinary
☒ Rental real estate (Form 8825)
☐ Other rental
☐ Portfolio
☐ Not applicable

Note: Net income from ordinary and portfolio activities does not flow into the S Corporation return.
 Information entered for these activity types is used to print activity schedules for shareholders.
 Ordinary activity type should always select for return type other than S corporation

Figure 25

Each activity has a **Depreciation and Amortization** folder used to tie assets and related depreciation information to the selected activity. For more information on entering depreciation, review the Depreciation tutorial.

Organizer Tax Forms Collapse All

Asset ... Computer Equipment

Depreciation Detail State Depreciation Retirement/Disposal Vehicle Mileage

HELP

DATA ENTRY ERRORS exist for this asset that must be corrected. [See this link.](#)

Data Entry Error Message Board Summary
Data Import Error Message Board
Data Entry Review and Information

Depreciation Asset Data Entry Help ?

BASIC INFORMATION

Description of asset (Mandatory) Computer Equipment Retired Asset

Date placed in service 01/01/2015 Date placed in service (Print only)

Cost Method Life Accum. Depreciation Current Yr Deduction

Regular: None selected (default)

AMT: IRS prescribed (200% DB/150% DB for MACRS, SL for Real a

ACE: SL

Book: None selected (default)

CURRENT YEAR DEDUCTION OVERRIDES

Regular: AMT: ACE: Book:

Note: If the asset is past its useful life, overrides will not be included in Form 4562 computations or in whitepaper detail print.
An AMT override will generally not be used if special depreciation is elected and should not be used for assets placed in service after 2015.

SPECIAL DEPRECIATION ALLOWANCE UNDER IRC §§ 168(K), 1400L, 1400N AND ITC

Special depreciation allowance and ITC type: No basis reduction (default)

*NOTE: Certain property with a long production period (10 years or more), transportation property used in the business of transporting persons or property, or certain aircraft may use the indicated special depreciation rate for one year later than other assets.

Basis reduction:

Current year basis reduction (Override) or prior year amount:

☐ Asset placed in service after 12/31/2015 NOT eligible for special depreciation (AMT adjustment computation applies per Rev. Proc. 2017-33)
Select if asset is not original use property, required to be depreciated using ADS, excepted property, etc.

Figure 26

GAINS AND LOSSES

Use the **Gains and Losses** folder in Organizer to enter all gains and losses. Select the applicable **Gains and Losses** folder and choose **Add New...** to enter your sale information. Entries from Form 4797, Form 6252, Form 4684, and Form 6781 automatically carry to Schedule D and Form 4797 as required.

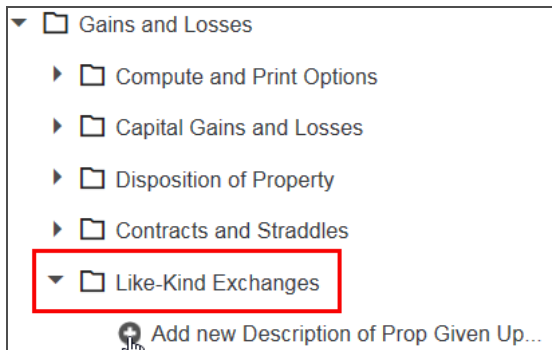


Figure 27

When adding properties for Sale of Business Property, Installment Sales, and Casualties and Thefts, you must go to the **Disposition of Property > Disposition Detail > Create Dispositions of Property** Organizer to enter a **Description of property** and select the **Disposition Type**. For example, to create a sale of business property, enter the property sold and select the **Disposition Type** and **Type of Property** from the drop-down lists.

