US TAXATION COURSE · TAX YEAR 2026

Chapter 2
US Tax Forms and Business Entities

Who files what: the six main returns · Due dates and extensions · Choosing a business entity

US Taxation Course

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The IRS collects tax through a different return for each kind of taxpayer: individuals, corporations, partnerships, nonprofits, estates and trusts. Each form has its own filers, due date, extension form and estimated tax rules. This chapter covers **who files what**, **when to file** and **how the tax is paid**, and then explains how each type of business is taxed.

All due dates below are for calendar-year filers. When a due date falls on a Saturday, Sunday or legal holiday, the return is due on the next business day.

1. Who files what — the six main returns

Form	Name	Who files	Pays federal income tax?	Due date	Extension form	Extended due date
1040	U.S. Individual Income Tax Return	Individuals, sole proprietors, single-member LLCs (default)	Yes	April 15	Form 4868	October 15
1120	U.S. Corporation Income Tax Return	C corporations; LLCs that elect C-corp tax	Yes (21% flat rate)	April 15	Form 7004	October 15
1065	U.S. Return of Partnership Income	Partnerships, multi-member LLCs, LPs, LLPs	No — information return	March 15	Form 7004	September 15
1120-S	U.S. Income Tax Return for an S Corporation	S corporations; LLCs that elect S-corp status	Generally no — pass-through	March 15	Form 7004	September 15
990	Return of Organization Exempt From Income Tax	Charities, nonprofits, private foundations (990-PF)	No — tax-exempt	May 15	Form 8868	November 15

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Form	Name	Who files	Pays federal income tax?	Due date	Extension form	Extended due date
1041	U.S. Income Tax Return for Estates and Trusts	Estates (executor) and trusts (trustee)	Yes, on income kept; distributed income passes to beneficiaries	April 15	Form 7004	September 30

How to remember the due dates. Pass-through entities (1065, 1120-S) file first, on **March 15**, so that owners receive their Schedule K-1s before their own April 15 deadline. The general rule is the **15th day of the 3rd month** after year-end for pass-throughs, the **4th month** for individuals, C corporations, estates and trusts, and the **5th month** for exempt organizations. **Watch out.** The Form 1041 extension is **5½ months**, not 6 months, so a calendar-year estate or trust extends to **September 30**, not October 15. **Schedule K-1** is the statement a pass-through gives each owner or beneficiary showing their share of income, deductions and credits:

K-1 issued with	Given to	Owner reports it on
Form 1065	Each partner or LLC member	Form 1040 (mainly Schedule E)
Form 1120-S	Each shareholder	Form 1040 (mainly Schedule E)
Form 1041	Each beneficiary who receives a distribution	Form 1040, Schedule E

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2. Form 1040 and Form 1120

Form 1040 — U.S. Individual Income Tax Return

Form 1040 reports a person's income, deductions and credits and works out the tax due or the refund.

Who files Form 1040:

- Individuals (US citizens and resident aliens)
- Sole proprietors — business profit goes on Schedule C
- Owners of a single-member LLC that has not elected corporate tax (a "disregarded entity")

Versions of Form 1040:

Form	Used by
1040	Standard return for most individuals
1040-SR	Taxpayers aged 65 or older (same rules, larger print)
1040-NR	Nonresident aliens with US-source income
1040-X	Amended return, to correct a return already filed
1040-ES **Due date and extension.** Form 1040 is due **April 15**. Form **4868** gives an automatic 6-month extension to **October 15**. The extension is for filing only: any tax owed is still due on April 15, and interest and late-payment penalties run from that date.	Vouchers and worksheet for estimated tax payments

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Form 1120 — U.S. Corporation Income Tax Return

Form 1120 reports a C corporation's income and deductions and calculates corporate tax at a flat **21%**. Because the corporation pays tax and its shareholders pay tax again on dividends, a C corporation faces **double taxation**.

Who files Form 1120:

- C corporations
- LLCs that elect to be taxed as a C corporation (Form 8832)

Versions of Form 1120:

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Form	Filed by
1120	Standard C corporation
1120-S	S corporations (covered in section 3)
1120-F	Foreign corporations with US income
1120-H	Homeowners associations
1120-L	Life insurance companies
1120-PC	Property and casualty insurance companies
1120-POL	Political organizations
1120-REIT	Real estate investment trusts
1120-RIC **Due date and extension.** For a calendar-year corporation Form 1120 is due **April 15** (15th day of the 4th month). Form **7004** gives an automatic 6-month extension to **October 15**. As with individuals, the tax itself is due on the original date.	Regulated investment companies (mutual funds)

> **Worked example.** Maple Tools Inc., a calendar-year C corporation, has taxable income of $800,000 for 2025. Tax is $800,000 × 21% = **$168,000**. The return is due April 15, 2026; with Form 7004 filed by that date it can be filed by October 15, 2026, but the $168,000 (less estimated payments) must still be paid by April 15, 2026.

