

## ELECTRONIC FILING OPTIONS FOR S CORPORATION TAX RETURNS

Corporations may file Missouri MO-1120S Corporate Income and Franchise tax returns electronically in conjunction with the IRS through Modernized E-File (MeF). This system has been developed through a cooperative effort between the IRS, states, and the software community. The system uses the latest electronic technology and industry standards. Corporations may visit the Department's web site at: <http://dor.mo.gov/business/corporate/efile.php> for more information regarding electronic filing as well as a list of approved vendors that support corporate electronic filing. Corporations may choose from the following filing methods:

1. Federal and State Corporation tax returns may be prepared and filed electronically by an IRS approved Electronic Return Originator (ERO). Corporations may visit the IRS web site to find a participating ERO at: <http://www.irs.gov/efile/index.html>.
2. State Corporation MO-1120S returns can be prepared and transmitted as a stand-alone state return through an IRS approved ERO.

### Benefits of Electronic Filing

Convenience • Security • Proof of Filing • Faster Refunds • Greater Accuracy

## FORM MO-1120S S CORPORATION TAX RETURN

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

### WHO MUST FILE FORM MO-1120S

**CORPORATION FRANCHISE TAX:** Every S corporation must determine if its assets or apportioned assets are greater than \$10,000,000. If its assets (in or apportioned to Missouri) are over \$10,000,000, the S corporation must complete and file Schedule MO-FT and Form MO-1120S, Lines 15 through 28. Attach a copy of the balance sheet and any supporting schedules. If its assets (in or apportioned to Missouri) are equal to or less than \$10,000,000, the S corporation must check Box A on Form MO-1120S and sign the return.

**S CORPORATION INCOME TAX:** Every S corporation must file Form MO-1120S if they file Federal Form 1120S and the S corporation has: 1) a shareholder that is a Missouri resident; or 2) any income derived from Missouri sources (Section 143.471, RSMo). Attach a copy of Federal Form 1120S and all Schedule K-1(s). Qualified subchapter S subsidiaries (QSSS) must file a separate Form MO-1120S and attach its separate balance sheet if they are engaged in business in Missouri. The QSSS must also check Box D on Form MO-1120S.

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

**MISSOURI REGISTRATION** Every S corporation must register with the Department of Revenue to receive a Missouri Tax I.D. Number. To register, contact: **Missouri Department of Revenue, Taxation Division, P.O. Box 3300, Jefferson City, MO 65105-3300, visit our web site at <http://dor.mo.gov/>, or call Business Registration at (573) 751-5860.**

### TIME AND PLACE OF FILING AND PAYMENT

**CORPORATION FRANCHISE TAX:** Corporation franchise tax is due on or before the 15th day of the fourth month following the **beginning** of the tax year. Example: Taxable period of January 1, 2013, to December 31, 2013; due April 15, 2013.

**S CORPORATION INCOME TAX:** S corporation return is due on or before the 15th day of the fourth month following the **end** of the tax year. Example: Taxable period of January 1, 2012, to December 31, 2012; due April 15, 2013.

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

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

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

**Note:** Include Missouri Tax I.D. Number on the check or money order.

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

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

**PERIOD COVERED BY THE RETURN** Form MO-1120S must cover the same period as the corresponding Federal Form 1120S. Indicate the period covered on the front of the return.

### REPORTABLE TRANSACTION DISCLOSURE STATEMENT FEDERAL FORM 8886

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

**EXTENSION OF TIME TO FILE** If an S corporation has been granted an extension of time to file its federal income tax return, the time for filing the Missouri corporation income and franchise tax return is automatically extended for the same period of time. A copy of the Federal Extension Form 7004 must be attached to the Form MO-1120S when filed. **Form MO-7004 is only required if a franchise tax liability exists.**

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

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

**CONTACT INFORMATION** If you have questions, you may contact Corporate Tax at (573) 751-4541 or by e-mail at [corporate@dor.mo.gov](mailto:corporate@dor.mo.gov).

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

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

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

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

Forms may be obtained by writing the Missouri Department of Revenue, Taxation Division, P.O. Box 3022, Jefferson City, MO 65105-3022, calling (800) 877-6881 (TDD (800) 735-2966) or visiting our web site at <http://dor.mo.gov/>.

