Partnership Form K-1

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CALT
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Purpose of the Form K-1

- The partnership uses Schedule K-1 to report your share of the partnership's income, deductions, credits, etc
- It is not filed with the tax return, but I would recommend a copy be attached
- The partnership files a copy of Schedule K-1 (Form 1065) with the IRS
- For your clients protection, Schedule K-1 may show only the last four digits of your identifying number
- However, the partnership has to report the complete identifying number to the IRS

Basis “Losses”

- The amount of loss and deduction the partner may claim on the tax return may be less than the amount reported on Schedule K-1
- It is the partner's responsibility to consider and apply any applicable limitations
- Partner must have basis, basis cannot go below zero

Errors on K-1

- If you believe the partnership has made an error on the Schedule K-1, notify the partnership and ask that a a corrected Schedule K-1
- Do not change any items on the copy of Schedule K-1
- Be sure that the partnership sends a copy of the corrected Schedule K-1 to the IRS

Nominee Reporting

- Any person who holds, directly or indirectly, an interest in a partnership as a nominee for another person must furnish a written statement to the partnership by the last day of the month following the end of the partnership's tax year
- This statement must include the name, address, and identifying number of the nominee and such other person, description of the partnership interest held as nominee for that person, and other information required by Temporary Regulations section 1.6031(c)-1T
- A nominee that fails to furnish this statement must furnish to the person for whom the nominee holds the partnership interest a copy of Schedule K-1 and related information within 30 days of receiving it from the partnership

Definitions

- General Partner
  - A general partner is a partner who is personally liable for partnership debts.
- Limited Partner
  - A limited partner is a partner in a partnership formed under a state limited partnership law, whose personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership

Form K-1


Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax year beginning ________, 2014 ending ________, 20____

Partner's Share of Income, Deductions, Credits, etc. ► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS Center where partnership filed return

D ☐ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code

G ☐ General partner or LLC member-manager ☐ Limited partner or other LLC member

H ☐ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? ________

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

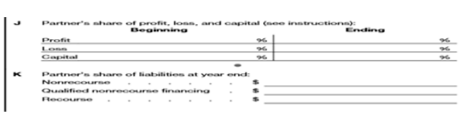
K Partner's share of liabilities at year end:
Nonrecourse . . . . . . $ ________
Qualified nonrecourse financing . $ ________
Recourse . . . . $ ________

Form K-1

- Partnership ID #
- Name Address, City, State and Zip Code
- IRS Center where return will be filed
- Address the Publically Traded Question
- Information About the Partner
  - General, Limited, Domestic or Foreign
  - Type of entity of partner
  - Is the partner a retirement plan?
  - Partner's share of profits and losses
  - Partner's share of liabilities at year end

Part J and Part K

- Generally, the amounts reported in item J are based on the partnership agreement If the interest commenced after the beginning of the partnership's tax year, the partnership will have entered, in the Beginning column, the percentages that existed for your client immediately after admission
- If your interest terminated before the end of the partnership's tax year, the partnership will have entered, in the Ending column, the percentages that existed immediately before termination
- The ending percentage share shown on the Capital line is the portion of the capital your client would receive if the partnership was liquidated at the end of its tax year by the distribution of undivided interests in the partnership's assets and liabilities
- If the capital account is negative or zero, the partnership will have entered zero on this


J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

K Partner's share of liabilities at year end:
Nonrecourse . . . . . . $ ________
Qualified nonrecourse financing . $ ________
Recourse . . . . $ ________

Liabilities

- Item K should show the share of the partnership's nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other recourse liabilities as of the end of the partnership's tax year
- If your client terminated their interest in the partnership during the tax year, item K should show the share that existed immediately before the total disposition
- A partner's "recourse liability" is any partnership liability for which a partner is personally liable
- Use the total of the three amounts for computing the adjusted basis of the partnership interest

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

K Partner's share of liabilities at year end:
Nonrecourse . . . . $
Qualified nonrecourse financing . $
Recourse . . . . $

Form K-1

L Partner's capital account analysis:
Beginning capital account . . . . $
Capital contributed during the year $
Current year increase (decrease) . $
Withdrawals & distributions . . . $ (   )
Ending capital account . . . . . $

☐ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ **Yes** ☐ **No**
If "Yes," attach statement (see instructions)

