



Note: *The draft you are looking for begins on the next page.*

Caution: DRAFT—NOT FOR FILING

This is an early release draft of an IRS tax form, instructions, or publication, which the IRS is providing for your information. **Do not file draft forms.** We incorporate all significant changes to forms posted with this coversheet. However, unexpected issues occasionally arise, or legislation is passed—in this case, we will post a new draft of the form to alert users that changes were made to the previously posted draft. Thus, there are never any changes to the last posted draft of a form and the final revision of the form. Forms and instructions are subject to OMB approval before they can be officially released, so we post drafts of them until they are approved. Drafts of instructions and pubs usually have some additional changes before their final release. Early release drafts are at [IRS.gov/DraftForms](https://www.irs.gov/DraftForms) and remain there after the final release is posted at [IRS.gov/LatestForms](https://www.irs.gov/LatestForms). Also see [IRS.gov/Forms](https://www.irs.gov/Forms).

Most forms and publications have a page on IRS.gov: [IRS.gov/Form1040](https://www.irs.gov/Form1040) for Form 1040; [IRS.gov/Pub501](https://www.irs.gov/Pub501) for Pub. 501; [IRS.gov/W4](https://www.irs.gov/W4) for Form W-4; and [IRS.gov/ScheduleA](https://www.irs.gov/ScheduleA) for Schedule A (Form 1040), for example, and similarly for other forms, pubs, and schedules for Form 1040. When typing in a link, type it into the address bar of your browser, not a Search box on IRS.gov.

If you wish, you can submit comments to the IRS about draft or final forms, instructions, or pubs at [IRS.gov/FormsComments](https://www.irs.gov/FormsComments). Include “NTF” followed by the form or pub number (for example, “NTF1040”, “NTFW4”, “NTF501”, etc.) in the body of the message to route your message properly. We cannot respond to all comments due to the high volume we receive and may not be able to consider many suggestions until the subsequent revision of the product, but we will review each “NTF” message. If you have comments on reducing paperwork and respondent (filer) burden, with respect to draft or final forms, please respond to the relevant information collection through the Federal Register process; for more info, click [here](#).

2025



Shareholder's Instructions for Schedule K-1 (Form 1120-S)

Shareholder's Share of Income, Deductions, Credits, etc. (For Shareholder's Use Only)

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Schedule K-1 (Form 1120-S) and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1120S](https://www.irs.gov/Form1120S).

What's New

Schedule K-1, box 12, code X. P.L. 119-21, enacted July 4, 2025 and commonly known as the One Big Beautiful Bill Act, expanded section 181 to include certain qualified sound recording production expenses. Code X has been updated to include the additional expense. See [Code X](#) under Box 12, later.

Schedule K-1, box 17, code BA. Code BA is added to report domestic research and experimental expenditures needed when making a section 59(e) election. See [Code BA](#) under Box 17, later.

P.L. 119-21 added section 174A, which pertains to domestic research and experimental expenditures. Section 174A(a) allows a deduction for domestic research and experimental expenditures paid or incurred during the taxable year for taxable years beginning after December 21, 2024.

Section 174A(f)(1) allows an election by small business taxpayers to retroactively claim a deduction for amounts expended or incurred after December 31, 2021, and before January 1, 2025. Section 174A(f)(2) allows an election to deduct certain unamortized amounts paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025.

Section 174A(c) allows an election to charge research and experimental expenditures to a capital account. Under section 174A(c), you may elect to charge such expenditures to a capital account rather than deduction them and be allowed an amortization deduction of such expenditures ratably over a period of not less than 60 months.

For more information about section 174A, see Revenue Procedure 2025-28.

Schedule K-1, box 17, code ZZ. P.L. 119-21 added two new items to code ZZ.

Section 1062 allows an election to report gain from the sale or exchange of qualified farmland property to

qualified farmers. See code ZZ and [Sale of qualified farmland](#) under Box 17, later.

Section 139L allows a partial exclusion from the gross income of interest received by qualified lenders on loans secured by rural or agricultural real property. See section 139L and code ZZ under Box 17, later.

General Instructions

Purpose of Schedule K-1

The corporation uses Schedule K-1 to report your share of the corporation's income, deductions, credits, and other items. Keep it for your records. Don't file it with your tax return unless backup withholding is reported in box 13 using code O. (See the instructions for [Code O. Backup withholding](#), later.) The corporation files a copy of Schedule K-1 with the IRS.

For your protection, Schedule K-1 may show only the last four digits of your identifying number (social security number (SSN), employer identification number (EIN), or individual taxpayer identification number (ITIN)). However, the corporation has reported your complete identifying number to the IRS.

You may be liable for tax on your share of the corporation's income, whether or not distributed. Include your share on your tax return if a return is required. Use these instructions to help you report the items shown on Schedule K-1 on your tax return.

Your share of S corporation income isn't self-employment income and it isn't subject to self-employment tax.

Caution: The amount of loss and deduction you may claim on your tax return may be less than the amount reported on Schedule K-1. It is the shareholder's responsibility to consider and apply any applicable limitations. See [Limitations on Losses, Deductions, and Credits](#).

Schedule K-1 doesn't show actual dividend distributions the corporation made to you. The corporation must report such amounts totaling \$10 or more for the calendar year on Form 1099-DIV, Dividends and Distributions.

Inconsistent Treatment of Items

Generally, you must report corporate items shown on your Schedule K-1 (and any attached statements) the same way that the corporation treated the items on its return.

If the treatment on your original or amended return is inconsistent with the corporation's treatment, or if the corporation hasn't filed a return, file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain any inconsistency (or to note that a corporate return hasn't been filed).

If you are required to file Form 8082 but don't do so, you may be subject to the accuracy-related penalty. This penalty is in addition to any tax that results from making your amount or treatment of the item consistent with that shown on the corporation's return. Any deficiency that results from making the amounts consistent may be assessed immediately.

Errors

If you believe the corporation has made an error on your Schedule K-1, notify the corporation and ask for a corrected Schedule K-1. Don't change any items on your copy of Schedule K-1. Be sure that the corporation sends a copy of the corrected Schedule K-1 to the IRS. If you are unable to reach an agreement with the corporation regarding the inconsistency, file Form 8082.

Decedent's Schedule K-1

If you are the executor of an estate and you have received a decedent's Schedule K-1, then you have the responsibility to notify the S corporation of the name and tax identification number (TIN) of the decedent's estate if the S corporation stock is part of a decedent's estate. This is information that the S corporation must have to properly determine its eligibility to maintain status as a subchapter S corporation. If a decedent died in a prior year and the S corporation continues to send the decedent a Schedule K-1 after being notified of the decedent's death, then you should request that the S corporation send a corrected Schedule K-1. If you receive an interest in an S corporation by reason of a former shareholder's death, you must provide the S corporation with your name and TIN. For treatment of S corporation income upon the death of a shareholder, see Pub. 559, Survivors, Executors, and Administrators.

Sale of S Corporation Stock

Gain or loss from the disposition of your S corporation stock may be net investment income under section 1411 and could be subject to the net investment income tax. See Form 8960, Net Investment Income Tax—Individuals, Estates, and Trusts, and its instructions for information about how to figure and report the tax.

International Boycotts

Every corporation that had operations in, or related to, a boycotting country, company, or a national of a boycotting country must file Form 5713, International Boycott Report.

If the corporation cooperated with an international boycott, it must give you a copy of its Form 5713. You must file your own Form 5713 to report the corporation's activities and any other boycott operations that you may have. You may lose certain tax benefits if the corporation participated in, or cooperated with, an international boycott. See Form 5713 and its instructions for details.

Elections

Generally, the corporation decides how to figure taxable income from its operations. However, certain elections are made by you separately on your income tax return and not by the corporation. These elections are made under the following code sections.

- Section 59(e) (deduction of certain qualified expenditures ratably over the period of time specified in that section). For details, see the instructions for code J in box 12.
- Section 263A(d) (preproductive expenses). See the instructions for code M in box 12.
- Section 617 (deduction and recapture of certain mining exploration expenditures).
- Section 901 (foreign tax credit).

Additional Information

For more information on the treatment of S corporation income, deductions, credits, and other items, see Pub. 550, Investment Income and Expenses; and Pub. 925, Passive Activity and At-Risk Rules.

To get forms and publications, see the instructions for your tax return or visit the IRS website at [IRS.gov](https://www.irs.gov).

Limitations on Losses, Deductions, and Credits

There are potential limitations on corporate losses that you can deduct on your return. These limitations and the order in which you must apply them are as follows: the basis limitations, the at-risk limitations, the passive activity limitations, and the excess business loss limitations. These limitations are discussed below.

Other limitations may apply to specific deductions (for example, the section 179 expense deduction). Specific limitations generally apply before at-risk and passive loss limitations.

Basis Limitations

Generally, the deduction for your share of aggregate losses and deductions reported on Schedule K-1 is limited to the basis of your stock and loans from you to the corporation. For details and exceptions, see section 1366(d). The basis of your stock is generally figured at the end of the corporation's tax year. Any losses and deductions not allowed this year because of the basis limit can be carried forward indefinitely and deducted in a later year subject to the basis limit for that year.

You are responsible for keeping the information needed to figure the basis of your stock in the corporation. Schedule K-1 provides information to help you figure your stock basis at the end of each corporate tax year. The basis of your stock (generally, its cost) is adjusted annually as follows and, except as noted, in the order listed. In addition, basis may be adjusted under other provisions of the Internal Revenue Code. You should generally use Form 7203, S Corporation Shareholder Stock and Debt Basis Limitations, to figure your aggregate stock and debt basis.

1. Basis is increased by (a) all income (including tax-exempt income) reported on Schedule K-1, and (b) the excess of the deduction for depletion (other than oil

and gas depletion) over the basis of the property subject to depletion.

Caution: You must report on your return (if you are required to file one) any amount required to be included in gross income for it to increase your basis.

2. Basis is decreased (but not below zero) by (a) property distributions (including cash) made by the corporation reported on Schedule K-1, box 16, code D, minus (b) the amount of such distributions in excess of the basis in your stock.

3. Basis is decreased (but not below zero) by (a) nondeductible expenses, and (b) the depletion deduction for any oil and gas property held by the corporation, but only to the extent your share of the property's adjusted basis exceeds that deduction.

4. Basis is decreased (but not below zero) by all losses and deductions reported on Schedule K-1.

You may elect to decrease your basis under (4) prior to decreasing your basis under (3). If you make this election, any amount described under (3) that exceeds the basis of your stock and debt owed to you by the corporation is treated as an amount described under (3) for the following tax year.

To make the election, attach a statement to your timely filed original or amended return that states you agree to the carryover rule of Regulations section 1.1367-1(g) and the name of the S corporation to which the rule applies. Once made, the election applies to the year for which it is made and all future tax years for that S corporation, unless the IRS agrees to revoke your election.

The basis of each share of stock is increased or decreased (but not below zero) based on its pro rata share of the above adjustments. If the total decreases in basis attributable to a share exceed that share's basis, the excess reduces (but not below zero) the remaining bases of all other shares of stock in proportion to the remaining basis of each of those shares.

Basis of loans. The basis of your loans to the corporation is generally the balance the corporation owes you, adjusted for any reductions and restorations of loan basis (see the instructions for box 16, code E). Any amounts described in (3) and (4), earlier, not used to offset amounts in (1), earlier, or to reduce your stock basis, are used to reduce your loan basis (to the extent of such basis prior to such reduction).

Caution: When determining your basis in loans to the corporation, remember that:

- *Distributions don't reduce loan basis, and*
- *Loans that a shareholder guarantees or co-signs aren't part of a shareholder's loan basis. Shareholders only obtain basis from acting as a guarantee or in a similar capacity to the extent the shareholder makes a payment pursuant to the guarantee.*

See the Instructions for Form 7203 for more details.