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

**S CORPORATION ADJUSTMENTS** Each S corporation, having modifications, must complete the Form MO-1120S, Page 1, Lines 1–14 and Page 2, the Allocation of Missouri S Corporation Adjustment to Shareholders, and notify each shareholder of the adjustments to which he or she is entitled. Missouri income tax law provides adjustments to a shareholder’s share of the S corporation income included in his or her individual federal income tax return in order to properly determine his or her individual Missouri adjusted gross income. Each shareholder should add the explanation: “S Corporation Adjustments-S Corporation Name” to the Form MO-1040. A copy of the Form MO-1120S must be provided to each shareholder.

## ADDITIONS

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

Enter on line 1a the amount of Missouri corporation income tax deducted on Federal Form 1120S (Section 143.141(1), RSMo), and the amount of corporation income taxes from other states, their subdivisions and the District of Columbia deducted on Federal Form 1120S (12 CSR 10-2.160 and Section 143.141(2), RSMo). Do not include St. Louis or Kansas City earnings taxes. A schedule must be attached showing the breakdown of taxes on Federal Form 1120S.

Corporation tax of the following states taken as a deduction in determining federal taxable income, must be included on Line 1a:

Alabama	Georgia	Kentucky	Nebraska	South Carolina
Alaska	(excludes net worth tax)	Louisiana	New Mexico	(excludes capital stock tax)
Arizona	Hawaii	Maine	North Carolina	South Dakota
Arkansas	Idaho	Maryland	North Dakota	Tennessee
California	(includes franchise tax)	Michigan	Oklahoma	(excise tax)
Illinois	(includes replacement tax)	Minnesota	Oregon	Texas
Colorado	Indiana	Mississippi	Pennsylvania	Utah
Delaware	Iowa	Missouri	Rhode Island	Vermont
Florida	Kansas	Montana		Virginia
				West Virginia

Enter on Line 1b the amount of Kansas City and St. Louis earnings tax.

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

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

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

**LINE 3 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)** Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 18, and Form MO-1065, Line 17 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065 must be attached.

**LINE 4 — DONATIONS CLAIMED FOR THE FOOD PANTRY TAX CREDIT THAT WERE DEDUCTED FROM FEDERAL TAXABLE INCOME** Enter on Line 4 the total amount of donations claimed for the Food Pantry Tax Credit that were also taken as a deduction on the Federal Form 1120 return (Section 135.647, RSMo).

**LINE 5 — TOTAL** Add Lines 1 through Line 4. Enter the amount on Line 5.

## SUBTRACTIONS

**LINE 6 — INTEREST AND DIVIDENDS FROM EXEMPT FEDERAL OBLIGATIONS (MUST ATTACH SCHEDULE)** **Enter on Line 6a** the amount of interest and dividends from federal obligations to the extent they are exempt from Missouri income tax, but subject to federal tax (12 CSR 10-2.150 and Section 143.121.3(1), RSMo). A detailed list showing the amount of monies received or the percentage of funds received from **direct** U.S. Government obligations must be attached to Form MO-1120S.

**Enter on Line 6b** the amount of interest on indebtedness and expenses associated with the production of interest and dividend income on federal obligations shown on Line 6a. The expenses must exceed \$500. Refer to Section 143.121.3(1), RSMo, for further explanation.

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

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

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

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

**Enter on Line 6** the net amount of Line 6a less Line 6b.

**LINE 7 — AMOUNT OF ANY STATE INCOME TAX REFUND INCLUDED IN FEDERAL TAXABLE INCOME** Enter the amount of any state income tax refund for a prior year that was included in the federal taxable income for the current year (Section 143.121.3(5), RSMo).

**LINE 8 — FEDERALLY TAXABLE — MISSOURI EXEMPT OBLIGATION**

The amount of any bond issued by the Missouri Higher Education Loan Authority (MOHELA) including interest or proceeds resulting from the sale of the bond is exempt from Missouri tax. If the amount is included in federal taxable income, the amount can be subtracted from federal taxable income for Missouri tax purposes pursuant to Section 173.440, RSMo. Enter the exempt amount on Line 8 and provide documentation with the return.

