

Form 1065 (2019)		Page 5				
<b>Analysis of Net Income (Loss)</b>						
1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13d, and 16p			170,840		
2	Analysis by partner type:					
	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a	General partners			170,840		
b	Limited partners					
<b>Schedule L Balance Sheets per Books</b>						
		Beginning of tax year		End of tax year		
		(a)	(b)	(c)	(d)	
<b>Assets</b>						
1	Cash					178,318
2a	Trade notes and accounts receivable					
b	Less allowance for bad debts					
3	Inventories					5,726
4	U.S. government obligations					
5	Tax-exempt securities					
6	Other current assets (attach statement)					
7a	Loans to partners (or persons related to partners)					
b	Mortgage and real estate loans					
8	Other investments (attach statement)					
9a	Buildings and other depreciable assets			196,000		
b	Less accumulated depreciation			47,800		148,200
10a	Depletable assets					
b	Less accumulated depletion					
11	Land (net of any amortization)					
12a	Intangible assets (amortizable only)					
b	Less accumulated amortization					
13	Other assets (attach statement)					
14	Total assets					332,244
<b>Liabilities and Capital</b>						
15	Accounts payable					
16	Mortgages, notes, bonds payable in less than 1 year					
17	Other current liabilities (attach statement)					1,288
18	All nonrecourse loans					
19a	Loans from partners (or persons related to partners)					
b	Mortgages, notes, bonds payable in 1 year or more					132,695
20	Other liabilities (attach statement)					
21	Partners' capital accounts					198,261
22	Total liabilities and capital					332,244
<b>Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return</b>						
Note: The partnership may be required to file Schedule M-3. See instructions.						
1	Net income (loss) per books	103,261	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):		
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a	Tax-exempt interest \$		1
3	Guaranteed payments (other than health insurance)	67,300	7	Deductions included on Schedule K, lines 1 through 13d, and 16p, not charged against book income this year (itemize):		
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16p (itemize):		a	Depreciation \$		
a	Depreciation \$		8	Add lines 6 and 7		1
b	Travel and entertainment \$	280	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5		170,840
5	Add lines 1 through 4	170,841				
<b>Schedule M-2 Analysis of Partners' Capital Accounts</b>						
1	Balance at beginning of year	0	6	Distributions: a Cash		20,000
2	Capital contributed: a Cash	115,000	b	Property		
	b Property		7	Other decreases (itemize):		
3	Net income (loss) per books	103,261	8	Add lines 6 and 7		20,000
4	Other increases (itemize):		9	Balance at end of year. Subtract line 8 from line 5		198,261
5	Add lines 1 through 4	218,261				

**Note:** The health insurance treated as a guaranteed payment is not included on this line because it is included in line 1 of the Analysis of Net Income (to which line 9 of Schedule M-1 will be reconciled).

**Line 4a:** If partnership books use a different depreciation method than the method used for tax purposes, an entry may be required on line 4a (and/or line 7a). For example, a partner contributes depreciable property to a partnership in exchange for an ownership interest. The depreciation for book purposes would be based on the FMV of the asset at the time it is contributed to the partnership. The depreciation for tax purposes would be based on the asset's adjusted basis to the partner just before the contribution.

**Line 4b:** The amount reported on line 4b in this example is for meals not deductible for tax purposes.

Other items reported on line 4b include:

- All entertainment expenses.
- Part of business gifts in excess of \$25.

- Expenses of an individual for conventions on cruise ships over \$2,000.
- Employee achievement awards over \$400.
- Part of the cost of luxury water travel that is not allowed under IRC Sec. 274(m).
- Expenses for travel as education.
- Nondeductible club dues.
- Other nondeductible travel, meals and entertainment expensed on the books.

### Schedule M-2, Page 5 (Form 1065)

**Analysis of partners' capital accounts.** If question 4 on Schedule B is answered "yes," the partnership is not required to complete Schedule M-2.

The amounts on Schedule M-2 should equal the total of the amounts reported on item L of all the partners' Schedule K-1 forms.

