



MISSOURI DEPARTMENT OF REVENUE
S CORPORATION INCOME TAX RETURN

1996
FORM
MO-1120S

DLN

FOR THE YEAR JANUARY 1 - DECEMBER 31, 1996, OR FISCAL YEAR BEGINNING 1996, ENDING 19

A. AMENDED RETURN B. FINAL RETURN C. NAME, ADDRESS CHANGE D. FEIN CHANGE E. BANKRUPTCY F. INITIAL RETURN

THIS RETURN IS DUE ON OR BEFORE THE FIFTEENTH DAY OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE TAXABLE YEAR. ATTACH COPY OF FEDERAL FORM 1120S AND ALL ITS SCHEDULES, SCHEDULE K AND SCHEDULE K-1. DO NOT PRINT IN SHADED AREAS.

DOR USE ONLY

BUSINESS NAME	PLACES LABEL IN BLOCK	MO I.D. NUMBER
CORPORATION NAME		FEDERAL I.D. NO.
NUMBER AND STREET, CITY OR TOWN, STATE, AND ZIP CODE		MO CHARTER NO.

INFORMATION FOR FILING

- Does the S corporation have ANY Missouri modifications? YES NO If YES, complete Parts 1 and 2 below.
- Does the S corporation have ANY nonresident shareholders? YES NO If YES, complete Part 2 below and Form MO-NRS.
NOTE: If NO to both questions, do not complete remainder of return. Attach copy of Federal Form 1120S and all its schedules, sign below, and mail.
- Does S corporation have income derived from sources other than Missouri? YES NO If YES, enter % []% and attach Form MO-MSS.

PART 1 - MISSOURI S CORPORATION ADJUSTMENT

Additions (attach detailed explanation of each item)			
1. State and local income taxes deducted on Federal Form 1120S	1	00	
2. Less: Kansas City and St. Louis earnings taxes	2	00	
3. Net (subtract Line 2 from Line 1)	3		00
4. State and local bond interest (except Missouri)	4	00	
5. Less: related expenses (omit if less than \$500)	5	00	
6. Net (subtract Line 5 from Line 4)	6		00
7. <input type="checkbox"/> Partnership; <input type="checkbox"/> Fiduciary; <input type="checkbox"/> Other adjustments (list)	7		00
8. Total of Lines 3, 6 and 7	8		00
Subtractions (attach detailed explanation of each item)			
9. Interest from exempt federal obligations	9	00	
10. Less: related expenses (omit if less than \$500)	10	00	
11. Net (subtract Line 10 from Line 9)	11		00
12. Amount of any state income tax refund included in federal ordinary income	12		00
13. <input type="checkbox"/> Partnership; <input type="checkbox"/> Fiduciary; <input type="checkbox"/> Other adjustments (list)	13		00
14. Total of Lines 11, 12 and 13	14		00
15. Missouri S corporation adjustment - NET ADDITION - excess Line 8 over Line 14	15		00
16. Missouri S corporation adjustment - NET SUBTRACTION - excess Line 14 over Line 8	16		00

PART 2 - ALLOCATION OF MISSOURI S CORPORATION ADJUSTMENT TO SHAREHOLDERS

1. NAME OF EACH SHAREHOLDER. ALL SHAREHOLDERS MUST BE LISTED. USE ATTACHMENT IF MORE THAN FOUR.	2. CHECK BOX IF SHAREHOLDER IS NONRESIDENT	3. SOCIAL SECURITY NUMBER	4. SHAREHOLDER'S SHARE %	5. SHAREHOLDER'S CORPORATION ADJUSTMENT <input type="checkbox"/> ADDITION <input type="checkbox"/> SUBTRACTION
a)	<input type="checkbox"/>		PERCENT	00
b)	<input type="checkbox"/>		PERCENT	00
c)	<input type="checkbox"/>		PERCENT	00
d)	<input type="checkbox"/>		PERCENT	00
TOTAL			100 PERCENT	00

COLUMN 4 - Enter percentages from Federal Schedule K-1(s). Round percentages to whole numbers.
 COLUMN 5 - Enter Missouri S corporation adjustment from Part 1, Line 15 or 16, as total of Column 5. Multiply each percentage in Column 4, times the total in Column 5. Indicate at the top of Column 5 whether the adjustments are additions or subtractions. The amount after each shareholder's name in Column 5 must be reported as a modification by the shareholder on his/her Form MO-1040, Individual Income Tax Return either as an addition to, or subtraction from, federal adjusted gross income.