**LINE 9 — FIDUCIARY AND PARTNERSHIP ADJUSTMENT, BUILD AMERICA AND RECOVERY ZONE BOND INTEREST, MISSOURI PUBLIC-PRIVATE PARTNERSHIPS TRANSPORTATION ACT, OTHER FIDUCIARY AND PARTNERSHIP ADJUSTMENT (FROM FORM MO-1041 AND FORM MO-1065)**

Enter the share of fiduciary and partnership adjustment as shown on Form MO-1041, Page 2, Part 1, Line 19 and Form MO-1065, Line 18 (Section 143.121.4 and 5, RSMo). A copy of Forms MO-1041 and MO-1065 must be attached.

**Build America and Recovery Zone Bond Interest** Enter the share of Build America and Recovery Zone Bond interest received (Section 108.1020, RSMo).

**Missouri Public-Private Partnerships Transportation Act** Enter the share of income received under the Missouri Public-Private Partnerships Transportation Act (Section 227.646, RSMo).

**LINE 10 — MISSOURI DEPRECIATION BASIS ADJUSTMENT** Enter on Line 10 the difference between the federal and Missouri depreciation calculated on assets purchased between July 1, 2002 and June 30, 2003. See Section 143.121.3(7), RSMo for more information.

**LINE 11 — DEPRECIATION RECOVERY ON QUALIFIED PROPERTY THAT IS SOLD** Enter on Line 11 any depreciation that was previously not recovered when an asset is sold or otherwise disposed of and federal bonus depreciation was previously taken. (Section 143.121.3(9), RSMo)

**LINE 12 — TOTAL** Add Lines 6 through Line 11. Enter the amount on Line 12.

**LINE 13 — MISSOURI S CORPORATION ADJUSTMENT — NET ADDITION**

Enter the excess of Line 5 over Line 12.

**LINE 14 — MISSOURI S CORPORATION ADJUSTMENT — NET SUBTRACTION**

Enter the excess of Line 12 over Line 5.

**Line 15 — Corporation Franchise Tax** If your corporation is required to pay corporation franchise tax, enter amount from Schedule MO-FT, Corporation Franchise Tax Schedule, Line 7e.

**Line 16 — TAX CREDITS** Enter the total from Form MO-TC, Line 13. Visit our web site at: <http://dor.mo.gov/> to download Form MO-TC. Note: Only include tax credits that can be applied to corporation franchise tax.

**LINE 17 — APPROVED OVERPAYMENTS APPLIED FROM LAST FILING PERIOD**

Enter any approved overpayments credited from 2011 or any estimated payments made during the year.

**LINE 18 — PAYMENTS WITH FORM MO-7004** Enter the total payment(s) made with Form MO-7004.

**LINE 19 — AMENDED RETURN ONLY: TAX PAID WITH (OR AFTER) THE FILING OF THE ORIGINAL RETURN** Enter the amount of tax previously paid by check or money order on the original return and any previously filed amended return.

**LINE 20 — SUBTOTAL** Enter the total of Lines 16 through Line 19.

**LINE 21 — AMENDED RETURN ONLY: OVERPAYMENT, IF ANY, AS SHOWN ON ORIGINAL RETURN OR AS LATER ADJUSTED** Enter the amount of overpayment received (or expected to be received) or the amount to be credited to estimated tax, as shown or adjusted on the original return. Any refund due on the original return will be refunded separately from any additional refund claimed on the amended return.

**LINE 22 — TOTAL** Enter Line 20 less Line 21.

**LINE 23 — OVERPAYMENT** Enter the overpayment if Line 22 is greater than Line 15.

**LINE 24 — OVERPAYMENT TO BE APPLIED TO NEXT FILING PERIOD** Enter the amount of overpayment to be applied to the next filing period.

**LINE 25 — REFUND** Enter the total of Line 23 less Line 24. This is the amount to be refunded. No refund of less than \$1.00 will be made. If there is any other liability owed the state of Missouri, the refund may be applied to that liability (Sections 143.781, 143.782, 143.783, and 143.784, RSMo). The corporation will be notified if any debts are offset with the refund. The Department requires approved refunds of \$100,000 or more to be issued electronically. If claiming a refund of this amount, complete an Agreement To Receive Refund By ACH Transfer (Form 5378) and submit it with your return. The form is available at <http://dor.mo.gov/forms>. Failure to include the form and all required documentation will delay the processing of your return.

**LINE 26 — UNDERPAYMENT** Enter the underpayment if Line 15 is larger than Line 22.

**LINE 27 — INTEREST AND PENALTY**

**Interest** Enter the amount of interest computed. Simple interest is charged on all delinquent taxes from the due date of the return until the payment is received. The simple interest rate, effective January 1, 2013, is 3 percent per annum (Section 32.065, RSMo).