**Line 1:** This amount should equal line 21 in column (b) of Schedule L.

**Line 2:** Total capital contributed during the year by Jerry and Bob was \$115,000.

If a partner contributes property to the partnership in exchange for a capital interest, enter the FMV of the property at the time of contribution if partner capital accounts are maintained on a book basis (net of any liabilities secured by the property that the partnership either assumed or to which the property remained subject in the hands of the partnership). If the partnership maintains partner capital accounts on a tax basis, the partnership would enter the adjusted basis of the property at the time of contribution.

**Line 6a:** On December 24, the partnership distributed \$20,000 of cash to its partners.

**Line 6b:** Enter the FMV of property distributed to each partner by the partnership if partner capital accounts are maintained on a book basis (net of any liabilities secured by the property that the partner either assumed or to which the property remained subject in the hands of the partner). Include withdrawals from inventory for the personal use of a partner. If the partnership maintains partner capital accounts on a tax basis, the partnership would enter the adjusted basis of the property at the time of distribution.

**Line 9:** This amount should equal line 21 in column (d) of Schedule L.

### Schedule M-3 (Form 1065)

Schedule M-3 [Net Income (Loss) Reconciliation for Certain Partnerships] may be required or voluntarily filed with Form 1065. If Schedule M-3 is filed, do not complete Schedule M-1. Schedule M-3 is a detailed reconciliation of income reported in financial statements to taxable income. It separates book/tax differences into temporary differences and permanent differences. Schedule M-3 is required if (1) year-end total assets reported on Form 1065, Schedule L are \$10 million or more, (2) adjusted total assets are \$10 million or more (see Schedule M-3 instructions to calculate adjusted assets), (3) total receipts (as defined in the Form 1065 instructions) are \$35 million or more or (4) the partnership has a reportable entity partner (see Schedule M-3 instructions for the definition of reportable entity partner). In addition, Form 8916-A (Supplemental Attachment to Schedule M-3) is filed to reconcile cost of goods sold and interest income and expense reported on Schedule M-3. Schedule C (Additional Information for Schedule M-3 Filers) is also required of Form 1065 filers that file Schedule M-3. It is used to report information about related party transactions, allocations, transfers of interest, cost sharing arrangements and changes in methods of accounting. Box J on page 1 of Form 1065 must be checked if Schedules C and M-3 are attached.

For entities who voluntarily file Schedule M-3 (in lieu of Schedule M-1) and for those who are required to file but who have less than \$50 million of total assets at the end of the tax year, they have the option of completing Schedule M-3 in its entirety or completing only Part I of Schedule M-3 and then completing Schedule M-1 instead of Parts II and III of Schedule M-3. If the latter

# Partner's Adjusted Basis Worksheet

Name of Partner Jerry Taxit      TIN 359-00-0000      Tax Year Ending 12/31/19  
 Name of Partnership Shout and Jump      EIN 41-1234567

1) Adjusted basis from preceding year (enter zero if this is the first tax year in which the taxpayer is a member of the partnership). (Line 1 cannot be less than zero.) ..... 1) 0

2) Gain (if any) recognized this year on contribution of property to partnership (other than gain from transfer of liabilities)..... 2) \_\_\_\_\_

3) Cash contributed during the year ..... 3) 69,000

4) Adjusted basis of property contributed during the year (reduced by the amount of liabilities to which the property is subject, but not below zero) ..... 4) \_\_\_\_\_

5) Items of income or gain this year including tax-exempt income:

a) Ordinary Income                      a) 76,934

b) Interest Income                        b) 190

c) \_\_\_\_\_                                c) \_\_\_\_\_

d) \_\_\_\_\_                                d) \_\_\_\_\_

Add lines 5a through 5d..... 5) 77,124

6) Partner's share of partnership liabilities (current-year item K, Schedule K-1) ..... 6) 80,390

7) Liabilities from prior year included in line 1 above—enter as a negative number ... 7) \_\_\_\_\_

8) Other increases to basis including excess depletion deductions over basis of depletable property (list) ..... 8) \_\_\_\_\_

