

Carolina Medical Laboratory

Key Points:

- Carolina Medical Laboratory is a partnership owned by two individuals:
 - Steven Carter
 - David Carter
- The case will include, but not limited to, the following:
 - **Form 1065**
 - *Form 1065 includes only trade or business income and expenses*
 - **Form 1065 Schedule K**
 - *Schedule K reflects all income and expenses, credits, etc. of the partnership as a whole*
 - **Form 1065 Schedule L**
 - *Schedule L is the partnership balance sheet*
 - **Form 1065 Schedule M-1**
 - *Schedule M-1 is used to reconcile the income from financial statements to the tax return*
 - *Adjustments to cash flow should be made for non-cash and/or non-recurring items*
 - *Companies often use different depreciation methods for financial statements than tax returns*
 - **Form 1065 Schedule M-2**
 - *Schedule M-2 is used to analyze the partner's capital accounts*
 - *Line 6a indicates how much the partnership distributed in cash*
 - *Line 6b indicates how much the partnership distributed in property*
 - **Form 1065 Schedule K-1**
 - *Schedule K-1 indicates the individual partner's share of income, credits, deductions, capital, etc.*

Carolina Medical Laboratory

Partnership

Instructor Led Example - 2023

Form	1065	U.S. Return of Partnership Income		OMB No. 1545-0123				
Department of the Treasury Internal Revenue Service		For calendar year 2023, or tax year beginning _____, 2023, ending _____, 20_____		2023				
		Go to www.irs.gov/Form1065 for instructions and the latest information.						
A Principal business activity	Type or Print	Name of partnership	D Employer identification number					
Laboratory		Carolina Medical Laboratory (INSTRUCTOR LEAD 2023 EXAMPLE)	11-1111111					
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see instructions.	E Date business started					
Virus Testing		100 S. Main Street	05/01/2015					
C Business code number		City or town, state or province, country, and ZIP or foreign postal code	F Total assets (see instructions)					
		Anytown, NC 12345	\$ 175,150					
G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return								
H Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify): _____								
I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: 2								
J Check if Schedules C and M-3 are attached ☐								
K Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes								
Caution: Include only trade or business income and expenses on lines 1a through 23 below. See instructions for more information.								
Income	1a	Gross receipts or sales	158,385	b Less returns and allowances	0	c Balance	1c	158,385
	2	Cost of goods sold (attach Form 1125-A)					2	45,216
	3	Gross profit. Subtract line 2 from line 1c					3	113,169
	4	Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)					4	
	5	Net farm profit (loss) (attach Schedule F (Form 1040))					5	
	6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)					6	
	7	Other income (loss) (attach statement)					7	
	8	Total income (loss). Combine lines 3 through 7					8	113,169
Deductions (see instructions for limitations)	9	Salaries and wages (other than to partners) (less employment credits)					9	
	10	Guaranteed payments to partners					10	
	11	Repairs and maintenance					11	902
	12	Bad debts					12	
	13	Rent					13	3,500
	14	Taxes and licenses					14	987
	15	Interest (see instructions)					15	1,540
	16a	Depreciation (if required, attach Form 4562)		16a	5,100			
	b	Less depreciation reported on Form 1125-A and elsewhere on return		16b	5,082	16c	18	
	17	Depletion (Do not deduct oil and gas depletion.)					17	
	18	Retirement plans, etc.					18	
	19	Employee benefit programs					19	
	20	Energy efficient commercial buildings deduction (attach Form 7205)					20	
	21	Other deductions (attach statement)					21	10,245
22	Total deductions. Add the amounts shown in the far right column for lines 9 through 21					22	17,192	
23	Ordinary business income (loss). Subtract line 22 from line 8					23	95,977	
Tax and Payment	24	Interest due under the look-back method—completed long-term contracts (attach Form 8697)					24	
	25	Interest due under the look-back method—income forecast method (attach Form 8866)					25	
	26	BBA AAR imputed underpayment (see instructions)					26	
	27	Other taxes (see instructions)					27	
	28	Total balance due. Add lines 24 through 27					28	
	29	Elective payment election amount from Form 3800					29	
	30	Payment (see instructions)					30	
	31	Amount owed. If the sum of line 29 and line 30 is smaller than line 28, enter amount owed					31	
	32	Overpayment. If the sum of line 29 and line 30 is larger than line 28, enter overpayment					32	
	Sign Here	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. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.						
Signature of partner or limited liability company member			Date					
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date		Check ☐ if self-employed	PTIN
	Firm's name						Firm's EIN	
	Firm's address						Phone no.	
For Paperwork Reduction Act Notice, see separate instructions.								
Cat. No. 11390Z								
Form 1065 (2023)								

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:	Yes	No
a ☒ Domestic general partnership		
b ☐ Domestic limited partnership		
c ☐ Domestic limited liability company		
d ☐ Domestic limited liability partnership		
e ☐ Foreign partnership		
f ☐ Other: _____		
2 At the end of the tax year:		
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		✓
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership	✓	
3 At the end of the tax year, did the partnership:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below		✓
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below		✓
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity
4 Does the partnership satisfy all four of the following conditions?	Yes	No
a The partnership's total receipts for the tax year were less than \$250,000.		
b The partnership's total assets at the end of the tax year were less than \$1 million.		
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
d The partnership is not filing and is not required to file Schedule M-3	✓	
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item L on Schedule K-1.		
5 Is this partnership a publicly traded partnership, as defined in section 469(k)(2)?		✓
6 During the tax year, did the partnership have any debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		✓
7 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		✓
8 At any time during calendar year 2023, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country _____		✓
9 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions		✓
10a Is the partnership making, or had it previously made (and not revoked), a section 754 election? If "Yes," enter the effective date of the election		✓
See instructions for details regarding a section 754 election.		
b For this tax year, did the partnership make an optional basis adjustment under section 743(b)? If "Yes," enter the total aggregate net positive amount \$ _____ and the total aggregate net negative amount \$ (_____) of such section 743(b) adjustments for all partners made in the tax year. The partnership must also attach a statement showing the computation and allocation of each basis adjustment. See instructions		✓

Schedule B Other Information (continued)		Yes	No
c	For this tax year, did the partnership make an optional basis adjustment under section 734(b)? If "Yes," enter the total aggregate net positive amount \$ _____ and the total aggregate net negative amount \$ (_____) of such section 734(b) adjustments for all partnership property made in the tax year. The partnership must also attach a statement showing the computation and allocation of each basis adjustment. See instructions		✓
d	For this tax year, is the partnership required to adjust the basis of partnership property under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," enter the total aggregate amount of such section 743(b) adjustments and/or section 734(b) adjustments for all partners and/or partnership property made in the tax year \$ _____. The partnership must also attach a statement showing the computation and allocation of the basis adjustment. See instructions		✓
11	Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) ☐		
12	At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		✓
13	If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs), enter the number of Forms 8858 attached. See instructions		
14	Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership		✓
15	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return		
16a	Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions		✓
b	If "Yes," did you or will you file required Form(s) 1099?		
17	Enter the number of Forms 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, attached to this return		
18	Enter the number of partners that are foreign governments under section 892		
19	During the partnership's tax year, did the partnership make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		✓
20	Was the partnership a specified domestic entity required to file Form 8938 for the tax year? See the Instructions for Form 8938		✓
21	Is the partnership a section 721(c) partnership, as defined in Regulations section 1.721(c)-1(b)(14)?		✓
22	During the tax year, did the partnership pay or accrue any interest or royalty for which one or more partners are not allowed a deduction under section 267A? See instructions If "Yes," enter the total amount of the disallowed deductions \$ _____		✓
23	Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		✓
24	Does the partnership satisfy one or more of the following? See instructions a The partnership owns a pass-through entity with current, or prior year carryover, excess business interest expense. b The partnership's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$29 million and the partnership has business interest expense. c The partnership is a tax shelter (see instructions) and the partnership has business interest expense. If "Yes" to any, complete and attach Form 8990.		✓
25	Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund? If "Yes," enter the amount from Form 8996, line 15 \$ _____		✓
26	Enter the number of foreign partners subject to section 864(c)(8) as a result of transferring all or a portion of an interest in the partnership or of receiving a distribution from the partnership Complete Schedule K-3 (Form 1065), Part XIII, for each foreign partner subject to section 864(c)(8) on a transfer or distribution.		
27	At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?		✓
28	Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties constituting a trade or business of your partnership, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the partners held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions. Percentage: _____ By vote: _____ By value: _____		✓
29	Is the partnership required to file Form 7208 relating to the excise tax on repurchase of corporate stock (see instructions): a Under the applicable foreign corporation rules?		✓

Schedule B Other Information <i>(continued)</i>		Yes	No
b	Under the covered surrogate foreign corporation rules? If "Yes" to either (a) or (b), complete Form 7208, Excise Tax on Repurchase of Corporate Stock. See the Instructions for Form 7208.		✓
30	At any time during this tax year, did the partnership (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or financial interest in a digital asset)? See instructions		✓
31	Is the partnership electing out of the centralized partnership audit regime under section 6221(b)? See instructions If "Yes," the partnership must complete Schedule B-2 (Form 1065). Enter the total from Schedule B-2, Part III, line 3 If "No," complete Designation of Partnership Representative below.		✓

Designation of Partnership Representative (see instructions)

Enter below the information for the partnership representative (PR) for the tax year covered by this return.