At-Risk Limitations

Generally, if you have (a) a loss or other deduction from any activity carried on as a trade or business or for the production of income by the corporation, and (b) amounts in the activity for which you aren't at risk, you will have to

complete Form 6198, At-Risk Limitations, to figure your allowable loss for the activity.

The at-risk rules generally limit the amount of loss and other deductions that you can claim to the amount you could actually lose in the activity. These losses and deductions include a loss on the disposition of assets and the section 179 expense deduction. However, if you acquired your stock before 1987, the at-risk rules don't apply to losses from an activity of holding real property placed in service before 1987 by the corporation. The activity of holding mineral property doesn't qualify for this exception.

Generally, you aren't at risk for amounts such as the following.

- The basis of your stock in the corporation or the basis of your loans to the corporation if the cash or other property used to purchase the stock or make the loans was from a source (a) covered by nonrecourse indebtedness (except for certain qualified nonrecourse financing, as defined in section 465(b)(6)); (b) protected against loss by a guarantee, stop-loss agreement, or other similar arrangement; or (c) that is covered by indebtedness from a person who has an interest in the activity or from a person related to a person (except you) having such an interest, other than a creditor.
- Any cash or property contributed to a corporate activity, or your interest in the corporate activity, that is (a) covered by nonrecourse indebtedness (except for certain qualified nonrecourse financing, as defined in section 465(b)(6)); (b) protected against loss by a guarantee, stop-loss agreement, or other similar arrangement; or (c) covered by indebtedness from a person who has an interest in the activity or from a person related to a person (except you) having such an interest, other than a creditor.

Any loss from a section 465 activity not allowed for this tax year will be treated as a deduction allocable to the activity in the next tax year.

Since at-risk limitations apply for each activity, you should get a separate statement of income, expenses, and other items, for each activity from the corporation.

Note: Schedule K-1, box 18, will be checked when a statement is attached.

Passive Activity Limitations

Section 469 provides rules that limit the deduction of certain losses and credits. These rules apply to shareholders who:

- Are individuals, estates, or trusts; and
- Have a passive activity loss or credit for the tax year.

Generally, passive activities include:

1. Trade or business activities in which you didn't materially participate, and
2. Activities that meet the definition of rental activities under Temporary Regulations section 1.469-1T(e)(3) and Regulations section 1.469-1(e)(3).

Passive activities don't include the following.

1. Trade or business activities in which you materially participated.

2. Rental real estate activities in which you materially participated if you were a real estate professional for the tax year. You were a **real estate professional** only if you met both of the following conditions.

a. More than half of the personal services you performed in trades or businesses were performed in real property trades or businesses in which you materially participated.

b. You performed more than 750 hours of services in real property trades or businesses in which you materially participated.

If you are married filing jointly, either you or your spouse must separately meet both (a) and (b) of the above conditions, without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business. Services you performed as an employee aren't treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

3. The rental of a dwelling unit any shareholder used for personal purposes during the year for more than the greater of 14 days or 10% of the number of days that the residence was rented at fair rental value.

4. Activities of trading personal property for the account of owners of interests in the activities.

If you have a passive activity loss or credit, use Form 8582, Passive Activity Loss Limitations, to figure your allowable passive losses, and Form 8582-CR, Passive Activity Credit Limitations, to figure your allowable passive credits. See the instructions for these forms for details.

If the corporation has more than one activity, it will attach a statement to your Schedule K-1 that identifies each activity (trade or business activity, rental real estate activity, rental activity other than rental real estate, portfolio income, etc.) and specifies the income (loss), deductions, and credits from each activity.

Note; Box 19 of Schedule K-1, will be checked when a statement is attached.

Material participation. You must determine if you materially participated (a) in each trade or business activity held through the corporation, and (b) if you were a real estate professional (defined earlier), in each rental real estate activity held through the corporation.

Each interest in rental real estate is a separate activity, unless you elect to treat all interests in rental real estate as one activity. For details on making this election, see the Instructions for Schedule E (Form 1040), Supplemental Income and Loss.

All determinations of material participation are based on your participation during the corporation's tax year.

Material participation standards for shareholders who are individuals are listed below. Special rules apply to certain retired or disabled farmers and to the surviving spouses of farmers. See the Instructions for Form 8582, Passive Activity Loss Limitations, for details.

Individuals. If you are an individual, you materially participated in an activity only if one or more of the following apply.

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year constituted substantially all the participation in the activity of all individuals (including individuals who aren't owners of interests in the activity).

3. You participated in the activity for more than 100 hours during the tax year, and your participation in the activity for the tax year wasn't less than the participation in the activity of any other individual (including individuals who weren't owners of interests in the activity) for the tax year.

4. The activity was a significant participation activity for the tax year, and you participated in all significant participation activities (including activities outside the corporation) during the year for more than 500 hours. A significant participation activity is any trade or business activity in which you participated for more than 100 hours during the year and in which you didn't materially participate under any of the material participation tests (other than this test).

5. You materially participated in the activity for any 5 tax years (whether or not consecutive) during the 10 tax years that immediately precede the tax year.

6. The activity was a personal service activity and you materially participated in the activity for any 3 tax years (whether or not consecutive) preceding the tax year. A personal service activity involves the performance of personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital isn't a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year.

Work counted toward material participation.

Generally, any work that you or your spouse does in connection with an activity held through an S corporation (where you own your stock at the time the work is done) is counted toward material participation. However, work in connection with the activity isn't counted toward material participation if either of the following applies.

1. The work isn't the type of work that owners of the activity would usually do, and one of the principal purposes of the work that you or your spouse does is to avoid the passive loss or credit limitations.

2. You do the work in your capacity as an investor and you aren't directly involved in the day-to-day operations of the activity. Examples of work done as an investor that wouldn't count toward material participation include:

a. Studying and reviewing financial statements or reports on operations of the activity,

b. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and

c. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

Effect of determination. Income (loss), deductions, and credits from an activity are nonpassive if you determine that:

- You materially participated in a trade or business activity of the corporation, or
- You were a real estate professional (defined earlier) in a rental real estate activity of the corporation.

If you determine that you didn't materially participate in a trade or business activity of the corporation or if you have income (loss), deductions, or credits from a rental activity of the corporation (other than a rental real estate activity in which you materially participated as a real estate professional), the amounts from that activity are passive. Report passive income (losses), deductions, and credits as follows.

1. If you have an overall gain (the excess of income over deductions and losses, including any prior year unallowed loss) from a passive activity, report the income, deductions, and losses from the activity as indicated in these instructions.

2. If you have an overall loss (the excess of deductions and losses, including any prior year unallowed loss, over income) or credits from a passive activity, report the income, deductions, losses, and credits from all passive activities using the Instructions for Form 8582 or the Instructions for Form 8582-CR, to see if your deductions, losses, and credits are limited under the passive activity rules.

Special allowance for a rental real estate activity. If you actively participated in a rental real estate activity, you may be able to deduct up to \$25,000 of the loss (or credit equivalent to a \$25,000 deduction) from the activity from nonpassive income. This "special allowance" is an exception to the general rule disallowing losses in excess of income from passive activities. The special allowance isn't available if you were married, file a separate return for the year, and didn't live apart from your spouse at all times during the year.

Only individuals can actively participate in a rental real estate activity. However, a decedent's estate (including a qualified revocable trust for which a section 645 election has been made) is treated as actively participating for its tax years ending less than 2 years after the decedent's death, if the decedent would have satisfied the active participation requirement for the activity for the tax year the decedent died.

You aren't considered to actively participate in a rental real estate activity if, at any time during the tax year, your interest (including your spouse's interest) in the activity was less than 10% (by value) of all interests in the activity.

Active participation is a less stringent requirement than material participation. You may be treated as actively participating if you participated, for example, in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Management decisions that can count as active participation include approving new tenants, deciding rental terms, approving capital or repair expenditures, and other similar decisions.

Modified adjusted gross income (MAGI) limitation. The maximum special allowance that single individuals

and married individuals filing a joint return can qualify for is \$25,000. The maximum is \$12,500 for married individuals who file separate returns and who lived apart at all times during the year. The maximum special allowance for which an estate can qualify is \$25,000 reduced by the special allowance for which the surviving spouse qualifies.

If your MAGI is \$100,000 or less (\$50,000 or less if married filing separately), your loss is deductible up to the maximum special allowance referred to in the preceding paragraph. If your MAGI is more than \$100,000 (more than \$50,000 if married filing separately), the special allowance is limited to 50% of the difference between \$150,000 (\$75,000 if married filing separately) and your MAGI. When MAGI is \$150,000 or more (\$75,000 or more if married filing separately), there is no special allowance.

For a definition of MAGI, see *Special \$25,000 allowance* in Pub. 925. Also see *Line 6* in the Instructions for Form 8582.

Special rules for certain other activities. If you have net income (loss), deductions, or credits from any activity to which special rules apply, the corporation will identify the activity and all amounts relating to it on Schedule K-1 or on an attached statement.

If you have net income subject to recharacterization under Temporary Regulations section 1.469-2T(f) and Regulations section 1.469-2(f), report such amounts according to the Instructions for Form 8582.

If you have net income (loss), deductions, or credits from either of the following activities, treat such amounts as nonpassive and report them as indicated in these instructions.

1. The rental of a dwelling unit any shareholder used for personal purposes during the year for more than the greater of 14 days or 10% of the number of days that the residence was rented at fair rental value.

2. Trading personal property for the account of owners of interests in the activity.

Self-charged interest. The corporation will report any "self-charged" interest income or expense that resulted from loans between you and the corporation (or between the corporation and another S corporation or partnership if both entities have the same owners with the same proportional interest in each entity). If there was more than one activity, the corporation will provide a statement allocating the interest income or expense with respect to each activity. The self-charged interest rules don't apply to your interest in the S corporation if the corporation made an election under Regulations section 1.469-7(g) to avoid the application of these rules. See the Instructions for Form 8582 for details.

Excess Business Loss Limitations

Losses attributable to your trade or business may be limited, pursuant to section 461(l). See Form 461, Limitation on Business Losses, and its instructions for more information.

Specific Instructions

Part III. Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

The amounts shown in boxes 1 through 17 reflect your share of income, loss, deductions, credits, and other items, from corporate business or rental activities without reference to limitations on losses, credits, or other items that may have to be adjusted because of:

1. The adjusted basis of your stock and debt in the corporation,
2. The at-risk limitations,
3. The passive activity limitations, and
4. The excess business loss limitations.

For information on these provisions, see [Limitations on Losses, Deductions, and Credits](#), earlier.

Other limitations may apply to specific deductions (for example, the section 179 expense deduction). Generally, specific limitations apply before the at-risk and passive loss limitations.

If you are an individual, and the above limitations don't apply to the amounts shown on your Schedule K-1, take the amounts shown and report them on the appropriate lines of your tax return. If any of the above limitations apply, adjust the amounts on Schedule K-1 before you report them on your return.

When applicable, the passive activity limitations on losses are applied after the limitations on losses for a shareholder's basis in stock and debt and the shareholder's at-risk amount.

If you file your tax return on a calendar year basis, but the corporation files a return for a fiscal year, report the amounts on your tax return for the year in which the corporation's fiscal year ends. For example, if the corporation's tax year ends in February 2026, report the amounts on your 2026 tax return.

If you have losses, deductions, or credits from a prior year that weren't deductible or usable because of certain limitations, such as the basis limitations or the at-risk limitations, take them into account in determining your income, loss, or credits for this year. However, except for passive activity losses and credits, don't combine the prior year amounts with any amounts shown on this Schedule K-1 to get a net figure to report on your return. Instead, report the amounts on your return on a year-by-year basis.

