



INSTRUCTIONS

Items of income and deductions are reported on Federal Form 1120S, Schedule K as flow-through items to the shareholders. These instructions explain how Schedule K amounts will be treated on the NH-1120 at the entity level.

NAME AND TAXPAYER IDENTIFICATION NUMBER

ENTER the business organization's name and taxpayer identification number [Social Security Number (SSN), Federal Employer Identification Number (FEIN), or Department Identification Number (DIN)] in the spaces provided.

For the purpose of administering any state tax as allowed under 42 U.S.C Section 405, the Commissioner of the Department of Revenue Administration is authorized to require the submission of an SSN, FEIN, or any other identifying number used in filing or preparing federal tax returns by individuals, businesses, or return preparers. (See RSA 21-J:27-a; N.H. Code of Admin. Rules, Rev 2903.02(c); and 42 USCS sec. 405(c)(2)(C) (i)). Where SSNs or FEINS are required, taxpayers who have been issued a DIN shall use their DIN only, and not their SSN or FEIN.

Enter the beginning and ending dates of the taxable period if different from the calendar year.

ADDITIONS to income to determine 1120S Corporation Gross Business Profits

ROUND EVERY ENTRY TO THE NEAREST WHOLE DOLLAR (IF 49 CENTS OR LESS ROUND DOWN, IF 50 CENTS OR MORE ROUND UP). **REPORT**

NEGATIVE AMOUNTS USING A MINUS SIGN.

LINE 1(a) Schedule K, Line 1 ordinary business income (loss).

LINE 1(b) Schedule K, Line 2 net rental real estate income (loss).

LINE 1(c) Schedule K, Line 3(c) net income (loss) from other rental activities other than those reported on Form 8825. The gain or loss from the sale of an asset used as a rental as reported on Line 17 of Federal Form 4797 is reflected on Line 1(c).

LINE 1(d) Schedule K, Line 4 interest income.

LINE 1(e) Schedule K, Line 5(a) dividend income.

LINE 1(f) Schedule K, Line 6 royalty income.

LINE 1(g) Schedule K, Line 7 short term capital gain net of losses for Form NH-1120 purposes, but not less than zero, from Federal Schedule D. If the result is a net short term loss, report the result in the box to the left of the calculation row.

LINE 1(h), Schedule K, Line 8(a) long term capital gain, net of short term losses from Line 1(g) above for Form NH-1120 purposes, but not less than zero, from the Federal Schedule D.

LINE 1(i), Schedule K, Line 9 net section 1231 gain or loss from the sale of assets used in the business as reported on Federal Form 4797.

LINE 1(j) Schedule K, Line 10 any other item of income (loss) not reported above is reported here and include such items as other portfolio income not reported as interest, ordinary dividends, royalty, and capital gain (loss) on prior add backs to corporate income on the NH-1120. Cancellation of debt is recognized as income to the corporation and would also be reported here.



INSTRUCTIONS - continued

DEDUCTIONS to income to determine 1120S Corporation Gross Business Profit

LINE 1(k) Schedule K, Line 11 Enter IRC §179 expense reported on Federal Form 1120s.

LINE 1(l) Schedule K, Line 12(a) deductions for contributions to tax exempt organizations by 1120S corporations (must follow the limitations for charitable contributions followed by C-Corporations).

LINE 1(m) Schedule K, Line 12(b) investment interest expense related to assets held for investment purposes. This is deductible if the assets or debt is associated with the production of income for the corporation.

LINE 1(n) Schedule K, Line 12(c) IRC §59(e)(2) expenditures are deductible on the Form NH-1120.

LINE 1(o) Schedule K, Line 12(d) This line includes only business expenses allowed as deductions for BPT adjustment not reported on Schedule K, Lines 12(a),12(b), or 12(c). New Hampshire does not have any limitations placed on portfolio deductions, thus the 2% limitations to AGI at the shareholder level does not apply to this deduction for the corporation.

LINE 1(p) Schedule K, Line 14(l) Deduct the amount of foreign taxes paid or accrued on this line. Foreign taxes deducted on this line would be an add back to income on NH-1120, Additions and Deductions, Line 6(b), or NH-1120-WE Additions and Deductions Line 12(d).

LINE 2 Combine Lines 1(a) through 1(j) and from the result subtract the sum of Lines 1(k) through 1(p). Report on Form NH-1120-WE, Schedule 1-A, Line 2 or Form NH-1120, Line 1.