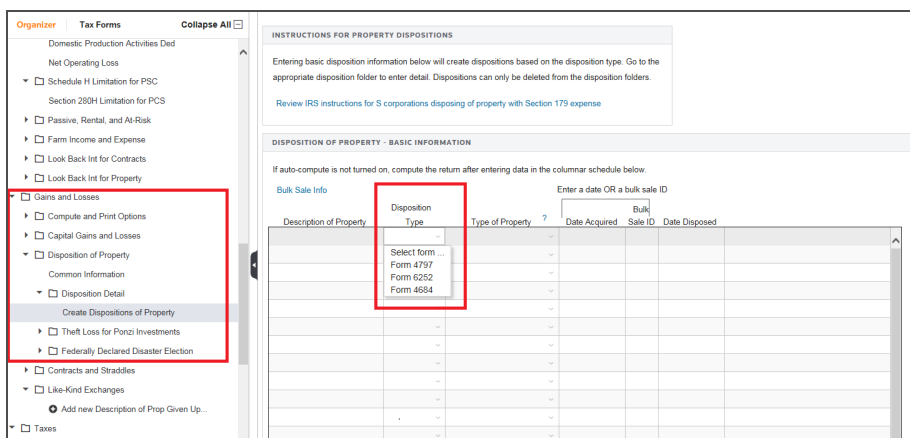


Figure 28

For **Capital Gains and Losses**, you can either enter dates or choose a holding period. When entering **Contracts and Straddles**, you need to enter the applicable dates for the system to calculate the gain or loss.

The screenshot shows the 'Organizer' tab on the left with a tree view. The 'Gains and Losses' folder is expanded, showing sub-items like 'Compute and Print Options', 'Capital Gains and Losses', 'Disposition of Property', and 'Create Dispositions of Property'. A red box highlights the 'Gains and Losses' folder and its sub-items. On the right, the 'DISPOSITION OF PROPERTY - BASIC INFORMATION' section is shown. It includes a table with columns: 'Description of Property', 'Disposition Type', 'Type of Property', 'Date Acquired', 'Bulk Sale ID', and 'Date Disposed'. A red box highlights the 'Disposition Type' dropdown menu, which is open, showing options: 'Select form...', 'Form 4797', 'Form 6252', and 'Form 4684'.

Figure 29

For each Casualty or Theft (Form 4684), you must enter the property description and select the disposition type as *Form 4684* on the **Disposition of Property > Disposition Detail > Create Dispositions of Property** Organizer. Be sure to recompute.

The screenshot shows the 'DISPOSITION OF PROPERTY - BASIC INFORMATION' section. It includes a table with columns: 'Description of Property', 'Disposition Type', 'Type of Property', 'Date Acquired', 'Bulk Sale ID', and 'Date Disposed'. A red box highlights the 'Description of Property' column, showing 'Machinery and Equip.' and 'Truck'. Another red box highlights the 'Disposition Type' column, showing 'Form 4797' and 'Form 4684'. A third red box highlights the 'Type of Property' column, showing 'Section 1245' and 'SECTION 1231'.

Figure 30

After you recompute, a folder appears for **Casualties and Thefts**. If not already computed, enter the **Date casualty or theft occurred** and the **Type of property**. These are mandatory fields. If the casualty or theft results in a loss, always enter the fair market value before casualty or theft.

The screenshot shows the 'Organizer' tab on the left with 'Tax Forms' selected. Under 'Disposition of Property', 'Casualties and Thefts' is highlighted. The 'Truck' sub-folder is also highlighted. The main window displays the 'Casualty and Theft' form. The 'Description of property' field contains 'Truck'. The 'Bulk sale identifier' field is empty. The 'Investment property' field is empty. The 'TYPE OF PROPERTY' section has 'Section 1231' selected. The 'COMPUTATION OF GAIN/LOSS' section has fields for Date acquired, Date of loss or casualty, Cost or other basis, Section 179 expense, and Accumulated depreciation (or depletion).

Figure 31

To automatically retire an asset from depreciation in the **Sale of Business Property** folder, enter a bulk sale ID number from 1 to 99. You can enter this when you create the property disposition.

On the **Asset Detail** Organizer for that asset, you can select the **Retirement/Disposal** tab to retire the asset.

