

# TRP 3

## S Corporation Tax Return Problem Solution

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Required forms include Form 1120S, 2 Schedule K-1s, Form 4684, Form 4797, and Form 4562.

Depreciation: Pre-2012 acquisitions

$(\$60,000 - \$15,000) \times .1429 = \$45,000 \times .1429 = \$6,431$

$\$15,000 \times .1429 \times .5 = \$1,072$        $\$1,072 + \$6,431 = \$7,503$

2012 acquisitions

$\$20,000 \times .0357 = \$714$

$\$320,000 \times .00535 = \$1,712$

Total depreciation =  $\$7,503 + \$714 + \$1,712 = \$9,929$

Adjusted basis of assets sold:  $\$10,000 (1 - .5714) = \$4,286$  adjusted basis

$\$5,000 - \$4,286 = \$714$  gain on sale

$\$5,000 (1 - .5714) = \$2,143$  adjusted basis = loss on destruction

Employment Taxes: John – Social Security:

$\$9,000 \times 12 = \$108,000$ ;  $\$108,000 + \$3,500$  (insurance) =  $\$111,500$

$\$110,100 \times .062 = \$6,826.20$ ;  $\$111,500 \times .0145 = \$1,616.75$ ; Total =  $\$8,442.95$

Other Employees – Social Security:  $\$220,000 \times .0765 = \$16,830$

Total Social Security =  $\$25,273$

FUTA:  $8 \times \$7,000 \times .060 = \$3,360$

Total all employment taxes =  $\$3,360 + \$25,273 = \$28,633$

Total Deductions = 451,062 and Ordinary Income = 57,652.

The S Corporations does not include in its deductions the Domestic Production Activity Deduction.

Rather, the corporation passes each shareholder's share of the Qualified Production Activities Income and Form W-2 Wages through to them. The shareholders then determine their allowable deduction for all relevant domestic production activities at that level.

The S Corporation's Qualified Production Activities income is its taxable income of \$57,652 and its Form W-2 wages are \$331,500. Each shareholder's allocated share is reported on their K-1 in Box 12Q and 12R, respectively.

Weighted average ownership percentages: John:  $15,000/15,000 (59/365) = .1616$ ;  $15,000/25,000 (306/365) = .503$ ; Total = .6646

Tom:  $10,000/25,000 (306/365) = .3354$

S corporation income		\$57,652
Less:	Excess meals & entertainment	\$ 500
	Fines	2,000
	Bad debt expense	2,000
	Charitable contribution	10,000
	Casualty loss	<u>2,500</u>
		- 17,000
Plus:	Depreciation difference	\$1,729
	Added gain on sale	786
		+ <u>2,515</u>
Book Income		\$43,167

## Taxation for Decision Makers Tax Return Problem Solutions

### Schedule M-1:

Expenses recorded on books this year but not included in income: \$500 excess meals & entertainment, \$2,000 bad debt deduction; \$2,000 fines, \$357 additional loss.

Deductions included on Schedule K not charged against book income: \$1,729 additional depreciation and \$786 additional gain on sale.

### John's Cabinets

86-1122334

Form 1120S, Line 19

#### Other deductions:

Truck rental	\$3,000
50% of meals and entertainment	<u>500</u>
Total	\$3,500

Changes for 2013: Employment taxes for John will increase by \$86.80 [.062 (\$111,500 - \$110,100)]. This in turn will increase the corporation's expenses by \$87 and reduce net income by \$87.

Form **1120S**Department of the Treasury  
Internal Revenue Service**U.S. Income Tax Return for an S Corporation**▶ Do not file this form unless the corporation has filed or is  
attaching Form 2553 to elect to be an S corporation.▶ Information about Form 1120S and its separate instructions is at [www.irs.gov/form1120s](http://www.irs.gov/form1120s).

OMB No. 1545-0130

**2012**

For calendar year 2012 or tax year beginning , 2012, ending , 20

<b>A</b> S election effective date 07/01/2008	<b>TYPE OR PRINT</b>	Name John's Cabinets	<b>D</b> Employer identification number 86-1122334
<b>B</b> Business activity code number (see instructions) 321000		Number, street, and room or suite no. If a P.O. box, see instructions. 7620 N Commerce Place	<b>E</b> Date incorporated 07/01/2008
<b>C</b> Check if Sch. M-3 attached <input type="checkbox"/>		City or town, state, and ZIP code Beavercreek, Ohio 45440	<b>F</b> Total assets (see instructions) \$

**G** Is the corporation electing to be an S corporation beginning with this tax year? ☐ Yes ☐ No If "Yes," attach Form 2553 if not already filed**H** Check if: (1) ☐ Final return (2) ☐ Name change (3) ☐ Address change (4) ☐ Amended return (5) ☐ S election termination or revocation**I** Enter the number of shareholders who were shareholders during any part of the tax year . . . . . ▶ 2**Caution.** Include **only** trade or business income and expenses on lines 1a through 21. See the instructions for more information.

