1120 SBC, INC. CASE STUDY FACTS (CASSBM)

SBC, Inc. is an S corporation engaged in the distribution of machinery, equipment and supplies. Guidance is given for other entries for you to complete.

TARGETED AREAS

- Foreign Taxes

- Officers' Compensation

- Stock Transfer

- Schedule K entries

- Depreciation

- State Allocation/Apportionment - Indiana and Iowa

DATA ENTRY

- **Verifying SBC General Information (page 3)**

- **Share Transfer (page 4)**

- **Schedule K (page 5)**

  - **Contributions (page 5)**

  - **Depreciation Adjustment (page 5)**

  - **Foreign Taxes (page 5)**

  - **Other Items (page 6)**

DATA ENTRY

VERIFYING SBC GENERAL INFORMATION

1. Select **Quick Track > Entity Information**.

   OR

   Select **General Information > Basic Return Information > Entity Information** tab.

2. Enter the missing information from below.

NAME	*SBC, Inc.*
ADDRESS	*482 Wilson Street* *Metro City, IL 43705*
EIN	*12-3456789*
DATE OF ELECTION AS AN S CORPORATION	*12/01/2000*
DATE OF NCORPORATION	*12/01/1999*
BUSINESS CODE	*333333*
BUSINESS ACTIVITY	*Training*
PRODUCT OR SERVICE	*Widgets*

3. Select **General Information > Basic Return Information > Return Information** tab.

4. Enter the missing information from below:

NUMBER OF SHAREHOLDERS	*6*
METHOD OF ACCOUNTING	*Accrual*

5. Select **General Information > Questions > Schedule N**, and scroll down to the section **Financial Account in Foreign Country**.

6. Select *Yes* for the question **Did the corporation have an interest or signature or other authority over a financial account in a foreign country?**

7. Enter *Germany* from the drop-down list.

8. Select **General Information > Return and Print Options**.

9. In the **Accrual Options** section, select *Calculate ending balance sheet amount*.

SHARE TRANSFER

On *October 31, 2024*, a share transfer occurred from Shareholder #6. Five hundred shares were transferred equally to the other five shareholders.

1. Select **Shareholder Information > Share Transfers**.

2. Enter *01/01/2024* and *10/31/2024* for **Period 1 dates**.

3. Enter *11/01/2024* and *12/31/2024* for **Period 2 dates**.

4. Enter transfer of stock information in Period 2:

SHAREHOLDER	NUMBER OF SHARES
1	*100*
2	*100*
3	*100*
4	*100*
5	*100*
6	*-500*

Review the on-screen instructions. The first period must end on the transfer date.

SCHEDULE K

Contributions

1. Select **Schedule K > Deductions > Deductions**.

2. Enter *Contributions* for the first description line for **50% cash contributions**.

3. Verify that the **amount** column contains *$350,000*.

Depreciation Adjustment

1. Select **Schedule K > Alternative Minimum Tax Items**.

2. Enter *-1,243,101* for **Post-1986 depreciation adjustment**.

Foreign Taxes

1. Select **Quick Track > Foreign Taxes**.

   OR

   Select **Schedule K > Foreign Transactions > Foreign Transactions**.

2. Enter *Germany* as the foreign country.

3. Enter *535,000* as the **Gross income sourced at the shareholder level**.

4. Enter *80,000* as **Total Foreign Taxes**.

5. Enter *428,000* as **Deductions allocated and apportioned at shareholder level (Other)**.

Other Items

1. Select **Quick Track > Schedule K - Other Items**.

    OR

    Select **Schedule K > Items Affecting S/H Basis > Other Info**.

2. For Tax Exempt Interest, enter *15,000* for **Tax Exempt Interest Income** (top line of group input section).

    A check box after the **Other Tax Exempt Income** input section stops amounts from flowing to the M-1. This option is already selected for you. Some amounts come from the journal entries.

3. For **Other Nondeductible Expenses**, scroll down, and enter *93,000* for **Other Nondeductible Expenses** (top of group input section).

4. For **Distributions**, enter *6,235,800* for **Cash Distribution Amount** under the **Items Affecting Shareholder Basis** input section.

5. For **Other Items Reported Separately**, enter *32,000* for **Shareholder health insurance**.

INCOME AND DEDUCTION

Officers' Compensation

1. Select **Quick Track > Officers Compensation > Enter Officer Detail**.

    OR

    Select **Income and Deductions > Deductions > Officers Compensation > Individual Officers > Add**

new Officer.

2. Enter the following:

	MARK LLOYD	JOHN LLOYD	KATHLEEN JACKSON
EIN	*209-24-3160*	*200-36-6592*	*566-44-1115*
ADDRESS	*4569 Webster St. Chicago, IL 60614*	*8909 Irving Park Road Chicago, IL 60649*	*1562 Downing Downers Grove, IL 65489*
% OF TIME DEVOTED TO BUSINESS	*100%*	*100%*	*100%*
PERCENT OF STOCK OWNERSHIP	*Common 50%*	*Common 20%*	*Common 20%*
DIRECTOR?	*Yes*	*No*	*No*
TITLE	*President*	*Vice President*	*Chief Financial Officer*
SALARY	*$775,000*	*$400,000*	*$600,000*

Depreciation

GENERAL DEPRECIATION

1. Select **Income and Deductions > Deductions > Depreciation and Amortization > General Depreciation and Amortization > 4562 Information > 4562 Overrides**.