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

**Penalty for Failure to Pay** If the tax due is not paid by the original due date of the return, regardless of an extension of time to file, a penalty of 5 percent (of the unpaid tax) is charged. The penalty will be waived if: (a) the amount of tax paid on or before the original due date of the return is at least 90 percent; and (b) the balance of the tax due is paid on or before the due date of the return, including extensions of time (Section 143.751, RSMo).

**LINE 28 — TOTAL DUE** Enter the total of Lines 26 and 27. Attach a check or money order for the amount due payable to the Missouri Department of Revenue. Include the corporation's Missouri Tax I.D. Number on the check or money order (U.S. funds only).

## AUTHORIZATION

Check the "yes" box for authorization of release of confidential information. This authorizes the Missouri Director of Revenue or

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

## SIGNATURE

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

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

## SCHEDULE MO-FT FRANCHISE TAX SCHEDULE

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

**If a corporation's assets in Missouri or apportioned to Missouri are \$10,000,000 or less, the corporation is not required to pay franchise tax. However, the corporation must still file and state that its assets do not exceed \$10,000,000. Check Box A on Form MO-1120 or Form MO-1120S to indicate assets do not exceed \$10,000,000 and sign the return.**

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

**Corporations and S Corporations Exempt From Filing Franchise Tax**

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

**New Domestic and Foreign Corporations**

1. Corporations required to file a franchise tax return will have the initial return due by the 15th day of the fourth month following either:
  - a. The date of incorporation for Missouri domestic corporations or
  - b. The date of qualification or date when business actually began (whichever came first) if a foreign corporation.
2. The initial franchise tax must be filed with Form MO-1120 or Form MO-1120S and must be filed for **Franchise Tax Only (Box D)**.
3. The initial franchise tax return is based on the beginning assets as of its Missouri incorporation date or qualification or business begin date (whichever came first) if a foreign corporation.

4. The beginning file period date represents the incorporation, qualification, or actual date when business began (foreign corporations, whichever came first). The ending file period date is the corporation's year-end consistent with federal filing requirements.
  - a. Example: a Missouri corporation incorporates 7/1/12. It has elected to file on a calendar (Dec. 31) year-end for federal purposes. The initial franchise tax return is filed for the short period 7/1/12 – 12/31/12. It is due 10/15/12. It is prorated for 6 months. The tax is based on its beginning balance sheet as of 7/1/12. It is filed on Form MO-1120 or MO-1120S and Box D "Return filed for Franchise tax only" is checked. Its next franchise return (which may be filed for **Both** income and franchise tax) is filed for the full period 1/1/13 – 12/31/13, based on its 12/31/12 balance sheet, due 4/15/13.
  - b. Example: a foreign corporation purchases assets in Missouri 2/1/12, but it does not receive its qualification from the Secretary of State's office until 4/1/12. It files on a fiscal year ending September 30 for federal purposes. The initial franchise tax return is filed for the short period 2/1/12 – 9/30/12. It is due 5/15/12. It is prorated for 8 months. The tax is based on its beginning balance sheet as of 2/1/12. It is filed on Form MO-1120 or MO-1120S and Box D "Return filed for Franchise tax only" is checked. Its next franchise return (which may be filed for **Both** income and franchise tax) is filed for the full period 10/1/12 – 9/30/13, based on its 9/30/12 balance sheet, due 1/15/13.

#### **Line by Line Instructions for Completing Schedule MO-FT**

1. Enter the corporation name.
2. Enter the Missouri Tax I.D. Number (as issued by the Missouri Department of Revenue), Charter Number (as issued by the Missouri Secretary of State), and Federal I.D. Number.
3. Enter the file period beginning and ending month, date, year.
4. Enter the balance sheet date. **The balance sheet date must correspond with the beginning date of the franchise tax file period.** Example: balance sheet ending 12/31/12 is beginning 1/1/13 franchise tax file period.
5. Check Box "Yes" if the corporation is using flow-through assets from a partnership and LLC in the calculation of its franchise tax.

**If you are using flow-through assets from a partnership and LLC in the calculation of the franchise tax apportionment, you must include a reconciliation of these values.** In addition to the balance sheet of the corporation, attach a schedule or balance sheet of all partnerships and limited liability companies doing business in Missouri, the percentage of ownership, the value of assets, and the partner's capital account.