9) Add lines 1 through 8 (if less than zero, enter zero)..... 9) 226,514

10) Withdrawals and distributions during the year (for property other than money, enter adjusted basis of the property). If amount is greater than line 9, enter amount on line 9. Excess may be taxable. See *Partnership Distributions* on Page B-13. .... 10) 12,000

11) Items of deduction this year including nondeductible expenses and any deduction for oil and gas percentage depletion (also include carryforward amounts from prior years):

a) Section 179 Deduction                a) 15,000

b) Meals                                        b) 168

c) \_\_\_\_\_                                c) \_\_\_\_\_

d) \_\_\_\_\_                                d) \_\_\_\_\_

Add lines 11a through 11d ..... 11) 15,168

12) Add lines 10 and 11 ..... 12) 27,168

13) Subtract line 12 from line 9. (If less than zero, enter zero.)..... 13) 199,346

14) Items of loss this year (also include losses not deducted in prior years due to the partnership interest basis limitation):

a) \_\_\_\_\_                                a) \_\_\_\_\_

b) \_\_\_\_\_                                b) \_\_\_\_\_

c) \_\_\_\_\_                                c) \_\_\_\_\_

d) \_\_\_\_\_                                d) \_\_\_\_\_

Add lines 14a through 14d..... 14) \_\_\_\_\_

15) **Adjusted basis** of partnership interest (line 13 minus line 14). (If less than zero, enter zero.) The deductible loss for the year is equal to the lesser of line 13 or line 14 ..... 15) 199,346

16) Allocation of loss to be carried forward—allocate amounts from line 11 and line 14 that must be carried to next year:

a) \_\_\_\_\_                                a) \_\_\_\_\_

b) \_\_\_\_\_                                b) \_\_\_\_\_

c) \_\_\_\_\_                                c) \_\_\_\_\_

d) \_\_\_\_\_                                d) \_\_\_\_\_

Add lines 16a through 16d. **Carry this amount to next year**..... 16) \_\_\_\_\_

17) **At-risk adjustment:** Combine lines 1, 2, 3, 4, 6 and 7 ..... 17) \_\_\_\_\_

18) Enter line 10 as a negative number..... 18) \_\_\_\_\_

19) Enter as a negative number any nonrecourse loans, amounts protected against loss by guarantee or stop-loss agreements and nonrecourse liabilities on property contributed to the partnership. Do not include "qualified" nonrecourse financing as defined in IRC Sec. 465(b)(6)..... 19) \_\_\_\_\_

20) Enter as a positive number the fair market value (FMV) of partner's personal property not used in the partnership that secures a nonrecourse loan taken as a negative on line 19 ..... 20) \_\_\_\_\_

21) **Combine lines 17 through 20.** If negative, no current-year loss can be deducted. See Form 6198. If line 21 is less than line 5 of Form 6198, losses on line 5 (Form 6198) must be allocated and carried to next year.  
**Note:** Form 6198 must be completed if there is an entry on line 19 above..... 21) \_\_\_\_\_

option is selected, make sure line 11 of Schedule M-3, Part I equals line 1 of Schedule M-1.

## Partner's Basis

Every partner must keep track of his adjusted basis in the partnership. See Tab A for a blank worksheet. Do not attach the worksheet to Form 1065 or Form 1040.

The partner's adjusted basis is used to determine the amount of loss deductible by the partner. A partner cannot deduct a loss in excess of his adjusted basis.

A loss may further be limited by the amount the partner is at risk. For example, a partner's at-risk basis is reduced by his share of any partnership liabilities for which no partner is personally liable (nonrecourse loans). See Tab 8 in the *1040 Quickfinder® Handbook* for a discussion of these limitations.

### Notes:

- Jerry's adjusted basis is not the same as his ending capital account on Schedule K-1. The capital account does not include his share of the partnership liabilities.
- The guaranteed payment and health insurance are not included in the adjusted basis computation because the amounts are treated as payments to nonpartners. The following page illustrates how Jerry uses the information on his Schedule K-1 to complete his personal tax return.

## Personal Tax Forms

**Schedule E.** Ordinary income and guaranteed payments are reported on line 28A, column (j), as nonpassive income. The Section 179 deduction is first entered on Form 4562, and then carried to line 28A in column (j) of Schedule E (Part II).