Part M

- If your client has contributed property with a built-in gain or loss during the tax year, the partnership will check the "Yes" box
- Also, the partnership will attach a statement showing the property contributed, the date of the contribution, and the amount of any built-in gain or loss
  - A built-in gain or loss is the difference between the fair market value of the property and the adjusted basis in the property at the time it was contributed to the partnership
  - If your client contributed more than 10 properties on a single date during the tax year, the statement may instead show the number of properties contributed on that date, the total amount of built-in gain, and the total amount of built-in loss
  - Contributions of property with a built-in gain or loss could affect a partner's tax liability and may also affect how the partnership allocated certain items on the Schedule K-1

Let's Get Started

1	Ordinary business income (loss)
2	Net rental real estate income (loss)
3	Other net rental income (loss)
4	Guaranteed payments
5	Interest income
6a	Ordinary dividends
6b	Qualified dividends
7	Royalties

Ordinary Business Income or Loss

- The amount reported in Box 1 is the clients share of the ordinary income (loss) from trade or business activities of the partnership
- Generally, where you report this amount on Form 1040 depends on whether the amount is from an activity that is a passive activity
  - Materially participated - on Schedule E (Form 1040), line 28, column (h) or (j)
  - Did not materially participate, - on Schedule E (Form 1040), line 28, column (g)
    - If a loss is reported in box 1, check the Instructions for Form 8582 to figure how much of the loss can be reported on Schedule E (Form 1040), line 28, column (f)

Publically Traded Companies

- Publically Traded Companies follow different rules and will not be covered in today's session

Applying the Basis and At-risk Limitations on Losses

- You must first apply the basis and at-risk limitations on losses
- If the partnership had more than one trade or business activity, it will attach a statement identifying the income or loss from each activity

Losses

- Individuals who invest in partnerships need to be aware of the rules that limit the ability of a partner to deduct losses
- Individual partners who have been allocated a distributive share of loss must satisfy three separate loss limitations before the loss can be used
- The loss limitations, in the order in which they are applied, include:
  - (1) the Sec. 704(d) basis limitation
  - (2) the at-risk limitation of Sec. 465, and
  - (3) the passive loss limitation of Sec. 469 (Temp. Regs. Sec. 1.469-2T(d)(6)(i

Loss Limitation Under Sec. 704(d)

- Sec. 704(d) provides that a partner's distributive share of loss is allowable to the extent of the partner's <u>adjusted tax basis</u> in his interest in the partnership at the end of the partnership year in which the loss occurred
- Any losses in excess of the partner's tax basis are disallowed pro rata (Regs. Sec. 1.704-l(d)) and are <u>carried forward indefinitely</u> for as long as the partner remains in the partnership

Box 2. Net Rental Real Estate Income (Loss)

- Generally, the income (loss) reported is a passive activity amount for all partners
- However, the income (loss) is not from a passive activity if the client is a real estate professional and materially participated in the activity
- If the partnership had more than one rental real estate activity, it will attach a statement identifying the income or loss from each activity

Box 2. Net Rental Real Estate Income (Loss)

- If the client has a loss from a passive activity and they meet the all the following conditions, report the loss on Schedule E (Form 1040), line 28, column (f)
- a. They actively participated in the partnership rental real estate activities
- b. Rental real estate activities with active participation were their only passive activities
- c. The client has no prior year unallowed losses from these activities
- d. The total loss from the rental real estate activities was not more than $25,000 (not more than 12,500 if married filing separately and you lived apart from your spouse all year)

Box 2. Net Rental Real Estate Income (Loss)

- e. If the client is a married person filing separately, they lived apart from their spouse all year
- f. The client has no current or prior year un-allowed credits from a passive activity
- g. The modified adjusted gross income was not more than $100,000 (not more than $50,000 if married filing separately and they lived apart from their spouse all year)
- h. The interest in the rental real estate activity was not held as a limited partner

Box 2. Net Rental Real Estate Income (Loss)

- If the client has a loss from a passive activity and they do not meet all the conditions, you need to look to Form 8582 to figure how much of the loss you can report on Schedule E (Form 1040), line 28, column (f)

Box 2. Net Rental Real Estate Income (Loss)

- If the client was a real estate professional and you materially participated in the activity, report on Schedule E (Form 1040), line 28, column (h) or (j)

Box 3. Other Net Rental Income (Loss)