Caution: If you have amounts other than those shown on Schedule K-1 to report on Schedule E (Form 1040), enter each item separately on Schedule E (Form 1040), line 28.

Codes. In boxes 10, 12, 13, and boxes 15 through 17, the corporation will identify each item by entering a code in the column to the left of the dollar amount entry space. See [List of Codes](#), later.

Attached statements. The corporation will enter an asterisk (*) after the code, if any, in the column to the left of

the dollar amount entry space for each item for which it has attached a statement providing additional information. For those informational items that can't be reported as a single dollar amount, the corporation will enter an asterisk in the left column and enter "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

Income (Loss)

Box 1. Ordinary Business Income (Loss)

The amount reported in box 1 is your share of the ordinary income (loss) from trade or business activities of the corporation. Generally, where you report this amount on Form 1040 or 1040-SR depends on whether the amount is from an activity that is a passive activity to you. If you are an individual shareholder filing a 2025 Form 1040 or 1040-SR, find your situation below and report your box 1 income (loss) as instructed after applying the basis and at-risk limitations on losses. See [Limitations on Losses, Deductions, and Credits](#), earlier. If the corporation had more than one trade or business activity, it will attach a statement identifying the income or loss from each activity.

1. Report box 1 income (loss) from corporate trade or business activities in which you materially participated in column (i) or (k) of Schedule E (Form 1040), line 28.
2. Report box 1 income (loss) from corporate trade or business activities in which you didn't materially participate, as follows.
 - a. If income is reported in box 1, report the income in column (h) of Schedule E (Form 1040), line 28.
 - b. If a loss is reported in box 1, follow the Instructions for Form 8582 to figure how much of the loss can be reported in column (g) of Schedule E (Form 1040), line 28.

Box 2. Net Rental Real Estate Income (Loss)

Generally, the income (loss) reported in box 2 is a passive activity amount for all shareholders. However, the income (loss) in box 2 isn't from a passive activity if you were a real estate professional (defined earlier) and you materially participated in the activity. If the corporation had more than one rental real estate activity, it will attach a statement identifying the income or loss from each activity.

If you are filing a 2025 Form 1040 or 1040-SR, use the following instructions to determine where to report a box 2 amount after applying the basis and at-risk limitations on losses. See [Limitations on Losses, Deductions, and Credits](#), earlier.

1. If you have a loss from a passive activity in box 2 and you meet all the following conditions, report the loss in column (g) of Schedule E (Form 1040), line 28.
 - a. You actively participated in the corporate rental real estate activities. See [Special allowance for a rental real estate activity](#), earlier.
 - b. Rental real estate activities with active participation were your only passive activities.
 - c. You have no prior year unallowed losses from these activities.
 - d. If you are a married person filing separately, you lived apart from your spouse all year.

e. Your total loss from the rental real estate activities wasn't more than \$25,000 (not more than \$12,500 if married filing separately).

f. You have no current or prior year unallowed credits from a passive activity.

g. Your MAGI wasn't more than \$100,000 (not more than \$50,000 if married filing separately and you lived apart from your spouse all year).

2. If you have a loss from a passive activity in box 2 and you don't meet all the conditions in (1) above, follow the Instructions for Form 8582 to figure how much of the loss you can report in column (g) of Schedule E (Form 1040), line 28.

3. If you were a real estate professional and you materially participated in the activity, report box 2 income (loss) in column (i) or (k) of Schedule E (Form 1040), line 28.

4. If you have income from a passive activity in box 2, report the income in column (h) of Schedule E (Form 1040), line 28.

Box 3. Other Net Rental Income (Loss)

The amount in box 3 is a passive activity amount for all shareholders. If the corporation had more than one rental activity, it will attach a statement identifying the income or loss from each activity. After applying the limitations on losses and deductions, report the income or loss as follows.

1. If box 3 is a loss, follow the Instructions for Form 8582 to figure how much of the loss can be reported in column (g) of Schedule E (Form 1040), line 28.

2. If income is reported in box 3, report the income in column (h) of Schedule E (Form 1040), line 28.

See [Limitations on Losses, Deductions, and Credits](#), earlier.

Portfolio Income

Portfolio income or loss (shown in boxes 4 through 8b and in box 10, code A) isn't subject to the passive activity limitations. Portfolio income includes income (not derived in the ordinary course of a trade or business) from interest, ordinary dividends, annuities, or royalties, and gain or loss on the sale of property that produces such income or is held for investment.

Box 4. Interest Income

Report interest income on Form 1040 or 1040-SR, line 2b.

Box 5a. Ordinary Dividends

Report ordinary dividends on Form 1040 or 1040-SR, line 3b. The amount in box 5a may be attributable to previously taxed earnings and profits (PTEP) in annual PTEP accounts that you have with respect to a foreign corporation. You will need to determine the amount of the ordinary dividends that are attributable to PTEP in your annual PTEP accounts.

Box 5b. Qualified Dividends

Report any qualified dividends on Form 1040 or 1040-SR, line 3a. The amount in box 5b may be attributable to PTEP in annual PTEP accounts that you have with respect to a

foreign corporation. You will need to determine the amount of the qualified dividends that are attributable to PTEP in your annual PTEP accounts.

Tip: Qualified dividends are excluded from investment income, but you may elect to include part or all of these amounts in investment income. See the instructions for line 4g of Form 4952, Investment Interest Expense Deduction, for important information on making this election.

Box 6. Royalties

Report royalties on Schedule E (Form 1040), line 4.

Box 7. Net Short-Term Capital Gain (Loss)

After applying the limitations on losses and deductions, report the net short-term capital gain (loss) on Schedule D (Form 1040), Capital Gains and Losses, line 5. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Box 8a. Net Long-Term Capital Gain (Loss)

After applying the limitations on losses and deductions, report the net long-term capital gain (loss) on Schedule D (Form 1040), line 12. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Box 8b. Collectibles (28%) Gain (Loss)

After applying the limitations on losses and deductions, report collectibles gain or loss on line 4 of the 28% Rate Gain Worksheet—Line 18 in the Instructions for Schedule D (Form 1040). See [Limitations on Losses, Deductions, and Credits](#), earlier.

Box 8c. Unrecaptured Section 1250 Gain

There are three types of unrecaptured section 1250 gain. Report your share of this unrecaptured gain on the Unrecaptured Section 1250 Gain Worksheet—Line 19 in the Instructions for Schedule D (Form 1040) as follows.

- Report unrecaptured section 1250 gain from the sale or exchange of the corporation's business assets on line 5.
- Report unrecaptured section 1250 gain from the sale or exchange of an interest in a partnership on line 10.
- Report unrecaptured section 1250 gain from an estate, trust, regulated investment company (RIC), or real estate investment trust (REIT) on line 11.

If the corporation reports only unrecaptured section 1250 gain from the sale or exchange of its business assets, it will enter a dollar amount in box 8c. If it reports the other two types of unrecaptured gain, it will provide an attached statement that shows the amount for each type of unrecaptured section 1250 gain.

Box 9. Net Section 1231 Gain (Loss)

The amount in box 9 is generally passive if it is from a:

- Rental activity, or
- Trade or business activity in which you didn't materially participate.

However, an amount from a rental real estate activity isn't from a passive activity if you were a real estate professional (defined earlier) and you materially participated in the activity.

If the amount is either (a) a loss that isn't from a passive activity, or (b) a gain, report it in column (g) of Form 4797,

Sales of Business Property, line 2, after applying the basis and at-risk limitations on losses. See [Limitations on Losses, Deductions, and Credits](#), earlier. Don't complete columns (b) through (f), line 2 of Form 4797. Instead, enter "From Schedule K-1 (Form 1120-S)" across these columns.

If the amount is a loss from a passive activity, see *Passive Loss Limitations* in the Instructions for Form 4797. After applying the limitations on losses and deductions, report the loss following the Instructions for Form 8582 to figure how much of the loss is allowed on Form 4797. If the corporation had net section 1231 gain (loss) from more than one activity, it will attach a statement that will identify the section 1231 gain (loss) from each activity.

Box 10. Other Income (Loss)

See [List of Codes](#), later.

Caution: Losses reported in box 10 may be limited. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Code A. Other portfolio income (loss). The corporation will report portfolio income other than interest, ordinary dividend, royalty, and capital gain (loss) income, and attach a statement to tell you what kind of portfolio income is reported.

If the corporation held a residual interest in a real estate mortgage investment conduit (REMIC), it will report on the statement your share of REMIC taxable income (net loss) that you report in column (d) of Schedule E (Form 1040), line 38. The statement will also report your share of any "excess inclusion" that you report in column (c) of Schedule E (Form 1040), line 38, and your share of section 212 expenses that you report in column (e) of Schedule E (Form 1040), line 38.

Code B. Involuntary conversions. This is your net loss from involuntary conversions due to casualty or theft. The corporation will give you a statement that shows the amounts to be reported in columns (b)(i), (b)(ii), and (c) of Form 4684, Casualties and Thefts, line 34.

If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, the corporation will provide you with the information you need to complete Form 4684.

Code C. Section 1256 contracts and straddles. The corporation will report any net gain or loss from section 1256 contracts. Report this amount on Form 6781, Gains and Losses From Section 1256 Contracts and Straddles.

Code D. Mining exploration costs recapture. The corporation will give you a statement that shows the information needed to recapture certain mining exploration costs (section 617).

Code E. Section 951A(a) income inclusions. If the corporation (and its shareholders, as applicable) had elected under Proposed Regulations section 1.958-1(e)(2) to be treated as an entity for purposes of section 951A, this is your share of the corporation's global intangible low-taxed income (GILTI) amount. Report this amount in Schedule 1 (Form 1040), Additional Income and Adjustments to Income, line 8o, or the comparable line of your income tax return, as an addition to any amount of GILTI under section 951A otherwise computed on Form

8992, U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI).

Caution: This information will be provided in box 10 using code E only if the corporation (and its shareholders, if applicable) had elected to be treated as an entity for purposes of section 951A under Proposed Regulations section 1.958-1(e)(2). If no election had been made under the proposed regulations, see the instructions for Part V of Schedule K-3 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc.—International.

Code F. Inclusions of subpart F income. The corporation will provide your share of its section 951(a)(1)(A) inclusions. Report this amount on your Form 1040, 1040-SR, or relevant income tax return.

Code G. Section 951(a)(1)(B) inclusions. The corporation will provide your share of its section 951(a)(1)(B) inclusions. Report this amount on your Form 1040, 1040-SR, or relevant income tax return.

Caution: If Regulations section 1.958-1(d) applies for the tax year (for example, if the corporation did not elect to be treated as an entity under Proposed Regulations section 1.958-1(e)(2)), no information will be provided in box 10 using code F or G. Instead, the corporation will provide information needed to figure your section 951(a) inclusions in Part V of Schedule K-3 (Form 1120-S).

Code H. Reserved for future use.

Code I. Gain (loss) from disposition of oil, gas, geothermal, or other mineral properties. The corporation will attach a statement that provides a description of the property, your share of the amount realized from the disposition, your share of the corporation's adjusted basis in the property (for other than oil or gas properties), and your share of the total intangible drilling costs, development costs, and mining exploration costs (section 59(e) expenditures) passed through for the property. You must figure your gain or loss from the disposition by increasing your share of the adjusted basis by the intangible drilling costs, development costs, or mine exploration costs for the property that you capitalized (that is, costs that you didn't elect to deduct under section 59(e)). Report a loss in Part I of Form 4797. Report a gain in Part III of Form 4797 in accordance with the instructions for line 28. See Regulations section 1.1254-4 for details.

Code J. Recoveries of tax benefit items. A tax benefit item is an amount you deducted in a prior tax year that reduced your income tax. Report income from recoveries of tax benefit items on Schedule 1 (Form 1040), line 8z, to the extent it reduced your tax in the prior year.

