

FORM MO-1120S S CORPORATION TAX RETURN

This information is for guidance only and does not state the complete law.

WHO MUST FILE FORM MO-1120S

CORPORATION FRANCHISE TAX:

Every S corporation must determine if its assets or apportioned assets are greater than \$1,000,000. If its assets (in or apportioned to Missouri) are over \$1,000,000, the S corporation must complete and file Schedule MO-FT and Form MO-1120S, Lines 16 through 29. Attach a copy of the balance sheet and any supporting schedules. If its assets (in or apportioned to Missouri) are equal to or less than \$1,000,000, the S corporation must check Box A on Form MO-1120S and sign the return.

S CORPORATION INCOME TAX:

Every S corporation must file Form MO-1120S if they file Federal Form 1120S 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). Attach a copy of Federal Form 1120S and all Schedule K-1(s). Qualified subchapter S subsidiaries (QSSS) must file a separate Form MO-1120S and attach its separate balance sheet if they are engaged in business in Missouri. The QSSS must also check Box D on the Form MO-1120S.

ADMINISTRATIVE DISSOLUTION

If a corporation required to file income on franchise tax, fails to file and/or pay the tax within 90 days from the original due date (or 90 days from the extension due date), it shall forfeit its charter (or Certificate of Authority for a foreign corporation) in this state under the provisions of Section 351.486 and 351.602, RSMo.

MISSOURI REGISTRATION

Every S corporation must register with the Department of Revenue to receive a Missouri Tax Identification Number. To register, contact: Missouri Department of Revenue, Taxation Bureau, P.O. Box 3300, Jefferson City, MO 65105-3300, visit our web site at www.dor.mo.gov/tax, or call (573) 751-5860.

TIME AND PLACE OF FILING AND PAYMENT

CORPORATION FRANCHISE TAX:

Corporation franchise tax is due on or before the 15th day of the fourth month following the beginning of the tax year. Example: Taxable period of January 1, 2008, to December 31, 2008; due April 15, 2008.

S CORPORATION INCOME TAX:

S corporation return is due on or before the 15th day of the fourth month following the end of the tax year. Example: Taxable period of January 1, 2007, to December 31, 2007; due April 15, 2008.

Note: When the due date falls on a Saturday, Sunday, or legal holiday, the return will be considered timely filed on the next business day.

If you have a balance due, mail your return and payment to:

Missouri Department of Revenue, P.O. Box 3365,
Jefferson City, MO 65105-3365.

Note: Include the Missouri Tax Identification Number on the check or money order.

If you are due a refund or have no amount due, mail your return to:

Missouri Department of Revenue, P.O. Box 700,
Jefferson City, MO 65105-0700.

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. If filing a calendar year Form MO-1120S, enter dates of January 1, 2007, to December 31, 2007. If filing Schedule MO-FT for a calendar year, enter dates January 1, 2008 to December 31, 2008. **These returns must be filed together on the same forms.**

REPORTABLE TRANSACTION DISCLOSURE STATEMENT FEDERAL FORM 8886

Every corporation must include with the Missouri return a copy of each Federal Form 8886 that was filed with the IRS as part of its federal return or as part of a consolidated federal return.

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 corporation income/franchise 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. **Form MO-7004 is only required if a franchise tax liability exists.**

If you expect to owe Missouri franchise tax, file Form MO-7004 with your payment by the original due date of the return.

An extension of time to file does not extend the time for payment of the tax. The corporation must pay, on or before the original due date, the amount properly estimated as its corporation franchise tax for the taxable year.

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 \$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.

Pursuant to Section 143.411, RSMo, a nonresident shareholder can request the S corporation be exempt from withholding by filing a completed Form MO-3NR, Partnership/S Corporation Withholding Exemption/Revocation Agreement.

Form MO-1NR must be filed by the due date or extended due date for filing the S corporation income tax return. Form MO-3NR must be filed by the due date for filing the S corporation income tax return without regard to an extension of time to file.

Forms may be obtained by writing the Missouri Department of Revenue, Taxation Bureau, P.O. Box 3022, Jefferson City, MO 65105-3022, calling (800) 877-6881 (TDD (800) 735-2966), visiting our web site at www.dor.mo.gov/tax, or using the Department of Revenue's Forms-by-Fax at (573) 751-4800.