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3. Form 1065 and Form 1120-S — pass-through returns

A **pass-through entity** does not pay federal income tax itself. It files a return that reports its income, deductions and credits, and it passes each owner's share to them on a **Schedule K-1**. The owners pay the tax on their own returns, whether or not the cash was distributed.

Form 1065 — U.S. Return of Partnership Income

Who files Form 1065:

- General partnerships (GP)
- Limited partnerships (LP)
- Limited liability partnerships (LLP)

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- Multi-member LLCs, under their default classification

Form 1065 is an **information return**: the partnership pays no federal income tax. It issues a Schedule K-1 (Form 1065) to every partner.

Due date and extension. Due **March 15**. Form **7004** extends it 6 months to **September 15**.

Estimated tax. The partnership pays none. Each partner pays estimated tax on their own share through Form 1040-ES (individual partners) or Form 1120-W (corporate partners).

Form 1120-S — U.S. Income Tax Return for an S Corporation

An S corporation is legally a corporation, so its owners have limited liability. For tax it is a pass-through, so there is **no double taxation**.

Who files Form 1120-S:

- Corporations that have elected S status on Form 2553
- LLCs that have elected to be taxed as an S corporation

It issues a Schedule K-1 (Form 1120-S) to every shareholder, who reports the amounts on Form 1040.

Due date and extension. Due **March 15**. Form **7004**, filed by March 15, extends it 6 months to **September 15**.

Estimated tax. The S corporation generally pays no federal income tax, so shareholders pay estimated tax on their own returns. (An S corporation can owe tax in rare cases, such as built-in gains tax on a former C corporation's assets.)

Late-filing penalty for Forms 1065 and 1120-S

The penalty applies **even when no tax is owed**, because it is charged per owner:

- **$255 per partner or shareholder, per month** (or part of a month) late, for returns due in 2026
- Maximum **12 months**
- The amount is adjusted for inflation each year

Worked example. An S corporation with 3 shareholders files Form 1120-S two months late without an extension: 3 × $255 × 2 = **$1,530**.

Worked example. A partnership with 4 partners files Form 1065 five months late without an extension: 4 × $255 × 5 = **$5,100**.

Point	Form 1065	Form 1120-S
Entity	Partnership / multi-member LLC	S corporation
Owners called	Partners or members	Shareholders

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Point	Form 1065	Form 1120-S
Number of owners	At least 2, no maximum	1 to 100
K-1 issued	Schedule K-1 (Form 1065)	Schedule K-1 (Form 1120-S)
Due / extended	March 15 / September 15	March 15 / September 15
Late-filing penalty	$255 per partner per month	$255 per shareholder per month

4. Form 990 and Form 1041

Form 990 — Return of Organization Exempt From Income Tax

Form 990 is the annual **information return** of a tax-exempt organization. It is not an income tax return, because the organization is exempt. It gives the IRS and the public a view of the money received, money spent, programs run, salaries paid and governance practices.

Nonprofits have no owners or "members" in the LLC sense. They are run by a **board of directors** and **officers**, and supported by donors and volunteers.

Who files: charities, educational institutions, social welfare organizations, nonprofit hospitals and private foundations. Churches and certain other religious organizations are generally exempt from filing.

Which version to file depends on size:

Form	Who files
990-N (e-Postcard)	Gross receipts normally **$50,000 or less**
990-EZ	Gross receipts **under $200,000** AND total assets **under $500,000**
990 (full)	Gross receipts **$200,000 or more** OR total assets **$500,000 or more**
990-PF	**Every private foundation**, whatever its size

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Form	Who files
Due date. The **15th day of the 5th month** after the year ends: **May 15** for a December 31 year-end; **November 15** for a June 30 year-end. **Extension.** Form **8868** gives an automatic 6-month extension with no IRS approval needed (May 15 → November 15). It covers Forms 990, 990-EZ and 990-PF. **Form 990-N cannot be extended. Late-filing penalties** (base amounts in the law; the IRS raises them for inflation each year — always check the current Form 990 instructions):	

Gross receipts	Penalty per day	Maximum
Under $1,000,000	$20	Lesser of $10,000 or 5% of gross receipts
$1,000,000 or more	$100	$50,000
Other consequences: After an IRS demand letter, the **responsible officers** can be charged personally ($10 a day). An organization that fails to file for **three consecutive years automatically loses its tax-exempt status**.		