- The amount is a passive activity amount for all partners
- If the partnership had more than one rental activity, it will attach a statement identifying the income or loss from each activity
- Report the income or loss as follows:
  - 1. If box 3 is a loss, follow the Instructions for Form 8582 to figure how much of the loss can be reported on Schedule E (Form 1040), line 28, column (f). However, if the box in item D is checked, report the loss following the rules for Publicly traded partnerships, earlier.
  - 2. If income is reported in box 3, report the income on Schedule E (Form 1040), line 28, column (g). However, if the box in item D is checked, report the income following the rules for Publicly traded partnerships, earlier

Box 4. Guaranteed Payments

- Generally, amounts on this line are not passive income, and you should report them on Schedule E (Form 1040), line 28, column (j)
  - Payments that are guaranteed to be made to a partner irrespective of whether the partnership makes a profit or not
  - Guaranteed payments to partners are made to ensure that partners are compensated for specific contributions they make to a partnership, whether in the form of goods or services
  - This eliminates the risk of their making personal contributions of time or property for which they are never paid if the partnership is not successful
  - Investopedia

Portfolio Income

- Portfolio income or loss, Boxes 5 through 9b and in Box 11, code A, is not subject to the passive activity limitations
- Portfolio income includes income from
  - Interest
  - Ordinary dividends,
  - Annuities or royalties, and
  - Gain or loss on the sale of property that produces such income or is held for investment

Box 5. Interest Income

- Report interest income on line 8a of Form 1040
- If the amount of interest income included in Box 5 includes interest from the credit for holders of clean renewable energy bonds, the partnership will attach a statement to Schedule K-1 showing the share of interest income from these credits
  - Because the basis of your interest in the partnership has been increased by your share of the interest income from these credits, your client must reduce thier basis by the same amount

Box 6a. Ordinary Dividends/Box 6b. Qualified Dividends

- Report ordinary dividends on line 9a of Form 1040
- Qualified Dividends Report any qualified dividends on line 9b of Form 1040
  - Note: Qualified dividends are excluded from investment income, but your client may elect to include part or all of these amounts in investment income, check out Form 4952, Investment Interest Expense Deduction on making the election

Box 7. Royalties

- Report royalties on Schedule E (Form 1040), line 4
  - A payment to an owner for the use of property, especially patents, copyrighted works, franchises or natural resources
  - A royalty payment is made to the legal owner of a property, patent, copyrighted work or franchise by those who wish to make use of it for the purposes of generating revenue or other such desirable activities
  - In most cases, royalties are designed to compensate the owner for the asset's use, and are legally binding
  - Investopedia

Boxes 8- 12

8	Net short-term capital gain (loss)
9a	Net long-term capital gain (loss)
9b	Collectibles (28%) gain (loss)
9c	Unrecaptured section 1250 gain
10	Net section 1231 gain (loss)
11	Other income (loss)
12	Section 179 deduction

Box 8. Net Short-Term Capital Gain (Loss)

- Report the net short-term capital gain (loss) on Schedule D (Form 1040), line 5

Box 9a. Net Long-Term Capital Gain (Loss)

- Report the net long-term capital gain (loss) on Schedule D (Form 1040), line 12
- If your client has any foreign source net long-term capital gain (loss), check the instructions for Box 16

Box 9b. Collectibles (28%) Gain (Loss)

- Report collectibles gain or loss on line 4 of the 28% Rate Gain Worksheet—Line 18 in the Instructions for Schedule D (Form 1040)
- If your client has any foreign source collectibles (28%) gain (loss), see the instructions for box 16

Box 9c. Unrecaptured Section 1250 Gain

- There are three types of un-recaptured section 1250 gain
- Report the clients share of this unrecaptured gain on the un-recaptured Section 1250 Gain Worksheet—Line 19 in the Instructions for Schedule D (Form 1040) as follows:
  - Report un-recaptured section 1250 gain from the sale or exchange of the partnership's business assets on line 5.
  - Report un-recaptured section 1250 gain from the sale or exchange of an interest in a partnership on line 10
  - Report un-recaptured section 1250 gain from an estate, trust, regulated investment company (RIC), or real estate investment trust (REIT) on line 11

Only Unrecaptured §1250 Gain from the Sale or Exchange of its Business Assets

- If the partnership reports only un-recaptured section 1250 gain from the sale or exchange of its business assets, it will enter a dollar amount in box 9c
- If it reports the other two types of un-recaptured gain, it will provide an attached statement that shows the amount for each type of un-recaptured section 1250 gain
- If you have any foreign source unecaptured section 1250 gain, check the instructions for box 16

Box 10. Net Section 1231 Gain (Loss)