If you have technical questions concerning the filing of Form MO-1NR and Form MO-3NR you may contact the Taxation Bureau at (573) 751-1467. **If you are filing a composite return and you have questions, contact the Taxation Bureau at (573) 751-1467.**

S CORPORATION ADJUSTMENTS

Each S corporation, having modifications, must complete the Form MO-1120S, Page 1, Lines 1–14 and Page 2, the Allocation of Missouri S Corporation Adjustment to Shareholders, 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 must be provided to each shareholder.

ADDITIONS

LINE 1 — MISSOURI CORPORATION INCOME TAX & CORPORATION INCOME TAX OF OTHER STATES DEDUCTED IN DETERMINING FEDERAL TAXABLE INCOME

Enter the amount of Missouri corporation income tax deducted on Federal Form 1120S (Section 143.141(1), RSMo), and the amount of corporation income taxes from other states, their subdivisions and the District of Columbia deducted on Federal Form 1120S (12 CSR 10-2.160 and Section 143.141(2), RSMo).

LINE 2 — STATE AND LOCAL BOND INTEREST (EXCEPT MISSOURI)

Enter on Line 2a all interest from state and local bonds, excluding Missouri (Section 143.121.2(b), RSMo).

Enter on Line 2b the amount of expenses associated with the state and local bond interest. The expenses must exceed \$500. Refer to Section 143.121.2(b), RSMo, for further explanation.

LINE 3 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 18, and Form MO-1065, Line 18 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065, must be attached.

LINE 4 — MISSOURI DEPRECIATION BASIS ADJUSTMENT

Enter on Line 4 the difference between the federal and Missouri depreciation calculated on assets purchased between July 1, 2002 and June 30, 2003. See Section 143.121, RSMo for more information. For more information and examples, access our web site at www.dor.mo.gov/tax.

LINE 5 — DONATIONS CLAIMED FOR THE FOOD PANTRY TAX CREDIT THAT WERE DEDUCTED FROM FEDERAL TAXABLE INCOME

Enter on Line 5 the total amount of donations claimed for the Food Pantry Tax Credit that were also taken as a deduction on the Federal Form 1120 return (Section 135-647, RSMo).

LINE 6 — TOTAL

Add Lines 1 through 5. Enter the amount on Line 6.

SUBTRACTIONS

LINE 7 — INTEREST AND DIVIDENDS FROM EXEMPT FEDERAL OBLIGATIONS (MUST ATTACH SCHEDULE)

Enter on Line 7a the amount of interest and dividends from federal obligations to the extent they are exempt from Missouri income tax, but subject to federal tax (12 CSR 10-2.150 and Section 143.121.3(a), RSMo). A detailed list showing the amount of monies

received or the percentage of funds received from **direct** U.S. Government obligations must be attached to Form MO-1120S.

Enter on Line 7b the amount of interest on indebtedness and expenses associated with the production of interest and dividend income on federal obligations shown on Line 6a. The expenses must exceed \$500. Refer to Section 143.121.3(a), RSMo, for further explanation.

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 adjustments 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.

Enter on Line 7 the net amount of Line 7a less Line 7b.

LINE 8 — AMOUNT OF ANY STATE INCOME TAX REFUND INCLUDED IN FEDERAL TAXABLE INCOME

Enter the amount of any state income tax refund for a prior year that was included in the federal taxable income for the current year (Section 143.121.3(e), RSMo).

LINE 9 — FEDERALLY TAXABLE — MISSOURI EXEMPT OBLIGATION

The amount of any bond issued by the Missouri Higher Education Loan Authority (MOHELA) including interest or proceeds resulting from the sale of the bond is exempt from Missouri tax. If the amount is included in federal taxable income, the amount can be subtracted from federal taxable income for Missouri tax purposes pursuant to Section 173.440, RSMo. Enter the exempt amount on Line 9 and provide documentation with the return.

LINE 10 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 19 and Form MO-1065, Line 19 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065 must be attached.

LINE 11 — MISSOURI DEPRECIATION BASIS ADJUSTMENT

Enter on Line 11 the difference between the federal and Missouri depreciation calculated on assets purchased between July 1, 2002 and June 30, 2003. See Section 143.121, RSMo for more information.