Name of PR

U.S. address of PR	U.S. phone number of PR
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If the PR is an entity, name of the designated individual for the PR

U.S. address of designated individual	U.S. phone number of designated individual
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Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 23)	1	95,977
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss)	3a	
	b Expenses from other rental activities (attach statement)	3b	
	c Other net rental income (loss). Subtract line 3b from line 3a	3c	
	4 Guaranteed payments: a Services 4a b Capital 4b	4c	
	c Total. Add lines 4a and 4b	4c	
	5 Interest income	5	
	6 Dividends and dividend equivalents: a Ordinary dividends 6a	6a	
	b Qualified dividends 6b c Dividend equivalents 6c	6c	
	7 Royalties	7	
8 Net short-term capital gain (loss) (attach Schedule D (Form 1065))	8		
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065))	9a		
b Collectibles (28%) gain (loss) 9b	9b		
c Unrecaptured section 1250 gain (attach statement) 9c	9c		
10 Net section 1231 gain (loss) (attach Form 4797)	10		
11 Other income (loss) (see instructions) Type: _____	11		
Deductions	12 Section 179 deduction (attach Form 4562)	12	
	13a Cash contributions	13a	
	b Noncash contributions	13b	
	c Investment interest expense	13c	
	d Section 59(e)(2) expenditures: (1) Type: _____ (2) Amount: _____	13d(2)	
e Other deductions (see instructions) Type: _____	13e		
Self-Employment	14a Net earnings (loss) from self-employment	14a	95,977
	b Gross farming or fishing income	14b	
	c Gross nonfarm income	14c	113,169
Credits	15a Low-income housing credit (section 42(j)(5))	15a	
	b Low-income housing credit (other)	15b	
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable)	15c	
	d Other rental real estate credits (see instructions) Type: _____	15d	
	e Other rental credits (see instructions) Type: _____	15e	
	f Other credits (see instructions) Type: _____	15f	
Inter-national	16 Attach Schedule K-2 (Form 1065), Partners' Distributive Share Items—International, and check this box to indicate that you are reporting items of international tax relevance ☐		
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment	17a	
	b Adjusted gain or loss	17b	
	c Depletion (other than oil and gas)	17c	
	d Oil, gas, and geothermal properties—gross income	17d	
	e Oil, gas, and geothermal properties—deductions	17e	
	f Other AMT items (attach statement)	17f	
Other Information	18a Tax-exempt interest income	18a	
	b Other tax-exempt income	18b	
	c Nondeductible expenses	18c	
	19a Distributions of cash and marketable securities	19a	93,580
	b Distributions of other property	19b	
	20a Investment income	20a	
	b Investment expenses	20b	
	c Other items and amounts (attach statement)		
21 Total foreign taxes paid or accrued	21		

Analysis of Net Income (Loss) per Return

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13e, and 21					1
2	Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization
a	General partners					(vi) Nominee/Other
b	Limited partners					

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		51,453		23,630
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories		40,000		40,000
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets	231,400		231,400	
b	Less accumulated depreciation	103,880	127,520	154,880	76,520
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)	45,000		45,000	
b	Less accumulated amortization	6,000	39,000	9,000	36,000
13	Other assets (attach statement)				
14	Total assets		257,973		176,150
Liabilities and Capital					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more		203,260		119,040
20	Other liabilities (attach statement)				
21	Partners' capital accounts		54,713		57,110
22	Total liabilities and capital		257,973		176,150

Schedule M-1 Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return**Note:** The partnership may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	95,977	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Guaranteed payments (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 13e, and 21, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13e, and 21 (itemize):		a	Depreciation \$	
a	Depreciation \$		8	Add lines 6 and 7	
b	Travel and entertainment \$		9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	95,977
5	Add lines 1 through 4	95,977			

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	54,713	6	Distributions: a Cash	93,580
2	Capital contributed: a Cash			b Property	
	b Property		7	Other decreases (itemize):	
3	Net income (loss) (see instructions)	95,977	8	Add lines 6 and 7	93,580
4	Other increases (itemize):		9	Balance at end of year. Subtract line 8 from line 5	57,110
5	Add lines 1 through 4	150,690			

(Rev. November 2018)
Department of the Treasury
Internal Revenue Service▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
▶ **Go to www.irs.gov/Form1125A for the latest information.**

Name Carolina Medical Laboratory (INSTRUCTOR LED EXAMPLE)		Employer identification number 11-1111111	
1	Inventory at beginning of year	1	40,000
2	Purchases	2	29,227
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	10,907
5	Other costs (attach schedule)	5	5,082
6	Total. Add lines 1 through 5	6	85,216
7	Inventory at end of year	7	40,000
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions	8	45,216

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ▶ _____

b Check if there was a writedown of subnormal goods ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d** _____

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions . . . ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Section references are to the Internal Revenue Code unless otherwise noted.

What's New**Small business taxpayers.** For tax years beginning after December 31, 2017, the following apply.

- A small business taxpayer (defined below), may use a method of accounting for inventories that either: (1) treats inventories as nonincidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.
- A small business taxpayer is not required to capitalize costs under section 263A.

General Instructions**Purpose of Form**

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Filers of Form 1120, 1120-C, 1120-F, 1120S, or 1065, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of

merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. A small business taxpayer (defined below), can adopt or change its accounting method to account for inventories in the same manner as material and supplies that are non-incidental, or conform to its treatment of inventories in an applicable financial statement (as defined in section 451(b)(3)), or if it does not have an applicable financial statement, the method of accounting used in its books and records prepared in accordance with its accounting procedures. See section 471(c)(3).

A small business taxpayer claiming exemption from the requirement to keep inventories is changing its method of accounting for purposes of section 481. For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on changing to this method of accounting, see Form 3115 and the Instructions for Form 3115.

Small business taxpayer. A small business taxpayer is a taxpayer that (a) has average annual gross receipts of \$25 million or less (indexed for inflation) for the 3 prior tax years, and (b) is not a tax shelter (as defined in section 448(d)(3)). See Pub. 538.**Uniform capitalization rules.** The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property for use in its trade or business or in an activity engaged in for profit.

A small business taxpayer (defined above) is not required to capitalize costs under section 263A. See section 263A(i).

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

Specific Instructions

Line 1. Inventory at Beginning of Year

If you are changing your method of accounting for the current tax year, you must refigure last year's closing inventory using the new method of accounting. Enter the result on line 1. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring any section 481(a) adjustment.

Line 2. Purchases

Reduce purchases by items withdrawn for personal use. For a partnership, the cost of these items should be shown on Schedule K and Schedule K-1 as distributions to partners.

Line 4. Additional Section 263A Costs

If you elected a simplified method of accounting, enter on line 4 the balance of section 263A costs paid or incurred during the tax year not includible on lines 2, 3, and 5.

If you elected the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized under your method of accounting immediately prior to the effective date of section 263A, but are now required to be capitalized under section 263A. For details, see Regulations section 1.263A-2(b).

If you elected the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories.

- Off-site storage or warehousing.
- Purchasing.
- Handling, such as processing, assembling, repackaging, and transporting.
- General and administrative costs (mixed service costs).

Line 5. Other Costs

Enter on line 5 any costs paid or incurred during the tax year not entered on lines 2 through 4. Attach a statement listing details of the costs.

Special Rules for Cooperatives

Cooperatives are allowed to deduct certain per-unit retain allocations. Include these costs on line 5. Attach a statement listing details of per-unit retain allocations paid in:

- Qualified per-unit retain certificates,
- Money or other property (except nonqualified per-unit certificates), and
- Nonqualified per-unit retain certificates redeemed this year.

Per-unit retain allocations. A cooperative is allowed to deduct from its taxable income amounts paid during the payment period for the tax year as per-unit retain allocations to the extent paid in money, qualified per-unit retain certificates, or other property with respect to marketing occurring during the tax year. A per-unit retain allocation is any allocation from a cooperative to a patron for products marketed for him without reference to the cooperative net earnings. A qualified per-unit retain certificate is any per-unit retain certificate that the distributee has agreed to take into account at its stated dollar amount.

Nonqualified per-unit retain certificates redeemed this year. Include the amount paid in money or other property (except amounts already included as per-unit retain certificates) to patrons to redeem nonqualified per-unit retain certificates. No deduction is allowed at the time of issuance for a nonqualified per-unit retain certificate. However, the cooperative may take a deduction in the year the certificate is redeemed, subject to the stated dollar amount of the certificate. See section 1383. Also see the instructions for Form 1120-C, line 30h, for a special rule for figuring the cooperative's tax in the year of redemption of a nonqualified per-unit retain certificate.

Line 7. Inventory at End of Year

See Regulations sections 1.263A-1 through 1.263A-3 for details on figuring the amount of additional section 263A costs to be included in ending inventory.

Line 8. Cost of Goods Sold

Enter the amount from line 8 on your tax return as follows. Filers of Form 1120, 1120-C, 1120S, and 1065, enter cost of goods sold on page 1, line 2. Filers of Form 1120-F, enter cost of goods sold on Section II, line 2.

Lines 9a Through 9f. Inventory Valuation Methods

Inventories can be valued at:

- Cost,
- Cost or market value (whichever is lower), or
- Any other method approved by the IRS that conforms to the requirements of the applicable regulations cited below.

Filers that use erroneous valuation methods must change to a method permitted for federal income tax purposes. Use Form 3115 to make this change. See the Instructions for Form 3115. Also see Pub. 538.

Line 9a. Method of valuing closing inventory. On line 9a, check the method(s) used for valuing inventories. Under lower of cost or market, the term "market" (for normal goods) means the current bid price prevailing on the inventory valuation date for the particular merchandise in the volume usually purchased by the filer. For a manufacturer, market applies to the basic elements of cost—raw materials, labor, and burden. If section 263A applies, the basic elements of cost must reflect the current bid price of all direct costs and all indirect costs properly allocable to goods on hand at the inventory date.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are subnormal due to damage, imperfections, shopwear, change of style, odd or broken lots, or other similar causes, including second-hand goods taken in exchange. The goods may be valued at the bona fide selling price, minus the direct cost of disposition (but not less than scrap value). Bona fide selling price means actual offering of goods during a period ending not later than 30 days after inventory date.

Lines 9c and 9d. LIFO method. If this is the first year the Last-in, First-out (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Check the LIFO box on line 9c. On line 9d, enter the amount of total closing inventories computed under section 472. Estimates are acceptable.

If you changed or extended your inventory method to LIFO and had to write up the opening inventory to cost in the year of election, report the effect of the write-up as other income, on your applicable return, proportionately over a 3-year period that begins with the year of the LIFO election.

Note: Entities using the LIFO method that make an S corporation election or transfer LIFO inventory to an S corporation in a nonrecognition transaction may be subject to an additional tax attributable to the LIFO recapture amount. See the instructions for Form 1120, Schedule J, line 11.