In this example, Jerry spent \$1,000 for trade publications and education and was not reimbursed by the partnership. As the partnership agreement states that Jerry is to pay for these expenses, they are deducted on Schedule E labeled "UPE." Any expenses that Jerry had a right to have reimbursed but chose not to are not deductible.

**Schedule SE.** The earned income from Schedule K-1 is netted against the Schedule E Section 179 deduction and UPE.

**Form 1040.** 100% of the health insurance amount from line 13 of Schedule K-1 is entered on page 1 of Form 1040.

**QBI deduction.** The Taxits are eligible for the QBI deduction for their pass-through income from Shout and Jump. Since their AGI is less than \$321,400, the MFJ threshold, their deduction is not limited. Based on Jerry's allocation of QBI, W-2 wages, and qualified property, his QBI deduction is **\$10,467** (20% of income allocated from Shout and Jump less items shown below). This amount is reported on Form 1040, line 10. Form 8995 must be attached.

QBI is computed as follows:

Jerry's QBI from K-1 .....	\$	61,934
Jerry's Sch 1 SE tax deduction.....	(	6,997)
Jerry's Sch 1 SE health insurance....	(	1,600)
Jerry's Sch E UPE .....	(	1,000)
Jerry's QBI.....	\$	<b>52,337</b>

Jerry's QBI deduction is \$52,337 × 20%.

**Filing Status**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent. ▶

Your first name and middle initial: **Jerry** Last name: **Taxit** Your social security number: **359 00 0000**  
 If joint return, spouse's first name and middle initial: **Susie** Last name: **Taxit** Spouse's social security number: **456 00 0000**  
 Home address (number and street), if you have a P.O. box, see instructions. Apt. no.: **007 Like-Kind Ave.** **Phase-Out, AZ 55555**  
 City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).  
 Foreign country name: Foreign province/state/county: Foreign postal code:  If more than four dependents, see instructions and ✓ here ▶

**Standard Deduction** **Someone can claim:**  You as a dependent  Your spouse as a dependent  Spouse itemizes on a separate return or you were a dual-status alien

**Age/Blindness** **You:**  Were born before January 2, 1955  Are blind **Spouse:**  Was born before January 2, 1955  Is blind

**Dependents** (see instructions):

(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) ✓ if qualifies for (see instructions):	Child tax credit	Credit for other dependents
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<b>1</b> Wages, salaries, tips, etc. Attach Form(s) W-2	<b>1</b>	
<b>2a</b> Tax-exempt interest	<b>2a</b>	
<b>3a</b> Qualified dividends	<b>3a</b>	
<b>4a</b> IRA distributions	<b>4a</b>	
<b>5a</b> Social security benefits	<b>5a</b>	
<b>6</b> Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ <input type="checkbox"/>	<b>6</b>	
<b>7a</b> Other income from Schedule 1, line 9	<b>7a</b>	99,034
<b>b</b> Add lines 1, 2b, 3b, 4b, 4d, 5b, 6, and 7a. This is your <b>total income</b> ▶	<b>7b</b>	99,224
<b>8a</b> Adjustments to income from Schedule 1, line 22	<b>8a</b>	8,597
<b>b</b> Subtract line 8a from line 7b. This is your <b>adjusted gross income</b> ▶	<b>8b</b>	90,627
<b>9</b> <b>Standard deduction or itemized deductions</b> (from Schedule A)	<b>9</b>	24,400
<b>10</b> Qualified business income deduction. Attach Form 8995 or Form 8995-A	<b>10</b>	10,467
<b>11a</b> Add lines 9 and 10	<b>11a</b>	34,867
<b>b</b> <b>Taxable income.</b> Subtract line 11a from line 8b. If zero or less, enter -0-	<b>11b</b>	55,760

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11320B Form **1040** (2019)