AUTHORIZATION

I authorize the Director of Revenue or delegate to discuss my return and attachments with the preparer or any member of his/her firm. YES NO

PREPARER'S TELEPHONE NUMBER

SIGNATURE - PLEASE SIGN BELOW

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. If prepared by a person other than a shareholder, his/her declaration is based on all information of which he/she has any knowledge.

SIGNATURE OF OFFICER	PREPARER'S SIGNATURE (OTHER THAN OFFICER)	FEIN OR SSN
DATE	TELEPHONE NO. ()	PREPARER'S ADDRESS AND ZIP CODE
		DATE

DOR USE ONLY
 S
 E
 F

Send completed return and required attachments to: Missouri Department of Revenue, P.O. Box 700, Jefferson City, MO 65105-0700.

1996 MISSOURI S CORPORATION INCOME TAX GENERAL INSTRUCTIONS

THESE INSTRUCTIONS ARE FOR GUIDANCE ONLY AND DO NOT STATE THE COMPLETE LAW.

WHO MUST FILE FORM MO-1120S

Form MO-1120S must be filed if Federal Form 1120S is required to be filed and the S corporation has (1) a shareholder that is a Missouri resident; or (2) any income derived from Missouri sources (Section 143.471, RSMo 1994). Attach a copy of Federal Form 1120S and all Schedule K-1(s).

Completion of Form MO-1120S, Parts 1 and 2 and Form MO-NRS is not required, if the S corporation does not have Missouri modifications or nonresident shareholders.

In all other cases, complete applicable parts of this return and attach necessary forms.

MISSOURI REGISTRATION

Every S corporation required to file a Form MO-1120S must register with the Department of Revenue to receive a MITS/Missouri Tax Identification Number. To register, contact the DEPARTMENT OF REVENUE, TAX ADMINISTRATION BUREAU, P.O. BOX 3300, JEFFERSON CITY, MO 65105-3300 OR CALL (573) 751-5860.

WHEN TO FILE

Form MO-1120S, along with all required information, must be filed on or before the 15th day of the fourth month following the close of its taxable year. When the due date falls on a Saturday, Sunday or legal holiday, the return will be considered timely filed on the next business day. Mail returns to the DEPARTMENT OF REVENUE, P.O. BOX 700, JEFFERSON CITY, MO 65105-0700.

EXTENSION OF TIME TO FILE

If an S corporation has been granted an extension of time to file its federal income tax return, the time for filing the Missouri income tax return is automatically extended for a similar period of time. A copy of the Federal Extension Form 7004 must be attached to the Form MO-1120S when filed.

PERIOD COVERED BY THE RETURN

Form MO-1120S must cover the same period as the corresponding Federal Form 1120S. Indicate the period covered on the front of the return.

AUTHORIZATION

Check the "yes" box for authorization of release of confidential information. This authorizes the Director of Revenue or delegate to discuss this return and attachments with the preparer whose signature appears on the Form MO-1120S or to any member of his/her firm. If the authorization box is checked "no", or if no box is checked, the Department of Revenue can only discuss this return with an authorized shareholder. Refer to Section 32.057, RSMo 1994.

SIGNATURE

Section 143.561.1, RSMo 1994, requires the return to be signed by one of the shareholders of the S corporation. Any authorized shareholder, regardless of position, may sign the return.

ROUNDING ON MISSOURI RETURNS

You must round all cents to the nearest whole dollar on your return. For cents .01 through .49, round down to the previous whole dollar amount (round \$32.49 down to \$32.00) on the

return. For cents .50 through .99, round up to the next whole dollar amount (round \$32.50 up to \$33.00) on the return. For your convenience, we have already placed zeros in the cents columns on the returns.

AMERICANS WITH DISABILITIES ACT (ADA)

The state of Missouri offers a Dual Party Relay Service (DPRS) for hearing/speech impaired individuals. This service was implemented in accordance with the Americans with Disabilities Act (ADA). A hearing/speech impaired individual may call a voice user at (800) 735-2966.

CREDITS

Shareholders may be entitled to any of the following tax credits: New or Expanded Business Facility Credit, Development Reserve Credit, Infrastructure Development Credit, Export Finance Credit, Missouri Low Income Housing Credit, Missouri Business Modernization and Technology (Seed Capital) Credit, Neighborhood Assistance Credit (including Homeless Assistance Credit), Affordable Housing Assistance Credit, Enterprise Zone Credit, Small Business Incubator Credit, Small Business Investment Credit, Community Bank Investment Credit, Qualified Research Expense Credit, Higher Education Scholarship Fund Credit, Special Needs Adoption Tax Credit, Abandoned Property Tax Credit and Youth Opportunities Tax Credit. These credits must be allocated to the shareholders based on the shareholders' percentage of ownership and reported on the Form MO-1040, Individual Income Tax Return. See Form MO-1040 and Form MO-TC instructions for further information.