Line 9e. If property is produced or acquired for resale and the rules of section 263A apply to the corporation, cooperative, partnership, or other applicable entity, check the "Yes" box on line 9e.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the

information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Carolina Medical Laboratory
(Instructor Led Example)

Form 1065, Line 21

Other Deductions.....\$10,245

Form 1125-A, Line 5

Other Costs

Depreciation..... \$5,082

Total Other Costs.....\$5,082

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2023

For calendar year 2023, or tax year

beginning / / 2023 ending / /

Partner's Share of Income, Deductions,
Credits, etc.

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
11-1111111

B Partnership's name, address, city, state, and ZIP code
Carolina Medical Laboratory

C IRS center where partnership filed return:

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
101-10-1010

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Steven Carter (INSTRUCTOR LED EXAMPLE)
1088 Smart Street, Anytown, NC 12345

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:

TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

Beginning

Ending

Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

Check if decrease is due to:

☐ Sale or ☐ Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

Beginning

Ending

Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	\$ 59,520
Recourse	\$	\$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships ☐

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions ☐

L Partner's Capital Account Analysis

Beginning capital account	\$ 54,971
Capital contributed during the year	\$ 0
Current year net income (loss)	\$ 47,988
Other increase (decrease) (attach explanation)	\$
Withdrawals and distributions	\$ (46,790)
Ending capital account	\$ 56,169

M Did the partner contribute property with a built-in gain (loss)?

☐ Yes ☐ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

☐ Final K-1

☐ Amended K-1

651123

OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss) 47,989	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions 46,790
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2023

For calendar year 2023, or tax year

beginning 2023 ending

Partner's Share of Income, Deductions,
Credits, etc.

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
11-1111111

B Partnership's name, address, city, state, and ZIP code
Carolina Medical Partnership

C IRS center where partnership filed return:

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
123-45-6789

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
David Carter (INSTRUCTOR LED EXAMPLE)
100 New Street, Anytown, NC 12345

G General partner or LLC member-manager Limited partner or other LLC member

H1 Domestic partner Foreign partner

H2 If the partner is a disregarded entity (DE), enter the partner's:

TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

J Partner's share of profit, loss, and capital (see instructions):

Beginning

Ending

Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

Check if decrease is due to:

Sale or Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

Beginning

Ending

Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	59,520
Recourse	\$	\$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions

L Partner's Capital Account Analysis

Beginning capital account	\$	(258)
Capital contributed during the year	\$	0
Current year net income (loss)	\$	47,988
Other increase (decrease) (attach explanation)	\$	
Withdrawals and distributions	\$	(46,790)
Ending capital account	\$	941

M Did the partner contribute property with a built-in gain (loss)?

Yes No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

Final K-1

Amended K-1

651123

OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss) 47,989	14	Self-employment earnings (loss)
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions 46,790
9a	Net long-term capital gain (loss)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 More than one activity for at-risk purposes*

23 More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Carolina Medical Laboratory

Partnership

Small Group Case - 2023

Department of the Treasury
Internal Revenue Service**U.S. Return of Partnership Income**

OMB No. 1545-0123

For calendar year 2023, or tax year beginning _____, 2023, ending _____, 20_____.

Go to www.irs.gov/Form1065 for instructions and the latest information.**2023**

A Principal business activity Laboratory	Type or Print	Name of partnership Carolina Medical Laboratory (SMALL GROUP CASE 2023)	D Employer identification number 11-1111111
B Principal product or service Virus Testing		Number, street, and room or suite no. If a P.O. box, see instructions. 100 S. Main Street	E Date business started 05/01/2015
C Business code number		City or town, state or province, country, and ZIP or foreign postal code Anytown, NC 12345	F Total assets (see instructions) \$

- G** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return
- H** Check accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify): _____
- I** Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year: _____
- J** Check if Schedules C and M-3 are attached ☐
- K** Check if partnership: (1) ☐ Aggregated activities for section 465 at-risk purposes (2) ☐ Grouped activities for section 469 passive activity purposes

Caution: Include **only** trade or business income and expenses on lines 1a through 23 below. See instructions for more information.

Income	1a Gross receipts or sales 225,000	b Less returns and allowances	c Balance	1c	225,000
	2 Cost of goods sold (attach Form 1125-A)			2	49,163
	3 Gross profit. Subtract line 2 from line 1c			3	175,837
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement)			4	
	5 Net farm profit (loss) (attach Schedule F (Form 1040))			5	
	6 Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)			6	
	7 Other income (loss) (attach statement)			7	
	8 Total income (loss). Combine lines 3 through 7			8	175,837
Deductions (see instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)			9	
	10 Guaranteed payments to partners			10	25,000
	11 Repairs and maintenance			11	1,500
	12 Bad debts			12	
	13 Rent			13	3,500
	14 Taxes and licenses			14	1,200
	15 Interest (see instructions)			15	1,420
	16a Depreciation (if required, attach Form 4562)	16a	4,485		
	b Less depreciation reported on Form 1125-A and elsewhere on return	16b	4,082	16c	403
	17 Depletion (Do not deduct oil and gas depletion.)			17	
	18 Retirement plans, etc.			18	
	19 Employee benefit programs			19	
	20 Energy efficient commercial buildings deduction (attach Form 7205)			20	
	21 Other deductions (attach statement)			21	20,747
22 Total deductions. Add the amounts shown in the far right column for lines 9 through 21			22	53,770	
23 Ordinary business income (loss). Subtract line 22 from line 8			23	122,067	
Tax and Payment	24 Interest due under the look-back method—completed long-term contracts (attach Form 8697)			24	
	25 Interest due under the look-back method—income forecast method (attach Form 8866)			25	
	26 BBA AAR imputed underpayment (see instructions)			26	
	27 Other taxes (see instructions)			27	
	28 Total balance due. Add lines 24 through 27			28	
	29 Elective payment election amount from Form 3800			29	
	30 Payment (see instructions)			30	
	31 Amount owed. If the sum of line 29 and line 30 is smaller than line 28, enter amount owed			31	
	32 Overpayment. If the sum of line 29 and line 30 is larger than line 28, enter overpayment			32	

**Sign
Here**

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. Declaration of preparer (other than partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of partner or limited liability company member

Date

May the IRS discuss this return
with the preparer shown below?
See instructions. ☐ Yes ☐ No**Paid
Preparer
Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check ☐ if
self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no.

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:	Yes	No
a ☒ Domestic general partnership		
b ☐ Domestic limited partnership		
c ☐ Domestic limited liability company		
d ☐ Domestic limited liability partnership		
e ☐ Foreign partnership		
f ☐ Other: _____		
2 At the end of the tax year:		
a Did any foreign or domestic corporation, partnership (including any entity treated as a partnership), trust, or tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership		✓
b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership? For rules of constructive ownership, see instructions. If "Yes," attach Schedule B-1, Information on Partners Owning 50% or More of the Partnership	✓	
3 At the end of the tax year, did the partnership:		
a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (iv) below		✓
(i) Name of Corporation	(ii) Employer Identification Number (if any)	(iii) Country of Incorporation
(iv) Percentage Owned in Voting Stock		
b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership (including an entity treated as a partnership) or in the beneficial interest of a trust? For rules of constructive ownership, see instructions. If "Yes," complete (i) through (v) below		✓
(i) Name of Entity	(ii) Employer Identification Number (if any)	(iii) Type of Entity
(iv) Country of Organization	(v) Maximum Percentage Owned in Profit, Loss, or Capital	
4 Does the partnership satisfy all four of the following conditions?	Yes	No
a The partnership's total receipts for the tax year were less than \$250,000.		
b The partnership's total assets at the end of the tax year were less than \$1 million.		
c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.		
d The partnership is not filing and is not required to file Schedule M-3	✓	
If "Yes," the partnership is not required to complete Schedules L, M-1, and M-2; item F on page 1 of Form 1065; or item L on Schedule K-1.		
5 Is this partnership a publicly traded partnership, as defined in section 469(k)(2)?		✓
6 During the tax year, did the partnership have any debt that was canceled, was forgiven, or had the terms modified so as to reduce the principal amount of the debt?		✓
7 Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction?		✓
8 At any time during calendar year 2023, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See instructions for exceptions and filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR). If "Yes," enter the name of the foreign country _____		✓
9 At any time during the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the partnership may have to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. See instructions		✓
10a Is the partnership making, or had it previously made (and not revoked), a section 754 election? If "Yes," enter the effective date of the election		✓
See instructions for details regarding a section 754 election.		
b For this tax year, did the partnership make an optional basis adjustment under section 743(b)? If "Yes," enter the total aggregate net positive amount \$ _____ and the total aggregate net negative amount \$ (_____) of such section 743(b) adjustments for all partners made in the tax year. The partnership must also attach a statement showing the computation and allocation of each basis adjustment. See instructions		✓