<b>Income</b>	<b>1 a</b> Gross receipts or sales . . . . .	<b>1 a</b>	850,000		
	<b>b</b> Returns and allowances . . . . .	<b>1 b</b>	12,000		
	<b>c</b> Balance. Subtract line 1b from line 1a . . . . .	<b>1 c</b>		838,000	
	<b>2</b> Cost of goods sold (attach Form 1125-A) . . . . .	<b>2</b>		330,000	
	<b>3</b> Gross profit. Subtract line 2 from line 1c . . . . .	<b>3</b>		508,000	
	<b>4</b> Net gain (loss) from Form 4797, line 17 (attach Form 4797) . . . . .	<b>4</b>		714	
<b>5</b> Other income (loss) (see instructions—attach statement) . . . . .	<b>5</b>				
<b>6</b> <b>Total income (loss).</b> Add lines 3 through 5 . . . . . ▶	<b>6</b>		508,714		
<b>Deductions</b> (see instructions for limitations)	<b>7</b> Compensation of officers . . . . .	<b>7</b>		111,500	
	<b>8</b> Salaries and wages (less employment credits) . . . . .	<b>8</b>		220,000	
	<b>9</b> Repairs and maintenance . . . . .	<b>9</b>		4,000	
	<b>10</b> Bad debts . . . . .	<b>10</b>			
	<b>11</b> Rents . . . . .	<b>11</b>		36,000	
	<b>12</b> Taxes and licenses . . . . .	<b>12</b>		42,633	
	<b>13</b> Interest . . . . .	<b>13</b>		4,000	
	<b>14</b> Depreciation not claimed on Form 1125-A or elsewhere on return (attach Form 4562) . . . . .	<b>14</b>		9,929	
	<b>15</b> Depletion ( <b>Do not deduct oil and gas depletion.</b> ) . . . . .	<b>15</b>			
	<b>16</b> Advertising . . . . .	<b>16</b>		2,000	
	<b>17</b> Pension, profit-sharing, etc., plans . . . . .	<b>17</b>			
	<b>18</b> Employee benefit programs . . . . .	<b>18</b>		17,500	
	<b>19</b> Other deductions (attach statement) . . . . .	<b>19</b>		3,500	
	<b>20</b> <b>Total deductions.</b> Add lines 7 through 19 . . . . . ▶	<b>20</b>		451,062	
	<b>21</b> <b>Ordinary business income (loss).</b> Subtract line 20 from line 6 . . . . .	<b>21</b>		57,652	
<b>Tax and Payments</b>	<b>22 a</b> Excess net passive income or LIFO recapture tax (see instructions) . . . . .	<b>22 a</b>			
	<b>b</b> Tax from Schedule D (Form 1120S) . . . . .	<b>22 b</b>			
	<b>c</b> Add lines 22a and 22b (see instructions for additional taxes) . . . . .	<b>22 c</b>			
	<b>23 a</b> 2012 estimated tax payments and 2011 overpayment credited to 2012 . . . . .	<b>23 a</b>			
	<b>b</b> Tax deposited with Form 7004 . . . . .	<b>23 b</b>			
	<b>c</b> Credit for federal tax paid on fuels (attach Form 4136) . . . . .	<b>23 c</b>			
	<b>d</b> Add lines 23a through 23c . . . . .	<b>23 d</b>			
	<b>24</b> Estimated tax penalty (see instructions). Check if Form 2220 is attached . . . . . ▶ <input type="checkbox"/>	<b>24</b>			
	<b>25</b> <b>Amount owed.</b> If line 23d is smaller than the total of lines 22c and 24, enter amount owed . . . . .	<b>25</b>			
	<b>26</b> <b>Overpayment.</b> If line 23d is larger than the total of lines 22c and 24, enter amount overpaid . . . . .	<b>26</b>			
<b>27</b> Enter amount from line 26 <b>Credited to 2013 estimated tax</b> ▶ <b>Refunded</b> ▶	<b>27</b>				

**Sign  
Here**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer

Date

Title

May the IRS discuss this return  
with the preparer shown below  
(see instructions)? ☐ Yes ☐ No**Paid  
Preparer  
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if  
self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no.

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 11510H

Form **1120S** (2012)

**Schedule B Other Information** (see instructions)

<b>1</b>	Check accounting method: <b>a</b> <input type="checkbox"/> Cash <b>b</b> <input type="checkbox"/> Accrual <b>c</b> <input checked="" type="checkbox"/> Other (specify) ► <u>Hybrid</u>	<b>Yes</b>	<b>No</b>
<b>2</b>	See the instructions and enter the: <b>a</b> Business activity ► <u>cabinet making</u> <b>b</b> Product or service ► <u>wood cabinets</u>		
<b>3</b>	At any time during the tax year, was any shareholder of the corporation a disregarded entity, a trust, an estate, or a nominee or similar person? . . . . .		✓
<b>4</b>	At the end of the tax year, did the corporation:		
<b>a</b>	Own directly 20% or more, or own, directly or indirectly, 50% or more of the total stock issued and outstanding of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below . . . . .		✓

(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation	(iv) Percentage of Stock Owned	(v) If Percentage in (iv) is 100%, Enter the Date (if any) a Qualified Subchapter S Subsidiary Election Was Made

<b>b</b>	Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below . . . . .		
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(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity	(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital

<b>5 a</b>	At the end of the tax year, did the corporation have any outstanding shares of restricted stock? . . . . . If "Yes," complete lines (i) and (ii) below. <b>(i)</b> Total shares of restricted stock . . . . . ► <b>(ii)</b> Total shares of non-restricted stock . . . . . ►		✓
<b>b</b>	At the end of the tax year, did the corporation have any outstanding stock options, warrants, or similar instruments? . . . . . If "Yes," complete lines (i) and (ii) below. <b>(i)</b> Total shares of stock outstanding at the end of the tax year ► <b>(ii)</b> Total shares of stock outstanding if all instruments were executed ►		✓
<b>6</b>	Has this corporation filed, or is it required to file, <b>Form 8918</b> , Material Advisor Disclosure Statement, to provide information on any reportable transaction? . . . . .		✓
<b>7</b>	Check this box if the corporation issued publicly offered debt instruments with original issue discount . . . . . <input type="checkbox"/> If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
<b>8</b>	If the corporation: <b>(a)</b> was a C corporation before it elected to be an S corporation <b>or</b> the corporation acquired an asset with a basis determined by reference to the basis of the asset (or the basis of any other property) in the hands of a C corporation <b>and</b> <b>(b)</b> has net unrealized built-in gain in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years (see instructions) . . . . . ► \$		
<b>9</b>	Enter the accumulated earnings and profits of the corporation at the end of the tax year. \$		
<b>10</b>	Does the corporation satisfy <b>both</b> of the following conditions?		
<b>a</b>	The corporation's total receipts (see instructions) for the tax year were less than \$250,000 . . . . .		
<b>b</b>	The corporation's total assets at the end of the tax year were less than \$250,000 . . . . . If "Yes," the corporation is not required to complete Schedules L and M-1.		✓
<b>11</b>	During the tax year, did the corporation have any non-shareholder debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt? . . . . . If "Yes," enter the amount of principal reduction \$		✓
<b>12</b>	During the tax year, was a qualified subchapter S subsidiary election terminated or revoked? If "Yes," see instructions . . . . .		✓
<b>13 a</b>	Did the corporation make any payments in 2012 that would require it to file Form(s) 1099? . . . . .		✓
<b>b</b>	If "Yes," did the corporation file or will it file required Forms 1099? . . . . .		