- The amount in Box 10 is generally passive if it is from a:
  - Rental activity or trade or business activity in which the client did not materially participate
  - However, an amount from a rental real estate activity is not from a passive activity if the client was a real estate professional and they materially participated in the activity
- If the amount is either (a) a loss that is not from a passive activity or (b) a gain
  - Report it on line 2, column (g), of Form 4797, Sales of Business Property
  - Do not complete columns (b) through (f) on line 2 of Form 4797 Instead, enter "From Schedule K-1 (Form 1065)" across these columns

Box 11 Other Income

- Several Items can be entered in this section
- Review the more common issues
  - Other portfolio income (loss), the partnership will report portfolio income other than interest, ordinary dividend, royalty, and capital gain (loss) income, and attach a statement to tell the client what kind of portfolio income is reported (Code A)
  - Cancellation of debt, generally, this cancellation of debt (COD) amount is included in your gross income (Form 1040, line 21). Under section 108(b)(5), you may elect to apply any portion of the COD amount excluded from gross income to the reduction of the basis of depreciable property (CodeE)
    - See Form 982 for more details

Box 11 Other Income

- Other income (loss), amounts with code F are other items of income, gain, or loss not included in boxes 1 through 10 or reported in box 11 using codes A through E
  - The partnership should provide the client a description and the amount of their share for each of these items

Box 12 Section 179 Deduction

- Use this amount, along with the total cost of section 179 property placed in service during the year from other sources, to complete Part I of Form 4562, Depreciation and Amortization
- The partnership will report on an attached statement the allowable share of the cost of any qualified enterprise zone, qualified section 179 disaster assistance, or qualified real property it placed in service during the tax year
- Report the amount from line 12 of Form 4562 allocable to a passive activity using the Instructions for Form 8582
- If the amount is not a passive activity deduction, report it on Schedule E (Form 1040), line 28, column (i)

Box 13 – 14
Other Deductions and Self-Employment Earnings

13	Other deductions
14	Self-employment earnings (loss)

Other Decuctions

- Contributions, Codes A through G
  - The partnership will give the client a statement that shows charitable contributions subject to the 100%, 50%, 30%, and 20% adjusted gross income limitations
- Investment interest expense (Code H) Include this amount on Form 4952, line 1
  - If the partnership has investment income or other investment expense, it will report your share of these items in box 20 using codes A and B
  - Include investment income and expenses from other sources to figure how much of your total investment interest is deductible
  - You will also need this information to figure your investment interest expense deduction
  - If the partnership paid or accrued interest on debts properly allocable to investment property, the amount of interest you are allowed to deduct may be limited

Royalties

- Deductions—Royalty Income (Code I)
  - Include deductions allocable to royalties on Schedule E (Form 1040), line 19
  - For this type of expense, enter “From Schedule K-1 (Form 1065).”
  - These deductions are not taken into account in figuring your passive activity loss for the year

Portfolio (2% floor)

- Deductions—portfolio (2% floor) (Code K)
  – Amounts entered with code K are deductions that are clearly and directly allocable to portfolio income (other than investment interest expense and section 212 expenses from a REMIC)
  – Generally, you should report these amounts on Schedule A (Form 1040), line 23

Amounts Paid for Medical Insurance

- Amounts paid for medical insurance (Code M)
  – Any amounts paid during the tax year for insurance that constitutes medical care for you, your spouse, your dependents, and your children under age 27 who are not dependents
  – On line 29 of Form 1040, you may be allowed to deduct such amounts, even if you do not itemize deductions
  – If you do itemize deductions, enter on line 1 of Schedule A (Form 1040) any amounts not deducted on line 29 of Form 1040

Educational Assistance Benefits

- Educational assistance benefits (Code N)
  – Deduct educational assistance benefits on a separate line of Schedule E (Form 1040), line 28, up to the $5,250 limitation
  – If the benefits exceed $5,250, you may be able to use the excess amount on Form 8863 to figure the education credits

Dependent Care Benefits

- Dependent care benefits (Code O)
  - The partnership will report the dependent care benefits received
  - You must use Form 2441, Part III, to figure the amount, if any, of the benefits you may exclude from income

Pre-productive Period Expenses

- Pre-productive period expenses (Code P)
  - You may be able to deduct these expenses currently or you may need to capitalize them under section 263A