The screenshot shows the 'INSTRUCTIONS FOR PROPERTY DISPOSITIONS' section with instructions on entering basic disposition information. Below this is the 'DISPOSITION OF PROPERTY - BASIC INFORMATION' section. It includes a table for 'Bulk Sale Info' with columns: Description of Property, Disposition Type, Type of Property, Date Acquired, Bulk Sale ID, and Date Disposed. The 'Bulk Sale ID' column is highlighted with a red box. The table contains two rows: 'Machinery and Equip.' and 'Truck'.

Description of Property	Disposition Type	Type of Property	Date Acquired	Bulk Sale ID	Date Disposed
Machinery and Equip.	Form 4797	Section 1245	01/01/	1	07/01/
Truck	Form 4684	Section 1231	01/02/		08/01/

Figure 32

The **Date acquired**, **Cost or other basis**, **Section 179 expense**, and **Accumulated depreciation** are automatically carried to the **Gains and Losses > Disposition of Property > Disposition Detail Sales of Business Property > [Asset]** screen, which in this case is **Machinery and Equipment**. The carried in amounts will appear in blue. The amounts you enter will be in black text.

Figure 33

		Computed Value
Date acquired.....	01/01/	01/01/
Date disposed.....	07/01/	07/01/
Gross sales price.....	3,000	3,000
Cost or other basis.....	15,000	15,000
Improvements.....		
Commissions and other expenses of sale.....		
§179 expense.....		
Accumulated depreciation (or depletion).....		
AMT accumulated depreciation (or depletion).....		
ACE accumulated depreciation (or depletion).....		
Special depreciation allowance.....		
ITC basis reduction (bulk sale computation).....		
Gain (Loss) (if no detail entered).....		

Figure 34

Each **Gains and Losses** folder has a **Gain (Loss) (if no detail entered)** field. This field serves as an override unless **Gross sales price**, **cost amounts**, or a **Unique identifier used to retire an asset** are entered.

Sale of Business Property ... Machinery and Equip. ▼

Sale of Business Property | California Only | Pennsylvania Only | Pre-JCWAA

COMPUTATION OF GAIN/LOSS

Short-term transactions will be reclassified as Ordinary. [View IRS Instructions](#)

		Computed Value
Date acquired.....	01/01/	01/01/
Date disposed.....	07/01/	07/01/
Gross sales price.....	3,000	3,000
Cost or other basis.....	15,000	15,000
Improvements.....		
Commissions and other expenses of sale.....		
§179 expense.....		
Accumulated depreciation (or depletion).....		
AMT accumulated depreciation (or depletion).....		
ACE accumulated depreciation (or depletion).....		
Special depreciation allowance.....		
ITC basis reduction (bulk sale computation).....		
Gain (Loss) (if no detail entered).....		

Figure 35

TAXES

Many taxes are associated with the 1120 return.

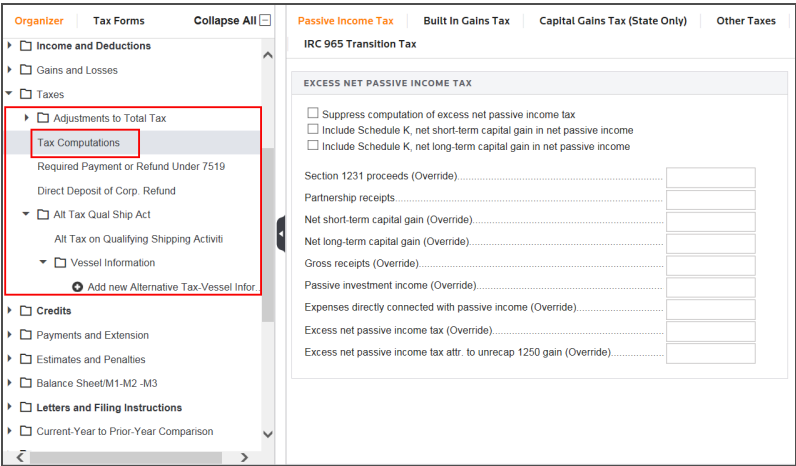


Figure 36

Taxes are automatically computed by the system. You can override the automatic computations in the **Taxes > Tax Computations** folder.