<b>Schedule K Shareholders' Pro Rata Share Items</b>		<b>Total amount</b>	
<b>Income (Loss)</b>	<b>1</b> Ordinary business income (loss) (page 1, line 21) . . . . .	<b>1</b>	57,652
	<b>2</b> Net rental real estate income (loss) (attach Form 8825) . . . . .	<b>2</b>	
	<b>3a</b> Other gross rental income (loss) . . . . . <b>3a</b>		
	<b>b</b> Expenses from other rental activities (attach statement) . . . . . <b>3b</b>		
	<b>c</b> Other net rental income (loss). Subtract line 3b from line 3a . . . . .	<b>3c</b>	
	<b>4</b> Interest income . . . . .	<b>4</b>	
	<b>5</b> Dividends: <b>a</b> Ordinary dividends . . . . . <b>5a</b>		
	<b>b</b> Qualified dividends . . . . . <b>5b</b>		
	<b>6</b> Royalties . . . . .	<b>6</b>	
	<b>7</b> Net short-term capital gain (loss) (attach Schedule D (Form 1120S)) . . . . .	<b>7</b>	
<b>8a</b> Net long-term capital gain (loss) (attach Schedule D (Form 1120S)) . . . . .	<b>8a</b>		
<b>b</b> Collectibles (28%) gain (loss) . . . . . <b>8b</b>			
<b>c</b> Unrecaptured section 1250 gain (attach statement) . . . . . <b>8c</b>			
<b>9</b> Net section 1231 gain (loss) (attach Form 4797) . . . . .	<b>9</b>		
<b>10</b> Other income (loss) (see instructions) . . . Type ▶	<b>10</b>	(2,143)	
<b>Deductions</b>	<b>11</b> Section 179 deduction (attach Form 4562) . . . . .	<b>11</b>	
	<b>12a</b> Charitable contributions . . . . .	<b>12a</b>	10,000
	<b>b</b> Investment interest expense . . . . .	<b>12b</b>	
	<b>c</b> Section 59(e)(2) expenditures <b>(1)</b> Type ▶ <b>(2)</b> Amount ▶	<b>12c(2)</b>	
<b>d</b> Other deductions (see instructions) . . . Type ▶	<b>12d</b>		
<b>Credits</b>	<b>13a</b> Low-income housing credit (section 42(j)(5)) . . . . .	<b>13a</b>	
	<b>b</b> Low-income housing credit (other) . . . . .	<b>13b</b>	
	<b>c</b> Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) . . . . .	<b>13c</b>	
	<b>d</b> Other rental real estate credits (see instructions) Type ▶	<b>13d</b>	
	<b>e</b> Other rental credits (see instructions) . . . Type ▶	<b>13e</b>	
	<b>f</b> Alcohol and cellulosic biofuel fuels credit (attach Form 6478) . . . . .	<b>13f</b>	
	<b>g</b> Other credits (see instructions) . . . . . Type ▶	<b>13g</b>	
<b>Foreign Transactions</b>	<b>14a</b> Name of country or U.S. possession ▶		
	<b>b</b> Gross income from all sources . . . . .	<b>14b</b>	
	<b>c</b> Gross income sourced at shareholder level . . . . .	<b>14c</b>	
	Foreign gross income sourced at corporate level . . . . .		
	<b>d</b> Passive category . . . . .	<b>14d</b>	
	<b>e</b> General category . . . . .	<b>14e</b>	
	<b>f</b> Other (attach statement) . . . . .	<b>14f</b>	
	Deductions allocated and apportioned at shareholder level . . . . .		
	<b>g</b> Interest expense . . . . .	<b>14g</b>	
	<b>h</b> Other . . . . .	<b>14h</b>	
	Deductions allocated and apportioned at corporate level to foreign source income . . . . .		
	<b>i</b> Passive category . . . . .	<b>14i</b>	
	<b>j</b> General category . . . . .	<b>14j</b>	
	<b>k</b> Other (attach statement) . . . . .	<b>14k</b>	
Other information . . . . .			
<b>l</b> Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued . . . . .	<b>14l</b>		
<b>m</b> Reduction in taxes available for credit (attach statement) . . . . .	<b>14m</b>		
<b>n</b> Other foreign tax information (attach statement)			
<b>Alternative Minimum Tax (AMT) Items</b>	<b>15a</b> Post-1986 depreciation adjustment . . . . .	<b>15a</b>	
	<b>b</b> Adjusted gain or loss . . . . .	<b>15b</b>	
	<b>c</b> Depletion (other than oil and gas) . . . . .	<b>15c</b>	
	<b>d</b> Oil, gas, and geothermal properties—gross income . . . . .	<b>15d</b>	
	<b>e</b> Oil, gas, and geothermal properties—deductions . . . . .	<b>15e</b>	
	<b>f</b> Other AMT items (attach statement) . . . . .	<b>15f</b>	
<b>Items Affecting Shareholder Basis</b>	<b>16a</b> Tax-exempt interest income . . . . .	<b>16a</b>	
	<b>b</b> Other tax-exempt income . . . . .	<b>16b</b>	
	<b>c</b> Nondeductible expenses . . . . .	<b>16c</b>	2,500
	<b>d</b> Distributions (attach statement if required) (see instructions) . . . . .	<b>16d</b>	
	<b>e</b> Repayment of loans from shareholders . . . . .	<b>16e</b>	

<b>Schedule K</b>		<b>Shareholders' Pro Rata Share Items</b> (continued)	<b>Total amount</b>	
<b>Other Information</b>	<b>17a</b>	Investment income . . . . .	<b>17a</b>	
	<b>b</b>	Investment expenses . . . . .	<b>17b</b>	
	<b>c</b>	Dividend distributions paid from accumulated earnings and profits . . . . .	<b>17c</b>	
	<b>d</b>	Other items and amounts (attach statement)		
<b>Reconciliation</b>	<b>18</b>	<b>Income/loss reconciliation.</b> Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and 14i	<b>18</b>	45,509

<b>Schedule L</b>		<b>Balance Sheets per Books</b>		Beginning of tax year		End of tax year	
<b>Assets</b>		(a)	(b)	(c)	(d)		
<b>1</b>	Cash . . . . .						
<b>2a</b>	Trade notes and accounts receivable . . . . .						
<b>b</b>	Less allowance for bad debts . . . . .	( )		( )			
<b>3</b>	Inventories . . . . .						
<b>4</b>	U.S. government obligations . . . . .						
<b>5</b>	Tax-exempt securities (see instructions) . . . . .						
<b>6</b>	Other current assets (attach statement) . . . . .						
<b>7</b>	Loans to shareholders . . . . .						
<b>8</b>	Mortgage and real estate loans . . . . .						
<b>9</b>	Other investments (attach statement) . . . . .						
<b>10a</b>	Buildings and other depreciable assets . . . . .						
<b>b</b>	Less accumulated depreciation . . . . .	( )		( )			
<b>11a</b>	Depletable assets . . . . .						
<b>b</b>	Less accumulated depletion . . . . .	( )		( )			
<b>12</b>	Land (net of any amortization) . . . . .						
<b>13a</b>	Intangible assets (amortizable only) . . . . .						
<b>b</b>	Less accumulated amortization . . . . .	( )		( )			
<b>14</b>	Other assets (attach statement) . . . . .						
<b>15</b>	Total assets . . . . .						
<b>Liabilities and Shareholders' Equity</b>							
<b>16</b>	Accounts payable . . . . .						
<b>17</b>	Mortgages, notes, bonds payable in less than 1 year . . . . .						
<b>18</b>	Other current liabilities (attach statement) . . . . .						
<b>19</b>	Loans from shareholders . . . . .						
<b>20</b>	Mortgages, notes, bonds payable in 1 year or more . . . . .						
<b>21</b>	Other liabilities (attach statement) . . . . .						
<b>22</b>	Capital stock . . . . .						
<b>23</b>	Additional paid-in capital . . . . .						
<b>24</b>	Retained earnings . . . . .						
<b>25</b>	Adjustments to shareholders' equity (attach statement) . . . . .						
<b>26</b>	Less cost of treasury stock . . . . .		( )		( )		
<b>27</b>	Total liabilities and shareholders' equity . . . . .						