Pensions and IRA Payments

- Pensions and IRA Payments (Code R)
  - Payments made on the clients behalf to an IRA, qualified plan, simplified employee pension (SEP), or a SIMPLE IRA plan. See Form 1040 instructions for line 32 to figure your IRA deduction
  - Enter payments made to a qualified plan, SEP, or SIMPLE IRA plan on Form 1040, line 28
  - If the payments to a qualified plan were to a defined benefit plan, the partnership should give you a statement showing the amount of the benefit accrued for the current tax year

Reforestation Expense Deduction

- Code S. Reforestation expense deduction (Code S)
  - The partnership will provide a statement that describes the qualified timber property for these reforestation expenses
  - The expense deduction is limited to $10,000 ($5,000 if married filing separately) for each qualified timber property, including the partner's share of the partnership's expense and any reforestation expenses you separately paid or incurred during the tax year
  - If the client did not materially participate in the activity, use Form 8582 to figure the amount to report on Schedule E (Form 1040), line 28
  - If the client materially participated in the reforestation activity, report the deduction on line 28, column (h), of Schedule E (Form 1040)

Domestic Production Activities

- Domestic production activities (CodeT)
- The partnership will provide you with a statement with information that you must use to figure the domestic production activities deduction
- Form 8903, Domestic Production Activities
- Deduction, is used to figure this deduction

Employer's Form W-2 wages For Domestic Production Activities

- Employer's Form W-2 wages (Code V)
- Report the portion of Form W-2 wages
- reported to you by the partnership (in box 13
- of Schedule K-1) on line 17 of Form 8903

Box 14 Self-Employment Earnings (Loss)

- If your client and spouse are both partners, each must complete and file their own Schedule SE (Form 1040), Self-Employment Tax, to report your partnership net earnings (loss) from self-employment
- Code A. Net earnings (loss) from self-employment
  - If your client is a general partner, reduce this amount before entering it on Schedule SE (Form 1040) by any section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties
  - Do not reduce net earnings from self-employment by any separately stated deduction for health insurance expenses
  - If the amount on this line is a loss, enter only the deductible amount on Schedule SE (Form 1040)

Box 14

- If your partnership is an options dealer or a commodities dealer, review section 1402(i)
- If your partnership is an investment club, see Rev. Rul. 75-525, 1975-2 C.B. 350

Box 14 Gross Farming or Fishing Income

- Gross farming or fishing income (Code B)
  - If your client is an individual partner, enter the amount from this line, as an item of information, on Schedule E (Form 1040), line 42
  - Also use this amount to figure net earnings from self-employment under the farm optional method on Schedule SE (Form 1040), Section B, Part II
- Code C. Gross nonfarm income.
  - If you are an individual partner, use this amount to figure net earnings from self-employment under the nonfarm optional method on Schedule SE (Form 1040), Section B, Part II

Box 14 - Gross Nonfarm Income

- Gross nonfarm income (Code C)
  - If you are an individual partner, use this amount to figure net earnings from self-employment under the nonfarm optional method on Schedule SE (Form 1040), Section B, Part II

Boxes 15 - 19

15	Credits
16	Foreign transactions
17	Alternative minimum tax (AMT) items
18	Tax-exempt income and nondeductible expenses
19	Distributions

Box 15 Credits- Tip

- Generally, you are not required to complete the source credit form or attach it to Form 3800 if you are a taxpayer that is not a partnership or S corporation, and your only source for a credit listed in Form 3800, Part III, is from a partnership, S corporation, estate, trust, or cooperative
- Instead, you can report this credit directly on Form 3800, Part III, and enter the EIN of the partnership in column (b) of Part III.)
- The following exceptions apply:
- You are claiming the investment credit (Form 3468) or the biodiesel and renewable diesel fuels credit (Form 8864) in Part III with box A or B checked
- The taxpayer is an estate or trust and the source credit can be allocated to beneficiaries
- The taxpayer is a cooperative and the source credit can or must be allocated to patrons

Box 15 Credits -Low-Income Housing Credit

- Low-income housing credit (Codes A, B, C, and D)
- If section 42(j)(5) applies, the partnership will report the clients share of the low-income housing credit using code A or code C, depending on the date the building was placed in service
- If section 42(j)(5) does not apply, the share of the credit will be reported using code B or code D, depending on the date the building was placed in service
- Any allowable low-income housing credit reported using code A or code B is reported on line 4 of Form 8586, Low-Income Housing Credit, or line 1d of Form 3800
- Any allowable low-income housing credit reported using code C or code D is reported on line 11 of Form 8586 or line 4d of Form 3800
- Keep a separate record of the low-income housing credit from each separate source so that you can correctly figure any recapture of low-income housing credit that may result from the disposition of all or part of your partnership interest