Schedule B Other Information (continued)		Yes	No
c	For this tax year, did the partnership make an optional basis adjustment under section 734(b)? If "Yes," enter the total aggregate net positive amount \$ _____ and the total aggregate net negative amount \$ (_____) of such section 734(b) adjustments for all partnership property made in the tax year. The partnership must also attach a statement showing the computation and allocation of each basis adjustment. See instructions		✓
d	For this tax year, is the partnership required to adjust the basis of partnership property under section 743(b) or 734(b) because of a substantial built-in loss (as defined under section 743(d)) or substantial basis reduction (as defined under section 734(d))? If "Yes," enter the total aggregate amount of such section 743(b) adjustments and/or section 734(b) adjustments for all partners and/or partnership property made in the tax year \$ _____. The partnership must also attach a statement showing the computation and allocation of the basis adjustment. See instructions		✓
11	Check this box if, during the current or prior tax year, the partnership distributed any property received in a like-kind exchange or contributed such property to another entity (other than disregarded entities wholly owned by the partnership throughout the tax year) ☐		
12	At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?		✓
13	If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs), enter the number of Forms 8858 attached. See instructions		
14	Does the partnership have any foreign partners? If "Yes," enter the number of Forms 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax, filed for this partnership		✓
15	Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return		
16a	Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions		✓
b	If "Yes," did you or will you file required Form(s) 1099?		
17	Enter the number of Forms 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, attached to this return		
18	Enter the number of partners that are foreign governments under section 892		
19	During the partnership's tax year, did the partnership make any payments that would require it to file Forms 1042 and 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?		✓
20	Was the partnership a specified domestic entity required to file Form 8938 for the tax year? See the Instructions for Form 8938		✓
21	Is the partnership a section 721(c) partnership, as defined in Regulations section 1.721(c)-1(b)(14)?		✓
22	During the tax year, did the partnership pay or accrue any interest or royalty for which one or more partners are not allowed a deduction under section 267A? See instructions If "Yes," enter the total amount of the disallowed deductions \$ _____		✓
23	Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year? See instructions		✓
24	Does the partnership satisfy one or more of the following? See instructions a The partnership owns a pass-through entity with current, or prior year carryover, excess business interest expense. b The partnership's aggregate average annual gross receipts (determined under section 448(c)) for the 3 tax years preceding the current tax year are more than \$29 million and the partnership has business interest expense. c The partnership is a tax shelter (see instructions) and the partnership has business interest expense. If "Yes" to any, complete and attach Form 8990.		✓
25	Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund? If "Yes," enter the amount from Form 8996, line 15 \$ _____		✓
26	Enter the number of foreign partners subject to section 864(c)(8) as a result of transferring all or a portion of an interest in the partnership or of receiving a distribution from the partnership Complete Schedule K-3 (Form 1065), Part XIII, for each foreign partner subject to section 864(c)(8) on a transfer or distribution.		
27	At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?		✓
28	Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties constituting a trade or business of your partnership, and was the ownership percentage (by vote or value) for purposes of section 7874 greater than 50% (for example, the partners held more than 50% of the stock of the foreign corporation)? If "Yes," list the ownership percentage by vote and by value. See instructions. Percentage: _____ By vote: _____ By value: _____		✓
29	Is the partnership required to file Form 7208 relating to the excise tax on repurchase of corporate stock (see instructions): a Under the applicable foreign corporation rules?		✓

Schedule B Other Information <i>(continued)</i>		Yes	No
b	Under the covered surrogate foreign corporation rules? If "Yes" to either (a) or (b), complete Form 7208, Excise Tax on Repurchase of Corporate Stock. See the Instructions for Form 7208.		✓
30	At any time during this tax year, did the partnership (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or financial interest in a digital asset)? See instructions		✓
31	Is the partnership electing out of the centralized partnership audit regime under section 6221(b)? See instructions If "Yes," the partnership must complete Schedule B-2 (Form 1065). Enter the total from Schedule B-2, Part III, line 3 If "No," complete Designation of Partnership Representative below.		✓

Designation of Partnership Representative (see instructions)

Enter below the information for the partnership representative (PR) for the tax year covered by this return.

Name of PR

U.S. address of PR	U.S. phone number of PR
------------------------------	-------------------------

If the PR is an entity, name of the designated individual for the PR

U.S. address of designated individual	U.S. phone number of designated individual
---	--

Schedule K Partners' Distributive Share Items		Total amount	
Income (Loss)	1 Ordinary business income (loss) (page 1, line 23)	1	122,067
	2 Net rental real estate income (loss) (attach Form 8825)	2	
	3a Other gross rental income (loss) 3a		
	b Expenses from other rental activities (attach statement) 3b		
	c Other net rental income (loss). Subtract line 3b from line 3a 3c		
	4 Guaranteed payments: a Services 4a 25,000 b Capital 4b		
	c Total. Add lines 4a and 4b 4c		25,000
	5 Interest income 5		
	6 Dividends and dividend equivalents: a Ordinary dividends 6a		
	b Qualified dividends 6b c Dividend equivalents 6c		
	7 Royalties 7		
8 Net short-term capital gain (loss) (attach Schedule D (Form 1065)) 8			
9a Net long-term capital gain (loss) (attach Schedule D (Form 1065)) 9a			
b Collectibles (28%) gain (loss) 9b			
c Unrecaptured section 1250 gain (attach statement) 9c			
10 Net section 1231 gain (loss) (attach Form 4797) 10			
11 Other income (loss) (see instructions) Type: _____ 11			
Deductions	12 Section 179 deduction (attach Form 4562) 12		
	13a Cash contributions 13a		
	b Noncash contributions 13b		
	c Investment interest expense 13c		
	d Section 59(e)(2) expenditures: (1) Type: _____ (2) Amount: _____ 13d(2)		
e Other deductions (see instructions) Type: _____ 13e			
Self-Employment	14a Net earnings (loss) from self-employment 14a		147,067
	b Gross farming or fishing income 14b		
	c Gross nonfarm income 14c		175,837
Credits	15a Low-income housing credit (section 42(j)(5)) 15a		
	b Low-income housing credit (other) 15b		
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468, if applicable) 15c		
	d Other rental real estate credits (see instructions) Type: _____ 15d		
	e Other rental credits (see instructions) Type: _____ 15e		
	f Other credits (see instructions) Type: _____ 15f		
Inter-national	16 Attach Schedule K-2 (Form 1065), Partners' Distributive Share Items—International, and check this box to indicate that you are reporting items of international tax relevance ☐		
Alternative Minimum Tax (AMT) Items	17a Post-1986 depreciation adjustment 17a		324
	b Adjusted gain or loss 17b		
	c Depletion (other than oil and gas) 17c		
	d Oil, gas, and geothermal properties—gross income 17d		
	e Oil, gas, and geothermal properties—deductions 17e		
	f Other AMT items (attach statement) 17f		
Other Information	18a Tax-exempt interest income 18a		
	b Other tax-exempt income 18b		
	c Nondeductible expenses 18c		20,000
	19a Distributions of cash and marketable securities 19a		150,000
	b Distributions of other property 19b		
	20a Investment income 20a		
	b Investment expenses 20b		
	c Other items and amounts (attach statement)		
21 Total foreign taxes paid or accrued 21			

Analysis of Net Income (Loss) per Return

1	Net income (loss). Combine Schedule K, lines 1 through 11. From the result, subtract the sum of Schedule K, lines 12 through 13e, and 21					1	147,067
2	Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt Organization	(vi) Nominee/Other
a	General partners						
b	Limited partners						

Schedule L Balance Sheets per Books

		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash		23,630		1,410
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories		40,000		42,000
4	U.S. Government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				
9a	Buildings and other depreciable assets	231,400		231,400	
b	Less accumulated depreciation	154,880	76,520	205,880	25,520
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)	45,000		45,000	
b	Less accumulated amortization	9,000	36,000	12,000	33,000
13	Other assets (attach statement)				
14	Total assets		176,150		101,930
Liabilities and Capital					
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement)				
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more		119,040		62,753
20	Other liabilities (attach statement)				
21	Partners' capital accounts		57,110		39,177
22	Total liabilities and capital		176,150		101,930

Schedule M-1 Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return**Note:** The partnership may be required to file Schedule M-3. See instructions.

1	Net income (loss) per books	102,067	6	Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):	
2	Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize):		a	Tax-exempt interest \$	
3	Guaranteed payments (other than health insurance)	25,000	7	Deductions included on Schedule K, lines 1 through 13e, and 21, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13e, and 21 (itemize):		a	Depreciation \$	
a	Depreciation \$		8	Add lines 6 and 7	
b	Travel and entertainment \$ See Stmt.	20,000	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	147,067
5	Add lines 1 through 4	147,067			

Schedule M-2 Analysis of Partners' Capital Accounts

1	Balance at beginning of year	57,110	6	Distributions: a Cash	150,000
2	Capital contributed: a Cash	30,000		b Property	
	b Property		7	Other decreases (itemize):	
3	Net income (loss) (see instructions)	102,067	8	Add lines 6 and 7	150,000
4	Other increases (itemize):		9	Balance at end of year. Subtract line 8 from line 5	39,177
5	Add lines 1 through 4	189,177			

(Rev. November 2018)
Department of the Treasury
Internal Revenue Service▶ **Attach to Form 1120, 1120-C, 1120-F, 1120S, or 1065.**
▶ **Go to www.irs.gov/Form1125A for the latest information.**

Name Carolina Medical Laboratory (SMALL GROUP CASE 2023)		Employer identification number 11-1111111	
1	Inventory at beginning of year	1	40,000
2	Purchases	2	35,111
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule)	4	11,970
5	Other costs (attach schedule)	5	4,082
6	Total. Add lines 1 through 5	6	91,163
7	Inventory at end of year	7	42,000
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on Form 1120, page 1, line 2 or the appropriate line of your tax return. See instructions	8	49,163

9a Check all methods used for valuing closing inventory:

(i) ☐ Cost

(ii) ☐ Lower of cost or market

(iii) ☐ Other (Specify method used and attach explanation.) ▶ _____

b Check if there was a writedown of subnormal goods ▶ ☐

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

d If the LIFO inventory method was used for this tax year, enter amount of closing inventory computed under LIFO **9d** _____

e If property is produced or acquired for resale, do the rules of section 263A apply to the entity? See instructions . . . ☐ Yes ☐ No

f Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

Section references are to the Internal Revenue Code unless otherwise noted.

What's New**Small business taxpayers.** For tax years beginning after December 31, 2017, the following apply.

- A small business taxpayer (defined below), may use a method of accounting for inventories that either: (1) treats inventories as nonincidental materials and supplies, or (2) conforms to the taxpayer's financial accounting treatment of inventories.
- A small business taxpayer is not required to capitalize costs under section 263A.

General Instructions**Purpose of Form**

Use Form 1125-A to calculate and deduct cost of goods sold for certain entities.

Who Must File

Filers of Form 1120, 1120-C, 1120-F, 1120S, or 1065, must complete and attach Form 1125-A if the applicable entity reports a deduction for cost of goods sold.

Inventories

Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of

merchandise is an income-producing factor. See Regulations section 1.471-1. If inventories are required, you generally must use an accrual method of accounting for sales and purchases of inventory items.