LINE 12 — DEPRECIATION RECOVERY ON QUALIFIED PROPERTY THAT IS SOLD

Enter on Line 12 any depreciation that was previously not recovered when an asset is sold or otherwise disposed of and federal bonus depreciation was previously taken. (Section 143.121.3(i), RSMo)

LINE 13 — TOTAL

Add Lines 7 through 12. Enter the amount on Line 13.

LINE 14 — MISSOURI S CORPORATION ADJUSTMENT — NET ADDITION

Enter the excess of Line 6 over Line 13.

LINE 15 — MISSOURI S CORPORATION ADJUSTMENT — NET SUBTRACTION

Enter the excess of Line 13 over Line 6.

LINE 16 — CORPORATION FRANCHISE TAX

If your corporation is required to pay corporation franchise tax, enter amount from Schedule MO-FT, Corporation Franchise Tax Schedule, Line 7C.

LINE 17 — TAX CREDITS

Enter the total from Form MO-TC, Line 13. Visit our web site at www.dor.mo.gov/tax to download Form MO-TC.

LINE 18 — APPROVED OVERPAYMENTS APPLIED FROM LAST FILE PERIOD

Enter any approved overpayments credited from 2007 or any estimated payments made during the year.

LINE 19 — PAYMENTS ON FORM MO-7004

Enter the total payment(s) made with Form MO-7004.

LINE 20 — AMENDED RETURN ONLY: TAX PAID WITH (OR AFTER) THE FILING OF THE ORIGINAL RETURN

Enter the amount of tax previously paid by check or money order on the original return and any previously filed amended return. Do not include any previous interest, additions to tax, or penalties.

LINE 21 — SUBTOTAL

Enter the total of Lines 17 through 20.

LINE 22 — AMENDED RETURN ONLY: OVERPAYMENT, IF ANY, AS SHOWN ON ORIGINAL RETURN OR AS LATER ADJUSTED

Enter the amount of overpayment received (or expected to be received) or the amount to be credited to estimated tax, as shown or adjusted on the original return. Any refund due on the original return will be refunded separately from any additional refund claimed on the amended return.

LINE 23 — TOTAL

Enter Line 21 less Line 22.

LINE 24 — OVERPAYMENT

Enter the overpayment if Line 23 is greater than Line 16.

LINE 25 — CREDIT TO NEXT FILING PERIOD

Enter the amount of overpayment to be applied to the next filing period.

LINE 26 — REFUND

Enter the total of Line 24 less Line 25. This is the amount to be refunded. No refund of less than \$1.00 will be made. If there is any other liability owed the state of Missouri, refund may be applied to that liability (Sections 143.781, 143.782, 143.783, and 143.784, RSMo). The corporation will be notified if any debts are offset with the refund.

LINE 27 — UNDERPAYMENT

Enter the underpayment if Line 16 is larger than Line 23.

LINE 28 — INTEREST, PENALTY, UNDERPAYMENT OF ESTIMATED TAX

Interest

Enter the amount of interest computed. Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 2008, is 8 percent per annum (Section 32.065, RSMo).

Penalty / Failure to File

Enter the amount of penalty computed. If the return is not filed by the due date, including extensions of time to file, a penalty of 5 percent per month (not to exceed 25 percent in the aggregate) is charged during the period of such failure.

Penalty / Failure to Pay

If the tax due is not paid, unless an extension of time to pay has been granted, penalty of 5 percent is charged with respect to that part of the total tax for the year which is not paid by the original due date of the return. The penalty will be waived if: (a) the amount of tax paid on or before the original due date of the return is at least 90 percent; and (b) the balance of the tax due is paid on or before the due date of the return, including extensions of time (Section 143.751, RSMo).

LINE 29 — TOTAL DUE

Enter the total of Lines 27 and 28. Attach a check or money order for the amount due payable to the Missouri Director of Revenue. Include the corporation's Missouri Tax Identification Number on the check or money order (U.S. funds only).

AUTHORIZATION

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

SIGNATURE

The Department of Revenue requires the return to be signed by an officer of the corporation. Enter the date signed, the title of the officer whose signature is affixed, and the corporation's telephone number. Lines are provided for the preparer's signature (other than taxpayer), Federal Identification Number, telephone number, and date. Failure to sign the return will cause a delay in the processing of the return.