Code K. Gambling gains and losses.

- If the corporation wasn't engaged in the trade or business of gambling, (a) enter gambling winnings in Schedule 1 (Form 1040), line 8b; and (b) deduct gambling losses to the extent of winnings in Schedule A (Form 1040), Itemized Deductions, line 16.
- If the corporation was engaged in the trade or business of gambling, (a) enter gambling winnings in column (k) of Schedule E (Form 1040), line 28, and (b) deduct gambling losses (to the extent of winnings) in column (i) of Schedule E (Form 1040), line 28.

Code L. Reserved for future use.

Code M. Gain eligible for section 1045 rollover (replacement stock purchased by the corporation). The corporation should give you (a) the name of the corporation that issued qualified small business (QSB) stock (as defined in the Instructions for Schedule D (Form 1040)), (b) your share of the corporation's adjusted basis and sales price of the QSB stock, and (c) the dates the QSB stock was bought and sold. To qualify for the section 1045 rollover:

- You must have held an interest in the corporation during the entire period in which the corporation held the QSB stock (more than 6 months prior to the sale), and
- Your share of the gain eligible for the section 1045 rollover can't exceed the amount that would have been allocated to you based on your interest in the corporation at the time the QSB stock was acquired.

See Form 8949, Sales and Other Dispositions of Capital Assets, Schedule D (Form 1040), and the related instructions for details on how to report the gain and the amount of the allowable postponed gain.

Code N. Gain eligible for section 1045 rollover (replacement stock not purchased by the corporation).

The corporation should also give you (a) the name of the corporation that issued the QSB stock, (b) your share of the corporation's adjusted basis and sales price of the QSB stock, and (c) the dates the QSB stock was bought and sold. To qualify for the section 1045 rollover:

- You must have held an interest in the corporation during the entire period in which the corporation held the QSB stock (more than 6 months prior to the sale),
- Your share of the gain eligible for the section 1045 rollover can't exceed the amount that would have been allocated to you based on your interest in the corporation at the time the QSB stock was acquired, and
- You must purchase other QSB stock (as defined in the Instructions for Schedule D (Form 1040)) during the 60-day period that began on the date the QSB stock was sold by the corporation.

See Form 8949, Schedule D (Form 1040), and the related instructions for details on how to report the gain and the amount of the allowable postponed gain.

Code O. Sale or exchange of QSB stock with section 1202 exclusion. Gain from the sale or exchange of QSB stock eligible for the section 1202 exclusion. The corporation should also give you (a) the name of the corporation that issued the QSB stock, (b) your share of the corporation's adjusted basis and sales price of the QSB stock, and (c) the dates the QSB stock was bought and sold. The following additional limitations apply at the shareholder level.

- You must have held an interest in the corporation when the corporation acquired the QSB stock and at all times thereafter until the corporation disposed of the QSB stock.
- Your share of the eligible section 1202 gain can't exceed the amount that would have been allocated to you based on your interest in the corporation at the time the QSB stock was acquired.

See Form 8949, Sales and Other Dispositions of Capital Assets, Schedule D (Form 1040), and the related

instructions for details on how to report the gain and the amount of the allowable exclusion.

Codes P through R. Reserved for future use.

Code S. Non-portfolio capital gain (loss). Net short-term capital gain (loss) and net long-term capital gain (loss) from Schedule D (Form 1120-S), Capital Gains and Losses and Built-in Gains, that isn't portfolio income. An example is gain or loss from the disposition of nondepreciable personal property used in a trade or business activity of the corporation. Report total net short-term gain (loss) on Schedule D (Form 1040), line 5. Report the total net long-term gain (loss) on Schedule D (Form 1040), line 12.

Codes T through X. Reserved for future use.

Code ZZ. Other income (loss). Amounts with code ZZ are other items of income, gain, or loss not included in boxes 1 through 9 or in box 10 using codes A through S. The corporation should give you a description and the amount of your share for each of these items.

Report loss items that are passive activity amounts to you following the Instructions for Form 8582.

Deductions

Caution: There are potential limitations on corporate losses you can deduct on your return. These limitations and the order in which you must apply them are as follows: the basis limitations, the at-risk limitations, the passive activity limitations, and the excess business loss limitations. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Box 11. Section 179 Deduction

Use this amount, along with the total cost of section 179 property placed in service during the year from other sources, to complete Part I of Form 4562, Depreciation and Amortization. The corporation will report on an attached statement your share of the cost of any qualified enterprise zone property or qualified real property it placed in service during its tax year. Report the amount from line 12 of Form 4562 allocable to a passive activity using the Instructions for Form 8582. If the amount isn't a passive activity deduction, report it in column (j) of Schedule E (Form 1040), line 28, after applying the basis and at-risk limitations on losses. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Box 12. Other Deductions

See [List of Codes](#), later.

Caution: Deductions reported in box 12 may be limited. See [Limitations on Losses, Deductions, and Credits](#), earlier.

Contributions. Codes A through G. The corporation will give you a statement that shows charitable contributions subject to the 100%, 60%, 50%, 30%, and 20% adjusted gross income (AGI) limitations.

If the corporation made a property contribution, it will report on an attached statement your share of both the fair market value (FMV) and adjusted basis of the property. Use these amounts to adjust your stock basis. If the corporation made a qualified conservation contribution, it

will report the FMV of the underlying property before and after the donation, the type of legal interest contributed, and a description of the conservation purpose furthered by the donation. If the corporation made a contribution of real property located in a registered historic district, it will report any information you will need to take a deduction.

For more details, see Pub. 526, Charitable Contributions, and the Instructions for Schedule A (Form 1040). If your contributions are subject to more than one of the AGI limitations, see Pub. 526.

Charitable contribution deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

The corporation will report your share of qualified conservation contributions of property. Subject to three exceptions, each S corporation shareholder's claim of a charitable contribution deduction for a conservation contribution is disallowed if the amount of the contribution exceeds 2.5 times the sum of each ultimate member's relevant basis (disallowance rule). See the Instructions for Form 8283, Noncash Charitable Contributions, and Regulations sections 1.170A-14(j) through (n) for more details and information on the three exceptions.

Relevant basis is, with respect to any ultimate member, the portion of the ultimate member's modified basis that is allocable to the portion of the real property with respect to which the qualified conservation contribution is made. The ultimate members of an S corporation are the shareholders that receive a pro rata allocation of a qualified conservation contribution that is either made by the S corporation (contributing S corporation) or made by a partnership (contributing partnership) that allocates an allocated portion of the qualified conservation contribution, directly or indirectly through one or more upper-tier partnerships, to an upper-tier S corporation.

If the amount of a contributing partnership's contributing S corporation's, or upper-tier partnership's qualified conservation contribution equals or is less than 2.5 times the sum of each ultimate member's relevant basis, then any upper-tier S corporation must still determine whether the disallowance rule applies to its allocated portion of the qualified conservation contribution. Subject to three exceptions, if an upper-tier S corporation's allocated portion exceeds 2.5 times the sum of each ultimate member's relevant basis, the contribution is not treated as a qualified conservation contribution with respect to the upper-tier S corporation, or any ultimate member. No one may claim a deduction for the allocated portion attributable to the upper-tier S corporation.

See *Qualified Conservation Contribution* in Pub. 526 and *Disallowance of deduction for certain qualified conservation contributions by partnerships and S corporations* in the Instructions for Form 8283. You must fill out your own Form 8283 and attach the Form 8283 the S corporation provides you. See the Instructions for Form 8283 for more details. The S corporation will provide you your relevant basis. You must report this on your own Form 8283, line 3, column (h). The S corporation may need information from you to calculate relevant basis.

Form 8283. If you received a copy of Form 8283 from the corporation, attach the copy to your tax return. Use the

amount shown on your Schedule K-1, not the amount shown on the Form 8283, to figure your deduction.

You must fill out your own Form 8283 with the information the corporation provides you and attach the Form 8283 the corporation provides you to your return. See the Instructions for Form 8283 for more details.

If the corporation claims a qualified conservation contribution, the corporation will provide you with your relevant basis. You must report this in column (h) of your own Form 8283, line 3. The corporation may need information from you to calculate relevant basis.

If the corporation is the entity where the noncash charitable contribution was originally reported, you input the entity name and identifying number on your own Form 8283. See the Instructions for Form 8283 for more details. If the corporation is not the entity where the noncash charitable contribution was originally reported, the corporation will provide you the entity name and identifying number that the noncash charitable contribution was originally reported. Input this information on your own Form 8283.

Code A. Cash contributions (60%). Report this amount, subject to the 60% AGI limitation, on Schedule A (Form 1040), line 11.

Code B. Cash contributions (30%). Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 11.

Code C. Noncash contributions (50%). Report this amount, subject to the 50% AGI limitation, on Schedule A (Form 1040), line 12.

Food inventory contributions. The corporation will report on an attached statement your share of qualified food inventory contributions. The food inventory contribution isn't included in the amount reported in box 12 using code C. The corporation will also report your share of the corporation's net income from the business activities that made the food inventory contribution(s). Your deduction for food inventory contributions made during 2025 can't exceed 15% of your aggregate net income for the tax year from the business activities from which the food inventory contribution was made (including your share of net income from partnership or S corporation businesses that made food inventory contributions). Amounts that exceed the 15% limitation may be carried over for up to 5 years. Report this amount, subject to the 50% AGI limitation, on Schedule A (Form 1040), line 12.

Code D. Noncash contributions (30%). Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 12.

Code E. Capital gain property to a 50% limit organization (30%). Report this amount, subject to the 30% AGI limitation, on Schedule A (Form 1040), line 12. See *Worksheet 2. Applying the Deduction Limits* in Pub. 526.

Code F. Capital gain property (20%). Report this amount, subject to the 20% AGI limitation, on Schedule A (Form 1040), line 12.

Code G. Contributions (100%). The corporation will report on an attached statement your share of qualified

DRAFT

DRAFT

conservation contributions of property used in agriculture or livestock production. This contribution isn't included in the amount reported in box 12 using code C. If you are a farmer or rancher, you qualify for a 100% AGI limitation for this contribution. Otherwise, your deduction for this contribution is subject to a 50% AGI limitation. Report this amount, subject to your applicable limitation, on Schedule A (Form 1040), line 12. See Pub. 526 for more information on qualified conservation contributions.

Code H. Investment interest expense. Report this amount on Form 4952, line 1.

If the corporation has investment income or other investment expense, it will report your share of these items in box 17 of Schedule K-1 using codes A and B. Include investment income and expenses from other sources to figure how much of your total investment interest is deductible.

For more information on the special provisions that apply to investment interest expense, see Form 4952 and Pub. 550.

Code I. Deductions—Royalty income. Report deductions allocable to royalties on Schedule E (Form 1040), line 19. For this type of expense, enter "From Schedule K-1 (Form 1120-S)."

These deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

Code J. Section 59(e)(2) expenditures. The corporation will show on an attached statement the type and the amount of qualified expenditures for which you may make a section 59(e) election. The statement will also identify the property for which the expenditures were paid or incurred. If there is more than one type of expenditure, the amount of each type will also be listed.

If you deduct these expenditures in full in the current year, they are treated as adjustments or tax preference items for purposes of alternative minimum tax. However, you may elect to amortize these expenditures over the number of years in the applicable period rather than deduct the full amount in the current year. If you make this election, these items aren't treated as adjustments or tax preference items.

Under the election, you can deduct circulation expenditures ratably over a 3-year period. Research and experimental expenditures and mining exploration and development costs can be amortized over a 10-year period. Intangible drilling and development costs can be amortized over a 60-month period. The amortization periods begin with the month in which such costs were paid or incurred.

