

**Supplement PAR**

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**Partnership Tax Forms Guide 2024 Edition**

The Basics  
Installation and Start-up  
Form 1065 Tab Settings  
Form by Form Details

This document is not a stand-alone manual. It is a supplement to the *Tax Forms Guide 2024 Edition* (for HowardSoft's Form 1040 software), and relies on that guide as the main source of instructions for the Partnership Edition. This document and the associated software are based on information compiled and interpreted by HowardSoft in early 2024, including the latest information from the IRS, but their complete accuracy cannot be guaranteed. Neither HowardSoft nor Dr. J. E. Howard assumes any responsibility for any consequential damages resulting from their use.

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# Partnership Supplement (2024 Edition)

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\* Included only in Premium Level software.

\*\* Included only in Standard and Premium Level software.

# Partnership Supplement (2024 Edition)

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### The Basics

**What it is.** The *Partnership Supplement (2024 Edition)* is a special supplement to the regular 2024 Edition of *Tax Preparer®*. It adds to the regular edition (for preparing Form 1040 returns), the ability to prepare Form 1065 returns. The IRS forms needed by most partnerships are built-in, as seen in Table PAR-1, and a unique Distribution Worksheet provides unparalleled automation in the generation of separate Schedules K-1 for partners. The Distribution Worksheet allows you to specify one of nine different automatic distribution methods, independently for each line, based on sharing percentages that you supply on Schedule K-1, and a convenient manual override allows you to customize special K-1s.

**Table PAR-1. IRS Forms in Current Partnership (1065) Edition**

|   |  |
|---|--|
| Form 1065, Page 1.....                                  | U.S. Partnership Return of Income  |
| Form 1065, Pages 2, 3, and 4:                           |  |
| Schedule B.....   | Other Information  |
| Form 1065, Page 5:                                      |  |
| Schedule K.....   | Partners' Shares of Income, etc.   |
| Form 1065, Page 6:                                      |  |
| Schedule L.....   | Balance Sheets   |
| Schedule M-1.....                                       | Reconciliation of Income (Books vs. Return)  |
| Schedule M-2.....                                       | Analysis of Partners' Capital Accounts   |
| Schedule B-1.....                                       | Info on Partners Owning 50% or More of Partnership                                 |
| Schedule D.....   | Capital Gains and Losses   |
| Schedule F.....   | Profit or Loss from Farming  |
| Schedule K-1.....                                       | Partner's Share of Income, etc.  |
| Form 1125-A.....  | Cost of Goods Sold   |
| *Form 2848.....   | Power of Attorney & Declaration of Representative                                  |
| Form 3468.....  | Investment Credit  |
| *Form 4255.....   | Recapture of Investment Credit   |
| Form 4562.....  | Depreciation and Amortization  |
| Form 4684.....  | Casualties and Thefts  |
| Form 4797.....  | Sales of Business Property   |
| **Form 4835.....  | Farm Rental Income and Expenses  |
| *Form 5884.....   | Work Opportunity Credit  |
| Form 6252.....  | Installment Sale Income  |
| *Form 6478.....   | Biofuel producer credit  |
| *Form 6765.....   | Credit for Increasing Research Activities  |
| *Form 6781.....   | Gains & Losses from Sec 1256 Contracts & Straddles                                 |
| **Form 7004.....  | Automatic Extension of Time to File Return   |
| *Form 8283.....   | Noncash Charitable Contributions   |
| *Form 8586.....   | Low Income Housing Credit  |
| *Form 8594.....   | Asset Acquisition Statement Under Sec 1060   |
| *Form 8611.....   | Recapture of Low-Income Housing Credit   |
| *Form 8822-B.....                                       | Change of Address or Responsible Party - Business                                  |
| *Form 8824.....   | Like Kind Exchanges  |
| Form 8825.....  | Rental Real Estate   |
| *Form 8846.....   | Credit for Employer Social Security & Medicare Taxes Paid on Certain Employee Tips |
| **Form 8936.....  | Clean Vehicle Credits  |
| **Form 8936, Schedule A.....                            | Clean Vehicle Credit Amount  |
| **Form 8941.....  | Credit for Small Employer Health Insurance Premiums                                |
| Form 8949.....  | Sales and Other Dispositions of Capital Assets                                     |
| Distribution worksheet.....                             | Allocation of Schedule K to K-1  |
| -----   |  |
| *Included in Premium Level software only.               |  |
| **Included in Standard and Premium Level software only. |  |

**Supplements the Tax Forms Guide 2024 Edition.** This document is intended:

- to provide instructions for forms that are unique to the Partnership Edition;
- to point out how forms covered in the main *Tax Forms Guide 2024 Edition* differ when used for partnership (Form 1065) returns.

