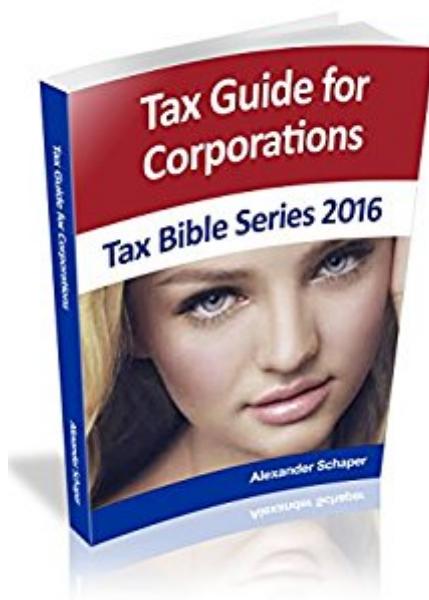


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# Tax Guide For Corporations 2016: Tax Bible Series 2016



## Synopsis

**Businesses Taxed as Corporations** The rules you must use to determine whether a business is taxed as a corporation changed for businesses formed after 1996. Business formed before 1997. A business formed before 1997 and taxed as a corporation under the old rules will generally continue to be taxed as a corporation. Business formed after 1996. The following businesses formed after 1996 are taxed as corporations.

- A business formed under a federal or state law that refers to it as a corporation, body corporate, or body politic.
- A business formed under a state law that refers to it as a joint-stock company or joint-stock association.
- An insurance company.
- Certain banks.
- A business wholly owned by a state or local government.
- A business specifically required to be taxed as a corporation by the Internal Revenue Code (for example, certain publicly traded partnerships).
- Certain foreign businesses.
- Any other business that elects to be taxed as a corporation. For example, a limited liability company (LLC) can elect to be treated as an association taxable as a corporation by filing Form 8832, Entity Classification Election. For more information about LLCs, see, *Taxation of Limited Liability Companies*.
- S corporations. Some corporations may meet the qualifications for electing to be S corporations. For information on S corporations, see the instructions for Form 1120S, *U.S. Income Tax Return for an S Corporation*.

**Personal service corporations.** A corporation is a personal service corporation if it meets all of the following requirements.

1. Its principal activity during the testing period is performing personal services (defined later). Generally, the testing period for any tax year is the prior tax year. If the corporation has just been formed, the testing period begins on the first day of its tax year and ends on the earlier of:
  - a. The last day of its tax year, or
  - b. The last day of the calendar year in which its tax year begins.
2. Its employee-owners substantially perform the services in (1), above. This requirement is met if more than 20% of the corporation's compensation cost for its activities of performing personal services during the testing period is for personal services performed by employee-owners.
3. Its employee-owners own more than 10% of the fair market value of its outstanding stock on the last day of the testing period.

**Personal services.** Personal services include any activity performed in the fields of accounting, actuarial science, architecture, consulting, engineering, health (including veterinary services), law, and the performing arts.

**Employee-owners.** A person is an employee-owner of a personal service corporation if both of the following apply.

1. He or she is an employee of the corporation or performs personal services for, or on behalf of, the corporation (even if he or she is an independent contractor for other purposes) on any day of the testing period.
2. He or she owns any stock in the corporation at any time during the testing period.

**Other rules.** For other rules that apply to personal service corporations see *Accounting*

Periods, later. Closely held corporations. A corporation is closely held if all of the following apply. 1. It is not a personal service corporation. 2. At any time during the last half of the tax year, more than 50% of the value of its outstanding stock is, directly or indirectly, owned by or for five or fewer individuals. • includes certain trusts and private foundations. Other rules. For the at-risk rules that apply to closely held corporations, see At-Risk Limits, later. Property Exchanged for Stock If you transfer property (or money and property) to a corporation in exchange for stock in that corporation (other than nonqualified preferred stock, described later), and immediately afterward you are in control of the corporation, the exchange is usually not taxable.

## **Book Information**

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Another great book from the tax experts who cover all the bases and tell it like it is. Easy to follow, a breeze to understand and no stone is left unturned as Stewart and Schaper lead you through their meticulous step-by-step guide to taxation for corporations. The savings you could make with this one book could be considerable and long-lasting and it is a testament to their experience and skill in this field. Get it. Know what you need to know and never miss an opportunity to get your tax affairs spot

on. First class knowledge and understanding delivered in a perfect package.

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