<b>12a</b> Tax (see inst.) Check if any from Form(s): 1 <input type="checkbox"/> 8814 2 <input type="checkbox"/> 4972 3 <input type="checkbox"/>	<b>12a</b>	6,305
<b>b</b> Add Schedule 2, line 3, and line 12a and enter the total ▶	<b>12b</b>	6,305
<b>13a</b> Child tax credit or credit for other dependents	<b>13a</b>	
<b>b</b> Add Schedule 3, line 7, and line 13a and enter the total ▶	<b>13b</b>	
<b>14</b> Subtract line 13b from line 12b. If zero or less, enter -0-	<b>14</b>	6,305
<b>15</b> Other taxes, including self-employment tax, from Schedule 2, line 10	<b>15</b>	13,993
<b>16</b> Add lines 14 and 15. This is your <b>total tax</b> ▶	<b>16</b>	20,298
<b>17</b> Federal income tax withheld from Forms W-2 and 1099	<b>17</b>	
<b>18</b> Other payments and refundable credits:		
<b>a</b> Earned income credit (EIC)	<b>18a</b>	
<b>b</b> Additional child tax credit. Attach Schedule 8812	<b>18b</b>	
<b>c</b> American opportunity credit from Form 8863, line 8	<b>18c</b>	
<b>d</b> Schedule 3, line 14	<b>18d</b>	
<b>e</b> Add lines 18a through 18d. These are your <b>total other payments and refundable credits</b> ▶	<b>18e</b>	
<b>19</b> Subtract line 18e from line 16. If zero or less, enter -0-	<b>19</b>	
<b>20</b> Amount you owe. Subtract line 19 from line 16. If zero or less, enter -0- ▶	<b>20</b>	
<b>a</b> Amount of line 20 you want refunded to you. If you have a refundable credit, check here <input type="checkbox"/>	<b>20a</b>	
<b>b</b> Routing number	<b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings	
<b>d</b> Account number		
<b>22</b> Amount of line 20 you want applied to your 2020 estimated tax ▶	<b>22</b>	
<b>23</b> <b>Amount you owe.</b> Subtract line 19 from line 16. For details on how to pay, see instructions ▶	<b>23</b>	20,298
<b>24</b> Estimated tax penalty (see instructions)	<b>24</b>	

**Amount You Owe**

**Third Party Designee** Do you want to allow another person (other than your paid preparer) to discuss this return with the IRS? See instructions.  Yes. Complete below.  No  
 Designee's name: Phone no.: Personal identification number (PIN):

**Sign Here** Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.  
 Your signature: Date: Your occupation: If the IRS sent you an Identity Protection PIN, enter it here (see inst.):

**SCHEDULE 1**  
**(Form 1040 or 1040-SR)**

**Additional Income and Adjustments to Income**

OMB No. 1545-0074

**2019**  
Attachment  
Sequence No. **01**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040 or 1040-SR.**  
▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040 or 1040-SR  
**Jerry Taxit**

Your social security number  
**359-00-0000**

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Part I Additional Income**

<b>1</b>	Taxable refunds, credits, or offsets of state and local income taxes	<b>1</b>	
<b>2a</b>	Alimony received	<b>2a</b>	
<b>b</b>	Date of original divorce or separation agreement (see instructions) ▶		
<b>3</b>	Business income or (loss). Attach Schedule C	<b>3</b>	
<b>4</b>	Other gains or (losses). Attach Form 4797	<b>4</b>	
<b>5</b>	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	<b>5</b>	99,034
<b>6</b>	Farm income or (loss). Attach Schedule F	<b>6</b>	
<b>7</b>	Unemployment compensation	<b>7</b>	
<b>8</b>	Other income. List type and amount ▶	<b>8</b>	
<b>9</b>	Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a	<b>9</b>	99,034