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return****Note.** Schedule M-3 required instead of Schedule M-1 if total assets are \$10 million or more—see instructions

<b>1</b>	Net income (loss) per books . . . . .	43,167	<b>5</b>	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):	
<b>2</b>	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize) _____		<b>a</b>	Tax-exempt interest \$ _____	
<b>3</b>	Expenses recorded on books this year not included on Schedule K, lines 1 through 12 and 14l (itemize):		<b>6</b>	Deductions included on Schedule K, lines 1 through 12 and 14l, not charged against book income this year (itemize):	
<b>a</b>	Depreciation \$ _____		<b>a</b>	Depreciation \$ 1,729	
<b>b</b>	Travel and entertainment \$ 500			added-gain-on-disposal-786	2,515
	2,000-bad-debt;-2,000-fine;-357-loss	4,857	<b>7</b>	Add lines 5 and 6 . . . . .	
<b>4</b>	Add lines 1 through 3 . . . . .	48,024	<b>8</b>	Income (loss) (Schedule K, line 18). Line 4 less line 7	45,509

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed** (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
<b>1</b>	Balance at beginning of tax year . . . . .	35,700	
<b>2</b>	Ordinary income from page 1, line 21 . . . . .	57,652	
<b>3</b>	Other additions . . . . .		
<b>4</b>	Loss from page 1, line 21 . . . . .	( )	
<b>5</b>	Other reductions . . . . .	(14,643)	
<b>6</b>	Combine lines 1 through 5 . . . . .		
<b>7</b>	Distributions other than dividend distributions . . . . .		
<b>8</b>	Balance at end of tax year. Subtract line 7 from line 6	78,709	

☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Schedule K-1  
(Form 1120S)**Department of the Treasury  
Internal Revenue Service**2012**For calendar year 2012, or tax  
year beginning \_\_\_\_\_, 2012  
ending \_\_\_\_\_, 20\_\_\_\_**Shareholder's Share of Income, Deductions,  
Credits, etc.**

► See back of form and separate instructions.

<b>Part I Information About the Corporation</b>		<b>Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items</b>		
<b>A</b> Corporation's employer identification number 86-1122334	<b>1</b> Ordinary business income (loss) 38,316	<b>13</b> Credits		
<b>B</b> Corporation's name, address, city, state, and ZIP code John's Cabinets 7620 Commerce Place Beavercreek, Ohio 45440	<b>2</b> Net rental real estate income (loss)			
	<b>3</b> Other net rental income (loss)			
	<b>4</b> Interest income			
<b>C</b> IRS Center where corporation filed return Cincinnati, Ohio	<b>5a</b> Ordinary dividends			
	<b>5b</b> Qualified dividends	<b>14</b> Foreign transactions		
	<b>6</b> Royalties			
<b>Part II Information About the Shareholder</b>	<b>7</b> Net short-term capital gain (loss)			
	<b>8a</b> Net long-term capital gain (loss)			
	<b>8b</b> Collectibles (28%) gain (loss)			
<b>D</b> Shareholder's identifying number 555-55-5555	<b>8c</b> Unrecaptured section 1250 gain			
<b>E</b> Shareholder's name, address, city, state, and ZIP code John Forsythe 100 Main Street Kettering, Ohio 45435	<b>9</b> Net section 1231 gain (loss)			
	<b>10</b> Other income (loss) (1,424)	<b>15</b> Alternative minimum tax (AMT) items		
<b>F</b> Shareholder's percentage of stock ownership for tax year . . . . . 66.46 %				
For IRS Use Only	<b>11</b> Section 179 deduction	<b>16</b> Items affecting shareholder basis		
	<b>12</b> Other deductions	C	M&E-377	
	C	6,646	C	Fines-1,329
	Q	38,316		
	R	220,315		
			<b>17</b> Other information	
* See attached statement for additional information.				



☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

**Schedule K-1  
(Form 1120S)**Department of the Treasury  
Internal Revenue Service**2012**For calendar year 2012, or tax  
year beginning \_\_\_\_\_, 2012  
ending \_\_\_\_\_, 20\_\_\_\_**Shareholder's Share of Income, Deductions,  
Credits, etc.**

► See back of form and separate instructions.

<b>Part I Information About the Corporation</b>		<b>Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items</b>		
<b>A</b> Corporation's employer identification number 86-1122334	<b>1</b> Ordinary business income (loss) 19,336	<b>13</b> Credits		
<b>B</b> Corporation's name, address, city, state, and ZIP code John's Cabinets 7620 Commerce Place Beavercreek, Ohio 45440	<b>2</b> Net rental real estate income (loss)			
	<b>3</b> Other net rental income (loss)			
	<b>4</b> Interest income			
<b>C</b> IRS Center where corporation filed return Cincinnati, Ohio	<b>5a</b> Ordinary dividends			
	<b>5b</b> Qualified dividends	<b>14</b> Foreign transactions		
	<b>6</b> Royalties			
<b>Part II Information About the Shareholder</b>	<b>7</b> Net short-term capital gain (loss)			
	<b>8a</b> Net long-term capital gain (loss)			
	<b>8b</b> Collectibles (28%) gain (loss)			
<b>D</b> Shareholder's identifying number 666-66-6666	<b>8c</b> Unrecaptured section 1250 gain			
<b>E</b> Shareholder's name, address, city, state, and ZIP code Tom Jones 222 Williams Street Fairborn, Ohio 45422	<b>9</b> Net section 1231 gain (loss)			
	<b>10</b> Other income (loss) (719)	<b>15</b> Alternative minimum tax (AMT) items		
<b>F</b> Shareholder's percentage of stock ownership for tax year . . . . . 33.54 %				
For IRS Use Only	<b>11</b> Section 179 deduction	<b>16</b> Items affecting shareholder basis		
	<b>12</b> Other deductions	C	M&E-168	
	C	3,354	C	Fines-671
	Q	19,336		
	R	111,185		
			<b>17</b> Other information	
* See attached statement for additional information.				