Box 15 Credits
Biofuel Producer Credit/Work Opportunity Tax Credit

- Biofuel producer credit (Code I)
  - Report this amount on line 3 of Form 6478, Biofuel Producer Credit, or line 4c of Form 3800, Part III
- Work opportunity credit (Code J)
  - Report this amount on line 3 of Form 5884, Work Opportunity Credit, or line 4b of Form 3800, Part III

Box 15 Credits
Disabled Access Credit/Credit for Employer Social Security and Medicare Taxes

- Disabled access credit (CodeK)
  - Report this amount on line 7 of Form 8826, Disabled Access Credit, or line 1e of Form 3800, Part III
- Credit for employer social security and Medicare taxes (Code N)
  - Report this amount on line 5 of Form 8846, credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips, or line 4f of Form 3800, Part III

Box 17
Alternative Minimum Tax Items

- Use the information reported in box 17 (as well as your adjustments and tax preference items from other sources) to prepare your Form 6251, Alternative Minimum Tax—Individuals; Form 4626, Alternative Minimum Tax—Corporations; or Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts
- Note. A partner that is a corporation subject to alternative minimum tax must notify the artnership of its status.

Box 17
Alternative Minimum Tax Items

- Code A. This amount is your client's share of the partnership's post-1986 depreciation adjustment
  If you are an individual partner, report this amount on line 18 of Form 6251
- Code B. This amount is your client's share of the partnership's adjusted gain or loss. If you are an individual partner, report this amount on line 17 of Form 6251
- Code C. This amount is your client's share of the partnership's depletion adjustment. If you are an individual partner, report this amount on line 9 of Form 6251

Box 17
Alternative Minimum Tax Items

- Codes D and E. Oil, gas, & geothermal properties—gross income and deductions. The amounts reported on these lines include only the gross income (code D) from, and deductions (code E) allocable to, oil, gas, and geothermal properties included in box 1 of Schedule K-1
  - The partnership should have attached a statement that shows any income from or deductions allocable to such properties that are included in boxes 2 through 13, 18, and 20 of Schedule K-1. Use the amounts reported and the amounts on the attached statement to help you figure the net amount to enter on line 26 of Form 6251
- Code F. Other AMT items. Enter the information on the statement attached by the partnership on the applicable lines of Form 6251, Form 4626, or Schedule I (Form 1041)

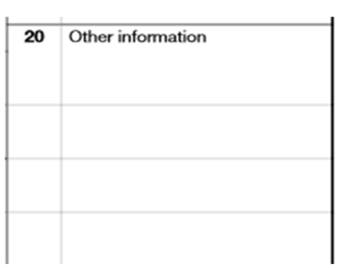
Box 18. Tax-Exempt Income and Nondeductible Expenses

- Code A. Tax-exempt interest income
  - Report on the return, as an item of information, the share of the tax-exempt interest received or accrued by the partnership during the year
  - Individual partners include this amount on Form 1040, line 8b
  - Increase the adjusted basis of your interest in the partnership by this amount
- Code B. Other tax exempt income
  - Increase the adjusted basis of your interest in the partnership by the amount shown, but do not include it in income on your tax return
  - Note. The partnership will attach a statement for the amount included under code B that is exempt by reason of section 892 and describe the nature of the income.
- Code C Nondeductible expenses
  - Nondeductible expenses paid or incurred by the partnership are not deductible on your tax return. Decrease the adjusted basis of your interest in the partnership by this amount

Box 19. Distributions

- Code C. Other property
  - Code C shows the partnership's adjusted basis of property other than money immediately before the property was distributed
  - In addition, the partnership should report the adjusted basis and FMV of each property distributed. Decrease the adjusted basis of the partner's interest in the partnership by the amount of the basis in the distributed property
  - The client's basis in the distributed property (other than in liquidation of your interest) is the smaller of:
    - The partnership's adjusted basis immediately before the distribution or
    - The adjusted basis of your partnership interest reduced by any cash distributed in the same transaction. If the property is received in a liquidation of the client's interest, the basis in the distributed property is equal to the adjusted basis of the client's partnership interest reduced by any cash distributed in the same transaction.
- If the client receives cash or property in exchange for any part of a partnership interest, the amount of the distribution attributable to your share of the partnership's unrealized receivable or inventory items results in ordinary income Regulations section 1.751-1(a)