Form 1041 — U.S. Income Tax Return for Estates and Trusts

When a person dies, their assets may keep earning interest, dividends and rent. That income belongs to the **estate**. A **trust** holds assets for beneficiaries. Form 1041 reports the income of an estate or trust, its deductions, the income distributed to beneficiaries, and any tax owed.

Who is involved:

- **Fiduciary** — the **executor** of an estate or the **trustee** of a trust. The fiduciary signs and files Form 1041.
- **Beneficiaries** — the people who receive income or distributions.

Filing requirement. Form 1041 must be filed if the estate or trust has:

- gross income of **$600 or more** for the year, or
- any taxable income (for a trust), or
- a beneficiary who is a **nonresident alien**.

What it reports: interest, dividends, capital gains, rents, business income, deductions (fiduciary fees, taxes, expenses) and distributions to beneficiaries.

How income is taxed. Income the estate or trust **keeps** is taxed to the estate or trust. Income it **distributes** passes to the beneficiaries on **Schedule K-1 (Form 1041)**, and they report it on Form 1040, Schedule E. A **grantor trust** is different: the grantor (the person who set it up) pays the tax on the trust's income, not the trust.

Versions and related forms:

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Form	Purpose
1041	Standard return
Schedule K-1 (1041)	Each beneficiary's share of income
1041-ES	Estimated tax payments
1041-A	Information return for trusts that set aside amounts for charity
1041-QFT **Tax year and due date. Trusts** must use a **calendar year**, so Form 1041 is due **April 15**. **Estates** may choose a **fiscal year**. The return is due on the **15th day of the 4th month** after the year ends. Example: a year ending June 30 → due **October 15**. **Extension.** Form **7004**, filed by the original due date, gives an automatic **5½-month** extension. For a calendar-year estate or trust that is **September 30**. **Penalties:**	Qualified funeral trusts

Penalty	Amount
Late filing	5% of the unpaid tax per month, maximum 25% (no tax due → no late-filing penalty)
Late payment	0.5% of the unpaid tax per month, maximum 25%
Late or incorrect Schedule K-1	$340 per K-1 for statements due in 2026 (adjusted for inflation each year)

> **Worked example.** The Rivera Family Trust (calendar year) earns $9,000 of interest and dividends in 2025 and distributes $5,000 to its beneficiary. Gross income is over $600, so it must file Form 1041 by April 15, 2026. The beneficiary receives a Schedule K-1 for $5,000 and reports it on Form 1040; the trust pays tax on the $4,000 it kept (less its deductions and exemption). With Form 7004 the return can be filed by September 30, 2026.

5. Estimated tax

US tax is **pay-as-you-go**. Employees pay through withholding from their wages. Taxpayers with income that has no withholding — business profit, rent, interest, dividends — pay **estimated tax** in four quarterly installments during the year. Paying too little, or too late, triggers an underpayment penalty (Form 2210 for individuals, Form 2220 for corporations).

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Taxpayer	Form	Required if expected to owe	Quarterly due dates	Safe harbor
Individuals	1040-ES	$1,000 or more	Apr 15, Jun 15, Sep 15, Jan 15 (next year)	Pay 90% of this year's tax or 100% of last year's (110% if last year's AGI was over $150,000)
C corporations	1120-W (worksheet)	$500 or more	Apr 15, Jun 15, Sep 15, Dec 15	100% of this year's tax or 100% of last year's; a large corporation may use last year's tax only for the 1st installment
Estates and trusts	1041-ES	$1,000 or more	Apr 15, Jun 15, Sep 15, Jan 15 (next year)	Same as individuals; grantor trust income is paid by the grantor
Partnerships and S corporations	—	Not required at entity level	—	Partners and shareholders pay on their own returns
Nonprofits Points to remember: The individual and trust schedule is **uneven**: the second payment is only two months after the first, and the last falls in **January** of the next year. The corporate schedule ends in **December** of the same year: corporations pay all four installments within their tax year. A **large corporation** is one with taxable income of $1 million or more in any of the three prior years. An estate does not have to pay estimated tax for its **first two tax years**.	—	Generally none	—	Only on unrelated business income (Form 990-W)

Worked example — individual. Emily Carter, a freelance designer, owed $12,000 of tax for 2025 and her 2025 AGI was $95,000. For 2026 she expects to owe $16,000 and has no withholding. Her safe-harbor amount is the smaller of 90% × $16,000 = $14,400 or 100% × $12,000 = $12,000. Paying **$3,000 on each of April 15, June 15 and September 15, 2026 and January 15, 2027** avoids the penalty; she pays the rest with her return.

