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The [American Institute of CPAs](#) has recommended to the U.S. Department of the Treasury and the Internal Revenue Service (IRS) that a new income tax form be developed in order to improve S corporation shareholder compliance with the basis rules under subchapter S (section 1367 of the Internal Revenue Code).

The form proposed by the AICPA in its [February 21 letter](#) would be a required attachment to any income tax return and would include items of income, loss, deduction or credit of an S corporation. The purpose of the form would be to compute the S corporation shareholder's basis in the stock and debt of the S corporation.

“Without accurate tracking of shareholder stock and debt basis, a taxpayer may not

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claiming losses in excess of basis is that S corporation shareholders are not required to attach a form, to his or her income tax return, on which their basis in the S corporation is computed and the loss limitation rules are applied,” Nellen wrote.

The form would provide “shareholders and the IRS with the information necessary to properly determine the taxability of distributions and loan repayments made by the S corporation to its shareholders, gain or loss on stock dispositions, as well as the amount of losses and deductions that shareholders are allowed to take into account when computing taxable income for the year,” Nellen stated.

About the American Institute of CPAs

The American Institute of CPAs (AICPA) is the world's largest member association representing the CPA profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting. The AICPA sets ethical standards for the profession and U.S. auditing standards for private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination, offers specialized credentials, builds the pipeline of future talent and drives professional competency development to advance the vitality, relevance and quality of the profession.

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