Box 20 the Catch All



Box 20 the Catch All

- Code A. Investment income.
- Report this
- amount on line 4a of Form 4952.
- Code B. Investment expenses.
- Report
- this amount on line 5 of Form 4952.
- Code C. Fuel tax credit information.
- The
- partnership will report the number of gallons
- of each fuel sold or used during the tax year
- for a nontaxable use qualifying for the credit
- for taxes paid on fuels, type of use, and the
- applicable credit per gallon. Use this
- information to complete Form 4136, Credit
- for Federal Tax Paid on Fuels

Box 20 the Catch All

- Code E. Basis of energy property.
- If the
- partnership provides an attached statement
- for code E, use the information on the
- statement to complete lines 12a-d, 12f, 12g,
- 12i, 12j, 12l, 12m, 12o, and 12q-s of Form
- 3468.
- Codes F and G. Recapture of low-income
- housing credit.
- A section 42(j)(5)
- partnership will report recapture of a
- low-income housing credit with code F. All
- other partnerships will report recapture of a
- low-income housing credit with code G.
- Keep a separate record of recapture from
- each of these sources so that you will be
- able to correctly figure any recapture of
- low-income housing credit that may result
- from the disposition of all or part of your
- partnership interest. For details, see Form 8611

Box 20 the Catch All

- Code I. Recapture of other credits.
- On a
- statement attached to Schedule K-1, the
- partnership will report any information you
- need to figure the recapture of the new
- markets credit (see Form 8874 and Form
- 8874-B, Notice of Recapture Event for New
- Markets Credit); qualified plug-in electric and
- electric vehicle credit (see Form 8834);
- Indian employment credit (see section
- 45A(d)); any credit for employer-provided
- childcare facilities and services (see Form
- 8882); alternative motor vehicle credit (see
- section 30B(h)(8)); alternative fuel vehicle
- refueling property credit (see section 30C(e)
- (5)); or the new qualified plug-in electric drive
- motor vehicles credit (see section 30D(f)(5))

Box 20 the Catch All

- Code H. Recapture of Investment Credit
  - The partnership will provide any information needed to figure the recapture tax on Form 4255, Recapture of Investment Credit
  - Review Form 3468 on which the original credit was taken to complete Form 4255
- You may also need Form 4255 if you disposed of more than one-third of your interest in a partnership

Box 20 the Catch All

- Code L. Dispositions of property with section 179 deductions
  - The partnership will report the share of gain or loss on the sale, exchange, or other disposition of property for which a section 179 expense deduction was passed through to partners with code L
  - If the partnership passed through a section 179 expense deduction for the property, the client must report the gain or loss and any recapture of the section 179 expense deduction for the property on the income tax return
  - The partnership will provide all the following information.
    - 1. Description of the property
    - 2. Date the property was acquired and placed in service
    - 3. Date of the sale or other disposition of the property
    - 4. The clients share of the gross sales price or amount realized

Box 20 the Catch All
Dispositions of Property with Section 179 Deductions

- 5. The share of the cost or other basis plus the expense of sale
- 6. The share of the depreciation allowed or allowable
- 7. The share of the section 179 expense deduction (if any) passed through for the property and the partnership's tax year(s) in which the amount was passed through
  - To figure the amount of depreciation allowed or allowable for Form 4797, line 22, add to the amount from item 6, above, the amount of the share of the section 179 expense deduction, reduced by any unused carryover of the deduction for this property
  - This amount may be different than the amount of section 179 expense deducted for the property if the interest in the partnership has changed
- 8. If the disposition is due to a casualty or theft, a statement providing the information you need to complete Form 4684
- 9. If the sale was an installment sale made during the partnership's tax year, any information needed to complete Form 6252, Installment Sale Income
  - The partnership will separately report the share of all payments received for the property in future tax years

Box 20 the Catch All

- Code M. Recapture of section 179 deduction
  - The partnership will report the clients share of any recapture of section 179 expense deduction if business use of any property for which the section 179 expense deduction was passed through to partners dropped to 50% or less
  - If this occurs, the partnership must provide the following information:
    - 1. The share of the depreciation allowed or allowable (not including the section 179 expense deduction)
    - 2. The share of the section 179 expense deduction (if any) passed through for the property and the partnership's tax year(s) in which the amount was passed through.
      - Reduce this amount by the portion, if any, of your unused (carryover) section 179 expense deduction for this property

Documents with The K-1

- Review documents attached to Form K-1 for additional information

Scoop Dates for Post Filing Season

- July 15, 2015
- August 5, 2015
- September 23, 2015
- October 21, 2015

2015 Ethics Summer Webinars

- July 15, 2015 To register: http://goo.gl/JBkNuI
- August Ethics Webinars will post soon to the CALT website
- August 3 Part 2
- August 11 Part 1
- August 12 Part 2
- August 18 Part 1
- August 19 Part 2
- Remaining Ethics webinars will all be held in December

July Webinars

- **Bartering and Trading Income – July 13, Noon to 1:00 -** A question IRS auditor always ask, Dow you have any bartering or trading income? How this income is reported and the adjustments needed to be made on the tax return will be discussed.