Exception for certain taxpayers. A small business taxpayer (defined below), can adopt or change its accounting method to account for inventories in the same manner as material and supplies that are non-incidental, or conform to its treatment of inventories in an applicable financial statement (as defined in section 451(b)(3)), or if it does not have an applicable financial statement, the method of accounting used in its books and records prepared in accordance with its accounting procedures. See section 471(c)(3).

A small business taxpayer claiming exemption from the requirement to keep inventories is changing its method of accounting for purposes of section 481. For additional guidance on this method of accounting, see Pub. 538, Accounting Periods and Methods. For guidance on changing to this method of accounting, see Form 3115 and the Instructions for Form 3115.

Small business taxpayer. A small business taxpayer is a taxpayer that (a) has average annual gross receipts of \$25 million or less (indexed for inflation) for the 3 prior tax years, and (b) is not a tax shelter (as defined in section 448(d)(3)). See Pub. 538.**Uniform capitalization rules.** The uniform capitalization rules of section 263A generally require you to capitalize, or include in inventory, certain costs incurred in connection with the following.

- The production of real property and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property for use in its trade or business or in an activity engaged in for profit.

A small business taxpayer (defined above) is not required to capitalize costs under section 263A. See section 263A(i).

See the discussion on section 263A uniform capitalization rules in the instructions for your tax return before completing Form 1125-A. Also see Regulations sections 1.263A-1 through 1.263A-3. See Regulations section 1.263A-4 for rules for property produced in a farming business.

Specific Instructions

Line 1. Inventory at Beginning of Year

If you are changing your method of accounting for the current tax year, you must refigure last year's closing inventory using the new method of accounting. Enter the result on line 1. If there is a difference between last year's closing inventory and the refigured amount, attach an explanation and take it into account when figuring any section 481(a) adjustment.

Line 2. Purchases

Reduce purchases by items withdrawn for personal use. For a partnership, the cost of these items should be shown on Schedule K and Schedule K-1 as distributions to partners.

Line 4. Additional Section 263A Costs

If you elected a simplified method of accounting, enter on line 4 the balance of section 263A costs paid or incurred during the tax year not includible on lines 2, 3, and 5.

If you elected the simplified production method, additional section 263A costs are generally those costs, other than interest, that were not capitalized under your method of accounting immediately prior to the effective date of section 263A, but are now required to be capitalized under section 263A. For details, see Regulations section 1.263A-2(b).

If you elected the simplified resale method, additional section 263A costs are generally those costs incurred with respect to the following categories.

- Off-site storage or warehousing.
- Purchasing.
- Handling, such as processing, assembling, repackaging, and transporting.
- General and administrative costs (mixed service costs).

Line 5. Other Costs

Enter on line 5 any costs paid or incurred during the tax year not entered on lines 2 through 4. Attach a statement listing details of the costs.

Special Rules for Cooperatives

Cooperatives are allowed to deduct certain per-unit retain allocations. Include these costs on line 5. Attach a statement listing details of per-unit retain allocations paid in:

- Qualified per-unit retain certificates,
- Money or other property (except nonqualified per-unit certificates), and
- Nonqualified per-unit retain certificates redeemed this year.

Per-unit retain allocations. A cooperative is allowed to deduct from its taxable income amounts paid during the payment period for the tax year as per-unit retain allocations to the extent paid in money, qualified per-unit retain certificates, or other property with respect to marketing occurring during the tax year. A per-unit retain allocation is any allocation from a cooperative to a patron for products marketed for him without reference to the cooperative net earnings. A qualified per-unit retain certificate is any per-unit retain certificate that the distributee has agreed to take into account at its stated dollar amount.

Nonqualified per-unit retain certificates redeemed this year. Include the amount paid in money or other property (except amounts already included as per-unit retain certificates) to patrons to redeem nonqualified per-unit retain certificates. No deduction is allowed at the time of issuance for a nonqualified per-unit retain certificate. However, the cooperative may take a deduction in the year the certificate is redeemed, subject to the stated dollar amount of the certificate. See section 1383. Also see the instructions for Form 1120-C, line 30h, for a special rule for figuring the cooperative's tax in the year of redemption of a nonqualified per-unit retain certificate.

Line 7. Inventory at End of Year

See Regulations sections 1.263A-1 through 1.263A-3 for details on figuring the amount of additional section 263A costs to be included in ending inventory.

Line 8. Cost of Goods Sold

Enter the amount from line 8 on your tax return as follows. Filers of Form 1120, 1120-C, 1120S, and 1065, enter cost of goods sold on page 1, line 2. Filers of Form 1120-F, enter cost of goods sold on Section II, line 2.

Lines 9a Through 9f. Inventory Valuation Methods

Inventories can be valued at:

- Cost,
- Cost or market value (whichever is lower), or
- Any other method approved by the IRS that conforms to the requirements of the applicable regulations cited below.

Filers that use erroneous valuation methods must change to a method permitted for federal income tax purposes. Use Form 3115 to make this change. See the Instructions for Form 3115. Also see Pub. 538.

Line 9a. Method of valuing closing inventory. On line 9a, check the method(s) used for valuing inventories. Under lower of cost or market, the term "market" (for normal goods) means the current bid price prevailing on the inventory valuation date for the particular merchandise in the volume usually purchased by the filer. For a manufacturer, market applies to the basic elements of cost—raw materials, labor, and burden. If section 263A applies, the basic elements of cost must reflect the current bid price of all direct costs and all indirect costs properly allocable to goods on hand at the inventory date.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are subnormal due to damage, imperfections, shopwear, change of style, odd or broken lots, or other similar causes, including second-hand goods taken in exchange. The goods may be valued at the bona fide selling price, minus the direct cost of disposition (but not less than scrap value). Bona fide selling price means actual offering of goods during a period ending not later than 30 days after inventory date.

Lines 9c and 9d. LIFO method. If this is the first year the Last-in, First-out (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method provided in section 472, attach Form 970, Application To Use LIFO Inventory Method, or a statement with the information required by Form 970. Check the LIFO box on line 9c. On line 9d, enter the amount of total closing inventories computed under section 472. Estimates are acceptable.

If you changed or extended your inventory method to LIFO and had to write up the opening inventory to cost in the year of election, report the effect of the write-up as other income, on your applicable return, proportionately over a 3-year period that begins with the year of the LIFO election.

Note: Entities using the LIFO method that make an S corporation election or transfer LIFO inventory to an S corporation in a nonrecognition transaction may be subject to an additional tax attributable to the LIFO recapture amount. See the instructions for Form 1120, Schedule J, line 11.

Line 9e. If property is produced or acquired for resale and the rules of section 263A apply to the corporation, cooperative, partnership, or other applicable entity, check the "Yes" box on line 9e.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the

information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Carolina Medical Laboratory

(Small Group Case)

Form 1065, Line 21

Other Deductions.....\$20,747

Form 1065, Schedule M-1, Line 4b

Other Increases

Other – Fines and Penalties..... \$20,000

(For case purposes, assume these particular fines and penalties are considered non-recurring)

Form 1125-A, Line 5

Other Costs

Depreciation..... \$4,082

Total Other Costs..... \$4,082

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2023

For calendar year 2023, or tax year

beginning / / 2023 ending / /

Partner's Share of Income, Deductions,
Credits, etc.

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
11-1111111

B Partnership's name, address, city, state, and ZIP code
Carolina Medical Laboratory (SMALL GROUP CASE)

C IRS center where partnership filed return:

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
101-10-1010

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
Steven Carter
1088 Smart Street, Anytown, NC 22222

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:

TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

Beginning

Ending

Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

Check if decrease is due to:

☐ Sale or ☐ Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

Beginning

Ending

Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	31,376
Recourse	\$	\$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships ☐

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions ☐

L Partner's Capital Account Analysis

Beginning capital account	\$	56,169
Capital contributed during the year	\$	15,000
Current year net income (loss)	\$	51,033
Other increase (decrease) (attach explanation)	\$	
Withdrawals and distributions	\$ (	75,000)
Ending capital account	\$	47,202

M Did the partner contribute property with a built-in gain (loss)?

☐ Yes ☐ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

☐ Final K-1

☐ Amended K-1

651123

OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14	Self-employment earnings (loss)
	61,033	A	61,033
2	Net rental real estate income (loss)	C	87,918
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		162
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)		
9a	Net long-term capital gain (loss)	19	Distributions
9b	Collectibles (28%) gain (loss)		75,000
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Carolina Medical Laboratory (SMALL GROUP CASE)

Supplemental Information - Schedule K-1 (Steven Carter)

Capital Account Adjustments:

Ordinary Income (Loss)	\$ 61,033
M-1 Adjustments	(\$ 10,000)
Total	\$ 51,033

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2023

For calendar year 2023, or tax year

beginning / / 2023 ending / /

Partner's Share of Income, Deductions,
Credits, etc.

See separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
11-1111111

B Partnership's name, address, city, state, and ZIP code
Carolina Medical Laboratory (SMALL GROUP CASE)

C IRS center where partnership filed return:

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's SSN or TIN (Do not use TIN of a disregarded entity. See instructions.)
123-45-6789

F Name, address, city, state, and ZIP code for partner entered in E. See instructions.
David Carter
100 New Street, Anytown, NC 12345

G ☒ General partner or LLC member-manager ☐ Limited partner or other LLC member

H1 ☒ Domestic partner ☐ Foreign partner

H2 ☐ If the partner is a disregarded entity (DE), enter the partner's:

TIN Name

I1 What type of entity is this partner?

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

Beginning

Ending

Profit	50 %	50 %
Loss	50 %	50 %
Capital	50 %	50 %

Check if decrease is due to:

☐ Sale or ☐ Exchange of partnership interest. See instructions.

K1 Partner's share of liabilities:

Beginning

Ending

Nonrecourse	\$	\$
Qualified nonrecourse financing	\$	31,376
Recourse	\$	\$

K2 Check this box if item K1 includes liability amounts from lower-tier partnerships ☐

K3 Check if any of the above liability is subject to guarantees or other payment obligations by the partner. See instructions ☐

L Partner's Capital Account Analysis

Beginning capital account	\$	941
Capital contributed during the year	\$	15,000
Current year net income (loss)	\$	51,033
Other increase (decrease) (attach explanation)	\$	
Withdrawals and distributions	\$ (	75,000)
Ending capital account	\$	(8,025)

M Did the partner contribute property with a built-in gain (loss)?

