GUIDE

Form 1120-S instructions for S-Corp owners

Form 1120-S is the federal return for S corporations, including LLCs that elected S-Corp status. It reports the company's income and deductions, including officer salary, and sends each shareholder a Schedule K-1. It's due March 15 for calendar-year companies, or September 15 with an extension on Form 7004.

QUICK FACTS

- **Who files.** Corporations and LLCs with an S election
- **Due.** March 15, 2027 for 2026, or September 15 with Form 7004
- **Watch.** A reasonable salary on payroll before distributions

Who files Form 1120-S?

Every company with a valid S election, from the year the election takes effect. That includes LLCs that filed Form 2553. The return is due even if the company lost money or had no activity, until the election ends or the company dissolves.

When is it due?

March 15 for calendar-year S-Corps, so March 15, 2027 for the 2026 return. Form 7004 extends it six months to September 15. The extension covers filing only. S-Corps rarely owe federal tax themselves, but shareholders owe tax on their share of the profit by April 15 either way.

General information, not tax advice for your situation.

What goes into Form 1120-S?

SECTION	WHAT IT REPORTS
Page 1	Income and deductions, including officer compensation on line 7 and other salaries on line 8
Schedule B	Questions about the company and its shareholders
Schedule K	Totals of items passing through to shareholders
Schedules L, M-1, M-2	Balance sheet, book-to-tax reconciliation and the accumulated adjustments account, unless small enough to skip
Schedule K-1	Each shareholder's share, based on ownership percentage
Form 1125-E	Officer compensation detail, if receipts are $500,000 or more

What do S-Corp owners get wrong most often?

- **No salary, or a token one.** Owners who work in the business need a reasonable salary through payroll before taking distributions. Our reasonable salary guide covers how to set it
- **Health insurance done wrong.** Premiums for a 2% shareholder go on the W-2 as wages to get the deduction on the owner's return
- **Personal expenses through the company.** Reimburse home office and mileage through an accountable plan instead
- **Distributions that aren't pro rata.** Payouts must follow ownership percentages, or you risk a second class of stock
- **No basis records.** Shareholders need them to deduct losses and take tax-free distributions

What is the penalty for filing late?

The IRS charges a set amount for each shareholder for each month the return is late, up to 12 months, plus interest on any tax due. Extending on time avoids it. Most states that recognize S-Corps want their own return too.

Common questions

Does an S-Corp pay federal income tax?
Usually not. Profit passes through to the shareholders. An S-Corp can owe tax in a few cases, like built-in gains from its time as a C-Corp.

Do I need payroll to file Form 1120-S?
If you work in the business and take money out, yes. The IRS expects a reasonable salary through payroll before distributions.

When do shareholders get their K-1s?
By the return due date, March 15, or September 15 if the company extends.

General information, not tax advice for your situation.

Can I file Form 1120-S myself?

You can, but it's an easy return to get wrong, especially basis, officer pay and the balance sheet. Many owners have it prepared along with their personal return.

Want your business return done?

One fixed price, agreed before we start. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

eminenttax.com

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