**Part II Adjustments to Income**

<b>10</b>	Educator expenses	<b>10</b>	
<b>11</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	<b>11</b>	
<b>12</b>	Health savings account deduction. Attach Form 8889	<b>12</b>	
<b>13</b>	Moving expenses for members of the Armed Forces. Attach Form 3903	<b>13</b>	
<b>14</b>	Deductible part of self-employment tax. Attach Schedule SE	<b>14</b>	6,997
<b>15</b>	Self-employed SEP, SIMPLE, and qualified plans	<b>15</b>	
<b>16</b>	Self-employed health insurance deduction	<b>16</b>	1,600
<b>17</b>	Penalty on early withdrawal of savings	<b>17</b>	
<b>18a</b>	Alimony paid	<b>18a</b>	
<b>b</b>	Recipient's SSN ▶		
<b>c</b>	Date of original divorce or separation agreement (see instructions) ▶		
<b>19</b>	IRA deduction	<b>19</b>	
<b>20</b>	Student loan interest deduction	<b>20</b>	
<b>21</b>	Reserved for future use	<b>21</b>	
<b>22</b>	Add lines 10 through 21. These are your <b>adjustments to income</b> . Enter here and on Form 1040 or 1040-SR, line 8a	<b>22</b>	8,597

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71479F Schedule 1 (Form 1040 or 1040-SR) 2019

**SCHEDULE 2**  
**(Form 1040 or 1040-SR)**

**Additional Taxes**

OMB No. 1545-0074

**2019**  
Attachment  
Sequence No. **02**

Department of the Treasury  
Internal Revenue Service

▶ **Attach to Form 1040 or 1040-SR.**  
▶ **Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.**

Name(s) shown on Form 1040 or 1040-SR  
**Jerry Taxit**

Your social security number  
**359-00-0000**

**Part I Tax**

<b>1</b>	Alternative minimum tax. Attach Form 6251	<b>1</b>	
<b>2</b>	Excess advance premium tax credit repayment. Attach Form 8962	<b>2</b>	
<b>3</b>	Add lines 1 and 2. Enter here and include on Form 1040 or 1040-SR, line 12b	<b>3</b>	

**Part II Other Taxes**

<b>4</b>	Self-employment tax. Attach Schedule SE	<b>4</b>	13,993
<b>5</b>	Unreported social security and Medicare tax from Form: <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919	<b>5</b>	
<b>6</b>	Additional tax on IRAs, other qualified retirement plans, and other tax-favored accounts. Attach Form 5329 if required	<b>6</b>	
<b>7a</b>	Household employment taxes. Attach Schedule H	<b>7a</b>	
<b>b</b>	Repayment of first-time homebuyer credit from Form 5405. Attach Form 5405 if required	<b>7b</b>	
<b>8</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s)	<b>8</b>	
<b>9</b>	Section 965 net tax liability installment from Form 965-A	<b>9</b>	
<b>10</b>	Add lines 4 through 8. These are your <b>total other taxes</b> . Enter here and on Form 1040 or 1040-SR, line 15	<b>10</b>	13,993

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 71478U Schedule 2 (Form 1040 or 1040-SR) 2019

**1040** U.S. Individual Income Tax Return **2019**

**Filing Status:**  Single  Married filing jointly  Married filing separately (MFS)  Head of household (HOH)  Qualifying widow(er) (QW)  
 Check only one box. If you checked the MFS box, enter the name of spouse. If you checked the HOH or QW box, enter the child's name if the qualifying person is a child but not your dependent.

**Name:** Jerry Susic, 007 Like-Kind Ave, Phase-Out, AZ 85555

**Dependents:** None listed.

**Standard Deduction:** 12,400

**Adjusted Gross Income:** 35,748

**Other Income:** 59,284

**Total Income:** 95,032

**Standard Deduction or Itemized Deductions:** 11,348

**Adjusted Gross Income:** 24,400

**Other Income:** 11,348

**Total Income:** 35,748

**Other Income:** 59,284

**Total Income:** 95,032

**SCHEDULE 1** (Form 1040 or 1040-SR) **Additional Income and Adjustments to Income**

OMB No. 1545-0074 **2019** Attachment Sequence No. **01**

Department of the Treasury Internal Revenue Service

Go to [www.irs.gov/Form1040](http://www.irs.gov/Form1040) for instructions and the latest information.