☐ Yes ☐ No If "Yes," attach statement. See instructions.

N Partner's Share of Net Unrecognized Section 704(c) Gain or (Loss)

Beginning	\$
Ending	\$

☐ Final K-1

☐ Amended K-1

651123

OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	14	Self-employment earnings (loss)
	61,033	A	86,034
2	Net rental real estate income (loss)	C	87,918
3	Other net rental income (loss)	15	Credits
4a	Guaranteed payments for services		
	25,000		
4b	Guaranteed payments for capital	16	Schedule K-3 is attached if checked ☐
4c	Total guaranteed payments	17	Alternative minimum tax (AMT) items
5	Interest income		162
6a	Ordinary dividends		
6b	Qualified dividends	18	Tax-exempt income and nondeductible expenses
6c	Dividend equivalents		
7	Royalties		
8	Net short-term capital gain (loss)	19	Distributions
9a	Net long-term capital gain (loss)		75,000
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain	20	Other information
10	Net section 1231 gain (loss)		
11	Other income (loss)		
12	Section 179 deduction	21	Foreign taxes paid or accrued
13	Other deductions		

22 ☐ More than one activity for at-risk purposes*

23 ☐ More than one activity for passive activity purposes*

*See attached statement for additional information.

For IRS Use Only

Carolina Medical Laboratory (SMALL GROUP CASE)

Supplemental Information - Schedule K-1 (David Carter)

Capital Account Adjustments:

Ordinary Income (Loss)	\$ 61,033
M-1 Adjustments	(\$ 10,000)
Total	\$ 51,033

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 20____		See separate instructions.
Your first name and middle initial Steven	Last name Carter (SMALL GROUP CASE)	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below.		State
Foreign country name		Foreign province/state/county
Foreign postal code		Foreign postal code

Filing Status ☐ Single ☐ Head of household (HOH)
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1959 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1959 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
					☐	☐
					☐	☐
					☐	☐
					☐	☐

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a Total amount from Form(s) W-2, box 1 (see instructions)	1a	
	b Household employee wages not reported on Form(s) W-2	1b	
	c Tip income not reported on line 1a (see instructions)	1c	
	d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e Taxable dependent care benefits from Form 2441, line 26	1e	
	f Employer-provided adoption benefits from Form 8839, line 29	1f	
	g Wages from Form 8919, line 6	1g	
	h Other earned income (see instructions)	1h	
	i Nontaxable combat pay election (see instructions) 1i		
	z Add lines 1a through 1h	1z	
	2a Tax-exempt interest 2a		
	3a Qualified dividends 3a		
	4a IRA distributions 4a		
	5a Pensions and annuities 5a		
	6a Social security benefits 6a		
c If you elect to use the lump-sum election method, check here (see instructions) ☐			
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7		
8 Additional income from Schedule 1, line 10	8	61,033	
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	61,033	
10 Adjustments to income from Schedule 1, line 26	10		
11 Subtract line 10 from line 9. This is your adjusted gross income	11		
12 Standard deduction or itemized deductions (from Schedule A)	12		
13 Qualified business income deduction from Form 8995 or Form 8995-A	13		
14 Add lines 12 and 13	14		
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15		

Form **1040** (2023)

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2023
Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

Steven Carter (SMALL GROUP CASE)

Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions): _____		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	61,033
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss 8a ()		
b	Gambling 8b		
c	Cancellation of debt 8c		
d	Foreign earned income exclusion from Form 2555 8d ()		
e	Income from Form 8853 8e		
f	Income from Form 8889 8f		
g	Alaska Permanent Fund dividends 8g		
h	Jury duty pay 8h		
i	Prizes and awards 8i		
j	Activity not engaged in for profit income 8j		
k	Stock options 8k		
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property 8l		
m	Olympic and Paralympic medals and USOC prize money (see instructions) 8m		
n	Section 951(a) inclusion (see instructions) 8n		
o	Section 951A(a) inclusion (see instructions) 8o		
p	Section 461(l) excess business loss adjustment 8p		
q	Taxable distributions from an ABLE account (see instructions) 8q		
r	Scholarship and fellowship grants not reported on Form W-2 8r		
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d 8s ()		
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan 8t		
u	Wages earned while incarcerated 8u		
z	Other income. List type and amount: _____ 8z		
9	Total other income. Add lines 8a through 8z 9		
10	Combine lines 1 through 7 and 9. This is your additional income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 10		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2023

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions): _____		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount: _____	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10	26	

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

Go to www.irs.gov/ScheduleE for instructions and the latest information.

OMB No. 1545-0074

2023
Attachment
Sequence No. **13**

Name(s) shown on return

Steven Carter (SMALL GROUP CASE)

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties**

Note: If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions ☐ **Yes** ☐ **No**

B If "Yes," did you or will you file required Form(s) 1099? ☐ **Yes** ☐ **No**

1a Physical address of each property (street, city, state, ZIP code)

A
B
C

1b Type of Property
(from list below)

A
B
C

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.

A
B
C

Fair Rental Days

Personal Use Days

QJV

☐
☐
☐

Type of Property:

- 1 Single Family Residence
2 Multi-Family Residence

- 3 Vacation/Short-Term Rental
4 Commercial

- 5 Land
6 Royalties

- 7 Self-Rental
8 Other (describe) _____

Income:

3 Rents received
4 Royalties received

3
4

Properties:

A

B

C

Expenses:

5 Advertising
6 Auto and travel (see instructions)
7 Cleaning and maintenance
8 Commissions
9 Insurance
10 Legal and other professional fees
11 Management fees
12 Mortgage interest paid to banks, etc. (see instructions)
13 Other interest
14 Repairs
15 Supplies
16 Taxes
17 Utilities
18 Depreciation expense or depletion
19 Other (list) _____
20 Total expenses. Add lines 5 through 19
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**
22 Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)

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23a Total of all amounts reported on line 3 for all rental properties
b Total of all amounts reported on line 4 for all royalty properties
c Total of all amounts reported on line 12 for all properties
d Total of all amounts reported on line 18 for all properties
e Total of all amounts reported on line 20 for all properties

23a
23b
23c
23d
23e

24 **Income.** Add positive amounts shown on line 21. **Do not** include any losses

24

25 **Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here

25

26 **Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2

26

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

Steven Carter (Small Group Case)

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.**Part II Income or Loss From Partnerships and S Corporations**

Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

- 27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section ☐ Yes ☐ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A			☐		☐	☐
B			☐		☐	☐
C			☐		☐	☐
D			☐		☐	☐

Passive Income and Loss			Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)		(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A					61,033
B					
C					
D					
29a	Totals				
b	Totals				
30	Add columns (h) and (k) of line 29a				30 61,033
31	Add columns (g), (i), and (j) of line 29b				31 ()
32	Total partnership and S corporation income or (loss). Combine lines 30 and 31				32 61,033

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss			Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)		(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A				
B				
34a	Totals			
b	Totals			
35	Add columns (d) and (f) of line 34a			35
36	Add columns (c) and (e) of line 34b			36 ()
37	Total estate and trust income or (loss). Combine lines 35 and 36			37

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39

Part V Summary

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below				40
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5				41 61,033
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions				42
43	Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules				43

For the year Jan. 1–Dec. 31, 2023, or other tax year beginning _____, 2023, ending _____, 20____		See separate instructions.
Your first name and middle initial David	Last name Carter (SMALL GROUP CASE)	Your social security number
If joint return, spouse's first name and middle initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see instructions.		Apt. no.
City, town, or post office. If you have a foreign address, also complete spaces below.		State
Foreign country name		Foreign province/state/county
Foreign postal code		Foreign postal code

Filing Status ☐ Single ☐ Head of household (HOH)
☐ Married filing jointly (even if only one had income)
☐ Married filing separately (MFS) ☐ Qualifying surviving spouse (QSS)
Check only one box.
If you checked the MFS box, enter the name of your spouse. If you checked the HOH or QSS box, enter the child's name if the qualifying person is a child but not your dependent: _____

Digital Assets At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)? (See instructions.) ☐ Yes ☐ No

Standard Deduction **Someone can claim:** ☐ You as a dependent ☐ Your spouse as a dependent
☐ Spouse itemizes on a separate return or you were a dual-status alien

Age/Blindness **You:** ☐ Were born before January 2, 1959 ☐ Are blind **Spouse:** ☐ Was born before January 2, 1959 ☐ Is blind

Dependents (see instructions): If more than four dependents, see instructions and check here ☐	(1) First name	Last name	(2) Social security number	(3) Relationship to you	(4) Check the box if qualifies for (see instructions): Child tax credit	Credit for other dependents
					☐	☐
					☐	☐
					☐	☐
					☐	☐

Income Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	1a Total amount from Form(s) W-2, box 1 (see instructions)	1a	
	b Household employee wages not reported on Form(s) W-2	1b	
	c Tip income not reported on line 1a (see instructions)	1c	
	d Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e Taxable dependent care benefits from Form 2441, line 26	1e	
	f Employer-provided adoption benefits from Form 8839, line 29	1f	
	g Wages from Form 8919, line 6	1g	
	h Other earned income (see instructions)	1h	
	i Nontaxable combat pay election (see instructions)	1i	
	z Add lines 1a through 1h	1z	
	2a Tax-exempt interest	2a	
	3a Qualified dividends	3a	
	4a IRA distributions	4a	
	5a Pensions and annuities	5a	
	6a Social security benefits	6a	
c If you elect to use the lump-sum election method, check here (see instructions)		☐	
7 Capital gain or (loss). Attach Schedule D if required. If not required, check here	7		
8 Additional income from Schedule 1, line 10	8	86,034	
9 Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your total income	9	86,034	
10 Adjustments to income from Schedule 1, line 26	10		
11 Subtract line 10 from line 9. This is your adjusted gross income	11		
12 Standard deduction or itemized deductions (from Schedule A)	12		
13 Qualified business income deduction from Form 8995 or Form 8995-A	13		
14 Add lines 12 and 13	14		
15 Subtract line 14 from line 11. If zero or less, enter -0-. This is your taxable income	15		

Form **1040** (2023)

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.
Go to www.irs.gov/Form1040 for instructions and the latest information.