Make the election on Form 4562. If you make the election, report the current year amortization of section 59(e) expenditures from Part VI of Form 4562 on Schedule E (Form 1040), line 28. If you don't make the election, report the section 59(e)(2) expenditures on Schedule E (Form 1040), line 28, and figure the resulting adjustment or tax preference item (see Form 6251, Alternative Minimum Tax—Individuals). Whether you deduct the expenditures or elect to amortize them, report the amount on a separate line in column (i) of line 28 if you

materially participated in the activity. If you didn't materially participate, follow the Instructions for Form 8582 to figure how much of the deduction can be reported in column (g).

Code K. Reserved for future use.

Code L. Deductions—Portfolio income (other).

Generally, you should report these amounts on Schedule A (Form 1040), line 16. See the instructions for Schedule A (Form 1040), line 16, for details.

These deductions aren't taken into account in figuring your passive activity loss for the year. Don't enter them on Form 8582.

Code M. Preproductive period expenses. You may be able to deduct these expenses currently or you may need to capitalize them under section 263A. See Pub. 225, Farmer's Tax Guide, and Regulations section 1.263A-4 for details.

Code N. Reserved for future use.

Code O. Reforestation expense deduction. The corporation will provide a statement that describes the qualified timber property for these reforestation expenses. The expense deduction is limited to \$10,000 (\$5,000 if married filing separately) for each qualified timber property, including your share of the corporation's expense and any reforestation expenses you separately paid or incurred during the tax year.

If you didn't materially participate in the activity, use Form 8582 to figure the amount to report in column (g) of Schedule E (Form 1040), line 28. If you materially participated in the reforestation activity, report the deduction in column (i) of Schedule E (Form 1040), line 28.

Codes P through V. Reserved for future use.

Code W. Soil and water conservation. Soil and water conservation expenditures and endangered species recovery expenditures. See section 175 for limitations on the amount you are allowed to deduct.

Code X. Film, television, theatrical and qualified sound recording production expenditures. The corporation will provide a statement that describes the film, television, live theatrical, or qualified sound recording production generating these expenses. See section 181(a)(2) for dollar limitations that may apply. If you didn't materially participate in the activity, use Form 8582 to determine the amount that can be reported in column (g) of Schedule E (Form 1040), line 28. If you materially participated in the production activity, report the deduction in column (i) of Schedule E (Form 1040), line 28.

Code Y. Expenditures for removal of barriers.

Expenditures for the removal of architectural and transportation barriers to the elderly and disabled that the corporation elected to treat as a current expense. The deductions are limited by section 190(c) to \$15,000 per year from all sources.

Code Z. Itemized deductions. Itemized deductions that Form 1040 or 1040-SR filers report on Schedule A (Form 1040).

Code AA. Contributions to a capital construction fund (CCF). The deduction for a CCF investment isn't taken on Schedule E (Form 1040). Instead, you subtract the deduction from the amount that would normally be entered as taxable income on Form 1040 or 1040-SR, line 15. In the margin to the left of line 15, enter "CCF" and the amount of the deduction.

Code AB. Penalty on early withdrawal of savings. Report this amount on Schedule 1 (Form 1040), line 18.

Code AC. Interest expense allocated to debt financed distributions. The manner in which you report such interest expense depends on your use of the distributed debt proceeds. If the proceeds were used in a trade or business activity, report the interest on Schedule E (Form 1040), line 28. In column (a), enter the name of the corporation and "interest expense." If you materially participated in the trade or business activity, enter the interest expense in column (i). If you didn't materially participate in the activity, follow the Instructions for Form 8582 to figure the interest expense you can report in column (g). Material participation is defined earlier under [Passive Activity Limitations](#). If the proceeds were used in an investment activity, report the interest on Form 4952. If the proceeds are used for personal purposes, the interest is generally not deductible.

Codes AD through AJ. Reserved for future use.

Code ZZ. Other deductions. Amounts with code ZZ are other deductions not included in box 12 using codes A through AC. The corporation will give you a description and the amount of your share for each of these items.

Box 13. Credits

See [List of Codes](#), later.

If you have credits that are passive activity credits to you, you must complete Form 8582-CR in addition to the credit forms identified below. See [Passive Activity Limitations](#), earlier, and the Instructions for Form 8582-CR for details.

Tip: In general, shareholders whose only sources for a credit listed in Form 3800, General Business Credit, Part III, are partnerships, S corporations, estates, trusts, and cooperatives, aren't required to complete the applicable credit form or attach it to their return. Instead, they can report the credit amounts reported to them by these pass-through entities directly in Form 3800, Part III, and enter the EIN of the entity in column (c) of Part III. However, when applicable, all shareholders must complete and attach the following credit forms to their return.

- Form 3468, Investment Credit (Form 3800, Part III, line 1a).
- Form 8864, Biodiesel, Renewable Diesel, or Sustainable Aviation Fuels Credit (Form 3800, Part III, line 1l).

See the Instructions for Form 3800 for more details.

Code A. Zero-emission nuclear power production credit. Report this amount in Part II of Form 7213, Nuclear Power Production Credit, or on Form 3800, Part III, line 1u (see [Tip](#), earlier).

Code B. Credit for production from advanced nuclear power facilities. Report this amount in Part I of Form 7213, or on Form 3800, Part III, line 1cc (see [Tip](#), earlier).

Codes C and D. Low-income housing credit. If section 42(j)(5) applies, the corporation will report your share of the low-income housing credit using code C. If section 42(j)(5) doesn't apply, your share of the credit will be reported using code D. Any allowable low-income housing credit reported using code C or D is reported on Form 8586, Low-Income Housing Credit, line 4, or Form 3800, Part III, line 4d (see [Tip](#), earlier).

Keep a separate record of the low-income housing credit from each separate source so that you can correctly figure any recapture of low-income housing credit that may result from the disposition of all or part of your stock in the corporation. For more information on recapture, see the Instructions for Form 8611, Recapture of Low-Income Housing Credit.

Code E. Qualified rehabilitation expenditures (rental real estate). The corporation will report your share of the qualified rehabilitation expenditures and other information you need to complete Form 3468 related to rental real estate activities using code E. Your share of qualified rehabilitation expenditures from property not related to rental real estate activities will be reported in box 17 using code C. See the Instructions for Form 3468 for details. If the corporation is reporting expenditures from more than one activity, an attached statement will separately identify the expenditures from each activity.

Combine the expenditures (for Form 3468 reporting) from box 13, code E, and from box 17, code C. The expenditures related to rental real estate activities (box 13, code E) are reported on Schedule K-1 separately from other qualified rehabilitation expenditures (box 17, code C) because they are subject to different passive activity limitation rules. See the Instructions for Form 8582-CR for details.

Code F. Other rental real estate credits. The corporation will identify the type of credit and any other information you need to figure these credits from rental real estate activities (other than the low-income housing credit and qualified rehabilitation expenditures). These credits may be limited by the passive activity limitations. If the credits are from more than one activity, the corporation will identify the credits from each activity on an attached statement. See [Passive Activity Limitations](#), earlier, and the Instructions for Form 8582-CR for details.

Code G. Other rental credits. The corporation will identify the type of credit and any other information you need to figure these rental credits. These credits may be limited by the passive activity limitations. If the credits are from more than one activity, the corporation will identify the credits from each activity on an attached statement. See [Passive Activity Limitations](#), earlier, and the Instructions for Form 8582-CR for details.

Code H. Undistributed capital gains credit. Code H represents taxes paid on undistributed capital gains by a regulated investment company or real estate investment trust. Report these taxes on Schedule 3 (Form 1040),

Additional Credits and Payments, line 13a. Reduce the basis of your stock by this tax.

Code I. Biofuel producer credit. Report this amount on line 3 of Form 6478, Biofuel Producer Credit, or Form 3800, Part III, line 4c (see [Tip](#), earlier).

Code J. Work opportunity credit. Report this amount on line 3 of Form 5884, Work Opportunity Credit, or Form 3800, Part III, line 4b (see [Tip](#), earlier).

Code K. Disabled access credit. Report this amount on line 7 of Form 8826, Disabled Access Credit, or Form 3800, Part III, line 1e (see [Tip](#), earlier).

Code L. Empowerment zone employment credit. Report this amount on line 3 of Form 8844, Empowerment Zone Employment Credit, or Form 3800, Part III, line 3 (see [Tip](#), earlier).

Code M. Credit for increasing research activities.

Report this amount on Section C, line 29 of Form 6765, Credit for Increasing Research Activities, or Form 3800, Part III, line 1c (see [Tip](#), earlier) as follows.

- The S corporation will provide information necessary to determine if it is an eligible small business under section 38(c)(5)(A). If you and the S corporation are eligible small businesses, report the credit on line 4i. For more information, see the Instructions for Form 3800.
- All others, report the credit on line 1c.

Code N. Credit for employer social security and Medicare taxes. Report this amount on line 5 of Form 8846, Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, or Form 3800, Part III, line 4f (see [Tip](#), earlier).

Code O. Backup withholding. This is your share of the credit for backup withholding on dividends, interest income, and other types of income. Include this amount in the total you enter on Form 1040 or 1040-SR, line 25c, and attach a copy of your Schedule K-1 to your tax return. Instead of attaching a copy of your Schedule K-1 to your tax return, you can include a statement with your return that provides the corporation's name, address, EIN, and backup withholding amount.

Code P. Unused investment credit from the qualifying advanced coal project credit or qualifying gasification project credit allocated from cooperatives. Report this amount on Form 3468, Part II, line 6.

Code Q. Unused investment credit from the qualifying advanced energy project credit allocated from cooperatives. Report this amount on Form 3468, Part III, line 2.

Code R. Unused investment credit from the advanced manufacturing investment credit allocated from cooperatives. Report this amount on Form 3468, Part IV, line 2.

Code S. Unused investment credit from clean electricity credit allocated from cooperatives. Report this amount on Form 3468, Part V, line 10.

Code T. Unused investment credit from the energy credit allocated from cooperatives. Report this amount on Form 3468, Part VI, line 31.

Code U. Unused investment credit from the rehabilitation credit allocated from cooperatives. Report this amount on Form 3468, Part VII, line 2.

Code V. Advanced manufacturing production credit. Report on Form 7207, Advanced Manufacturing Production Credit, or Form 3800, Part III, line 1b (see [Tip](#), earlier).

Code W. Clean electricity production credit. Report on Form 7211, Clean Electricity Production Credit, or Form 3800, Part III, line 1gg (see [Tip](#), earlier).

Code X. Clean fuel production credit. Report on Form 7218, Clean Fuel Production Credit, or Form 3800, Part III, line 1q (see [Tip](#), earlier).

Code Y. Clean hydrogen production credit. Report this amount on Form 7210, Clean Hydrogen Production Credit, or Form 3800, Part III, line 1g (see [Tip](#), earlier).

Code Z. Orphan drug credit. Report this amount on Form 8820, Orphan Drug Credit, or Form 3800, Part III, line 1h (see [Tip](#), earlier).

Code AA. Enhanced oil recovery credit. Report this amount on Form 8830, Enhanced Oil Recovery Credit, or Form 3800, Part III, line 1t (see [Tip](#), earlier).

Code AB. Renewable electricity production credit. The corporation will provide a statement showing the allocation of the credit for production during the 4-year period beginning on the date the facility was placed in service and for production after that period. Report this amount on Form 8835, Renewable Electricity Production Credit, or Form 3800, Part III, line 1f (see [Tip](#), earlier).

Code AC. Biodiesel, renewable diesel, or sustainable aviation fuels credit. If this credit includes the small agri-biodiesel producer credit or the sustainable aviation fuels credit, the corporation will provide additional information on an attached statement. If no statement is attached, report this amount on Form 8864, line 10. If a statement is attached, see the instructions for Form 8864, line 10.

