IRS Form 1120

**Corporation Income Tax Return**

**Source:**

<https://www.irs.gov/site-index-search?search=1120&field_pup_historical_1=1&field_pup_historical=1&=Search>

<http://www.investopedia.com/terms/c/corporatetax.asp#ixzz4vhwkaNVh>

Domestic corporations use this form to:

* report their income, gains, losses, deductions, credits, and
* figure their income tax liability.

**What is a 'Corporate Tax'**

A corporate tax is a [levy](http://www.investopedia.com/terms/l/levy.asp) placed on the profit of a firm to raise [taxes](http://www.investopedia.com/terms/t/taxes.asp). After [operating earnings](http://www.investopedia.com/terms/o/operatingearnings.asp) is calculated by deducting expenses including the cost of goods sold ([COGS](http://www.investopedia.com/terms/c/cogs.asp)) and [depreciation](http://www.investopedia.com/terms/d/depreciation.asp) from [revenues](http://www.investopedia.com/terms/r/revenue.asp), enacted [tax rates](http://www.investopedia.com/terms/t/taxrate.asp) are applied to generate a legal obligation the business owes the government. Rules surrounding corporate [taxation](http://www.investopedia.com/terms/t/taxation.asp) vary greatly around the world and must be voted upon and approved by the government to be enacted.

**BREAKING DOWN 'Corporate Tax'**

U.S. corporate tax returns are typically due March 15. Corporations may request a six-month extension to have corporate tax returns due in September. Installment payment due dates for estimate tax returns occur in the middle of April, June, September and December. Corporate taxes are reported using Form 1120 for U.S. corporations. If the corporation has more than $10 million in assets, it is required to file online.

**Corporate Tax Deductions**

Corporations are permitted to reduce taxable income by certain necessary and ordinary business expenditures. All current expenses required for the operation of the business are fully tax deductible. Investments and real estate purchased for the intent on generating income for the business are also deductible. A corporation can deduct employee salaries, health benefits, tuition reimbursement and bonuses. In addition, a corporation can reduce its taxable income by insurance premiums, travel expenses, bad debts, interest payments, sales taxes, fuel taxes and excise taxes. Tax preparation fees, legal services, bookkeeping and advertising costs are also used to reduce business income.

**Double Taxation and S Corporations**

A central issue relating to corporate taxation relates to the concept of double taxation. Certain corporations are taxed on the taxable income of the company. If this net income is distributed to shareholders, these individuals are forced to pay individual income taxes on the dividends received. To work around this issue, a business may register as an S corporation and have all income pass-through to business owners. An S corporation does not pay corporate tax as all taxes are paid through individual tax returns.

**Advantages of Corporate Taxation**

Paying corporate taxes can be more beneficial for business owners when compared to paying additional individual income tax. Corporate tax returns deduct medical insurance for families as well as fringe benefits including retirement plans and tax-deferred trusts. It is easier for a corporation to deduct losses. A corporation may deduct the entire amount of losses, while a sole proprietor must provide evidence regarding the intent to earn a profit before the losses can be deducted. Finally, profit earned by a corporation may be left within the corporation allowing for tax planning and potential future tax advantages.

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