**This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.**

- 1. Ordinary business income (loss).** Determine whether the income (loss) is passive or nonpassive and enter on your return as follows:

Passive loss	<i>Report on</i> See the Shareholder's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

- 2. Net rental real estate income (loss)** See the Shareholder's Instructions

**3. Other net rental income (loss)**

Net income	Schedule E, line 28, column (g)
Net loss	See the Shareholder's Instructions

**4. Interest income**

Form 1040, line 8a

**5a. Ordinary dividends**

Form 1040, line 9a

**5b. Qualified dividends**

Form 1040, line 9b

**6. Royalties**

Schedule E, line 4

**7. Net short-term capital gain (loss)**

Schedule D, line 5

**8a. Net long-term capital gain (loss)**

Schedule D, line 12

**8b. Collectibles (28%) gain (loss)**

28% Rate Gain Worksheet, line 4  
(Schedule D instructions)

**8c. Unrecaptured section 1250 gain**

See the Shareholder's Instructions

**9. Net section 1231 gain (loss)**

See the Shareholder's Instructions

**10. Other income (loss)**

*Code*

<b>A</b> Other portfolio income (loss)	See the Shareholder's Instructions
<b>B</b> Involuntary conversions	See the Shareholder's Instructions
<b>C</b> Sec. 1256 contracts & straddles	Form 6781, line 1
<b>D</b> Mining exploration costs recapture	See Pub. 535
<b>E</b> Other income (loss)	See the Shareholder's Instructions

**11. Section 179 deduction**

See the Shareholder's Instructions

**12. Other deductions**

<b>A</b> Cash contributions (50%)	See the Shareholder's Instructions
<b>B</b> Cash contributions (30%)	
<b>C</b> Noncash contributions (50%)	
<b>D</b> Noncash contributions (30%)	
<b>E</b> Capital gain property to a 50% organization (30%)	
<b>F</b> Capital gain property (20%)	Form 4952, line 1
<b>G</b> Contributions (100%)	
<b>H</b> Investment interest expense	
<b>I</b> Deductions—royalty income	
<b>J</b> Section 59(e)(2) expenditures	
<b>K</b> Deductions—portfolio (2% floor)	Schedule A, line 23
<b>L</b> Deductions—portfolio (other)	Schedule A, line 28
<b>M</b> Preproductive period expenses	See the Shareholder's Instructions
<b>N</b> Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
<b>O</b> Reforestation expense deduction	See the Shareholder's Instructions
<b>P</b> Domestic production activities information	See Form 8903 instructions
<b>Q</b> Qualified production activities income	Form 8903, line 7b
<b>R</b> Employer's Form W-2 wages	Form 8903, line 17
<b>S</b> Other deductions	See the Shareholder's Instructions

**13. Credits**

<b>A</b> Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Shareholder's Instructions
<b>B</b> Low-income housing credit (other) from pre-2008 buildings	
<b>C</b> Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
<b>D</b> Low-income housing credit (other) from post-2007 buildings	
<b>E</b> Qualified rehabilitation expenditures (rental real estate)	
<b>F</b> Other rental real estate credits	Form 1040, line 71, box a
<b>G</b> Other rental credits	
<b>H</b> Undistributed capital gains credit	
<b>I</b> Alcohol and cellulosic biofuel fuels credit	
<b>J</b> Work opportunity credit	
<b>K</b> Disabled access credit	See the Shareholder's Instructions
<b>L</b> Empowerment zone and renewal community employment credit	

*Code*

<b>M</b> Credit for increasing research activities	See the Shareholder's Instructions
<b>N</b> Credit for employer social security and Medicare taxes	
<b>O</b> Backup withholding	
<b>P</b> Other credits	

*Report on*

**14. Foreign transactions**

<b>A</b> Name of country or U.S. possession	Form 1116, Part I
<b>B</b> Gross income from all sources	
<b>C</b> Gross income sourced at shareholder level	

*Foreign gross income sourced at corporate level*

<b>D</b> Passive category	Form 1116, Part I
<b>E</b> General category	
<b>F</b> Other	

*Deductions allocated and apportioned at shareholder level*

<b>G</b> Interest expense	Form 1116, Part I
<b>H</b> Other	Form 1116, Part I

*Deductions allocated and apportioned at corporate level to foreign source income*

<b>I</b> Passive category	Form 1116, Part I
<b>J</b> General category	
<b>K</b> Other	

*Other information*

<b>L</b> Total foreign taxes paid	Form 1116, Part II
<b>M</b> Total foreign taxes accrued	Form 1116, Part II
<b>N</b> Reduction in taxes available for credit	Form 1116, line 12
<b>O</b> Foreign trading gross receipts	Form 8873
<b>P</b> Extraterritorial income exclusion	Form 8873
<b>Q</b> Other foreign transactions	See the Shareholder's Instructions

**15. Alternative minimum tax (AMT) items**

<b>A</b> Post-1986 depreciation adjustment	See the Shareholder's Instructions and the Instructions for Form 6251
<b>B</b> Adjusted gain or loss	
<b>C</b> Depletion (other than oil & gas)	
<b>D</b> Oil, gas, & geothermal—gross income	
<b>E</b> Oil, gas, & geothermal—deductions	
<b>F</b> Other AMT items	

**16. Items affecting shareholder basis**

<b>A</b> Tax-exempt interest income	Form 1040, line 8b
<b>B</b> Other tax-exempt income	See the Shareholder's Instructions
<b>C</b> Nondeductible expenses	
<b>D</b> Distributions	
<b>E</b> Repayment of loans from shareholders	

**17. Other information**

<b>A</b> Investment income	Form 4952, line 4a
<b>B</b> Investment expenses	Form 4952, line 5
<b>C</b> Qualified rehabilitation expenditures (other than rental real estate)	See the Shareholder's Instructions
<b>D</b> Basis of energy property	See the Shareholder's Instructions
<b>E</b> Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
<b>F</b> Recapture of low-income housing credit (other)	Form 8611, line 8
<b>G</b> Recapture of investment credit	See Form 4255
<b>H</b> Recapture of other credits	See the Shareholder's Instructions
<b>I</b> Look-back interest—completed long-term contracts	See Form 8697
<b>J</b> Look-back interest—income forecast method	See Form 8866
<b>K</b> Dispositions of property with section 179 deductions	See the Shareholder's Instructions
<b>L</b> Recapture of section 179 deduction	
<b>M</b> Section 453(l)(3) information	
<b>N</b> Section 453A(c) information	
<b>O</b> Section 1260(b) information	
<b>P</b> Interest allocable to production expenditures	
<b>Q</b> CCF nonqualified withdrawals	
<b>R</b> Depletion information—oil and gas	
<b>S</b> Amortization of reforestation costs	See the Shareholder's Instructions
<b>T</b> Section 108(i) information	
<b>U</b> Other information	

(Rev. December 2012)  
Department of the Treasury  
Internal Revenue Service▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B.**  
▶ **Information about Form 1125-A and its instructions is at [www.irs.gov/form1125a](http://www.irs.gov/form1125a).**