ASSEMBLE YOUR RETURN

Assemble any forms and/or schedules behind Form MO-1120S in order of the "Attachment Sequence No." shown in the upper right corner of the form and/or schedule. Put forms without an attachment sequence number next. If you have supporting documentation, arrange them in the same order of forms and/or schedules they support and attach them last. Do not attach items unless required to do so.

TAX FORMS AVAILABLE BY FAX

Blank Missouri tax forms are available by fax. To access the Forms-by-Fax system call (573) 751-4800 from your **fax machine handset**. The Forms-by-Fax system will take you through the steps required to receive a copy of the forms you need. If you are speech or hearing impaired, you may call TDD (800) 735-2966 or fax (573) 526-1881.

FORM MO-FT FRANCHISE TAX SCHEDULE INSTRUCTIONS

Corporations/S Corporations Subject to Franchise Tax

All **domestic** corporations must file a Form MO-1120, Corporation Income Tax/Corporation Franchise Tax Return or Form MO-1120S, S Corporation Income/Franchise Tax Return and Schedule MO-FT, Franchise Tax Schedule and pay any tax due. All **foreign** corporations engaged in business or qualified to do business in Missouri must likewise file a Form MO-1120 or Form MO-1120S and Schedule MO-FT and pay any tax due. Franchise tax is based on the total assets of the corporation or the par value of issued and outstanding capital stock, whichever is greater. For capital stock with no par value, the value is \$5 per share or actual value, whichever is higher.

If a corporation's assets in Missouri or apportioned to Missouri are \$1,000,000 or less, the corporation is not required to pay franchise tax. However, the corporation must still file and state that its assets do not exceed \$1,000,000. Check Box A on Form MO-1120 or Form MO-1120S to indicate assets do not exceed \$1,000,000 and sign the return.

To determine the corporation's tax basis, complete Schedule MO-FT, Lines 1 through 6.

Corporations/S Corporations Exempt From Filing Franchise Tax

Not-for-profit corporations, industrial development authorities, insurance companies, which pay an annual tax on their premium receipts in this state, certain electric and telephone corporations, mutual insurance corporations not having shares, savings and loan associations, and regulated investment companies (see Section 147.010.2, RSMo), or banking institutions subject to the franchise tax imposed by Sections 148.010–148.110, RSMo, are exempt from filing corporation franchise tax.

New Domestic and Foreign Corporations

1. Corporations required to file a franchise tax return will have the initial return due by the 15th day of the fourth month following either:
 - a. The date of incorporation for Missouri domestic corporations or
 - b. The date of qualification or date when business actually began (whichever came first) if a foreign corporation.
2. The initial franchise tax must be filed with Form MO-1120 or Form MO-1120S **and** must be filed for **Franchise Tax Only (Box D)**.
3. The initial franchise tax return is based on the beginning assets as of its Missouri incorporation date or qualification/business begin date (whichever came first) if a foreign corporation.
4. The beginning file period date represents the incorporation, qualification, or actual date when business began (foreign corporations, whichever came first). The ending file period date is the corporation's year-end consistent with federal filing requirements.
 - a. Example: a Missouri corporation incorporates 7/1/07. It has elected to file on a calendar (Dec. 31) year-end for federal purposes. The initial franchise tax return is filed for the short period 7/1/07 – 12/31/07. It is due 10/15/07. It is prorated for 6 months. The tax is based on its beginning balance sheet as of 7/1/07. It is filed on Form MO-1120 or MO-1120S and Box D "Return filed for Franchise tax only" is checked. Its next franchise return (which may be filed for **Both** income and franchise tax) is filed for the full period 1/1/08 – 12/31/08, based on its 12/31/07 balance sheet, due 4/16/08.

- b. Example: a foreign corporation purchases assets in Missouri 2/1/07, but it does not receive its qualification from the Secretary of State's office until 4/1/07. It files on a fiscal year ending September 30 for federal purposes. The initial franchise tax return is filed for the short period 2/1/07 – 9/30/07. It is due 5/15/07. It is prorated for 8 months. The tax is based on its beginning balance sheet as of 2/1/07. It is filed on Form MO-1120 or MO-1120S and Box D "Return filed for Franchise tax only" is checked. Its next franchise return (which may be filed for **Both** income and franchise tax) is filed for the full period 10/1/07 – 9/30/08, based on its 9/30/07 balance sheet, due 1/15/08.