Name(s) shown on Form 1040 or 1040-SR: Jerry Susic  
 Your social security number: 359-00-0000

At any time during 2019, did you receive, sell, send, exchange, or otherwise acquire any financial interest in any virtual currency?  Yes  No

**Part I Additional Income**

1 Taxable refunds, credits, or offsets of state and local income taxes **1**

2a Alimony received **2a**

3 Business income or (loss). Attach Schedule C **3**

4 Other gains or (losses). Attach Form 4797 **4**

5 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E **5** **58,342**

6 Farm income or (loss). Attach Schedule F **6**

7 Unemployment compensation **7**

8 Other income. List type and amount **8**

9 Combine lines 1 through 8. Enter here and on Form 1040 or 1040-SR, line 7a **9** **58,342**

**Part II Adjustments to Income**

10 Educator expenses **10**

11 Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 **11**

12 Health savings account deduction. Attach Form 8889 **12**

13 Moving expenses for members of the Armed Forces. Attach Form 3903 **13**

14 Deductible part of self-employment tax. Attach Schedule SE **14**

15 Self-employed SEP, SIMPLE, and qualified plans **15** **1,600**

16 Self-employed health insurance deduction **16**

17 Penalty on early withdrawal of savings **17**

18a Alimony paid **18a**

b Recipient's SSN **b**

c Date of original divorce or separation agreement (see instructions) **c**

19 IRA deduction **19**

20 Student loan interest deduction **20**

21 Reserved for future use **21**

22 Add lines 10 through 21. These are your adjustments to income. Enter here and on Form 1040 or 1040-SR, line 8a **22** **1,600**

For Paperwork Reduction Act Notice, see your tax return instructions. Cat. No. 7479F Schedule 1 (Form 1040 or 1040-SR) 2019

**SCHEDULE 2** (Form 1040 or 1040-SR) 2019 Attachment Sequence No. **13** Page **2**

Name(s) shown on return: Do not enter name and social security number if shown on other schedule.  
 Jerry Susic Your social security number: 359-00-0000

**Part I Income or Loss From Partnerships and S Corporations** - Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on line 28 and attach Form 6198 (see instructions).

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or un reimbursed partnership expenses? If you answered "Yes," see instructions before completing this section.  Yes  No

28

(a) Name	(b) Enter P for partnership or S for S corporation	(c) Check if at-risk activity for S corporation	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if loss is not at risk
A Shout and Jump, Inc.	S		41-1234567		

**Passive Income and Loss**

(g) Passive loss allowed (attach Form 6882 (required))	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4582	(k) Nonpassive income from Schedule K-1
A	15,000			73,342
B				
C				
D				
29a Totals	15,000			73,342
30 Totals				15,000
31 Add columns (h) and (k) of line 29a.				30
32 Add columns (g), (i), and (j) of line 29b.				31
<b>Total partnership and S corporation income or (loss).</b> Combine lines 30 and 31				32

**Form 1040:** Jerry's health insurance included in box 1 of Form W-2 is also identified on line 14 of the W-2 as health insurance paid by the company. Jerry deducts 100% on line 16 of Form 1040, Schedule 1. **Note:** Relevant pages of 2019 Form 1040 for Jerry and Susie Susic are presented for example.

**QBI deduction:** The Susic family is eligible for the QBI deduction for their pass-through income from Shout and Jump, Inc. Since their AGI is less than \$321,400, the MFJ threshold, their deduction is not limited. Based on Jerry's allocation of QBI, W-2 wages and qualified property, his QBI deduction is \$11,348 (20% of income allocated from Shout and Jump, Inc. less SE health insurance) on Form 1040, line 10. Jerry's QBI deduction is \$56,742 x 20%.

**Note:** Form 2553 is a four-page form (of which only page 1 is reproduced here). Page 2 consists of shareholder consent information (Part I, items J–N). Pages 3 and 4 consist of fiscal tax year selection (Part II), Qualified Subchapter S Trust election (Part III) and late corporate classification election representations (Part IV) information.

### STATEMENT PURSUANT TO §1.351-3(b) BY SHOUT AND JUMP, INC. EIN 41-1234567, A TRANSFEREE CORPORATION

**Note:** To be filed with the corporation's tax return. The shareholders file similar statements with their tax returns in the year of the exchange. See Tab A for a blank shareholder statement.