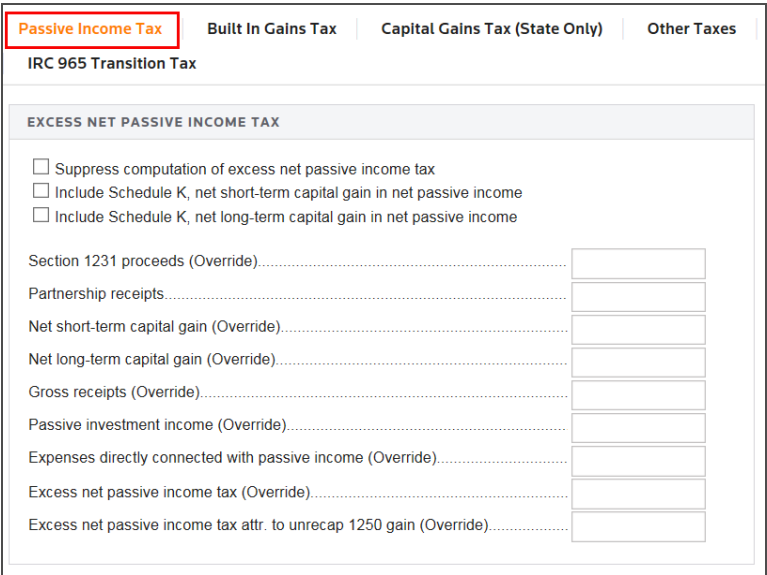


Figure 37

BALANCE SHEET/M-1/M-2

Enter your assets, liabilities, and stockholders' equity information in the **Balance Sheet/M1-M2-M3 > Balance Sheet** folder.

The screenshot shows the 'Assets' tab selected. The main content area displays two tables of asset data:

Assets			
TRC			
Description	Beginning	Ending	
Cash - TRC 10-100			
Cash	32,620,000	9,000,000	
Total	32,620,000	9,000,000	

Accounts Receivable - TRC 10-200			
Description	Beginning	Ending	
Trade Notes and Accounts Receivable	15,000,000	23,000,000	
Total	15,000,000	23,000,000	

Figure 38

The 1120 tax application provides many options to customize how the system handles your accruals. Review these options and make your selections on the **Accrual Options** tab in the **Balance Sheet/M1-M2-M3 > Balance Sheet** folder.

The screenshot shows the 'Accrual Options' tab selected. The main content area displays the following sections:

ACCUMULATED AMORTIZATION

Book amortization.....

Ending accumulated amortization before accrual.....

☐ Carry book-tax difference to Sch M-1

☐ Calculate ending balance sheet amount

DEPRECIATION

Book depreciation.....

Figure 39

Select the **Schedule M1/M2** folder to enter your Schedule M-1 and retained earnings information. Review and select the applicable Schedules M-1 options on the **Reconciliation (M-1)** tab.

Organizer

Tax Forms

Collapse All

Credits

Payments and Extension

Estimates and Penalties

Balance Sheet/M1-M2 -M3

Balance Sheet

Schedule M1 / M2

Schedule M-3

Supplemental Attachment to M-3

Letters and Filing Instructions

Current-Year to Prior-Year Comparison

Informational Forms

Foreign Information

Carryovers, Footnotes, and Invoicing

Federal Tax Elections

States

State Intangible

Reconciliation (M-1)

Ret. Earnings (M-2)

Schedule M-1 Reconciliation

OPTIONS

Calculate book/tax difference for capital loss and contributions on Sch M-1 of member of a consolidated group

Transfer Option for Consolidated Returns

Suppress the print of Schedules L, M-1, and M-2 if total receipts for the tax year and total assets at the end of the tax year are less than \$250,000.

SECTION 179 ADJUSTMENT

Suppress Section 179 adjustment

Section 179 included as a deduction for Net income per books

Use default calculation

TRC	Description	Amount
99-100	Net income per books <input type="checkbox"/> Suppress automatic calculation	116,000
60-110	Federal income tax	36,000

OPTION TO CALCULATE BOOK/TAX DIFFERENCE FOR CAPITAL LOSS

Figure 40

To balance the return, we compute **Net income per books** shown below on Schedule M-1 and carry this amount to **Net income per books** shown on Schedule M-2. The system automatically computes the net income per books amount if the option to compute retained earnings or use accruals is selected.

