Table of Contents

C Corporations 1

Operational Tax Advantages of the C Corporation 2

Operational Tax Disadvantages of C Corporations 2

General C Corporation Issues 3

Filing Issues-All entities taxed as C Corporations file IRS Form 1120 3

Special C Corporation Issues 8

Capital Gains and Losses 8

Amended Returns 9

Charitable Contributions 9

Dividends-Received Deduction 11

Related Parties 12

Net Operating Losses 13

NOL Carrybacks 17

Constructive Dividends 18

Accounting Methods 22

Uniform Capitalization Rules 23

Reasonable Compensation 25

Distributions & Redemptions 27

Form 1099-DIV 30

Form 5452 31

Form 8937 34

C CORPORATION NON-LIQUIDATING DISTRIBUTIONS 36

Exception to the Proportionate Rule 37

Alternative Minimum Tax 39

Liquidations 39

Other- UTP Threshold 40

Schedule UTP 42

Consolidated Returns 45

Corporate Formation Issues 47

Factors to Consider in Choosing a Business Form 47

EIN Issues 51

Limited Liability Company 52

Single Member LLCs with Employees 52

Formation Issues 53

Mandatory Rules of Code Section 351 53

The Problem with Liabilities 58

Section 351 Filing Requirements 60

Where the taxpayer may want to avoid the tax-free incorporation rules 64

Example 1 Using an NOL carryforward 65

Example 2 Using a capital loss carryforward and net operating loss 66

Contributions to Capital 67

SECTION 1244 STOCK 68

Qualifying Rules for SECTION 1244 Corporations and shareholders 68

Recordkeeping 69

Business Interest Expense Limitation 71

Business Interest Comparison Table 73

$29 Million Revenue Test 74

The Limits- Form 8990 75

Pass Through Entities 78

Accumulated Earnings Tax 81

Pertinent Law 82

Reasonable Accumulation Needs 82

Key Court Cases and Arguments for Accumulation 85

Favorable Arguments to Refute the AET 85

Factors to Avoid 86

Calculation 86

Consent Dividends 88

Personal Service Corporations 89

Tax Characteristics of the PSC 90

PSC Definition 91

Form 1120 Reporting 94

Personal Holding Companies 95

Tax Calculation 95

Case Study-Converting Existing LLC to C Corporation 99

Form 8832 100

Conversion Issues and Questions 103

Conversion – S Corporation to C Corporation 107

Case Study-Converting Existing S Corporation to C Corporation 108

Conversion Issues and Questions 109

Corporate Statement of Revocation of S Election under §1362(a) 109

Shareholder Consent to Revocation of S Corp Election under IRC §1362(d)(1) 110