NONRESIDENT SHAREHOLDERS

Every S corporation must file Form MO-1NR, Income Tax Withheld for Nonresident Individual Partners or S Corporation Shareholders and send in copies of Form MO-2NR, Statement of Income Tax Payments for Nonresident Individual Partners or S Corporation Shareholders if they have nonresident individual shareholders who do not meet one of the following exceptions:

- the nonresident shareholder, not otherwise required to file a return, elects to have the Missouri income tax due paid as part of the S corporation's composite return;
- the nonresident shareholder, not otherwise required to file a return, had Missouri assignable federal adjusted gross income from the S corporation of less than twelve hundred (\$1,200) dollars;
- the S corporation is liquidated or terminated, income was generated by a transaction related to termination or liquidation, and no cash or property was distributed in the current or prior taxable year.

Form MO-1NR must be filed by the due date or extended due date for filing the S corporation income tax return. Forms may be obtained by contacting the DEPARTMENT OF REVENUE, OFFICE OF DIVISIONAL SUPPORT SERVICES, P.O. BOX 3022, JEFFERSON CITY, MO 65105-3022 or call (800) 877-6881. (TDD (800) 735-2966).

FORM MO-1120S – S CORPORATION INCOME TAX RETURN

S CORPORATION ADJUSTMENTS

Each S corporation, having modifications, must complete the Form MO-1120S, Parts 1 and 2, and notify each shareholder of the adjustments to which he/she is entitled. Missouri income tax law provides adjustments to a shareholder's share of the S corporation income included in his/her individual federal income tax return in order to properly determine his/her individual Missouri adjusted gross income. Each shareholder should add the explanation: "S Corporation Adjustments-S Corporation Name" to the Form MO-1040. A copy of the Form MO-1120S, Part 2, must be provided to each shareholder.

INTEREST ON EXEMPT FEDERAL OBLIGATIONS

Interest from **direct** obligations of the U.S. Government, such as U.S. savings bonds, U.S. treasury bills, bonds and notes is exempt from state taxation under the laws of the United States. **Attach a detailed list or all Federal Form 1099(s).** S corporations who claim an exclusion for interest from U.S. obligations **must** identify the specific securities owned, e.g., "U.S. savings bond". A general description such as "interest on U.S. obligation" or "U.S. Government securities" is not acceptable. (See 12 CSR 10-2.150 for the taxability of various U.S. Government related obligations.) A list of exempt U.S. obligations must be provided to each shareholder by the S corporation. This list will allow the shareholder to report the modification on his/her Missouri Individual Income Tax Return, Form MO-1040.

A federally taxed distribution received from a mutual fund investing exclusively in **direct** U.S. Government obligations is exempt. If the fund invests in both exempt and nonexempt government obligations, a year-end statement from the mutual fund that details the breakdown of exempt (direct) and nonexempt (indirect) portion of the distribution from the fund is required. A copy of the fund statement must be provided to the shareholders of the S corporation.

NOTE: Failure to attach a copy of the notification furnished to you that specifically details the amount of the subtraction being claimed as your distributive share will result in the disallowance of the deduction.

In arriving at the amount of related expenses, the taxpayer may use actual expenses or a reasonable estimate. In general, the taxpayer should use the same or similar method to that used to compute related expenses for federal income tax purposes, provided that the method reasonably reflects related expenses for Missouri-exempt income.

If a taxpayer fails to compute reasonable related expenses, the Director of Revenue will make an adjustment based on the best information made available. If sufficient information is not made available or if the taxpayer's records do not provide sufficient information, the Director of Revenue will use the following formula to compute related expenses:

$$\frac{\text{Exempt income}}{\text{Total income}} \times \text{Expense items} = \text{Reduction to exempt income}$$

The principal expense item in this formula is interest expense; however, the Director of Revenue may include other expense items because of their direct relationship to the production of exempt income. The taxpayer may propose an alternative method provided that it properly reflects the amount of related expenses.

CAPITAL GAIN EXCLUSION FROM THE SALE OF LOW INCOME HOUSING PROJECT

Enter on Line 13 as "Other Adjustments" the excludable amount of gain resulting from the sale of a low income housing project subsidized by the Federal Department of Housing and Urban Development to a nonprofit or governmental organization, agreeing to preserve or increase the low income occupancy of the project. A copy of Federal Form 4797 must be attached to verify the credit. For those owners whose low income housing project has at least 40% of its units occupied by persons or families having incomes of 60% or less of the median income, the exclusion shall equal 25% of the capital gain.