Code AD. New markets credit. Report this amount on Form 8874, New Markets Credit, or Form 3800, Part III, line 1i (see [Tip](#), earlier).

Code AE. Credit for small employer pension plan startup costs. Report this amount in Form 8881, Credit for Small Employer Pension Plan Startup Costs, Auto-Enrollment, and Military Spouse Retirement Plan, Part I, or on Form 3800, Part III, line 1j (see [Tip](#), earlier).

Code AF. Credit for small employer auto-enrollment. Report this amount in Form 8881, Part II, or on Form 3800, Part III, line 1dd (see [Tip](#), earlier).

Code AG. Credit for military spouse participation. Report this amount in Form 8881, Part III, or on Form 3800, Part III, line 1ee (see [Tip](#), earlier).

Code AH. Credit for employer-provided childcare facilities and services. Report this amount on Form 8882 or Form 3800, Part III, line 1k (see [Tip](#), earlier).

Code AI. Low sulfur diesel fuel production credit. Report this amount on Form 8896, Low Sulfur Diesel Fuel

Production Credit, or Form 3800, Part III, line 1m (see [Tip](#), earlier).

Code AJ. Qualified railroad track maintenance credit. Report this amount on Form 8900, Qualified Railroad Track Maintenance Credit, or Form 3800, Part III, line 4g (see [Tip](#), earlier).

Code AK. Credit for oil and gas production from marginal wells. Report this amount on Form 8904, Credit for Oil and Gas Production From Marginal Wells, or Form 3800, Part III, line 1bb (see [Tip](#), earlier).

Code AL. Distilled spirits credit. Report this amount on Form 8906, Distilled Spirits Credit, or Form 3800, Part III, line 1n (see [Tip](#), earlier).

Code AM. Energy efficient home credit. Report this amount on Form 8908, Energy Efficient Home Credit, or Form 3800, Part III, line 1p (see [Tip](#), earlier).

Code AN. Reserved for future use.

Code AO. Alternative fuel vehicle refueling property credit. Report this amount on Form 8911, Alternative Fuel Vehicle Refueling Property Credit, Part I, or Form 3800, Part III, line 1s (see [Tip](#), earlier).

Code AP. Clean renewable energy bond credit. Report this amount on Form 8912, Credit to Holders of Tax Credit Bonds.

Code AQ. New clean renewable energy bond credit. Report this amount on Form 8912.

Code AR. Qualified energy conservation bond credit. Report this amount on Form 8912.

Code AS. Qualified zone academy bond credit. Report this amount on Form 8912.

Code AT. Qualified school construction bond credit. Report this amount on Form 8912.

Code AU. Build America bond credit. Report this amount on Form 8912.

Code AV. Credit for employer differential wage payments. Report this amount on Form 8932, Credit for Employer Differential Wage Payments, or Form 3800, Part III, line 1w (see [Tip](#), earlier).

Code AW. Carbon oxide sequestration credit. Report this amount on Form 8933, Carbon Oxide Sequestration Credit, or Form 3800, Part III, line 1x (see [Tip](#), earlier).

Code AX. Carbon oxide sequestration credit recapture. The corporation will provide any information you need to figure your recapture tax. Report the carbon oxide sequestration credit recapture amount on Form 8933, Part III, line 8.

Code AY. New clean vehicle credit. Report this amount on Form 8936, Clean Vehicle Credits, Part II, or Form 3800, Part III, line 1y (see [Tip](#), earlier).

Code AZ. Qualified commercial clean vehicle credit. Report this amount on Form 8936, Part V, or Form 3800, Part III, line 1aa (see [Tip](#), earlier).

Code BA. Credit for small employer health insurance premiums. Report this amount on Form 8941, Credit for

Small Employer Health Insurance Premiums, or Form 3800, Part III, line 4h (see [Tip](#), earlier).

Code BB. Employer credit for paid family and medical leave. Report on Form 8994, Employer Credit for Paid Family and Medical Leave, or Form 3800, Part III, line 4j (see [Tip](#), earlier).

Code BC. Eligible credits from transferor(s) under section 6418. On a statement attached to Schedule K-1, the corporation will identify the type of transferred credits and any other information you need to file your tax returns. Report this amount on Form 3800. See the Instructions for Form 3800, Parts III and V, for additional information.

Codes BD through BG. Reserved for future use.

Code ZZ. Other credits. On a statement attached to Schedule K-1, the corporation will identify the type of credit and any other information you need to figure credits other than those reported with codes A through BC. Most credits identified by code ZZ will be reported in Form 3800, Part III (see [Tip](#), earlier).

Section 6418 transfer election and retained section 48 credit. If the S corporation has made an election under section 6418 with regard to a section 48 credit and is using code ZZ to report your share of the credit that was not transferred by the S corporation, report this amount on Form 3800, Part III, line 4a.

Section 6418 transfer election and retained section 48C credit. If the S corporation has made an election under section 6418 with regard to a section 48C credit and is using code ZZ to report your share of the credit that was not transferred by the S corporation, report this amount on Form 3800, Part III, line 1d.

Section 6418 transfer election and retained section 48E credit. If the S corporation has made an election under section 6418 with regard to a section 48E credit and is using code ZZ to report your share of the credit that was not transferred by the S corporation, report this amount on Form 3800, Part III, line 1v.

Box 14. International Transactions

If the S corporation checked the box, see the attached Schedule K-3 with respect to items of international tax relevance. If the S corporation did not check the box, the S corporation attached a statement to the Schedule K-1 (or issued a statement prior to furnishing the Schedule K-1) notifying the shareholder that the shareholder will not receive Schedule K-3 from the S corporation unless the shareholder requests the schedule.

For additional information, see the Shareholder's Instructions for Schedule K-3 (Form 1120-S).

Box 15. Alternative Minimum Tax (AMT) Items

See [List of Codes](#), later.

Use the information reported in box 15 (as well as your adjustments and tax preference items from other sources) to prepare your Form 6251, Alternative Minimum Tax—Individuals, or Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts.

Code A. Post-1986 depreciation adjustment. This amount is your share of the corporation's post-1986

depreciation adjustment. If you are an individual shareholder, report this amount on Form 6251, line 2l.

Code B. Adjusted gain or loss. This amount is your share of the corporation's adjusted gain or loss. If you are an individual shareholder, report this amount on Form 6251, line 2k.

Code C. Depletion (other than oil & gas). This amount is your share of the corporation's depletion adjustment. If you are an individual shareholder, report this amount on Form 6251, line 2d.

Codes D and E. Oil, gas, & geothermal properties—Gross income and deductions. The amounts reported on these lines include only the gross income (code D) from, and deductions (code E) allocable to, oil, gas, and geothermal properties included in box 1 of Schedule K-1. The corporation should have attached a statement that shows any income from, or deductions allocable to, such properties that are included in boxes 2 through 12, 16, and 17 of Schedule K-1. Use the amounts reported here and any other reported amounts to help you figure the net amount to enter on Form 6251, line 2t.

Code F. Other AMT items. Report the information on the statement attached by the corporation on the applicable lines of Form 6251 or Schedule I (Form 1041).

Box 16. Items Affecting Shareholder Basis

See [List of Codes](#), later.

Code A. Tax-exempt interest income. Report on your return, as an item of information, your share of the tax-exempt interest received or accrued by the corporation during the year. Individual shareholders include this amount on Form 1040 or 1040-SR, line 2a. Generally, you must increase the basis of your stock by this amount.

Code B. Other tax-exempt income. Generally, you must increase the basis of your stock by the amount shown, but don't include it in income on your tax return.

Code C. Nondeductible expenses. The nondeductible expenses paid or incurred by the corporation aren't deductible on your tax return. Generally, you must decrease the basis of your stock by this amount.

Code D. Distributions. Reduce the basis of your stock (as explained earlier) by distributions, not reported on Form 1099-DIV, of property or money. This amount will include any amounts included in income with respect to new clean renewable energy, qualified energy conservation, qualified school construction, build America, or (for bonds issued after October 3, 2008) qualified zone academy bonds. If these distributions exceed the basis of your stock, the excess is treated as capital gain from the sale or exchange of property and is reported on Form 8949 and Schedule D (Form 1040).

Code E. Repayment of loans from shareholders. If these payments are made on a loan with a reduced basis, the repayments must be allocated in part to a return of your basis in the loan and in part to the receipt of income. See Regulations section 1.1367-2 for information on reduction in basis of a loan and restoration in basis of a loan with a reduced basis. See Rev. Rul. 64-162, 1964-1

(Part 1) C.B. 304; and Rev. Rul. 68-537, 1968-2 C.B. 372, for details.

Code F. Foreign taxes paid or accrued. Report this amount on Form 7203, line 46(a). Do not use this amount to complete your Form 1116. See Schedule K-3 to complete your Form 1116.

Box 17. Other Information

See [List of Codes](#), later.

Code A. Investment income. Report this amount on Form 4952, line 4a.

Code B. Investment expenses. Report this amount on Form 4952, line 5.

Code C. Qualified rehabilitation expenditures (other than rental real estate). The corporation will report your share of qualified rehabilitation expenditures and other information you need to complete Form 3468 for property not related to rental real estate activities in box 17 using code C. Your share of qualified rehabilitation expenditures related to rental real estate activities is reported in box 13 using code E. See the Instructions for Form 3468 for details. If the corporation is reporting expenditures from more than one activity, the attached statement will separately identify the expenditures from each activity.

Combine the expenditures (for Form 3468 reporting) from box 13, code E, and from box 17, code C. The expenditures related to rental real estate activities (box 13, code E) are reported on Schedule K-1 separately from other qualified rehabilitation expenditures (box 17, code C) because they are subject to different passive activity limitation rules. See the Instructions for Form 8582-CR for details.

Code D. Basis of energy property. If the corporation provides an attached statement for code D, use the information on the statement to complete the applicable energy credit in Part VI of Form 3468. See the Instructions for Form 3468 for details.

Codes E and F. Recapture of low-income housing credit. The corporation will identify by code E your share of any recapture of a low-income housing credit from its investment in partnerships to which the provisions of section 42(j)(5) apply. All other recapture of low-income housing credits will be identified by code F.

Keep a separate record of each type of recapture so that you will be able to correctly figure any credit recapture that may result from the disposition of all or part of your corporate stock. For details, see Form 8611.

Code G. Recapture of investment credit. The corporation will provide any information you need to figure your recapture tax on Form 4255, Certain Credit Recapture, Excessive Payments, and Penalties. See the Form 3468 on which you took the original credit for other information you need to complete Form 4255.

You may also need Form 4255 if your proportionate stock interest in the corporation is reduced by more than one-third after you were allocated part of an investment credit.

Code H. Recapture of other credits. On a statement attached to Schedule K-1, the corporation will report any

information you need to figure the recapture of other credits including the new markets credit (Form 8874), Indian employment credit (Form 8845), credit for employer-provided childcare facilities and services (Form 8882), alternative fuel vehicle refueling property credit (Form 8911), and qualified plug-in electric drive motor vehicle credit (Form 8936).

Code I. Look-back interest—Completed long-term contracts. The corporation will report any information you need to figure the interest due or to be refunded under the look-back method of section 460(b)(2) on certain long-term contracts. Use Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report any such interest.

Code J. Look-back interest—Income forecast method. The corporation will report any information you need to figure the interest due or to be refunded under the look-back method of section 167(g)(2) for certain property placed in service after September 13, 1995, and depreciated under the income forecast method. Use Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method, to report any such interest.

Code K. Dispositions of property with section 179 deductions. The corporation will report your share of gain or loss on the sale, exchange, or other disposition of property for which a section 179 expense deduction was passed through to shareholders with code K. If the corporation passed through a section 179 expense deduction for the property, you must report the gain or loss, if any, and any recapture of the section 179 expense deduction for the property on your income tax return (see the Instructions for Form 4797 for details). The corporation will provide all the following information.