OMB No. 1545-0074

2023
Attachment
Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR

David Carter (SMALL GROUP CASE)

Your social security number

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions): _____		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	86,034
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss 8a ()		
b	Gambling 8b		
c	Cancellation of debt 8c		
d	Foreign earned income exclusion from Form 2555 8d ()		
e	Income from Form 8853 8e		
f	Income from Form 8889 8f		
g	Alaska Permanent Fund dividends 8g		
h	Jury duty pay 8h		
i	Prizes and awards 8i		
j	Activity not engaged in for profit income 8j		
k	Stock options 8k		
l	Income from the rental of personal property if you engaged in the rental for profit but were not in the business of renting such property 8l		
m	Olympic and Paralympic medals and USOC prize money (see instructions) 8m		
n	Section 951(a) inclusion (see instructions) 8n		
o	Section 951A(a) inclusion (see instructions) 8o		
p	Section 461(l) excess business loss adjustment 8p		
q	Taxable distributions from an ABLE account (see instructions) 8q		
r	Scholarship and fellowship grants not reported on Form W-2 8r		
s	Nontaxable amount of Medicaid waiver payments included on Form 1040, line 1a or 1d 8s ()		
t	Pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan 8t		
u	Wages earned while incarcerated 8u		
z	Other income. List type and amount: _____ 8z		
9	Total other income. Add lines 8a through 8z 9		
10	Combine lines 1 through 7 and 9. This is your additional income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 8 10		

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 71479F

Schedule 1 (Form 1040) 2023

Part II Adjustments to Income

11	Educator expenses	11	
12	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106	12	
13	Health savings account deduction. Attach Form 8889	13	
14	Moving expenses for members of the Armed Forces. Attach Form 3903	14	
15	Deductible part of self-employment tax. Attach Schedule SE	15	
16	Self-employed SEP, SIMPLE, and qualified plans	16	
17	Self-employed health insurance deduction	17	
18	Penalty on early withdrawal of savings	18	
19a	Alimony paid	19a	
b	Recipient's SSN		
c	Date of original divorce or separation agreement (see instructions): _____		
20	IRA deduction	20	
21	Student loan interest deduction	21	
22	Reserved for future use	22	
23	Archer MSA deduction	23	
24	Other adjustments:		
a	Jury duty pay (see instructions)	24a	
b	Deductible expenses related to income reported on line 8l from the rental of personal property engaged in for profit	24b	
c	Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 8m	24c	
d	Reforestation amortization and expenses	24d	
e	Repayment of supplemental unemployment benefits under the Trade Act of 1974	24e	
f	Contributions to section 501(c)(18)(D) pension plans	24f	
g	Contributions by certain chaplains to section 403(b) plans	24g	
h	Attorney fees and court costs for actions involving certain unlawful discrimination claims (see instructions)	24h	
i	Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations	24i	
j	Housing deduction from Form 2555	24j	
k	Excess deductions of section 67(e) expenses from Schedule K-1 (Form 1041)	24k	
z	Other adjustments. List type and amount: _____	24z	
25	Total other adjustments. Add lines 24a through 24z	25	
26	Add lines 11 through 23 and 25. These are your adjustments to income . Enter here and on Form 1040, 1040-SR, or 1040-NR, line 10	26	

SCHEDULE E
(Form 1040)

Department of the Treasury
Internal Revenue Service

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.

Go to www.irs.gov/ScheduleE for instructions and the latest information.

OMB No. 1545-0074

2023
Attachment
Sequence No. **13**

Name(s) shown on return

David Carter (SMALL GROUP CASE)

Your social security number

Part I **Income or Loss From Rental Real Estate and Royalties**

Note: If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions ☐ **Yes** ☐ **No**

B If "Yes," did you or will you file required Form(s) 1099? ☐ **Yes** ☐ **No**

1a Physical address of each property (street, city, state, ZIP code)

A
B
C

1b Type of Property
(from list below)

A
B
C

2 For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.

A
B
C

Fair Rental Days

Personal Use Days

QJV

☐
☐
☐

Type of Property:

- 1 Single Family Residence
2 Multi-Family Residence

- 3 Vacation/Short-Term Rental
4 Commercial

- 5 Land
6 Royalties

- 7 Self-Rental
8 Other (describe) _____

Income:

3 Rents received
4 Royalties received

3
4

Properties:

A

B

C

Expenses:

5 Advertising
6 Auto and travel (see instructions)
7 Cleaning and maintenance
8 Commissions
9 Insurance
10 Legal and other professional fees
11 Management fees
12 Mortgage interest paid to banks, etc. (see instructions)
13 Other interest
14 Repairs
15 Supplies
16 Taxes
17 Utilities
18 Depreciation expense or depletion
19 Other (list) _____
20 Total expenses. Add lines 5 through 19
21 Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**
22 Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)

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23a Total of all amounts reported on line 3 for all rental properties
b Total of all amounts reported on line 4 for all royalty properties
c Total of all amounts reported on line 12 for all properties
d Total of all amounts reported on line 18 for all properties
e Total of all amounts reported on line 20 for all properties

23a
23b
23c
23d
23e

24 **Income.** Add positive amounts shown on line 21. **Do not** include any losses

24

25 **Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here

25

26 **Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2

26

Name(s) shown on return. Do not enter name and social security number if shown on other side.

Your social security number

Steven Carter (Small Group Case)

Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.**Part II Income or Loss From Partnerships and S Corporations**

Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column (e) on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column (f) on line 28 and attach **Form 6198**. See instructions.

- 27** Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section ☐ Yes ☐ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A			☐		☐	☐
B			☐		☐	☐
C			☐		☐	☐
D			☐		☐	☐

Passive Income and Loss			Nonpassive Income and Loss		
(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1	
A				86,034	
B					
C					
D					
29a Totals					
b Totals					
30 Add columns (h) and (k) of line 29a				30	86,034
31 Add columns (g), (i), and (j) of line 29b				31	()
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31				32	86,034

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss			Nonpassive Income and Loss		
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1		
A					
B					
34a Totals					
b Totals					
35 Add columns (d) and (f) of line 34a				35	
36 Add columns (c) and (e) of line 34b				36	()
37 Total estate and trust income or (loss). Combine lines 35 and 36				37	

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q , line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q , line 1b	(e) Income from Schedules Q , line 3b
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below .				39

Part V Summary

40	Net farm rental income or (loss) from Form 4835 . Also, complete line 42 below	40	
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5	41	86,034
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions .	42	
43	Reconciliation for real estate professionals. If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

List of Codes and References Used in Schedule K-1 (Form 1065)

Box Number / Item		Where to report or where to find further reporting information. Page numbers refer to these instructions.
1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.		
	Passive loss	See page 15
	Passive income	Schedule E (Form 1040), line 28, column (h)
	Nonpassive loss	See page 15
	Nonpassive income	Schedule E (Form 1040), line 28, column (k)
2. Net rental real estate income (loss)		See page 15
3. Other net rental income (loss)		
	Net income	Schedule E (Form 1040), line 28, column (h)
	Net loss	See Instructions for Form 8582
4a. Guaranteed payment services		See Instructions for Schedule E (Form 1040)
4b. Guaranteed payment capital		See Instructions for Schedule E (Form 1040)
4c. Guaranteed payment total		See page 16
5. Interest income		Form 1040 or 1040-SR, line 2b
6a. Ordinary dividends		Form 1040 or 1040-SR, line 3b
6b. Qualified dividends		Form 1040 or 1040-SR, line 3a
6c. Dividend equivalents		See page 16
7. Royalties		Schedule E (Form 1040), line 4
8. Net short-term capital gain (loss)		Schedule D (Form 1040), line 5
9a. Net long-term capital gain (loss)		Schedule D (Form 1040), line 12
9b. Collectibles (28%) gain (loss)		28% Rate Gain Worksheet, line 4 (Schedule D instructions)
9c. Unrecaptured section 1250 gain		See page 16
10. Net section 1231 gain (loss)		See page 17
11. Other income (loss)		
	Code A. Other portfolio income (loss)	See page 17
	Code B. Involuntary conversions	See page 17
	Code C. Section 1256 contracts & straddles	Form 6781, line 1
	Code D. Mining exploration costs recapture	See 2022 Pub. 535
	Code E. Cancellation of debt	See page 17
	Code F. Section 743(b) positive adjustments	See page 17
	Code G. Reserved for future use	
	Code H. Section 951(a) income inclusions	See page 17
	Code I. Gain (loss) from disposition of oil, gas, geothermal, or mineral properties (section 59(e))	See page 18
	Code J. Recoveries of tax benefit items	See page 18
	Code K. Gambling gains and losses	See page 18
	Code L. Any income, gain, or loss to the partnership from a distribution under section 751(b) (certain distributions treated as sales or exchanges)	See page 18
	Code M. Gain eligible for section 1045 rollover (replacement stock purchased by partnership)	See page 18
	Code N. Gain eligible for section 1045 rollover (replacement stock not purchased by the partnership)	See page 18
	Code O. Sale or exchange of QSB stock with section 1202 exclusion	See page 19
	Code P. Gain or loss on disposition of farm recapture property and other items to which section 1252 applies	See page 19
	Code Q. Gain or loss on Fannie Mae or Freddie Mac qualified preferred stock	See page 19
	Code R. Specially allocated ordinary gain (loss)	See page 19
	Code S. Non-portfolio capital gain (loss)	See page 19
	Codes T through X. Reserved for future use	
	Code ZZ. Other	See page 19
12. Section 179 deduction		See page 19
13. Other deductions		
	Code A. Cash contributions (60%)	See page 19
	Code B. Cash contributions (30%)	See page 19
	Code C. Noncash contributions (50%)	See page 20