6. Check Box "Yes" if there has been a change in your accounting period. State prior accounting period. Missouri franchise tax is filed and paid prospectively. The beginning taxable period must coincide with the ending balance sheet date. Adjustments may need to be made to your prior year return to allow for a change in your accounting period.
7. Corporations having all assets within Missouri complete Lines 1, 2, 6a, and 7 **ONLY**.
8. Corporations having assets both within and without Missouri complete all lines **EXCEPT** 6a.

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

#### **Line 2.** Assets.

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

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

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

#### **Line 3.** Allocation per balance sheet or schedule.

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

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

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

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

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

**Line 6.** Enter the franchise tax basis.

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

**6b.** Corporations having assets both within and without Missouri, enter Line 5 or the product of Line 1 times Line 4, whichever is greater. If Line 6a or Line 6b is \$10,000,000 or less, **STOP HERE** and check Box A on Form MO-1120 or Box A on Form MO-1120S.

#### **Line 7.** Tax Computation.

**7a.** Enter the franchise tax by multiplying Line 6a or Line 6b by .000200 (1/50th of 1%)

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

**7c.** Enter the amount from Line 7a or Line 7b, whichever applies.

**7d.** Base Year Franchise Tax. Enter the franchise tax from the return for the taxable year ending on or before December 31, 2010 (Base Year). If a 2010 short year return was filed, enter the franchise tax before the tax was prorated. If multiple short year returns were submitted, enter the franchise tax from the last file period return filed on or before December 31, 2010. For example, if two short period returns were filed (1-1-10 through 6-30-10 and 7-1-10 through 12-31-10), the base year franchise tax would be the tax before proration on the 7-1-10 through 12-31-10 return. If a corporation had no annual franchise tax for the taxable year ending on or before December 31, 2010 because the corporation was not in existence or doing business in Missouri, then enter the amount of the franchise tax liability for the corporation's first full taxable year (on or after the taxable year ending on or before December 31, 2010). If this is the first year the corporation had a filing requirement, skip Line 7d and enter the amount from Line 7c on Line 7e. For more information in determining the base year, visit our web site: <http://dor.mo.gov>.

**7e.** Enter the smaller of Line 7c or Line 7d here and on Form MO-1120, Line 16, or Form MO-1120S, Line 15. If no amount was entered on Line 7d, enter the amount from Line 7c.

# SCHEDULE MO-MSS S CORPORATION ALLOCATION AND APPORTIONMENT FORM

Use Schedule MO-MSS to apportion all business income by using the single factor apportionment method or the three factor apportionment method. The single factor relies solely on sales. The three factor contains (1) Property, (2) Payroll, and (3) Sales. If utilizing the single factor apportionment method, complete Part 1 and Part 3, if applicable. If utilizing the three factor apportionment method, complete Part 2 and Part 3, if applicable. Attach Schedule MO-MSS to Form MO-1120S. Enter the percentage from Part 1, Line 7, or Part 2, Line 4, on Schedule MO-NRS Part 1, Line 1, Column (c). Line 1, Column (b) is computed by multiplying the percentage in Column (c) times the amounts in Column (a). The percentage is also entered in other lines on Column (c) if the items are integral parts of the business. As noted on the Schedule MO-MSS, special methods three to seven may be used. Attach a detailed explanation to the Form MO-1120S when utilizing these methods.

## **Calculate the apportionment factor by adding the percentage of ownerships in partnerships factors to the S corporation's factors.**

Pursuant to Section 32.200, RSMo, Article IV, 2, financial organizations, personal service corporations and public utilities cannot elect to use apportionment method one. They will need to elect one of the other available methods.

## SCHEDULE MO-MSS THREE FACTOR APPORTIONMENT

**Instructions** Any taxpayer having income from business activity which is taxable both within and without this state, other than activity as a financial organization or public utility or the rendering of purely personal services by an individual, shall allocate and apportion his or her net income as provided in Section 32.200, RSMo. If a taxpayer has income from business activity as a public utility but derives the greater percentage of his or her income from activities subject to Section 32.200, Article IV, RSMo, the taxpayer may elect to allocate and apportion his or her entire net income as provided in Section 32.200, RSMo.