2. Enter the following information:

	BASIS	RECOV.	CONV.	METHOD	CURRENT YR. DEPREC.
7 year	**933,051**	**7.00**	**HY**	**200DB**	**133,333**

3. Enter **1,615,300** for **MACRS Deduction for assets placed in service during prior tax years**.

DEPRECIATION - RENTAL

1. Select **Income and Deductions > Rental Activity > RRE-001 > Activity Information**.

2. Enter **001** for the **Activity Number**.

3. Go to **Income and Deductions > Deductions > Depreciation and Amortization > 4562 Information > Form 4562 Overrides**.

4. Enter the following:

	BASIS	RECOV.	CONV.	METHOD	CURRENT YR. DEPREC.
5 year	**9,000,000**	**5.00**	**HY**	**200DB**	**1,800,000**
7 year	**2,066,949**	**7.00**	**HY**	**200DB**	**295,367**

5. On the same tab, enter the following for **Nonres...**:

DATE IN SERVICE	BASIS	CURRENT YR. DEPRECIATION
09/01/2024	**10,000,000**	**74,900**

Gains and Losses

1. Select **Quick Track > Schedule D / Form 4797 > Sales of Business Property**.

    OR

    Select **Gains and Losses > Disposition of Property > Disposition Detail > Create Disposition**.

2. Enter *Machinery & Equipment* in the **Description of Property** entry box.

3. Under **Disposition Type**, click *Select Form*.

4. Click the drop-down arrow and click *Form 4797*.

5. Go to **Type of Property**, and click *Select Type of Property*.

6. Click the drop-down arrow, and click *Section 1245*.

7. Do an **Auto Compute** after the **Type of Property** is entered.

8. Select **Sales of Business Property**.

9. Click *Machinery and Equipment*.

10. Verify that the **Description of Property** is *Machinery and Equipment* and that the **Type of Property** is *Section 1245*.

11. Enter the following:

DATE ACQUIRED	*01/01/2010*
DATE SOLD	*08/01/2024*
GROSS SALES PRICE	*50,000*
COST OR OTHER BASIS	*2,000,000*
ACCUMULATED DEPRECIATION	*2,000,000*
ACE ACCUMULATED DEPRECIATION	*1,888,675*

Accumulated Adjustment Account

1. Select **Balance Sheet/M1-M2-M-3 > Schedule M1 / M2 > M2 Reconciliation** tab.

2. Enter *8,575,566* as the **AAA balance at the beginning of the year**.

TRANSMITTAL LETTER AND FILING INSTRUCTIONS

1. Select **Quick Track > Letters**.

   OR

   Select **Letters and Filing Instructions > General Options**.

2. Select *Separate Transmittal Letter and Filing Instructions*.

3. Select **Letters and Filing Instructions > Letter Options > Preparer Options**.

4. Verify that this statement is selected in the **S Corporations** section: *In addition, we are enclosing a Schedule K-1 for each shareholder. Please distribute as soon as possible.*

STATE RETURNS

State Allocation and Apportionment

1. Select **States > Allocation and Apportionment > A&A Activation**.

2. Select the **Activate Allocation and Apportionment Area** check box.

3. Select **A&A Data Entry**, then each allocation factor.

4. Enter the beginning and/or ending amounts for the following allocation and apportionment factors:

	INDIANA		IOWA	
	BEGINNING	ENDING	BEGINNING	ENDING
PROPERTY DATA ENTRY				
Inventories	6,850,000	7,700,000		
Land	1,000,000	1,000,000		2,000,000
Buildings	34,000,000	34,000,000		10,000,000
Bldgs. Accum. Depr.	9,120,000	10,480,000		133,333
Mach. & Equip.	35,000,000	33,000,000		9,000,000
Mach. Accum. Depr.	35,000,000	33,000,000		600,000
Furniture & Fixtures	6,000,000	6,000,000		3,000,000
Furn.&Fix Accum. Dep.	6,000,000	6,000,000		200,000
Rental-Tang. Per.		433,000		
PAYROLL DATA ENTRY				
Other Salaries/Wages		19,155,000		1,000,000
SALES DATA ENTRY				

	INDIANA		IOWA	
	BEGINNING	**ENDING**	**BEGINNING**	**ENDING**
Within to Within State		86,000,000		
Within to Non-tax Juris.		48,000,000		
Rents				2,000,000
Other Interest		80,000		
Real & Tang. Property		50,000		
Other Receipts		23,022		

Indiana and Iowa Returns

To add Indiana and Iowa returns:

1. Select **States > State and City Activation > State and City Activation**.

2. Check the **State Activation** box in **Column B** for Indiana and Iowa.

3. Check the box in **Column B** for **Allocation and Apportionment**.

REVIEWING THE RETURN

Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.

2. Select **Compute > Full Recompute** from the menu bar.

Review

The complete return can be viewed on screen and any changes made before printing. Use Tax Forms to review the return. During your review, access supporting workpapers by selecting any field with blue arrows to the right of the field, and then check for diagnostics and overrides.

The review process consists of:

- Reviewing diagnostics and overrides

- Reviewing through Tax Forms

- Reviewing work papers

- Entering corrections and changes

- Reviewing through Print Preview.

Print Preview

1. Access Print Preview to see the return as it will print.

2. View all statements by selecting **Print** on the menu bar.

Diagnostics and Overrides

DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.

2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.

3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

OVERRIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.

2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.

    If you have entered data only through the Organizer screens, no overrides should exist.

Comparison Screens

Once you have completed this case study, you can compare your entries with the master return completed using the same data. To compare the return you prepared to the master, select **Help > Case Study Comparisons** inside the return.

Differences between the amount in your return and the amount in the master return are noted in the **Difference** column. If you entered the data correctly, there should be no amounts in the **Difference** column.

If you have differences, begin by selecting **Compute > Full Recompute**.

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