Organizer

Reconciliation (M-1)		Ret. Earnings (M-2)	
Schedule M-1 Reconciliation			
OPTIONS			
<input type="checkbox"/> Calculate book/tax difference for capital loss and contributions on Sch M-1 of member of a consolidated group Transfer Option for Consolidated Returns			
<input type="checkbox"/> Suppress the print of Schedules L, M-1, and M-2 if total receipts for the tax year and total assets at the end of the tax year are less than \$250,000.			
SECTION 179 ADJUSTMENT			
<input type="radio"/> Suppress Section 179 adjustment <input type="radio"/> Section 179 included as a deduction for Net income per books <input checked="" type="radio"/> Use default calculation			
TRC	Description	Amount	
99-100	Net income per books <input type="checkbox"/> Suppress automatic calculation	116,000	
60-110	Federal income tax	36,000	
OPTION TO CALCULATE BOOK/TAX DIFFERENCE FOR CAPITAL LOSS			

Figure 41

Tax Form

Organizer	Tax Forms	Collapse All	Page 1	Page 2	Page 3	Page 4	Page 5																																																											
<ul style="list-style-type: none"> Federal <ul style="list-style-type: none"> Billing Statement 1120 Tax Summary <ul style="list-style-type: none"> 1120-US Corporation Income Tax Return 1120-US Corporation Income Tax Return Consolidated Review <ul style="list-style-type: none"> Cross-Tie Review Sch B - Additional Info for M-3 Filers Sch D/8949-Capital Gains and Losses Sch G - Persons Owning Voting Stock Sch H - Limitations for PSC Sch M-3 - Net Income Reconciliation Sch N - Foreign Operations of US Corp Sch O - Consent Plan and Apportionment Sch PH - Personal Holding Company Tax Sch UTP - Uncertain Tax Position Stmt Form T - Forest Activities Schedule 851 - Affiliation Schedules 	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. <table border="1"> <tr> <td>1 Net income (loss) per books</td> <td>142,352,000</td> <td>7 Income recorded on books this year not included on this return (itemize)</td> <td></td> </tr> <tr> <td>2 Federal income tax per books</td> <td>36,000</td> <td>Tax-exempt interest</td> <td></td> </tr> <tr> <td>3 Excess of capital losses over capital gains</td> <td></td> <td></td> <td></td> </tr> <tr> <td>4 Income subject to tax not recorded on books this year (itemize)</td> <td></td> <td>8 Deductions on this return not charged against book income this year (itemize):</td> <td></td> </tr> <tr> <td>5 Expenses recorded on books this year not deducted on this return (itemize):</td> <td></td> <td>a Depreciation</td> <td></td> </tr> <tr> <td>a Depreciation</td> <td></td> <td>b Charitable contributions</td> <td></td> </tr> <tr> <td>b Charitable contributions</td> <td></td> <td>c Travel and entertainment</td> <td></td> </tr> <tr> <td>c Travel and entertainment</td> <td></td> <td>9 Add lines 7 and 8</td> <td></td> </tr> <tr> <td>6 Add lines 1 through 5</td> <td>142,388,000</td> <td>10 Income (page 1, line 28) - line 6 less line 9</td> <td>142,388,000</td> </tr> </table>	1 Net income (loss) per books	142,352,000	7 Income recorded on books this year not included on this return (itemize)		2 Federal income tax per books	36,000	Tax-exempt interest		3 Excess of capital losses over capital gains				4 Income subject to tax not recorded on books this year (itemize)		8 Deductions on this return not charged against book income this year (itemize):		5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation		a Depreciation		b Charitable contributions		b Charitable contributions		c Travel and entertainment		c Travel and entertainment		9 Add lines 7 and 8		6 Add lines 1 through 5	142,388,000	10 Income (page 1, line 28) - line 6 less line 9	142,388,000	Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L) <table border="1"> <tr> <td>1 Balance at beginning of year</td> <td>142,352,000</td> <td>5 Distributions:</td> <td></td> </tr> <tr> <td>2 Net income (loss) per books</td> <td>142,352,000</td> <td>a Cash</td> <td></td> </tr> <tr> <td>3 Other increases (itemize)</td> <td></td> <td>b Stock</td> <td></td> </tr> <tr> <td>4 Add lines 1, 2, and 3</td> <td></td> <td>c Property</td> <td></td> </tr> <tr> <td></td> <td></td> <td>6 Other decreases (itemize)</td> <td></td> </tr> <tr> <td></td> <td></td> <td>7 Add lines 5 and 6</td> <td></td> </tr> <tr> <td></td> <td></td> <td>8 Balance at end of year (line 4 less line 7)</td> <td></td> </tr> </table>	1 Balance at beginning of year	142,352,000	5 Distributions:		2 Net income (loss) per books	142,352,000	a Cash		3 Other increases (itemize)		b Stock		4 Add lines 1, 2, and 3		c Property				6 Other decreases (itemize)				7 Add lines 5 and 6				8 Balance at end of year (line 4 less line 7)	
1 Net income (loss) per books	142,352,000	7 Income recorded on books this year not included on this return (itemize)																																																																
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5 Expenses recorded on books this year not deducted on this return (itemize):		a Depreciation																																																																
a Depreciation		b Charitable contributions																																																																
b Charitable contributions		c Travel and entertainment																																																																
c Travel and entertainment		9 Add lines 7 and 8																																																																
6 Add lines 1 through 5	142,388,000	10 Income (page 1, line 28) - line 6 less line 9	142,388,000																																																															
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2 Net income (loss) per books	142,352,000	a Cash																																																																
3 Other increases (itemize)		b Stock																																																																
4 Add lines 1, 2, and 3		c Property																																																																
		6 Other decreases (itemize)																																																																
		7 Add lines 5 and 6																																																																
		8 Balance at end of year (line 4 less line 7)																																																																