Where calculations and instructions are the same for Form 1065 returns as they are for Form 1040 returns, we refer you to the main *Tax Forms Guide 2024 Edition* for details.

**Graphic printing available.** Graphic printing of ALL forms is included in our Standard Level and Premium Level software. Only text-based facsimile printing is available in the Economy software, except for the main Form and Schedule K-1, but all data are printed in the same positions as the graphic forms, and sufficient wording is retained to make the forms understandable. Both Windows and Laser printing are built-in. Windows printing can produce the graphics on nearly any printer configured to work with Windows, and most ink-jet and laser printers provide high enough quality for filing even in their fast printing modes. Laser printing requires a Hewlett-Packard LaserJet Printer, or close compatible, a tax font cartridge or downloaded soft-font, and interfacing through a parallel port (not USB) in order to print graphic forms, but results in faster printing because it bypasses the Windows operating system. See Chapter 3 of the Tax Forms Guide for more information.

### Installation and Start-up

**Use User's Guide for installation instructions.** The installation and start-up described in Chapter 1 of the latest revision of the separate *User's Guide* apply to this Partnership Edition as well. The steps shown in Chapter 1 differ only in the selection of documents to install. The standard installation puts all edition years and all supplements in the same hard disk folder (usually C:\Program Files (x86)\HowardSoft Tax Preparer), and all programs for the same tax year share the same custom settings, program settings, and start-up programs. To start a particular edition or supplement, you only need to double-click the icon for the one you want. For this Partnership Edition, the icon placed on the desktop is labeled

#### **Tax Preparer 2024 - 1065**

whereas the icon in the *HowardSoft Tax Preparer* program group is labeled

#### **2024 U.S. Partnership 1065**

Whichever icon you click, the current-year *Partnership Supplement* is started, with two *Tax Preparer* windows -- the *Tax Preparer Control Panel* and the *Tax Preparer Main Window* -- as shown in Figure 1-9 of the *User's Guide* (Rev. January 2015).

**Add a partnership tax directory first.** Since Partnership Edition contains no pre-stored data, you must add a tax directory to the Storage Disk the first time you use the Partnership Edition for the new tax year. This tax directory can hold up to 99 volumes of data with 15 returns in each volume. If you don't remember how, refer to *Starting a New Tax Volume* in Chapter 9 of the separate *User's Guide*. The tax directory you create by this process is completely independent of any tax directory created with any other edition of any other type or year.

**Translate next, if a prior-year user.** If you prepared any partnership returns last year using HowardSoft's *Partnership 2023 Edition*, we recommend that you use the stored data for those returns as a starting point for this year by using the built-in "translate" feature. This approach minimizes the effort for most returns because text entries seldom need to be changed from year to year, carryovers are automatically placed on the proper lines (provided you kept the tax year on the Control Form for the prior-year return at 2022, as required for filing in 2023), and unchanged amounts need not be reentered. See Chapter 9 of the *User's Guide*.

Form 1065 Tab Settings

**NEW: Tab settings for Partnership Edition cannot be changed.** The default tab settings are preset for HowardSoft graphic Form 1065 forms and can no longer be changed. Because we now include the graphic files for the main form (Form 1065) for all levels of the software, including the Economy Level, there is no longer a need for adjustment. The supplied tab settings (shown in Figure PAR-1) provide perfect alignment with HowardSoft forms for both Windows-graphic and Laser-graphic printing.

**Tab adjustments no longer allowed for Form 1065.** Tabs for all pages of Form 1065 are preset for HowardSoft graphic Form 1065 and cannot be changed. Because we now include the graphic files for Form 1065 for all levels of the software, including the Economy Level, there is no longer any potential need for adjustment. The preset tabs that are built into the software provide perfect alignment on HowardSoft Form 1065 pages for both Windows-graphic and laser-graphic printing. If you find that your data does not print properly on the HowardSoft Form 1065, the build in tabs are *not* the problem. Rather, either your printer's typeface is wrong (such as elite size, which is 12 characters per inch, instead of the required pica size, which is 10 characters per inch), or your program settings for margin, auto-skip, characters per line, or lines per page are wrong, *not the tab settings*. For guidance on how to change the program settings for your printer, see Chapter 12 of the separate *User's Guide*.