**APPLICATION OF MULTISTATE TAX COMPACT** A taxpayer must have income from business activity taxable by this state and at least one other state, to allocate and apportion income. Income from business activities includes business and nonbusiness income. The taxpayer's income will be allocated and apportioned in accordance with the Multistate Tax Compact.

The first step is to determine which portion of the taxpayer's entire net income constitutes "business income" and which portion constitutes "nonbusiness income." The various items of nonbusiness income are directly allocated to specific states. The business income of the taxpayer is divided between the states in which the business is conducted pursuant to the property, payroll and sales apportionment factors. If one or more of the three factors does not exist (that is, there is no denominator) determine the apportionment factor by dividing by the number of factors used. The sum of the items of nonbusiness income directly allocated to this state, plus the amount of business income attributable to this state by the apportionment formula, constitutes the amount of the taxpayer's partial Missouri Income-Missouri Sources.

**TAXABLE IN ANOTHER STATE** A taxpayer is "taxable in another state" if he or she meets either one of two tests: (a) if by reason of business activity in another state, the taxpayer is subject to one of the types of taxes specified, namely: A net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business, or a corporate stock tax; or (b) if another state has jurisdiction to subject the taxpayer to a net

income tax, regardless of whether or not that state imposes such a tax on the taxpayer. The first test is applicable only if a taxpayer carries on business activities in another state. If the taxpayer voluntarily files and pays one or more of such taxes when not required to do so by the laws of that state or pays a minimal fee for qualification, organization or for the privilege of doing business in that state, but (a) does not actually engage in business activities in that state; or (b) does actually engage in some activity, not sufficient for nexus, and the minimum tax bears no relation to the corporation's activities within such state, the taxpayer is not "taxable" in another state. The second test applies, if the taxpayer's business activities are sufficient to give the state jurisdiction to impose a net income tax under the Constitution and statutes of the United States. Jurisdiction to tax is not present where the state is prohibited from imposing the tax by reason of the provision of Public Law 86-272, 15 U.S.C. Sections 38-385.

**PROPERTY FACTOR** The numerator of the property factor includes the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the income year for the production of business income. The denominator is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the income year for the production of business income.

Property owned by the taxpayer in transit between locations of the taxpayer is considered to be at the destination for purposes of the property factor. Property in transit between a buyer and seller which is included by a taxpayer in the denominator of its property factor in accordance with its regular accounting practices will be included in the numerator according to the state of destination. The value of mobile or movable property, such as construction equipment, trucks or leased electronic equipment which is located within and without this state, is based upon the ratio that the time the property was physically present or was used in this state bears to the total time or use of the property everywhere during the tax year. An automobile assigned to a traveling employee is included in the numerator of the factor of the state to which the employee's compensation is assigned under the payroll factor or in the numerator of the state in which the automobile is licensed.

Property owned by the taxpayer is valued at its original cost. As a general rule "original cost" is deemed to be in the basis of the property for federal income tax purposes (prior to any federal adjustments) at the time of acquisition by the taxpayer and adjusted by subsequent capital additions or improvements thereto and partial disposition thereof, by the reason of sale, exchange, abandonment, etc. Property rented by the taxpayer is valued at eight times the net annual rental rate. The net annual rental rate is the total annual rental rate paid by the taxpayer, less total annual rental rate received by the taxpayer from sub rentals. As a general rule the average value of property owned by the taxpayer is determined by averaging the values at the beginning and end of the income year. However, the Director of Revenue may require averaging by monthly values if this method of averaging is reasonably required to properly reflect the average value of the taxpayer's property for the income year.

**PAYROLL FACTOR** The payroll factor includes only compensation that is attributable to the business income subject to apportionment. The compensation of any employee whose activities are connected primarily with nonbusiness income shall be excluded from the factor.

The denominator of the payroll factor is the total compensation paid everywhere during the income year. Accordingly, compensation paid to employees whose services are performed entirely in a state where the taxpayer is exempt from taxation, for example, by Public Law 86-272, are included in the denominator of the payroll factor.

The numerator of the payroll factor is the total amount paid in this state during the income year by the taxpayer for compensation. Compensation is paid in this state if any one of the following tests, applied consecutively, are met: (a) the employee's service is performed entirely within this state; (b) the employee's service is performed both within and without the state, but the service performed without the state is incidental to the employee's service within the state (the word "incidental" means any service which is temporary or transitory in nature, or which is rendered in connection with an isolated transaction); (c) if the employee's services are performed both within and without this state, the employee's compensation will be attributed to this state: (1) if the employee's base of operations is in this state; or (2) if there is no base of operations in any state in which some part of the service is performed, but the place from which the service is directed or controlled is in this state; or (3) if the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed but the employee's residence is in this state.

