

# Miyasyke, inc. essay sample

[Business](#), [Company](#)



Miyasyke, Inc., a calendar year S corporation, has 5 equal shareholders at the end of the tax year. Miyasyke had \$75, 000 of taxable income. Miyasyke made distributions to its shareholders of \$32, 000 each, for a total of \$160, 000. Each shareholder's basis in the S corporation is 100, 000 at the beginning of the tax year. What amount from Miyasyke should be included in each shareholder's gross income?

- a. \$0
- b. \$15, 000
- c. \$32, 000
- d. \$47, 000

Explanation:

Choice “ b” is correct. Each shareholder reports their pro-rata share of the S corporation's taxable income in his or her gross income. The distributions are not taxable to the extent the shareholders' basis exceeds the distribution (and increased for any income reported by them during the year). Choice “ a” is incorrect. Each shareholder's share of taxable income (non-separately stated) is reported in the shareholder's gross income. Choices “ c” and “ d” are incorrect. Choice “ c” only includes the distribution, which is not taxable in this case as the shareholder's basis exceeds the distribution. Choice “ d” includes both the shareholder's pro rata share of the taxable income and the distribution. The distribution is not taxable in this situation.