Name <b>John's Cabinets</b>		Employer identification number <b>86-1122334</b>	
<b>1</b>	Inventory at beginning of year . . . . .	<b>1</b>	<b>25,000</b>
<b>2</b>	Purchases . . . . .	<b>2</b>	<b>335,000</b>
<b>3</b>	Cost of labor . . . . .	<b>3</b>	
<b>4</b>	Additional section 263A costs (attach schedule) . . . . .	<b>4</b>	
<b>5</b>	Other costs (attach schedule) . . . . .	<b>5</b>	
<b>6</b>	<b>Total.</b> Add lines 1 through 5 . . . . .	<b>6</b>	<b>360,000</b>
<b>7</b>	Inventory at end of year . . . . .	<b>7</b>	<b>30,000</b>
<b>8</b>	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return (see instructions) . . . . .	<b>8</b>	<b>330,000</b>

**9a** Check all methods used for valuing closing inventory:

(i) ☒ Cost

(ii) ☐ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ▶ \_\_\_\_\_

**b** Check if there was a writedown of subnormal goods . . . . . ▶ ☐

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) . . . . . ▶ ☐

**d** If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO . . . . . **9d** \_\_\_\_\_

**e** If property is produced or acquired for resale, do the rules of section 263A apply to the entity (see instructions)? . . . ☐ Yes ☐ No

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation . . . . . ☐ Yes ☒ No

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

**General Instructions****Purpose of Form**

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

**Who Must File**

Filers of Form 1120, 1120-C, 1120-F, 1120S, 1065, or 1065-B, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

**Inventories**

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

**Exception for certain taxpayers.** If you are a qualifying taxpayer or a qualifying small business taxpayer (defined below), you can adopt or change your accounting method to account for inventoriable items in the same manner as materials and supplies that are not incidental.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods and merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year you paid for the raw materials or merchandise, if you are also using the cash method).

If you account for inventoriable items in the same manner as materials and supplies that are not incidental, you can currently deduct expenditures for direct labor and all indirect costs that would otherwise be included in inventory costs. See the instructions for lines 2 and 7.

For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on adopting or changing to this method of accounting, see Form 3115, Application for Change in Accounting Method, and its instructions.

**Qualifying taxpayer.** A qualifying taxpayer is a taxpayer that, (a) for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3 prior tax years and (b) its business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2001-10, 2001-2 I.R.B. 272.**Qualifying small business taxpayer.** A qualifying small business taxpayer is a taxpayer that, (a) for each prior tax year

ending on or after December 31, 2000, has average annual gross receipts of \$10 million or less for the 3 prior tax years, (b) whose principal business activity is not an ineligible activity, and (c) whose business is not a tax shelter (as defined in section 448(d)(3)). See Rev. Proc. 2002-28, 2002-18 I.R.B. 815.

**Uniform capitalization rules.** The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property by a corporation for use in its trade or business or in an activity engaged in for profit.

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

**Casualties and Thefts**► Information about Form 4684 and its separate instructions is at [www.irs.gov/form4684](http://www.irs.gov/form4684).

► Attach to your tax return.

► Use a separate Form 4684 for each casualty or theft.

Name(s) shown on tax return

Identifying number

[John's Cabinets](#)

86-1122334

**SECTION A—Personal Use Property** (Use this section to report casualties and thefts of property **not** used in a trade or business or for income-producing purposes.)

- 1 Description of properties (show type, location, and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft.

Property **A** \_\_\_\_\_Property **B** \_\_\_\_\_Property **C** \_\_\_\_\_Property **D** \_\_\_\_\_**Properties**

		A	B	C	D
2 Cost or other basis of each property . . . . .	<b>2</b>				
3 Insurance or other reimbursement (whether or not you filed a claim) (see instructions) . . . . .	<b>3</b>				
<b>Note:</b> If line 2 is <b>more</b> than line 3, skip line 4.					
4 Gain from casualty or theft. If line 3 is <b>more</b> than line 2, enter the difference here and skip lines 5 through 9 for that column. See instructions if line 3 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year . . . . .	<b>4</b>				
5 Fair market value <b>before</b> casualty or theft . . . . .	<b>5</b>				
6 Fair market value <b>after</b> casualty or theft . . . . .	<b>6</b>				
7 Subtract line 6 from line 5 . . . . .	<b>7</b>				
8 Enter the <b>smaller</b> of line 2 or line 7 . . . . .	<b>8</b>				
9 Subtract line 3 from line 8. If zero or less, enter -0- . . . . .	<b>9</b>				
10 Casualty or theft loss. Add the amounts on line 9 in columns A through D . . . . .	<b>10</b>				
11 Enter the <b>smaller</b> of line 10 or \$100 . . . . .	<b>11</b>				
12 Subtract line 11 from line 10 . . . . .	<b>12</b>				
<b>Caution:</b> Use only one Form 4684 for lines 13 through 18.					
13 Add the amounts on line 12 of all Forms 4684 . . . . .	<b>13</b>				
14 Add the amounts on line 4 of all Forms 4684. . . . .	<b>14</b>				
15 • If line 14 is <b>more</b> than line 13, enter the difference here and on Schedule D. <b>Do not</b> complete the rest of this section (see instructions). • If line 14 is <b>less</b> than line 13, enter -0- here and go to line 16. • If line 14 is <b>equal</b> to line 13, enter -0- here. <b>Do not</b> complete the rest of this section.	<b>15</b>				
16 If line 14 is <b>less</b> than line 13, enter the difference . . . . .	<b>16</b>				
17 Enter 10% of your adjusted gross income from Form 1040, line 38, or Form 1040NR, line 37. Estates and trusts, see instructions . . . . .	<b>17</b>				
18 Subtract line 17 from line 16. If zero or less, enter -0-. Also enter the result on Schedule A (Form 1040), line 20, or Form 1040NR, Schedule A, line 6. Estates and trusts, enter the result on the "Other deductions" line of your tax return . . . . .	<b>18</b>				

For Paperwork Reduction Act Notice, see instructions.

Cat. No. 129970

Form **4684** (2012)

Name(s) shown on tax return. Do not enter name and identifying number if shown on other side.

Identifying number

John's Cabinets

861122334

**SECTION B—Business and Income-Producing Property****Part I Casualty or Theft Gain or Loss** (Use a separate Part I for each casualty or theft.)

- 19 Description of properties (show type, location, and date acquired for each property). Use a separate line for each property lost or damaged from the same casualty or theft.