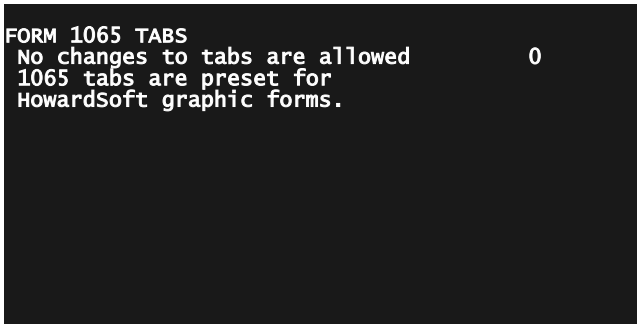


Figure PAR-1. Program Settings page for Form 1065 Tabs



## Form by Form Details

**Remainder of document supplements Chapter 2 of Tax Forms Guide.** Instructions for forms built into the Partnership Edition follow. However, when the same form exists in the Form 1040 software and does not differ significantly for the Form 1065 software, it is not detailed here and you should refer to the Tax Forms Guide 2024 Edition for details. Only forms with major differences in their use with Form 1065 returns are fully detailed here. For forms with minor differences, only the differences are described here.

## Control Form

**Purpose.** Like the Control Form for the Form 1040 software, the Control Form for the Partnership Edition allows you to customize certain calculations and automation of the return and its cover and billing letters. Unique to the Partnership Edition, however, is the ability to enter fiscal years other than the default calendar year. Unless the return you are preparing uses a fiscal year other than the calendar year (January 1 through December 31), your access of the Control Form is completely optional because it is automatically generated for all returns whether you access it or not.

**AUTOMATION CONTROL.** Calculations depend critically on these entries:

**Fiscal year beginning.** You need to enter a date here only if the fiscal year for the return is *NOT* the calendar year. You must enter the date in the standard month-day-year format separated by hyphens, slashes, or commas (xx/xx/xxxx). If you make no entry, the software assumes a starting date of January 1, 2023, and uses that date in all subsequent calculations. If the year part of your entry is a year before 2023, 2023 is used for the year and your entry is changed accordingly, since this 2024 Edition of the software applies only to fiscal years starting January 1, 2023 or later.

**Fiscal year ending.** Enter a date here if you entered a starting date above. This entry does not affect calculations, but is required for the printout of the Official Form 1065 and Schedules K-1 when the fiscal year is not the calendar year. The year part of your entry is automatically forced to be a year consistent with your entry for the start of the fiscal year, so that the duration of the fiscal year is no more than one whole year and no less than 1 week.

**Tax year used by software.** (auto-calc) The tax year assumed in calculations is shown here. Without an entry for fiscal year the tax year is automatically 2023. Otherwise it is controlled by your date entry for the beginning of the fiscal year. If you change the entry, the entire return is recalculated following the rules for the new year before you exit the return. The tax year entry also controls how the data are transferred to next year's return with the software's "translate" feature. If you leave the entry at 2023, next year's translate will know to shift certain amounts to different lines, as required for such date-sensitive forms as Form 4562.

## Control Form

**Starting month used.** *(auto-calc)* The fiscal year's starting month used in all calculations is shown here. Without an entry for fiscal year the starting month is automatically 01 (January). Otherwise it is controlled by your date entry for start of the fiscal year, and is critical to the automatic depreciation calculations on Form 4562.

**Monetary amounts rounded to \$'s.** *(auto-calc)* This entry shows the rounding rule under which the return is calculated. It is automatically set to match your program settings for rounding when you start a new return, as detailed in Chapter 12 of the separate *User's Guide*. *(For a translated return, the setting on the Control Form of the prior-year return is used.)* Because partnership returns typically involve large dollar amounts, *we recommend rounding to the nearest dollar to avert disconcerting penny discrepancies.*

**Block auto-creation.** The software is designed to automatically create forms when their necessity is indicated by entries on other forms. This automation is your safeguard against inadvertent omissions on your return, and the blocking of it is *rarely* legitimate. *Use extreme caution before changing the default No answer to Yes for either of the following two entries.*

**Block Schedule D auto-creation?** Unless you answer Yes, Schedule D is automatically generated and completed upon the final recalculation of the return if a gain for Schedule D appears on any Form 6252.