Line by Line Instructions for Completing Schedule MO-FT

1. Complete the corporation name.
2. Complete the Missouri Tax I.D. Number (as issued by the Missouri Department of Revenue), Charter Number (as issued by the Missouri Secretary of State), and Federal I.D. Number.
3. Complete file period beginning and ending month, date, year.
4. Complete the balance sheet date. **NOTE: the balance sheet date must correspond with the beginning date of the franchise tax file period.** Example: balance sheet ending 12/31/07 is beginning 1/1/08 franchise tax file period.
5. Check Box Yes if the corporation is using flow-through assets from a partnership and/or LLC in the calculation of its franchise tax.
*** NOTE: If you are using flow-through assets from a partnership and/or LLC in the calculation of the franchise tax apportionment, you must include a reconciliation of these values. In addition to the balance sheet of the corporation, attach a schedule or balance sheet of all partnerships and/or limited liability companies doing business in Missouri, the percentage of ownership, the value of assets, and the partner's capital account.**
6. Check Box Yes if there has been a change in your accounting period. State prior accounting period. **NOTE: Because the Missouri franchise tax is filed and paid prospectively and the beginning taxable period must coincide with the ending balance sheet date, adjustments may need to be made to your prior year return to allow for proration of tax.**
7. Corporations having all assets within Missouri complete Lines 1, 2, 6a, and 7 **ONLY**.
8. Corporations having assets both within and without Missouri complete all lines **EXCEPT** 6a.

Line 1. Enter the par value of issued and outstanding stock. For capital stock with no par value, the value is \$5 per share or actual value, whichever is higher.

Line 2a. Enter the value of total assets. **NOTE: You must attach a balance sheet prepared in conformity with the books and records of the taxpayer as of the beginning of business on the first day of its tax year. Schedule L of Federal Form 1120 and supporting schedules shall satisfy the requirement. You must add negative figures back to total assets since they constitute a liability and are not deductible. Do not use averages.**

Line 2b. Enter the total of investments in and advances to subsidiaries. **NOTE: You must attach Schedule 5071 or a schedule showing the name of subsidiaries, percentage of ownership, and amount. Ownership of the subsidiary must be over 50% to qualify. Subsidiaries must be corporations.**

Line 2c. Enter the adjusted total (Line 2a less Line 2b).

Line 3a. Enter the amount of accounts receivable. Include all notes, accounts, and contracts receivables that are based upon Missouri destination sales. Receivables not derived from sales must be included if the borrower is located in Missouri. If accounts receivables from subsidiaries are included in Line 2b, do not include in Line 3a. **Accounts receivables must be reported net of bad debt. Do not use averages.**

Line 3b. Enter the amount of inventories. The value of inventories is reported net and at book value. Do not use averages.

Line 3c. Enter the sum of fixed assets, depletable assets, and land. The value is reported at book value, net of accumulated depreciation, depletion, and amortization. Include property and equipment under construction and leasehold improvements. Do not use averages.

Line 4. Enter the Missouri percentage for apportionment by dividing Line 3d, Column A by Column B. Extend the apportionment percentage to six digits to the right of the decimal point. Example: 12.34565 % is .123457 and 1.2345 is .012345.

Line 5. Enter assets apportioned to Missouri by multiplying Line 4 by Line 2c.

Line 6. Enter the tax basis.

6a. Corporations having all assets within Missouri, enter Line 2c or Line 1, whichever is greater. *

6b. Corporations having assets both within and without Missouri, enter Line 5 or the product of Line 1 times Line 4, whichever is greater. *

*** NOTE: If Line 6a or Line 6b is \$1,000,000 or less, STOP HERE and check Box A on Form MO-1120 or Box A on Form MO-1120S.**

Line 7. Tax computation

7a. Enter the franchise tax by multiplying Line 6a or Line 6b by .000333 (1/30th of 1%)

7b. Enter the prorated tax due. Short periods may be filed for franchise tax for the following situations: a new corporation, a change in accounting periods, a merger, a termination, or a withdrawal. **NOTE: If you are filing a short period for a reason other than those previously stated, you must attach a detailed explanation. You will be notified if the short period is disallowed or adjustments were made to a previously filed return. You must report the number of months in the short period as whole numbers.**

7c. Enter the tax due (Line 7a or Line 7b, whichever applies.) Enter the franchise tax on Form MO-1120, Line 15 or Form MO-1120S, Line 16.