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Worked example — corporation. Cedar Supply Inc. expects 2026 tax of $200,000. Its 2025 tax was $160,000, and it is not a large corporation. Using last year's tax, it pays **$40,000** on each of April 15, June 15, September 15 and December 15, 2026.

6. Types of business and how each is taxed

The legal form of a business decides two things: **who is liable** for its debts, and **which return** reports its income.

Business type	Owners	Owner liability	Default tax treatment	Return filed
Sole proprietorship	1	Unlimited	Same as owner	Form 1040, Schedule C
Single-member LLC	1	Limited	Disregarded entity	Form 1040, Schedule C
General partnership	2 or more	Unlimited, all partners	Partnership	Form 1065
Limited partnership	2 or more (at least 1 GP and 1 LP)	GP unlimited; LP limited to investment	Partnership	Form 1065
LLP	2 or more	Limited, all partners	Partnership	Form 1065
Multi-member LLC	2 or more	Limited, all members	Partnership	Form 1065
S corporation	1 to 100	Limited	Pass-through	Form 1120-S
C corporation	1 or more	Limited	Taxed at entity (21%)	Form 1120

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Sole proprietorship

A sole proprietorship is an **unincorporated business owned by one person**. The owner and the business are legally the same, which makes tax simple but leaves the owner with **unlimited personal liability**: the owner's home, car and savings can be used to pay business debts and lawsuits.

Tax compliance:

Purpose	Form
Report business income and expenses	Schedule C (Form 1040)

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Purpose	Form
Calculate self-employment tax	Schedule SE (Form 1040)
Pay quarterly estimated tax **Self-employment tax** is **15.3%** (12.4% Social Security + 2.9% Medicare) on 92.35% of net earnings. The Social Security part applies only up to the wage base — **$184,500 for 2026** ($176,100 for 2025). Medicare applies to all earnings. **Filing threshold:** a Schedule SE is required if net self-employment earnings are **$400 or more**. **Income tax:** business profit is added to the owner's other income and taxed at individual rates, up to **37%**. **Estimated tax:** paid quarterly, as there is no withholding. **Employees:** a proprietor who hires staff must get an EIN and withhold and pay payroll taxes. **Tax planning** for a sole proprietor focuses on deductible business expenses, retirement contributions, the QBI deduction and, as profit grows, an S-corporation election to reduce self-employment tax.	Form 1040-ES

Worked example. Jake Morris runs a lawn-care business with a 2026 net profit of $60,000. Self-employment earnings are $60,000 × 92.35% = $55,410. SE tax is $55,410 × 15.3% = **$8,478** (rounded). Half of it, $4,239, is deductible in arriving at AGI.

Single-member LLC (SMLLC)

A single-member limited liability company is an LLC with **one owner**. Legally it is a **separate entity**: it can own property, sign contracts and incur debts in its own name. For federal income tax, by default the IRS treats it as a **disregarded entity**, so it files no return of its own and the owner reports its income on **Schedule C** of Form 1040.

Legal features:

- **Separate legal entity** from the owner.
- **Limited liability**: the owner's personal assets are generally protected. The protection can be lost through personal guarantees, fraud or negligence, or **mixing personal and business funds**.
- **No corporate formalities**: no board meetings, minutes or complex governance.

Benefits of an SMLLC reported on Schedule C:

1. Liability protection a sole proprietor does not have.
2. Simple tax compliance: only Schedule C and Schedule SE, no entity return.
3. Eligibility for the **20% qualified business income (QBI) deduction** under section 199A.
4. Flexibility: it can elect **S-corporation** tax (Form 2553) or **C-corporation** tax (Form 8832) later without changing its legal form.

Partnerships

A partnership is two or more persons carrying on a business together for profit. There is **no maximum** number of partners.

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Type	Minimum partners	Who manages	Liability
General partnership (GP)	2	All partners	All partners: unlimited
Limited partnership (LP)	2 — at least 1 general and 1 limited partner	General partner	General: unlimited; limited: up to their investment
Limited liability partnership (LLP)	2	All partners	All partners: limited. Common for law, accounting and medical firms

Multi-member LLC (MMLLC)

An LLC with **two or more members**, with **no maximum** (members can be individuals, corporations or other LLCs).