Figure 42

ESTIMATES AND PENALTIES

Use the **Estimates and Penalties** folder to select your compute and print options for estimates and underpayment/late filing penalties on a return-by-return basis. These options may also be set up in Tax Defaults.

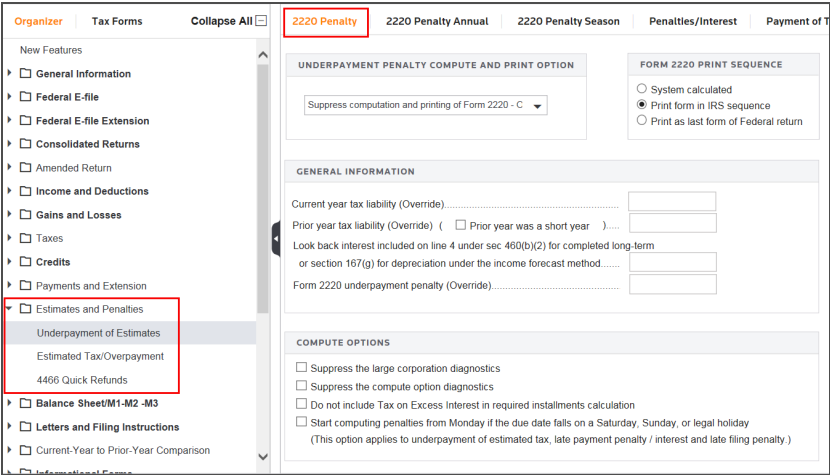


Figure 43

On the **Estimates and Penalties > Underpayment of Estimates > 2220 Penalty** screen, you may select various options for the computation of Form 2220. The system default is to compute and print Form 2220 if it is applicable in the return.