July Webinars

- **Correspondence Audits – July 14, Noon – 1:00 -** IRS's chief audit stream is correspondence audit. They do more of them than face to face and other types of audits combined.   Responding to the audit request and providing logical and concise information to resolve the issue is an important part of the audit process. What are the do's and don'ts in providing the information and how best to handle the audit will be discussed.
- **Preparing for an IRS Audit – July 22, Noon to 1:00 -** Your client has been informed that they will be subject to and IRS audit. Tips on how to preparer, what information you should gather, pre-audit analysis and other issues will be discussed.
- **Issues Related to Estates, Procedures and Developments in Estate Tax Law – July 23, Noon to 1:00 -** What's new with Estates tax law? An overview of some of the recent estate issues and a review of typical estate tax issues that you face with your clients.

Upcoming August Webinars

- August 4 - I-9 and W-4 Complying with Hiring Employees - Your client hires employees and comes to you to get started correctly. This class will review the forms necessary to be in compliance with Immigration, the IRS, Iowa Workforce Development and the Iowa Department of Revenue. The majority of the discussion will center on the federal requirements.
- August 5 - Minister Tax Law - Under the Internal Revenue Code of 1986 ministers are accorded some unique tax benefits for income, social security and Medicare taxes, which present several potential examination issues on ministers' tax returns in addition to income and expenses issues found in most examinations. We will discuss the following issues; Parsonage/Housing Allowance, Gift or Compensation Issues: Self-Employment Tax, Employee or Independent Contractor and Business Expenses: Operation of Section 265
- August 6 - Form 941 and Matching with Form W-2 - IRS match Forms W-2 to information to amounts reported on Form 941. When the numbers don't add up IRS issues a Combined Annual Withholding Report Notice (CAWR) and it's up to you to assist your client in resolving the discrepancies. Tips on how to resolve the issues and prevent the notices from being issued will be discussed.
- August 10 - Fringe Benefits - An overview of fringe benefits that employees enjoy and whether or not they are taxable income or exempt from tax will be discussed. Publication 5137 will be used for this class.

Free Webinars

- Free Webinar: Commodity Wages
- July 9, 2015
- Online FREE! Thursday, July 9 from Noon to 12:30 PM (CST)
- A 30 minute session discussing the proper way to provide and tax commodity wages will be detailed.
- To register: https://attendee.gotowebinar.com/register/4185890609540047361
- No CPE credit will be available for this webinar.

Free Webinars

- Free Webinar: Repair Regulations Materials and Supplies
- July 21, 2015
- Online
- Repair Regulation: Materials and Supplies
- July 21, 2015 12:00 pm – 1:30 pm (CST)
- This free webinar will address the issues surrounding the materials and supplies section of the new repair regulations. Examples will be shared along with an opportunity to address your questions. A future seminar on other aspects of the repair regulation will center on other issues. It is anticipated the session will last 90 minutes. No CPE will be offered for the free seminar.
- FREE! To register: https://attendee.gotowebinar.com/register/1105828689519598850

2015 Farm Tax Schools

- November 9, 2015 to December 15, 2015
- 8 Locations in Iowa
- **Registration and the Fall Brochure will be out in August**
- The program is intended for tax professionals and is designed to provide up-to-date training on current tax law and regulations.
- The program stresses practical information to facilitate the filing of individual and small business returns, in addition to farm returns.

2015 Farm Tax Schools- Dates and Locations

- Waterloo: Nov 9-10
- Sheldon: Nov. 10-11
- Red Oak: Nov. 11-12
- Ottumwa: Nov. 12-13
- Mason City: Nov. 16-17
- Maquoketa: Nov. 23-24
- Denison: Dec. 7-8
- Ames: Dec. 14-15 – live as well as attendance via webinar available

CALT Website

http://www.calt.iastate.edu/

Tour of the CALT Website

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