- All members have **limited liability**.
- Management is flexible: member-managed or manager-managed.
- **Default tax classification: partnership** (Form 1065).
- It can elect S-corporation tax (Form 2553) or C-corporation tax (Form 8832).

Form 1065 for partnerships and MMLLCs: an information return; the entity pays no federal income tax; due March 15, extended to September 15 with Form 7004; late-filing penalty $255 per partner per month, up to 12 months.

S corporation

An S corporation is **legally a corporation** but, for tax, a **pass-through entity**: it generally pays no federal income tax, and profits and losses flow to the shareholders' own returns. Owners get limited liability **without double taxation**.

Who can own it:

- **Minimum 1, maximum 100 shareholders** (family members can count as one).
- Shareholders must be **individuals who are US citizens or residents**, **estates**, or **certain trusts**.
- **No partnerships, corporations or nonresident aliens** as shareholders.
- Only **one class of stock**.

Compliance:

Item	Rule
Election	Form 2553
Return	Form 1120-S — reports income, deductions, credits and each shareholder's allocation
Owner statement	Schedule K-1 (Form 1120-S), reported on the shareholder's Form 1040
Due date	March 15

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Item	Rule
Extension	Form 7004 by March 15 → 6 months, to September 15
Late filing	$255 per shareholder per month, up to 12 months, even if no tax is due

Worked example. Brightline Studio Inc., an S corporation with 2 equal shareholders, earns $300,000 in 2025. It pays no corporate tax. Each shareholder receives a K-1 for $150,000 and pays tax on it on Form 1040. As a C corporation it would first pay $300,000 × 21% = $63,000, and the shareholders would pay tax again on any dividends.

7. Penalties summary and quick revision

Late-filing penalties at a glance

Return	Penalty basis	Amount	Applies when no tax is due?
Form 1065	Per partner, per month	$255 (returns due 2026), up to 12 months	Yes
Form 1120-S	Per shareholder, per month	$255 (returns due 2026), up to 12 months	Yes
Form 990	Per day	$20/day (max lesser of $10,000 or 5% of gross receipts); $100/day (max $50,000) if receipts ≥ $1 million — base amounts, indexed yearly	Yes
Form 990	Three years not filed	Automatic loss of exempt status	Yes
Form 1041	% of unpaid tax per month	5% a month, max 25%	No
Form 1041	Late payment	0.5% a month, max 25%	No
Schedule K-1 (1041)	Per statement	$340 (statements due 2026)	Yes

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Quick revision — one card per form

Form	Filed by	Due	Extension form → date	Estimated tax	K-1 to
1040	Individuals, sole proprietors, SMLLCs	Apr 15	4868 → Oct 15	1040-ES, if owe ≥ $1,000	—
1120	C corporations	Apr 15	7004 → Oct 15	1120-W, if owe ≥ $500	—
1065	Partnerships, MMLLCs	Mar 15	7004 → Sep 15	Partners pay	Partners
1120-S	S corporations	Mar 15	7004 → Sep 15	Shareholders pay	Shareholders
990	Nonprofits	May 15	8868 → Nov 15	Generally none	—
1041	Estates and trusts	Apr 15	7004 → Sep 30	1041-ES, if owe ≥ $1,000	Beneficiaries

Ten points to remember

1. Pass-throughs (1065, 1120-S) are due **March 15**; individuals, C corporations, estates and trusts **April 15**; nonprofits **May 15**.
2. **Form 7004** extends business returns and Form 1041; **4868** extends Form 1040; **8868** extends Form 990.
3. An extension of time to **file** is not an extension of time to **pay**.
4. Form 1041 extends only **5½ months**, to **September 30**.
5. Corporate estimated tax is paid in **December**; individual and trust estimated tax in **January** of the next year.
6. Estimated tax thresholds: **$1,000** for individuals, estates and trusts; **$500** for corporations.
7. A sole proprietor files **Schedule C** and **Schedule SE**; self-employment tax is **15.3%**, filing threshold **$400**.
8. A single-member LLC is a **disregarded entity** by default; a multi-member LLC is a **partnership** by default.
9. An S corporation: **1–100 shareholders**, US individuals, estates and certain trusts only, one class of stock, elected on **Form 2553**.
10. Form 1041 is required at **$600** of gross income; trusts must use a **calendar year**, estates may use a fiscal year.

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