2220 Penalty	2220 Penalty Annual	2220 Penalty Season	Penalties/Interest	Payment of Taxes
---------------------	---------------------	---------------------	--------------------	------------------

UNDERPAYMENT PENALTY COMPUTE AND PRINT OPTION <input type="radio"/> System calculated <input checked="" type="radio"/> Compute and add penalty to tax liability and print Form 2220, if required or penalty due - Option 1 <input type="radio"/> Compute penalty, do not add to tax liability, and always print Form 2220 - Option 2 <input type="radio"/> Compute penalty, add to tax liability and always print Form 2220 - Option 3 <input type="radio"/> Suppress computation and printing of Form 2220 - Option 4 <input type="radio"/> Print Form 2220 with name and E.I.N. only - Option 5	FORM 2220 PRINT SEQUENCE <input type="radio"/> System calculated <input type="radio"/> Sequence of Federal return
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------

GENERAL INFORMATION	
Current year tax liability (Override).....	<input type="text"/>
Prior year tax liability (Override) (<input type="checkbox"/> Prior year was a short year).....	<input type="text"/>
Look back interest included on line 4 under sec 460(b)(2) for completed long-term or section 167(g) for depreciation under the income forecast method.....	<input type="text"/>
Form 2220 underpayment penalty (Override).....	<input type="text"/>

COMPUTE OPTIONS
<input type="checkbox"/> Suppress the large corporation diagnostics <input type="checkbox"/> Suppress the compute option diagnostics <input type="checkbox"/> Do not include Tax on Excess Interest in required installments calculation <input type="checkbox"/> Start computing penalties from Monday if the due date falls on a Saturday, Sunday, or legal holiday (This option applies to underpayment of estimated tax, late payment penalty / interest and late filing penalty.)

Figure 44

If payments were made late or the return is being filed late, it may need interest and penalties computed. On the **Estimates and Penalties > Underpayment of Estimates > Penalties/Interest** screen, select the interest and/or penalties to be computed.

The screenshot shows the 'Penalties/Interest' tab selected. The main heading is 'LATE PAYMENT INTEREST AND/OR LATE PAYMENT AND/OR FILING PENALTIES'. Under 'LATE PAYMENT INTEREST', there is a section 'COMPUTE LATE PAYMENT INTEREST AND ADD TO BALANCE DUE' with three radio button options: 'Use regular rate' (selected), 'Use large corporate rate (regular rate plus 2%)', and 'Do not compute late payment interest'. Below this is a checkbox for 'Reduce the initial amount subject to interest by the payment made after original due date.' To the right, under 'LATE FILING PENALTY', there is a checkbox for 'Compute and add the late filing penalty'. On the left, under 'COMPUTE LATE PAYMENT PENALTY', there are four radio button options: 'Excluding any extension payments', 'Including any extension payments', 'Excluding only payment after extension', and 'Do not compute penalty' (selected).

Figure 45

After you select the interest/penalties to be computed, you **MUST** enter the **Date return is to be filed** on the **Penalties/Interest** tab in the **Estimates and Penalties > Underpayment of Estimates** folder.

The screenshot shows the 'Penalties/Interest' tab selected. The 'DATES' section on the left contains several date fields: 'Original due date (Override)', 'Extended due date (Override)', 'Date return is to be filed' (highlighted with a red box and showing '06/05/'), 'Date tax is to be fully paid (if different from filing date)', and 'Compute late payment penalty and interest up to this date'. The 'OVERRIDES' section on the right contains three text input fields: 'Late payment interest', 'Late payment penalty', and 'Late filing penalty'.

Figure 46

Choose the options for the computation of estimated tax and the application of the overpayment (if applicable). These options are found in the **Estimates and Penalties > Estimated Tax** folder.

The screenshot shows the 'Organizer' tab with the 'Tax Forms' section expanded. The 'Estimates and Penalties' folder is highlighted, and its sub-items are visible: 'Underpayment of Estimates', 'Estimated Tax/Overpayment', and '4466 Quick Refunds'. The 'Estimated Tax/Overpayment' sub-folder is selected, showing the following options:

- ESTIMATED TAX OPTION**
 - Option upon which estimate is to be based:
 - ☒ Suppress year tax liability (Default)
 - ☐ Suppress compute and print
 - ☐ Current year taxable income as adjusted below
 - ☐ Estimated tax equal to amount entered below
- OVERPAYMENT OPTION**
 - Option upon which overpayment application based:
 - ☐ Apply entire overpayment (Default)
 - ☐ Option 4 amount
- ROUNDING**
 - ROUND EACH QUARTERLY INSTALLMENT UP TO THE NEAREST MULTIPLE OF
 - ☐ \$1
 - ☒ \$10 (Default)
 - ☐ \$100
 - ☐ \$1000

Figure 47

STATE RETURNS

Scroll to the bottom of the Organizer tab to the **States** folder.

