

Addendum: Preparing S Corporation Returns

Revision 1

Page 161 correctly treats the \$10,000 cash contribution to the Humane Society, a qualified §501(c)(3) organization, as a separately stated cash charitable contribution. Use that treatment for the completed return in Appendix C.

Page Appendix C, Pages 211 and 216

Appendix C, Page 211. Removed \$10,000 from Schedule K, Line 12e, Other deductions, and reported the \$10,000 on Schedule K, Line 12a, Cash charitable contributions.

Schedule K Shareholders' Pro Rata Share Items			Total amount
Income (Loss)	1 Ordinary business income (loss) (page 1, line 22)	1	141,499
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Interest income	4	1,000
	5 Dividends: a Ordinary dividends	5a	
	b Qualified dividends	5b	
	6 Royalties	6	
	7 Net short-term capital gain (loss) (attach Schedule D (Form 1120-S))	7	
Deductions	8a Net long-term capital gain (loss) (attach Schedule D (Form 1120-S))	8a	
	b Collectibles (28%) gain (loss)	8b	
	c Unrecaptured section 1250 gain (attach statement)	8c	
	9 Net section 1231 gain (loss) (attach Form 4797)	9	
	10 Other income (loss) (see instructions) Type:	10	
Credits	11 Section 179 deduction (attach Form 4562)	11	
	12a Cash charitable contributions Stmt 3	12a	10,000
	b Noncash charitable contributions	12b	
	c Investment interest expense	12c	
	d Section 59(e)(2) expenditures Type:	12d	
Inter-national	e Other deductions (see instructions) Type:	12e	
	13a Low-income housing credit (section 42(j)(5))	13a	
	b Low-income housing credit (other)	13b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	13c	
	d Other rental real estate credits (see instructions) Type:	13d	
Alternative Minimum Tax (AMT) items	e Other rental credits (see instructions) Type:	13e	
	f Biofuel producer credit (attach Form 6478)	13f	
	g Other credits (see instructions) Type:	13g	
	14a Attach Schedule K-2 (Form 1120-S), Shareholders' Pro Rata Share Items—International, and check this box to indicate you are reporting items of international tax relevance		
	b Check this box if you qualified for an exception to filing Schedule K-2 (Form 1120-S)		
Items Affecting Shareholder Basis	15a Post-1986 depreciation adjustment	15a	2,071
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items (attach statement)	15f	
	16a Tax-exempt interest income	16a	
	b Other tax-exempt income	16b	
	c Nondeductible expenses	16c	7,300
	d Distributions (attach statement if required) (see instructions)	16d	16,000
	e Repayment of loans from shareholders	16e	
	f Foreign taxes paid or accrued	16f	

Appendix C, Page 216. Replace Statement 3 so it references Form 1120-S, Page 3, Schedule K, Line 12a, Cash Charitable Contributions, and reports charitable contributions of \$10,000 and a total of \$10,000.

Statement 3 - Form 1120-S, Page 3, Schedule K, Line 12a - Cash Contributions

Description	Cash Contrib 60%	Cash Contrib 30%	Total
Humane Society	\$ 10,000	\$	\$ 10,000
Total	\$ 10,000	\$ 0	\$ 10,000

The \$2,500 reported for each 25% shareholder in Schedule K-1, Box 12, Code A, is correct and does not change.

Date of revision: 08-17-26

Revision 2

Clarify the \$1 inconsistency between the printed AMT depreciation amount and the AMT adjustment reported for Pets & Company, Inc.

Page 170 and Appendix C

The materials show regular tax depreciation of \$15,181 and AMT depreciation of \$13,110, resulting in an AMT depreciation adjustment of **\$2,071**.

Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment	15a	2,071
	b Adjusted gain or loss	15b	
	c Depletion (other than oil and gas)	15c	
	d Oil, gas, and geothermal properties – gross income	15d	
	e Oil, gas, and geothermal properties – deductions	15e	
	f Other AMT items (attach statement)	15f	

The S corporation has four equal 25% shareholders. Each shareholder's allocable share of the \$2,071 adjustment is **\$517.75** ($\$2,071 \times 25\%$). Because Schedule K-1 reports whole-dollar amounts, each shareholder's \$517.75 adjustment was rounded to **\$518** in Box 15, Code A. The four rounded shareholder amounts therefore total **\$2,072** ($\518×4).

Accordingly, the apparent \$1 difference results from rounding the shareholder allocations. The underlying AMT depreciation adjustment reported on Schedule K, Line 15a, is \$2,071. The four rounded shareholder allocations total \$2,072, creating a \$1 rounding difference.

Date of revision: 08-17-26

Revision 3

Correct Schedule K, Line 18, Income (loss) reconciliation, in the completed Form 1120-S.

Page Appendix C, Page 212

Replace \$221,499 on Schedule K, Line 18, with \$132,499.

The correct reconciliation is \$141,499 of ordinary business income plus \$1,000 of interest income, less the \$10,000 cash charitable contribution, for Schedule K, Line 18, income of \$132,499.

Schedule M-1, Line 8, on Page 213 already reports \$132,499 and does not change.

Form 1120-S (2025)		Pets and Company Inc		**-***4567		Page 4	
Schedule K Shareholders' Pro Rata Share Items (continued)							
Other Information	17a Investment income					17a	1,000
	b Investment expenses					17b	
	c Dividend distributions paid from accumulated earnings and profits					17c	
	d Other items and amounts (attach statement) See Statement 4						
Reconciliation	18 Income (loss) reconciliation. Combine the total amounts on lines 1 through 10. From the result, subtract the sum of the amounts on lines 11 through 12e and 16f					18	132,499

Date of revision: 08-17-26

Revision 4

Corrected the qualified production property rules under §168(n).

Pages 90-91

For qualified production property, construction generally must begin after Jan. 19, 2025 and before Jan. 1, 2029, and the property generally must be placed in service in the United States or a U.S. territory after July 4, 2025 and before Jan. 1, 2031. The §168(n) special depreciation allowance is elective.

Certain qualified nonresidential real property used in qualified specified production-related activities which are constructed between Jan. 20, 2025 and Dec. 31, 2025 under §168(n).

Date of revision: 08.28.2026

Revision 5

Page 159

Replace the 2025 §179 dollar limit of \$2,000,000 with \$2,500,000.

Correct the SUV limits to \$31,300 for 2025 and \$32,000 for 2026.

Date of revision: 08.28.2026

Revision 6

Correct the Schedule K-1 codes for cash charitable contributions.

Page 160

Change “Codes A and G” to “Codes A and B.”

Date of revision: 08.28.2026

Revision 7:

Correct the taxpayer level at which §1231 character is determined for QBI purposes.

Page 183

Change “partner level” to “shareholder level.”

Date of revision: 08.28.2026