Property A Machine

Property B

Property C

Property D

		Properties			
		A	B	C	D
20	Cost or adjusted basis of each property . . . . .	20	2,143		
21	Insurance or other reimbursement (whether or not you filed a claim). See the instructions for line 3 . . . . .	21	0		
<b>Note:</b> If line 20 is <b>more</b> than line 21, skip line 22.					
22	Gain from casualty or theft. If line 21 is <b>more</b> than line 20, enter the difference here and on line 29 or line 34, column (c), except as provided in the instructions for line 33. Also, skip lines 23 through 27 for that column. See the instructions for line 4 if line 21 includes insurance or other reimbursement you did not claim, or you received payment for your loss in a later tax year . . . . .	22			
23	Fair market value <b>before</b> casualty or theft . . . . .	23	2,500		
24	Fair market value <b>after</b> casualty or theft . . . . .	24	0		
25	Subtract line 24 from line 23 . . . . .	25	2,500		
26	Enter the <b>smaller</b> of line 20 or line 25 . . . . .	26	2,143		
<b>Note:</b> If the property was totally destroyed by casualty or lost from theft, enter on line 26 the amount from line 20.					
27	Subtract line 21 from line 26. If zero or less, enter -0- . . . . .	27	2,143		
28	Casualty or theft loss. Add the amounts on line 27. Enter the total here and on line 29 or line 34 (see instructions) . . . . .	28	2,143		

**Part II Summary of Gains and Losses** (from separate Parts I)

(a) Identify casualty or theft

(b) Losses from casualties or thefts

(i) Trade, business, rental or royalty property

(ii) Income-producing and employee property

(c) Gains from casualties or thefts includible in income

**Casualty or Theft of Property Held One Year or Less**

29		(	)	(	)		
30	Totals. Add the amounts on line 29 . . . . .	30	(	)	(	)	
31	Combine line 30, columns (b)(i) and (c). Enter the net gain or (loss) here and on Form 4797, line 14. If Form 4797 is not otherwise required, see instructions . . . . .	31					
32	Enter the amount from line 30, column (b)(ii) here. Individuals, enter the amount from income-producing property on Schedule A (Form 1040), line 28, or Form 1040NR, Schedule A, line 14, and enter the amount from property used as an employee on Schedule A (Form 1040), line 23, or Form 1040NR, Schedule A, line 9. Estates and trusts, partnerships, and S corporations, see instructions . . . . .	32					

**Casualty or Theft of Property Held More Than One Year**

33	Casualty or theft gains from Form 4797, line 32 . . . . .	33				
34		(	2,143	)	(	)
35	Total losses. Add amounts on line 34, columns (b)(i) and (b)(ii) . . . . .	35	(	2,143	)	(
36	Total gains. Add lines 33 and 34, column (c) . . . . .	36				
37	Add amounts on line 35, columns (b)(i) and (b)(ii) . . . . .	37			(2,143)	
38	If the loss on line 37 is <b>more</b> than the gain on line 36:					
a	Combine line 35, column (b)(i) and line 36, and enter the net gain or (loss) here. Partnerships (except electing large partnerships) and S corporations, see the note below. All others, enter this amount on Form 4797, line 14. If Form 4797 is not otherwise required, see instructions . . . . .	38a			(2,143)	
b	Enter the amount from line 35, column (b)(ii) here. Individuals, enter the amount from income-producing property on Schedule A (Form 1040), line 28, or Form 1040NR, Schedule A, line 14, and enter the amount from property used as an employee on Schedule A (Form 1040), line 23, or Form 1040NR, Schedule A, line 9. Estates and trusts, enter on the "Other deductions" line of your tax return. Partnerships (except electing large partnerships) and S corporations, see the note below. Electing large partnerships, enter on Form 1065-B, Part II, line 11 . . . . .	38b				
39	If the loss on line 37 is <b>less</b> than or <b>equal</b> to the gain on line 36, combine lines 36 and 37 and enter here. Partnerships (except electing large partnerships), see the note below. All others, enter this amount on Form 4797, line 3 . . . . .	39				

**Note:** Partnerships, enter the amount from line 38a, 38b, or line 39 on Form 1065, Schedule K, line 11.  
S corporations, enter the amount from line 38a or 38b on Form 1120S, Schedule K, line 10.

**Sales of Business Property**  
(Also Involuntary Conversions and Recapture Amounts  
Under Sections 179 and 280F(b)(2))

▶ Attach to your tax return.

▶ Information about Form 4797 and its separate instructions is at [www.irs.gov/form4797](http://www.irs.gov/form4797).

OMB No. 1545-0184

**2012**Attachment  
Sequence No. **27**

Name(s) shown on return

John's Cabinets

Identifying number

86-1122334

- 1** Enter the gross proceeds from sales or exchanges reported to you for 2012 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) . . . . .

**1****Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft—Most Property Held More Than 1 Year** (see instructions)

<b>2</b>	<b>(a)</b> Description of property	<b>(b)</b> Date acquired (mo., day, yr.)	<b>(c)</b> Date sold (mo., day, yr.)	<b>(d)</b> Gross sales price	<b>(e)</b> Depreciation allowed or allowable since acquisition	<b>(f)</b> Cost or other basis, plus improvements and expense of sale	<b>(g)</b> Gain or (loss) Subtract (f) from the sum of (d) and (e)
<b>3</b>	Gain, if any, from Form 4684, line 39 . . . . .						<b>3</b>
<b>4</b>	Section 1231 gain from installment sales from Form 6252, line 26 or 37 . . . . .						<b>4</b>
<b>5</b>	Section 1231 gain or (loss) from like-kind exchanges from Form 8824 . . . . .						<b>5</b>
<b>6</b>	Gain, if any, from line 32, from other than casualty or theft. . . . .						<b>6</b>
<b>7</b>	Combine lines 2 through 6. Enter the gain or (loss) here and on the appropriate line as follows: . . . . .						<b>7</b>
<b>Partnerships (except electing large partnerships) and S corporations.</b> Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 10, or Form 1120S, Schedule K, line 9. Skip lines 8, 9, 11, and 12 below. <b>Individuals, partners, S corporation shareholders, and all others.</b> If line 7 is zero or a loss, enter the amount from line 7 on line 11 below and skip lines 8 and 9. If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on the Schedule D filed with your return and skip lines 8, 9, 11, and 12 below.							
<b>8</b>	Nonrecaptured net section 1231 losses from prior years (see instructions) . . . . .						<b>8</b>
<b>9</b>	Subtract line 8 from line 7. If zero or less, enter -0-. If line 9 is zero, enter the gain from line 7 on line 12 below. If line 9 is more than zero, enter the amount from line 8 on line 12 below and enter the gain from line 9 as a long-term capital gain on the Schedule D filed with your return (see instructions) . . . . .						<b>9</b>

**Part II Ordinary Gains and Losses** (see instructions)

- 10**
- Ordinary gains and losses not included on lines 11 through 16 (include property held 1 year or less):