1. Description of the property.
2. Date the property was acquired and placed in service.
3. Date of the sale or other disposition of the property.
4. Your share of the gross sales price or amount realized.
5. Your share of the cost or other basis plus the expense of sale.
6. Your share of the depreciation allowed or allowable.
7. Your share of the section 179 expense deduction (if any) passed through for the property and the corporation's tax year(s) in which the amount was passed through.

To figure the depreciation allowed or allowable for Form 4797, line 22, add to the amount from item 6 above the amount of your share of the section 179 expense deduction, reduced by any unused carryover of the deduction for this property. This amount may be different than the amount of section 179 expense you deducted for the property if your interest in the corporation has changed.

8. If the disposition is due to a casualty or theft, any information you need to complete Form 4684.
9. If the sale was an installment sale, any information you need to complete Form 6252, Installment Sale Income. The corporation will separately report your share

of all payments received for the property in the following tax years. See the Instructions for Form 6252 for details.

Code L. Recapture of section 179 deduction. The corporation will report your share of any recapture of section 179 expense deduction if business use of any property for which the section 179 expense deduction was passed through to shareholders dropped to 50% or less before the end of the recapture period. If this occurs, the corporation must provide the following information.

1. Your share of the depreciation allowed or allowable (not including the section 179 expense deduction).
2. Your share of the section 179 expense deduction (if any) passed through for the property and the corporation's tax year(s) in which the amount was passed through. Reduce this amount by the portion, if any, of your unused (carryover) section 179 expense deduction for this property.

Code M. Section 453(l)(3) information. The corporation will report any information you need to figure the interest due under section 453(l)(3) with respect to the disposition of certain timeshares and residential lots on the installment method. Report the interest on Schedule 2 (Form 1040), line 14. See section 453(l)(3) for details on how to figure the interest.

Code N. Section 453A(c) information. The corporation will report any information you need to figure the interest charge under section 453A(c) with respect to certain installment sales. See Pub. 537, Installment Sales. This information must include the following from each Form 6252 where the shareholder's share of the selling price, including mortgages and other debts, is greater than \$150,000.

- Description of property.
- Date acquired.
- Date property sold.
- Selling price, including mortgages and other debts (not including interest, whether stated or unstated).
- Mortgages, debts, and other liabilities the buyer assumed or took the property subject to.
- Gross profit.
- Contract price.
- Gross profit percentage.
- Current year payments and deemed payments received during the year, not including interest whether stated or unstated.
- Origination year payments and deemed payments received during the year, not including interest whether stated or unstated.
- Payments received in prior years, not including interest whether stated or unstated.
- Installment sale income.
- Character of the income—capital or ordinary.

See section 453A(c) for information on how to compute the interest charge on the deferred tax liability. The section 453A interest charge is reported on the "Other taxes" line of your tax returns. See *Interest on Deferred Tax* in Pub. 537 for additional details on how to compute the section 453A(c) interest.

Code O. Section 1260(b) information. The corporation will report any information you need to figure the interest

due under section 1260(b). If the corporation had gain from certain constructive ownership transactions, your tax liability must be increased by the interest charge on any deferral of gain recognition under section 1260(b). Report the interest on Schedule 2 (Form 1040), line 17z. Enter "1260(b)" and the amount of the interest in the space to the left of line 17z. See section 1260(b) for details on how to figure the interest.

Code P. Interest allocable to production expenditures. The corporation will report any information you need relating to interest you are required to capitalize under section 263A for production expenditures. See Regulations sections 1.263A-8 through 1.263A-15 for details.

Code Q. Capital construction fund (CCF) nonqualified withdrawals. The corporation will report your share of nonqualified withdrawals from a CCF. These withdrawals are taxed separately from your other gross income at the highest marginal ordinary income or capital gains tax rate. Attach a statement to your federal income tax return to show your computation of both the tax and interest for a nonqualified withdrawal. Include the tax and interest on Schedule 2 (Form 1040), line 17z. In the space to the left of line 17z, enter the amount of tax and interest and "CCF." See Pub. 595 for details.

Code R. Depletion information—Oil and gas. This is your share of gross income from the property, share of production for the tax year, and other information needed to figure your depletion deduction for oil and gas wells. The corporation should also allocate to you a proportionate share of the adjusted basis of each corporate oil or gas property.

Reduce the basis of your stock by the amount of this deduction up to the extent of your adjusted basis in the property.

Codes S and T. Reserved for future use.

Code U. Net investment income. The corporation may use code U to report information you may need to determine your net investment income tax under section 1411, including information regarding income from controlled foreign corporations (CFCs) and passive foreign investment companies (PFICs), the stock of which is owned by the corporation. Any information not provided elsewhere on Schedule K-3 (or an attachment to Schedule K-3) is provided using code U. For CFCs and PFICs that you treat as qualified electing funds (QEFs), the information that is relevant to you will depend on whether you, the corporation, or a subsidiary pass-through entity has made an election under Regulations section 1.1411-10(g) with respect to the CFC or QEF. For example, if the corporation made an election under Regulations section 1.1411-10(g) for a CFC, the stock of which is owned by the corporation, and the relevant income and deduction items derived from that CFC are reported elsewhere on Schedule K-1, you will not need the information provided using code U to complete your Form 8960.

Follow the Instructions for Form 8960 to figure and report your net investment income and adjusted gross income or modified adjusted gross income. See

Regulations sections 1.1411-1 through 1.1411-10 for more details.

Code V. Section 199A information. Generally, you may be allowed a deduction of up to 20% of your net qualified business income (QBI) plus 20% of your qualified REIT dividends, also known as section 199A dividends, and qualified publicly traded partnership (PTP) income from your S corporation. The S corporation will provide the information you need to figure your deduction. You will use one of these two forms to figure your QBI deduction.

1. Use Form 8995, Qualified Business Income Deduction Simplified Computation, if:

a. You have QBI, section 199A dividends, or PTP income (defined below);

b. Your 2025 taxable income before the QBI deduction is equal to or less than \$197,300 (\$394,600 if married filing jointly); and

c. You aren't a patron in a specified agricultural or horticultural cooperative.

2. Use Form 8995-A, Qualified Business Income Deduction, if you don't meet all three of these requirements.

QBI pass-through entity reporting information. Use the information provided to you by your S corporation to complete the appropriate form identified above.

QBI or qualified PTP items subject to shareholder-specific determinations. The amounts reported to you reflect your pro rata share of items from the S corporation's trade(s) or business(es), or aggregation(s), and may include items that aren't includible in your calculation of the QBI deduction. When determining QBI or qualified PTP income, you must include only those items that are qualified items of income, gain, deduction, and loss included or allowed in determining taxable income for the tax year. To determine your QBI or your qualified PTP income amounts and for information on where to report them, see the instructions for Form 8995 or Form 8995-A.

W-2 wages. The amounts reported reflect your pro rata share of the S corporation's W-2 wages allocable to the QBI of each qualified trade or business, or aggregation. See the instructions for Form 8995 or Form 8995-A.

Unadjusted basis immediately after acquisition (UBIA) of qualified property. The amounts reported reflect your pro rata share of the S corporation's UBIA of qualified property of each qualified trade or business, or aggregation. See the instructions for Form 8995 or Form 8995-A.

Section 199A dividends. The amount reported reflects your pro rata share of the S corporation's net section 199A dividends. See the instructions for Form 8995 or Form 8995-A.

Patrons of specified agricultural and horticultural cooperatives. If the S corporation was a patron of an agricultural or horticultural cooperative (specified cooperative), you must use Form 8995-A to figure your QBI deduction. In addition, you must complete Schedule D (Form 8995-A), Special Rules for Patrons of Agricultural or Horticultural Cooperatives, to determine your patron reduction.

QBI items allocable to qualified payments from specified cooperatives subject to shareholder-specific determinations. The amounts reported to you reflect your pro rata share of items from the S corporation's trade(s) or business(es), or aggregation(s), and include items that may not be includible in your calculation of the QBI deduction and patron reduction. When determining QBI items allocable to qualified payments, you must include only qualified items that are included or allowed in determining taxable income for the tax year. To determine your QBI items allocable to qualified payments, see the Instructions for Form 8995-A.

W-2 wages allocable to qualified payments from specified cooperatives. The amounts reported reflect your pro rata share of the S corporation's W-2 wages allocable to qualified payments of each qualified trade or business, or aggregation. See the Instructions for Form 8995-A.

Section 199A(g) deduction from specified cooperatives. The amount reported reflects your pro rata share of the S corporation's net section 199A(g) deduction. See the Instructions for Form 8995-A.

Codes W through Z. Reserved for future use.

Code AA. Excess taxable income. If the S corporation is required to file Form 8990, Limitation on Business Interest Expense Under Section 163(j), it may determine it has excess taxable income. Report this amount of excess taxable income in column (c) of Form 8990, Schedule B, line 45, if you are required to file Form 8990. See the Instructions for Form 8990 for details.

Code AB. Excess business interest income. If the S corporation is required to file Form 8990, it may determine it has excess business interest income. Report this amount of excess business interest income in column (d) of Form 8990, Schedule B, line 45, if you are required to file Form 8990. See the Instructions for Form 8990 for details.

Code AC. Gross receipts for section 448(c). Use the gross receipts amount to figure the business interest expense you can deduct, if applicable. See section 163(j) and the Instructions for Form 8990 for details.

Codes AD through AI. Reserved for future use.

Code AJ. Excess business loss limitation. If the corporation has deductions attributable to a business activity, it'll provide a statement gain, showing the aggregate gross income or gain and the aggregate deductions from the business activity of all the corporation's trades or businesses. You can use this, along with other information to figure any excess business loss limitation. See section 461(l) and the Instructions for Form 461 for details.

Codes AK through AM. Reserved for future use.

Code AN. Farming and fishing income. If you are an individual shareholder, report this income, as an item of information, on Schedule E (Form 1040), Part V, line 42. Don't report this income elsewhere on Form 1040 or 1040-SR.

For a shareholder that is an estate or a trust, report this income to the beneficiaries, as an item of information, on Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc. Don't report it elsewhere on Form 1041.

Code AO. Reserved for future use.

Code AP. Inversion gain. The corporation will provide a statement showing the amounts of each type of income or gain that is included in inversion gain. The corporation has included inversion gain in income elsewhere on Schedule K-1. Inversion gain is also reported under code AP because your taxable income and alternative minimum taxable income can't be less than the inversion gain. Also, your inversion gain (a) isn't taken into account in figuring the net operating loss (NOL) for the tax year or the NOL that can be carried over to each tax year, (b) may limit your credits, and (c) is treated as income from sources within the United States for the foreign tax credit. See section 7874 for details.

Codes AQ and AR. Reserved for future use.

Code AS. Qualifying advanced coal project property and qualifying gasification project property.

- For qualified investment in qualifying advanced coal project property, use the amounts the corporation provides you to figure the amounts to report on Form 3468, Part II, Section A, lines 1a, 2a, and 3a.
- For qualified investment in qualifying gasification, use the amounts the corporation provides you to figure the amounts to report on Form 3468, Part II, Section B, lines 4a and 5a.

Code AT. Qualifying advanced energy project property. Use the amounts the corporation provides you to figure the amounts to report on Form 3468, Part III, line 1a.

Code AU. Advanced manufacturing investment property. Use the amounts the corporation provides you to figure the amount to report on Form 3468, Part IV, line 1b.

Code AV. Clean electricity investment. Use the amounts the corporation provides you to figure the amount to report on Form 3468, Part V, line 1a.