The term "base of operation" is the place of more or less permanent nature from which the employee starts his or her work and to which he or she customarily returns in order to receive instructions from the taxpayer or communications from his or her customers or other persons, or to replenish stock or other material, repair equipment or perform any other functions necessary to the exercise of his or her trade or profession at some other point or points.

**SALES FACTOR** The denominator of the sales factor is generally all gross receipts derived by a taxpayer from transactions and activities in the course of its regular trade or business operations that produce business income as defined.

In the case of a taxpayer whose business activity consists of manufacturing and selling, or purchasing and reselling goods or products, "sales" includes all gross receipts from the sales of such goods and products. Gross receipts for this purpose means gross sales, less returns and allowances, and includes all interest income, service charges, carrying charges, or time-price differential charges incidental to such sales. Federal and state excise taxes (including sales taxes) is included as part of such receipts if such taxes are passed on to the buyer or included as part of the selling price of the product. The term "sales" also includes gross receipts derived by a taxpayer from business transactions or activities that are incidental to his or her principal business activity and that are includable in business income. As applied to a taxpayer engaged in a business activity other than the manufacturing and selling, or purchasing and reselling of property, "sales" includes the gross receipts from the taxpayer's business activity. In the case of cost plus fixed fee contracts, such as the operation of a government owned plant for a fee, gross receipts includes the entire reimbursed cost, plus the fee. "Sales" includes the gross receipts from the rental, lease or licensing the use of the property. "Sales" includes the licensing of intangible property such as patents and copyrights.

The numerator of the sales factor includes the gross receipts from sales that are attributable to this state, and includes all interest income, service charges, carrying charges, or time-price differential charges incidental to such sales, regardless of the place where the accounting records are maintained or the location of the contract or other evidence of indebtedness. Gross receipts from the sales of tangible personal property (except sales to the United States Government) are in this state if the property is delivered or shipped to a purchaser within this state, regardless of the f.o.b. point or other conditions of sale; or if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state and the taxpayer is not taxable in the state of the purchaser.

Sales to the United States Government: Gross receipts from the sales of tangible personal property to the United States Government are in this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state. Only sales for which the United States Government makes direct payment to the seller pursuant to the terms of its contract constitute sales to the United States Government.

Sales other than sales of tangible personal property are in this state if:

- (a) the income-producing activity is performed in this state; or
- (b) the income-producing activity is performed both within and without this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

**ALLOCATION OF NONBUSINESS INCOME** For this purpose "commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed. Rents and royalties from real or tangible personal property, capital gains, interest, or patent or copyright royalties, to the extent that they constitute nonbusiness income shall be allocated as follows:

- (a) Net rents and royalties from real property located in this state are allocable to this state.

- (b) Net rents and royalties from tangible personal property are allocable to this state: (1) if and to the extent that the property is utilized in this state; or (2) in their entirety if the taxpayer's commercial domicile is in this state and the taxpayer is not organized under the laws of, or taxable in, the state in which the property is utilized. The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all royalty or rental period during the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payor obtained possession.

- (c) Capital gains and losses from sales of real property located in this state are allocable to this state.

- (d) Capital gains and losses from sales of tangible personal property are allocable to this state if: (1) the property had a situs in this state at the time of the sale; or (2) the taxpayer's commercial domicile is in this state and the taxpayer is not taxable in the state in which the property had a situs.

- (e) Certain capital gains and losses from sales of intangible personal property are allocable to this state if the taxpayer's commercial domicile is in this state.

- (f) Certain interest and dividends are allocable to this state if the taxpayer's commercial domicile is in this state.

- (g) Patent and copyright royalties are allocable to this state: (1) if and to the extent that the patent or copyright is utilized by the taxpayer in this state; or (2) if and to the extent that the patent or copyright is utilized by the taxpayer in a state in which the taxpayer is not taxable and the taxpayer's commercial domicile is in this state. A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing, or other processing in the state or to the extent that a patented product is produced in the state. A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from patent royalties or copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent or copyright is utilized in the state in which the taxpayer's commercial domicile is located.