<b>11</b>	Loss, if any, from line 7 . . . . .						<b>11</b> ( )
<b>12</b>	Gain, if any, from line 7 or amount from line 8, if applicable . . . . .						<b>12</b>
<b>13</b>	Gain, if any, from line 31 . . . . .						<b>13</b> 714
<b>14</b>	Net gain or (loss) from Form 4684, lines 31 and 38a . . . . .						<b>14</b>
<b>15</b>	Ordinary gain from installment sales from Form 6252, line 25 or 36 . . . . .						<b>15</b>
<b>16</b>	Ordinary gain or (loss) from like-kind exchanges from Form 8824. . . . .						<b>16</b>
<b>17</b>	Combine lines 10 through 16 . . . . .						<b>17</b> 714
<b>18</b>	For all except individual returns, enter the amount from line 17 on the appropriate line of your return and skip lines a and b below. For individual returns, complete lines a and b below:						
<b>a</b>	If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 28, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 23. Identify as from "Form 4797, line 18a." See instructions . . . . .						<b>18a</b>
<b>b</b>	Redetermine the gain or (loss) on line 17 excluding the loss, if any, on line 18a. Enter here and on Form 1040, line 14 . . . . .						<b>18b</b>

For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 130861

Form **4797** (2012)



**Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255**  
 (see instructions)

19 (a) Description of section 1245, 1250, 1252, 1254, or 1255 property:		(b) Date acquired (mo., day, yr.)	(c) Date sold (mo., day, yr.)
<b>A</b>	Machine	7/2008	9/15/2012
<b>B</b>			
<b>C</b>			
<b>D</b>			

  

These columns relate to the properties on lines 19A through 19D. ▶		Property A	Property B	Property C	Property D
<b>20</b>	Gross sales price ( <b>Note:</b> See line 1 before completing.) . . . . .	<b>20</b> 5,000			
<b>21</b>	Cost or other basis plus expense of sale . . . . .	<b>21</b> 10,000			
<b>22</b>	Depreciation (or depletion) allowed or allowable. . . . .	<b>22</b> 5,714			
<b>23</b>	Adjusted basis. Subtract line 22 from line 21. . . . .	<b>23</b> 4,286			
<b>24</b>	Total gain. Subtract line 23 from line 20 . . . . .	<b>24</b> 714			
<b>25</b>	<b>If section 1245 property:</b>				
<b>a</b>	Depreciation allowed or allowable from line 22 . . . . .	<b>25a</b> 5,714			
<b>b</b>	Enter the <b>smaller</b> of line 24 or 25a . . . . .	<b>25b</b> 714			
<b>26</b>	<b>If section 1250 property:</b> If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.				
<b>a</b>	Additional depreciation after 1975 (see instructions) . . . . .	<b>26a</b>			
<b>b</b>	Applicable percentage multiplied by the <b>smaller</b> of line 24 or line 26a (see instructions) . . . . .	<b>26b</b>			
<b>c</b>	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e . . . . .	<b>26c</b>			
<b>d</b>	Additional depreciation after 1969 and before 1976. . . . .	<b>26d</b>			
<b>e</b>	Enter the <b>smaller</b> of line 26c or 26d . . . . .	<b>26e</b>			
<b>f</b>	Section 291 amount (corporations only) . . . . .	<b>26f</b>			
<b>g</b>	Add lines 26b, 26e, and 26f. . . . .	<b>26g</b>			
<b>27</b>	<b>If section 1252 property:</b> Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).				
<b>a</b>	Soil, water, and land clearing expenses . . . . .	<b>27a</b>			
<b>b</b>	Line 27a multiplied by applicable percentage (see instructions) . . . . .	<b>27b</b>			
<b>c</b>	Enter the <b>smaller</b> of line 24 or 27b . . . . .	<b>27c</b>			
<b>28</b>	<b>If section 1254 property:</b>				
<b>a</b>	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, mining exploration costs, and depletion (see instructions) . . . . .	<b>28a</b>			
<b>b</b>	Enter the <b>smaller</b> of line 24 or 28a . . . . .	<b>28b</b>			
<b>29</b>	<b>If section 1255 property:</b>				
<b>a</b>	Applicable percentage of payments excluded from income under section 126 (see instructions) . . . . .	<b>29a</b>			
<b>b</b>	Enter the <b>smaller</b> of line 24 or 29a (see instructions) . . . . .	<b>29b</b>			

**Summary of Part III Gains.** Complete property columns A through D through line 29b before going to line 30.

<b>30</b>	Total gains for all properties. Add property columns A through D, line 24 . . . . .	<b>30</b>	714
<b>31</b>	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13 . . . . .	<b>31</b>	714
<b>32</b>	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6 . . . . .	<b>32</b>	0

**Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less**  
 (see instructions)

	(a) Section 179	(b) Section 280F(b)(2)
<b>33</b> Section 179 expense deduction or depreciation allowable in prior years. . . . .	<b>33</b>	
<b>34</b> Recomputed depreciation (see instructions) . . . . .	<b>34</b>	
<b>35</b> Recapture amount. Subtract line 34 from line 33. See the instructions for where to report . . . . .	<b>35</b>	

**Depreciation and Amortization**  
**(Including Information on Listed Property)**

▶ See separate instructions.

▶ Attach to your tax return.

OMB No. 1545-0172

**2012**Attachment  
Sequence No. **179**

Name(s) shown on return

John's Cabinets

Business or activity to which this form relates

Cabinet Making

Identifying number

86-1122334

**Part I Election To Expense Certain Property Under Section 179****Note:** If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	
2	Total cost of section 179 property placed in service (see instructions)	2	
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	
9	Tentative deduction. Enter the <b>smaller</b> of line 5 or line 8	9	
10	Carryover of disallowed deduction from line 13 of your 2011 Form 4562	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instructions)	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11	12	
13	Carryover of disallowed deduction to 2013. Add lines 9 and 10, less line 12 ▶	13	

**Note:** Do not use Part II or Part III below for listed property. Instead, use Part V.**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions)	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2012	17	7,503
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here <input type="checkbox"/>		

**Section B—Assets Placed in Service During 2012 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property		20,000	7 yr	MQ	MACRS	714
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property			25 yrs.		S/L	
h Residential rental property			27.5 yrs.	MM	S/L	
i Nonresidential real property	Oct 2012		39 yrs.	MM	S/L	1,712
				MM	S/L	

**Section C—Assets Placed in Service During 2012 Tax Year Using the Alternative Depreciation System**

20a Class life					S/L	
b 12-year			12 yrs.		S/L	
c 40-year			40 yrs.	MM	S/L	

**Part IV Summary** (See instructions.)

21	Listed property. Enter amount from line 28	21	
22	<b>Total.</b> Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	9,929
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	