The new spreadsheet format will allow you to review common state general information across all jurisdictions at once. If a state's entry is different than the federal entry or the entry in **Common State**, you can also enter the modifications in the new spreadsheet.

The new **Common State > Basic Return Information** spreadsheets are laid out in the following format.

The **Individual State** rows are controlled by state activation. These rows will display data that is flowing from the federal and/or **Common State** and allow you to change the data on a state-by-state basis.

Click **State and City Activation > State and City Activation** to view the **State Grid**. On the grid spreadsheet you to add or delete states and cities for single entity types by selecting the check box next to the desired jurisdiction, or click the **Add All States** button. Click the **Refresh** icon above column A.

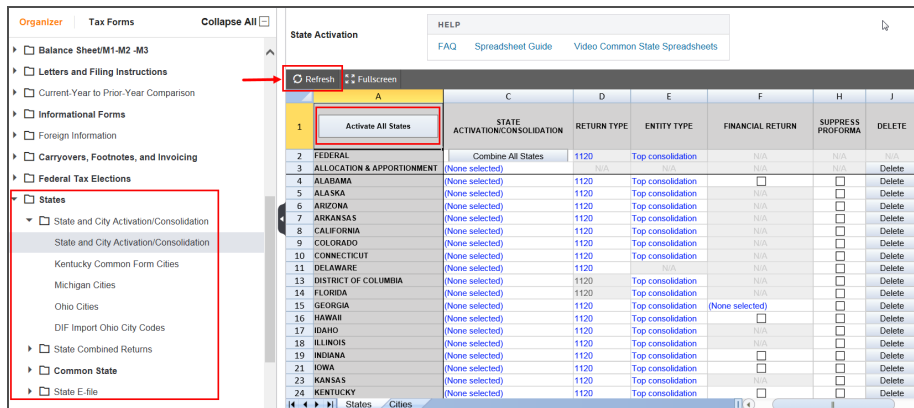


Figure 48

The added states now appear in the navigation tree under **States**.

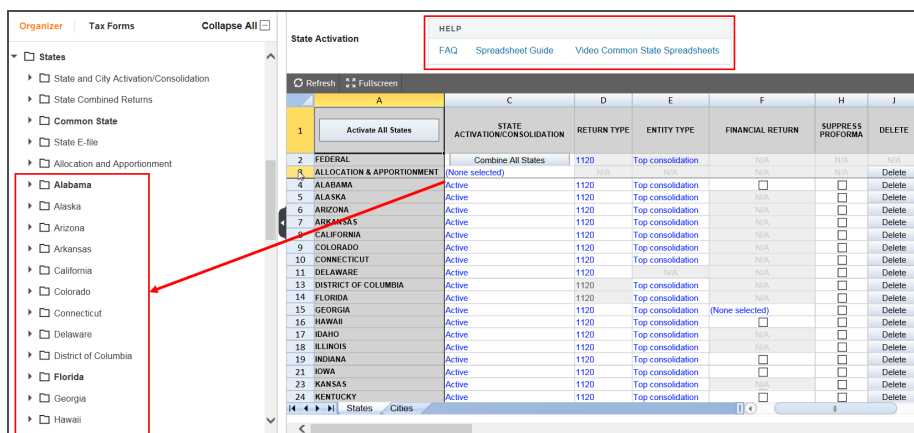


Figure 49

In a similar fashion, the **Common State** row allows you to override federal data or enter data for fields that carry to all applicable jurisdictions that do not exist in the federal area.

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