(A)	(B)	(C) <sup>1</sup>	(D)	(E)	(F) <sup>1</sup>	(G) <sup>1</sup>	(H) <sup>1</sup>	(I) <sup>1</sup>
Date of Transfer	Name of Significant Transferor	Description of Property Transferred to the Corporation	Adjusted Basis of Property Transferred	FMV of Property Transferred	Class of Stock and Number of Shares Issued in Exchange for Property	FMV of Stock Exchanged for the Property	Amount of Cash or FMV of Property Received by Transferor in Addition to Stock	Amount of Liabilities Assumed by Corporation on the Transfer
5/1/19	Jerry Taxit	Cash	\$69,000	\$69,000	690 Shares Common	\$69,000	—0—	—0—
5/1/19	Bob Sponge	Cash	\$46,000	\$46,000	460 Shares Common	\$46,000	—0—	—0—

#### Additional Information Required

The date and control number of any private letter ruling(s) issued by the Internal Revenue Service in connection with the Section 351 exchange: N/A

**Note:** Only significant transferors are required to file a shareholder statement with their tax returns. A significant transferor is defined as a person transferring property to a corporation who immediately after the exchange owns at least 5% by vote or value of the stock if it is publicly traded or at least 1% if it is not publicly traded. See Tab A for a blank shareholder statement.

<sup>1</sup> Not required but can be included for recordkeeping purposes.

## Form 2553

(Rev. December 2017)  
Department of the Treasury  
Internal Revenue Service

### Election by a Small Business Corporation

(Under section 1362 of the Internal Revenue Code)  
(Including a late election filed pursuant to Rev. Proc. 2013-30)  
▶ You can fax this form to the IRS. See separate instructions.  
▶ Go to [www.irs.gov/Form2553](http://www.irs.gov/Form2553) for instructions and the latest information.

OMB No. 1545-0123

**Note:** This election to be an S corporation can be accepted only if all the tests are met under *Who May Elect* in the instructions, all shareholders have signed the consent statement, an officer has signed below, and the exact name and address of the corporation (entity) and other required form information have been provided.

#### Part I Election Information

Name (see instructions) **Shout and Jump, Inc.**  
 Number, street, and room or suite no. if a P.O. box, see instructions. **41 1234567**  
 City or town, state or province, country, and ZIP or foreign postal code **5/1/19**  
**Flagstaff, AZ 55555**  
**Arizona**

**A Employer identification number**  
41 1234567  
**B Date incorporated**  
5/1/19  
**C State of incorporation**  
Arizona

**D** Check the applicable box(es) if the corporation (entity), after applying for the EIN shown in **A** above, changed its  name or  address  
**E** Election is to be effective for tax year beginning (month, day, year) (see instructions) . . . . . **5 / 1 / 19**  
**Caution:** A corporation (entity) making the election for its first tax year in existence will usually enter the beginning date of a short tax year that begins on a date other than January 1.

**F** Selected tax year:  
 (1)  Calendar year  
 (2)  Fiscal year ending (month and day) ▶  
 (3)  52-53-week year ending with reference to the month of December  
 (4)  52-53-week year ending with reference to the month of ▶  
 If box (2) or (4) is checked, complete Part II.

**G** If more than 100 shareholders are listed for item **J** (see page 2), check this box, if treating members of a family as one shareholder results in no more than 100 shareholders (see test 2 under *Who May Elect* in the instructions) ▶

**H** Name and title of officer or legal representative whom the IRS may call for more information Telephone number of officer or legal representative  
**Jerry Taxit—President** 550 555-1234

**I** If this S corporation election is being filed late, I declare I had reasonable cause for not filing Form 2553 timely. If this late election is being made by an entity eligible to elect to be treated as a corporation, I declare I also had reasonable cause for not filing an entity classification election timely and the representations listed in Part IV are true. See below for my explanation of the reasons the election or elections were not made on time and a description of my diligent actions to correct the mistake upon its discovery. See instructions.

**Sign Here**

Signature of officer **Jerry Taxit** Title **President** Date **5/19/19**

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