Code AW. Reportable transactions. Any information you need to complete a disclosure statement for reportable transactions in which the corporation participates. If the corporation participates in a transaction that must be disclosed on Form 8886, Reportable Transaction Disclosure Statement, both you and the corporation may be required to file Form 8886 for the transaction. The determination of whether you are required to disclose a transaction of the corporation is based on the category(ies) under which the transaction qualifies for disclosure and is determined by you and the corporation. You may have to pay a penalty if you are required to file Form 8886 and don't do so. See the Instructions for Form 8886 for details.

Codes AX through AZ. Reserved for future use.

Code BA. Domestic research or experimental expenditures. Public Law 119-21 added section 174A, which pertains to domestic research and experimental expenditures. Section 174A(a) allows a deduction for domestic research and experimental expenditures paid or

incurred during the taxable year for taxable years beginning after December 31, 2024.

Section 174A(f)(1) allows an election by small business taxpayers to retroactively claim a deduction for amounts expended or incurred after December 31, 2021, and before January 1, 2025. Section 174A(f)(2) allows an election to deduct certain unamortized amounts paid or incurred in taxable years beginning after December 31, 2021, and before January 1, 2025.

Section 174A(c) allows an election to charge research and experimental expenditures to a capital account. Under section 174A(c), you may elect to charge such expenditures to a capital account rather than deducting them and be allowed an amortization deduction of such expenditures proportionately over a period of not less than 60 months.

For more information about section 174A, see Revenue Procedure 2025-28.

Codes BB through BD. Reserved for future use.

Code ZZ. Other information. Any other information you may need to file your return not shown elsewhere on Schedule K-1 or Schedule K-3. The corporation should give you a description and the amount of your share for each of these items.

Interest on loans secured by rural or agricultural real property. P.L. 119-21 enacted new section 139L that allows a qualified lender to exclude 25% of the interest income on qualified loans secured by rural or agricultural real property. Use code ZZ to provide shareholders their distributable share.

Sale of qualified farmland. The S corporation will provide the information needed to make an election under section 1062 to pay tax in installments on the gain from the sale or exchange of qualified farmland property to qualified farmers.

Section 1062. For tax years beginning after July 4, 2025, a shareholder can make an election under section 1062 to pay tax in installments on the gain from the sale or exchange of qualified farmland property to qualified farmers. To make the election, a shareholder must complete a separate Schedule A (Form 1062) for each gain from the sale of qualified property for which the election is being made and must complete a Form 1062 for the aggregate gains and attach both forms to the shareholder's tax return. The first installment is to be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year in which the sale or exchange occurs and each succeeding installment shall be paid on the due date for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made. See section 1062 for additional information and rules regarding acceleration of payment and also see instructions to Form 1062 and Schedule A (Form 1062) for how to file.

Box 18. More Than One Activity for At-Risk Purposes

When the corporation has more than one activity for at-risk purposes, it will check this box and attach a statement. Use the information in the attached statement to correctly determine your at-risk limitations. For more information, see [At-Risk Limitations](#), earlier.

Box 19. More Than One Activity for Passive Activity Purposes

When the corporation has more than one activity for passive activity purposes, it will check this box and attach a statement. Use the information in the attached statement to correctly determine your passive activity limitations. For more information, see [Passive Activity Limitations](#), earlier.

List of Codes

This list identifies the codes used on Schedule K-1 for all shareholders. For detailed reporting and filing information, see the specific line instructions, earlier, and the instructions for your income tax return.

Box 10. Other income (loss)

Code

<u>A</u>	Other portfolio income (loss)
<u>B</u>	Involuntary conversions
<u>C</u>	Section 1256 contracts and straddles
<u>D</u>	Mining exploration costs recapture
<u>E</u>	Section 951A(a) income inclusions
<u>F</u>	Inclusions of subpart F income
<u>G</u>	Section 951(a)(1)(B) inclusions
<u>H</u>	Reserved for future use
<u>I</u>	Gain (loss) from disposition of oil, gas, geothermal, or other mineral properties
<u>J</u>	Recoveries of tax benefit items
<u>K</u>	Gambling gains and losses
<u>L</u>	Reserved for future use
<u>M</u>	Gain eligible for section 1045 rollover (replacement stock purchased by the corporation)
<u>N</u>	Gain eligible for section 1045 rollover (replacement stock not purchased by the corporation)
<u>O</u>	Sale or exchange of QSB stock with section 1202 exclusion
<u>P – R</u>	Reserved for future use
<u>S</u>	Non-portfolio capital gain (loss)
<u>T – X</u>	Reserved for future use
<u>ZZ</u>	Other income (loss)

Box 12. Other deductions

<u>A</u>	Cash contributions (60%)
<u>B</u>	Cash contributions (30%)
<u>C</u>	Noncash contributions (50%)
<u>D</u>	Noncash contributions (30%)
<u>E</u>	Capital gain property to a 50% limit organization (30%)
<u>F</u>	Capital gain property (20%)
<u>G</u>	Contributions (100%)
<u>H</u>	Investment interest expense
<u>I</u>	Deductions—Royalty income
<u>J</u>	Section 59(e)(2) expenditures
<u>K</u>	Reserved for future use

<u>L</u>	Deductions—Portfolio income (other)
<u>M</u>	Preproductive period expenses
<u>N</u>	Reserved for future use
<u>O</u>	Reforestation expense deduction
<u>P – V</u>	Reserved for future use
<u>W</u>	Soil and water conservation
<u>X</u>	Film, television, theatrical and qualified sound recording production expenditures
<u>Y</u>	Expenditures for removal of barriers
<u>Z</u>	Itemized deductions
<u>AA</u>	Contributions to a capital construction fund (CCF)
<u>AB</u>	Penalty on early withdrawal of savings
<u>AC</u>	Interest expense allocated to debt financed distributions
<u>AD – AJ</u>	Reserved for future use
<u>ZZ</u>	Other deductions

Box 13. Credits

<u>A</u>	Zero-emission nuclear power production credit
<u>B</u>	Credit for production from advanced nuclear power facilities
<u>C</u>	Low-income housing credit (section 42(j)(5)) from post-2007 buildings
<u>D</u>	Low-income housing credit (other) from post-2007 buildings
<u>E</u>	Qualified rehabilitation expenditures (rental real estate)
<u>F</u>	Other rental real estate credits
<u>G</u>	Other rental credits
<u>H</u>	Undistributed capital gains credit
<u>I</u>	Biofuel producer credit
<u>J</u>	Work opportunity credit
<u>K</u>	Disabled access credit
<u>L</u>	Empowerment zone employment credit
<u>M</u>	Credit for increasing research activities
<u>N</u>	Credit for employer social security and Medicare taxes
<u>O</u>	Backup withholding
<u>P</u>	Unused investment credit from the qualifying advanced coal project credit or qualifying gasification project credit allocated from cooperatives
<u>Q</u>	Unused investment credit from the qualifying advanced energy project credit allocated from cooperatives
<u>R</u>	Unused investment credit from the advanced manufacturing investment credit allocated from cooperatives
<u>S</u>	Unused investment credit from clean electricity credit allocated from cooperatives
<u>T</u>	Unused investment credit from the energy credit allocated from cooperatives
<u>U</u>	Unused investment credit from the rehabilitation credit allocated from cooperatives
<u>V</u>	Advanced manufacturing production credit
<u>W</u>	Clean electricity production credit
<u>X</u>	Clean fuel production credit
<u>Y</u>	Clean hydrogen production credit
<u>Z</u>	Orphan drug credit
<u>AA</u>	Enhanced oil recovery credit
<u>AB</u>	Renewable electricity production credit
<u>AC</u>	Biodiesel, renewable diesel, or sustainable aviation fuels credit
<u>AD</u>	New markets credit
<u>AE</u>	Credit for small employer pension plan startup costs
<u>AF</u>	Credit for small employer auto-enrollment
<u>AG</u>	Credit for military spouse participation
<u>AH</u>	Credit for employer-provided childcare facilities and services
<u>AI</u>	Low sulfur diesel fuel production credit
<u>AJ</u>	Qualified railroad track maintenance credit
<u>AK</u>	Credit for oil and gas production from marginal wells
<u>AL</u>	Distilled spirits credit
<u>AM</u>	Energy efficient home credit
<u>AN</u>	Reserved for future use
<u>AO</u>	Alternative fuel vehicle refueling property credit
<u>AP</u>	Clean renewable energy bond credit
<u>AQ</u>	New clean renewable energy bond credit
<u>AR</u>	Qualified energy conservation bond credit
<u>AS</u>	Qualified zone academy bond credit

<u>AT</u>	Qualified school construction bond credit
<u>AU</u>	Build America bond credit
<u>AV</u>	Credit for employer differential wage payments
<u>AW</u>	Carbon oxide sequestration credit
<u>AX</u>	Carbon oxide sequestration credit recapture
<u>AY</u>	New clean vehicle credit
<u>AZ</u>	Qualified commercial clean vehicle credit
<u>BA</u>	Credit for small employer health insurance premiums
<u>BB</u>	Employer credit for paid family and medical leave
<u>BC</u>	Eligible credits from transferor(s) under section 6418
BD – BG	Reserved for future use
<u>ZZ</u>	Other credits

Box 15. Alternative minimum tax (AMT) items

<u>A</u>	Post-1986 depreciation adjustment
<u>B</u>	Adjusted gain or loss
<u>C</u>	Depletion (other than oil & gas)
<u>D</u>	Oil, gas, & geothermal—Gross income
<u>E</u>	Oil, gas, & geothermal—Deductions
<u>F</u>	Other AMT items

Box 16. Items affecting shareholder basis

<u>A</u>	Tax-exempt interest income
<u>B</u>	Other tax-exempt income
<u>C</u>	Nondeductible expenses
<u>D</u>	Distributions
<u>E</u>	Repayment of loans from shareholders
<u>F</u>	Foreign taxes paid or accrued

Box 17. Other information

<u>A</u>	Investment income
<u>B</u>	Investment expenses
<u>C</u>	Qualified rehabilitation expenditures (other than rental real estate)
<u>D</u>	Basis of energy property
<u>E</u>	Recapture of low-income housing credit (section 42(j)(5))
<u>F</u>	Recapture of low-income housing credit (other)
<u>G</u>	Recapture of investment credit
<u>H</u>	Recapture of other credits
<u>I</u>	Look-back interest—Completed long-term contracts
<u>J</u>	Look-back interest—Income forecast method
<u>K</u>	Dispositions of property with section 179 deductions
<u>L</u>	Recapture of section 179 deduction
<u>M</u>	Section 453(l)(3) information
<u>N</u>	Section 453A(c) information
<u>O</u>	Section 1260(b) information
<u>P</u>	Interest allocable to production expenditures
<u>Q</u>	Capital construction fund (CCF) nonqualified withdrawals
<u>R</u>	Depletion information—Oil and gas
S – T	Reserved for future use
<u>U</u>	Net investment income
<u>V</u>	Section 199A information
W – Z	Reserved for future use
<u>AA</u>	Excess taxable income
<u>AB</u>	Excess business interest income
<u>AC</u>	Gross receipts for section 448(c)
AD – AI	Reserved for future use
<u>AJ</u>	Excess business loss limitation

AK – AM	Reserved for future use
<u>AN</u>	Farming and fishing income
<u>AO</u>	Reserved for future use
<u>AP</u>	Inversion gain
AQ – AR	Reserved for future use
<u>AS</u>	Qualifying advanced coal project property and qualifying gasification project property
<u>AT</u>	Qualifying advanced energy project property
<u>AU</u>	Advanced manufacturing investment property
<u>AV</u>	Clean electricity investment property
<u>AW</u>	Reportable transactions
AX – AZ	Reserved for future use
<u>BA</u>	Domestic research and experimental expenditures
BB – BD	Reserved for future use
<u>ZZ</u>	Other information

DRAFT