Box Number / Item		Where to report or where to find further reporting information. Page numbers refer to these instructions.
	Code D. Noncash contributions (30%)	See page 20
	Code E. Capital gain property to a 50% organization (30%)	See page 20
	Code F. Capital gain property (20%)	See page 20
	Code G. Contributions (100%)	See page 20
	Code H. Investment interest expense	Form 4952, line 1
	Code I. Deductions—royalty income	Schedule E (Form 1040), line 19
	Code J. Section 59(e)(2) expenditures	See page 20
	Code K. Excess business interest expense	See page 21
	Code L. Deductions—portfolio income (other)	Schedule A (Form 1040), line 16
	Code M. Amounts paid for medical insurance	Schedule A (Form 1040), line 1; or Schedule 1 (Form 1040), line 17
	Code N. Educational assistance benefits	See page 21
	Code O. Dependent care benefits	Form 2441, line 12
	Code P. Preproductive period expenses	See page 21
	Code Q. Reserved for future use	
	Code R. Pensions and IRAs	See page 21
	Code S. Reforestation expense deduction	See page 21
	Codes T through U. Reserved for future use	
	Code V. Section 743(b) negative adjustments	See page 21
	Code W. Soil and water conservation	See page 21
	Code X. Film, television, and theatrical production expenditures	See page 21
	Code Y. Expenditures for removal of barriers	See page 22
	Code Z. Itemized deductions	See page 22
	Code AA. Contributions to a capital construction fund (CCF)	See page 22
	Code AB. Penalty on early withdrawal of savings	See page 22
	Code AC. Interest expense allocated to debt-financed distributions	See page 22
	Code AD. Interest expense on working interest in oil or gas	See page 22
	Code AE. Deductions—portfolio income	See page 22
	Codes AF through AJ. Reserved for future use	
	Code ZZ. Other	See page 22
14. Self-employment earnings (loss)		
	Note. If you have a section 179 deduction or any partner-level deductions, see page 22 before completing Schedule SE (Form 1040).	
	Code A. Net earnings (loss) from self-employment	Schedule SE (Form 1040)
	Code B. Gross farming or fishing income	See page 22
	Code C. Gross nonfarm income	See page 22
15. Credits		
	Code A. Zero-emission nuclear power production	See page 23
	Code B. Production from advanced nuclear power facilities credit	See page 23
	Code C. Low-income housing credit (section 42(j)(5)) from post-2007 buildings	See page 23
	Code D. Low-income housing credit (other) from post-2007 buildings	See page 23
	Code E. Qualified rehabilitation expenditures (rental real estate)	See page 23
	Code F. Other rental real estate credits	See page 23
	Code G. Other rental credits	See page 23
	Code H. Undistributed capital gains credit	Schedule 3 (Form 1040), line 13a
	Code I. Biofuel producer credit	See page 23
	Code J. Work opportunity credit	See page 23
	Code K. Disabled access credit	See page 23
	Code L. Empowerment zone employment credit	See page 23
	Code M. Credit for increasing research activities	See page 23
	Code N. Credit for employer social security and Medicare taxes	See page 23
	Code O. Backup withholding	See page 23
	Code P. Unused investment credit from the qualifying advanced coal project credit or qualifying gasification project credit allocated from cooperatives	See page 23
	Code Q. Unused investment credit from the qualifying advanced energy project credit allocated from cooperatives	See page 23
	Code R. Unused investment credit from the advanced manufacturing investment credit allocated from cooperatives	See page 23
	Code S. Reserved for future use	

Box Number / Item		Where to report or where to find further reporting information. Page numbers refer to these instructions.
	Code T. Unused investment credit from the energy credit allocated from cooperatives	See page 23
	Code U. Unused investment credit from the rehabilitation credit allocated from cooperatives	See page 24
	Code V. Advanced manufacturing production credit	See page 24
	Codes W and X. Reserved for future use	
	Code Y. Clean hydrogen production credit	See page 24
	Code Z. Orphan drug credit	See page 24
	Code AA. Enhanced oil recovery credit	See page 24
	Code AB. Renewable electricity production credit	See page 24
	Code AC. Biodiesel, renewable diesel, or sustainable aviation fuels credit	See page 24
	Code AD. New markets credit	See page 24
	Code AE. Credit for small employer pension plan startup costs	See page 24
	Code AF. Credit for small employer auto-enrollment	See page 24
	Code AG. Credit for small employer military spouse retirement plan eligibility	See page 24
	Code AH. Credit for employer-provided childcare facilities and services	See page 24
	Code AI. Low sulfur diesel fuel production credit	See page 24
	Code AJ. Qualified railroad track maintenance credit	See page 24
	Code AK. Credit for oil and gas production from marginal wells	See page 24
	Code AL. Distilled spirits credit	See page 24
	Code AM. Energy efficient home credit	See page 24
	Code AN. Alternative motor vehicle credit	See page 24
	Code AO. Alternative fuel vehicle refueling property credit	See page 24
	Code AP. Clean renewable energy bond credit	See page 24
	Code AQ. New clean renewable energy bond credit	See page 24
	Code AR. Qualified energy conservation bond credit	See page 24
	Code AS. Qualified zone academy bond credit	See page 24
	Code AT. Qualified school construction bond credit	See page 24
	Code AU. Build America bond credit	See page 24
	Code AV. Credit for employer differential wage payments	See page 24
	Code AW. Carbon oxide sequestration credit	See page 24
	Code AX. Carbon oxide sequestration credit recapture	See page 24
	Code AY. New clean vehicles credit	See page 24
	Code AZ. Qualified commercial clean vehicle credit	See page 24
	Code BA. Credit for small employer health insurance premiums	See page 24
	Code BB. Employer credit for paid family and medical leave	See page 24
	Code BC. Eligible credits from transferor(s) under section 6418	See page 24
	Codes BD through BG. Reserved for future use	
	Code ZZ. Other	See page 24
17. Alternative minimum tax (AMT) items		
	Code A. Post-1986 depreciation adjustment	See Instructions for Form 6251
	Code B. Adjusted gain or loss	See Instructions for Form 6251
	Code C. Depletion (other than oil & gas)	See Instructions for Form 6251
	Code D. Oil, gas, and geothermal—gross income	See Instructions for Form 6251
	Code E. Oil, gas, and geothermal—deductions	See Instructions for Form 6251
	Code F. Other AMT items	See Instructions for Form 6251
18. Tax-exempt income and nondeductible expenses		
	Code A. Tax-exempt interest income	Form 1040 or 1040-SR, line 2a
	Code B. Other tax-exempt income	See page 25
	Code C. Nondeductible expenses	See page 25
19. Distributions		
	Code A. Cash and marketable securities	See page 25
	Code B. Distribution subject to section 737	See page 25
	Code C. Other property	See page 26
20. Other information		
	Code A. Investment income	Form 4952, line 4a
	Code B. Investment expenses	Form 4952, line 5

Box Number / Item		Where to report or where to find further reporting information. Page numbers refer to these instructions.
	Code C. Fuel tax credit information	Form 4136
	Code D. Qualified rehabilitation expenditures (other than rental real estate)	See page 26
	Code E. Basis of energy property	See page 26
	Code F. Recapture of low-income housing credit for section 42(j)(5) partnerships	See page 26
	Code G. Recapture of low-income housing credit for other partnerships	See page 26
	Code H. Recapture of investment credit	See Form 4255
	Code I. Recapture of other credits	See page 27
	Code J. Look-back interest—completed long-term contracts	See Form 8697
	Code K. Look-back interest—income forecast method	See Form 8866
	Code L. Dispositions of property with section 179 deductions	See page 27
	Code M. Recapture of section 179 deduction	See page 27
	Code N. Business interest expense (information item)	See page 27
	Code O. Section 453(l)(3) information	Schedule 2 (Form 1040), line 14
	Code P. Section 453A(c) information	Schedule 2 (Form 1040), line 15
	Code Q. Section 1260(b) information	Schedule 2 (Form 1040), line 17z
	Code R. Interest allocable to production expenditures	See Regulations sections 1.263A-8 through -15
	Code S. Capital construction fund (CCF) nonqualified withdrawals	Schedule 2 (Form 1040), line 17z
	Code T. Depletion deduction	See 2022 Pub. 535
	Code U. Section 743(b) basis adjustment	See page 28
	Code V. Unrelated business taxable income	See page 28
	Code W. Precontribution gain (loss)	Form 8949 and/or Schedule D (Form 1040); or Form 4797
	Code X. Payment obligations including guarantees and deficit obligations (DROs)	See page 28
	Code Y. Net investment income	See Instructions for Form 8960
	Code Z. Section 199A information	Form 8995 or Form 8995-A
	Code AA. Section 704(c) information	See page 29
	Code AB. Section 751 gain (loss)	See page 29
	Code AC. Section 1(h)(5) gain (loss)	See page 29
	Code AD. Deemed section 1250 unrecaptured gain	See page 29
	Code AE. Excess taxable income	See Instructions for Form 8990
	Code AF. Excess business interest income	See page 30
	Code AG. Gross receipts for section 448(c)	See page 30
	Code AH. Noncash charitable contributions	See page 30
	Code AI. Interest and tax on deferred compensation to partners	See page 30
	Code AJ. Excess business loss limitation	See page 30
	Code AK. Gain from mark-to-market election	See page 30
	Code AL. Section 721(c) partnership	See page 30
	Code AM. Section 1061 information	See page 30
	Code AN. Farming and fishing business	See page 30
	Code AO. PTP information	See page 30
	Code AP. Inversion gain	See page 30
	Code AQ. Conservation reserve program payments	See page 31
	Code AR. IRA disclosure	See page 31
	Code AS. Qualifying advanced coal project property and qualifying gasification project property	See page 31
	Code AT. Qualifying advanced energy project property	See page 31
	Code AU. Advanced manufacturing investment property	See page 31
	Code AV. Reserved for future use	
	Code AW. Reportable transactions	See page 31
	Code AX. Reserved for future use	
	Code AY. Foreign partners, Form 8990, Schedule A	See page 31
	Codes AZ through BD. Reserved for future use	
	Code ZZ. Other	See page 31
21.	Foreign taxes paid or accrued	See page 31