**Block Form 4797 auto-creation?** Unless you answer Yes, Form 4797 is automatically generated and completed upon the final recalculation of the return if an amount on any Form 4684 or Form 6252 must be reported on Form 4797.

The auto-creation of certain other forms is mandatory, so the software does not allow you to block them. This includes pages 2, 3, 4, and 5 of Form 1065, which are always required once you create page 1 of Form 1065. It also includes Form 8825, which is always required when you have any rental real estate in line 17 of Form 4797, Part II.

**RETURN SUMMARY.** The tax summary shown here is determined from the results on Form 1065. It is used on printed cover letters to clients.

**Total income (or loss).** *(auto-calc)* Taken from line 8 of Form 1065.

**Total deductions.** *(auto-calc)* Taken from line 22 of Form 1065.

**ORDINARY INCOME (OR LOSS).** *(auto-calc)* Taken from 1065 line 23.

**Short-term capital gain(loss).** *(auto-calc)* Taken from line 8 of Schedule K (Page 5 of Form 1065).

**Long-term capital gain(loss).** *(auto-calc)* Taken from line 9a of Schedule K (Page 5 of Form 1065).

**OPTIONS FOR PAID PREPARERS.** The final section of the Control Form gives you control over the cover and billing letters for the return. It allows you to enter a date for both letters, a fee for the billing letter, and to add additional text for either letter. See the end of the Control Form section in Chapter 2 of the *Tax Forms Guide 2024 Edition* for more details.

## Form 1065 / Main Form

**Start of the Road Map.** Form 1065 is the main form for partnership returns, and forms the basis for the built-in Road Map. You should always start a new return with this form, regardless of what data entry method you use. When using the Road Map method of data entry, you can itemize to a supporting form as you encounter a line identified as a Road Map line by the letter r. You will then be following the logical order for the preparation of the return, so that the intermediate results that you see on the screen are meaningful.

### FORM 1065 PAGE 1

*The next few pages of this supplement detail the first page of the 6-page Form 1065. It contains general information about the partnership and summarizes the income and deductions for ordinary income.*

**PARTNERSHIP INFORMATION.** The first entries on Form 1065 identify the partnership.

**For tax year beginning.** *(auto-calc)* The entries you make on the Control Form for fiscal year starting and ending dates are reflected in this and the next three lines. If you make no entry on the Control Form, the software assumes that your fiscal year is calendar year 2023 (January 1, 2023 through December 31, 2023.)

... **and ending.** *(auto-calc)* Taken as the default or your entry on the Control Form for "fiscal year ending."

**Tax year assumed by software.** *(Road Map line, supported by the Control Form.)* This line is your path to the Control Form through the Road Map. The tax year is automatically 2023 unless you enter a different year in your fiscal year entries on the Control Form.

**Starting month assumed.** *(auto-calc)* The starting month is automatically 1 (January) unless you enter a different month in your fiscal year entries on the Control Form. The proper starting month is especially critical to the depreciation calculations on Form 4562.

**IRS Center for partnership return.** The city and state where the partnership return is filed must be entered based on the listings in Table PAR-2. This and the following entries are used in the printouts for all Schedules K-1.

**Name of partnership.** Enter the name of the partnership in 35 characters or less. The name should match the legal or trade name that the partnership used on the Form SS-4 that it submitted to apply for its Employer Identification Number (EIN). This name appears on the address label that the IRS supplies to the partnership for filing Form 1065. Because this entry is used in the header for all forms and schedules, it is required even though you may use an IRS-supplied address label on Form 1065.

**Number and street.** Enter the street address of the partnership in 35 characters or less.

Table PAR-2. IRS Centers for Filing Returns

| LOCATION OF PARTNERSHIP'S PRINCIPAL PLACE OF BUSINESS OR PRINCIPAL OFFICE OR AGENCY  | SEND RETURN TO THIS ADDRESS:   |
|--|--|
| Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin | <i>For partnerships with year-end assets* under \$10 million that do not file schedule M-3:</i><br>Department of the Treasury<br>Internal Revenue Service Center<br>Kansas City, MO 64999-0011                 |
| Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin | <i>For partnerships with year-end assets* \$10 million or more (or less than \$10 million but file Schedule M-3):</i><br>Department of the Treasury<br>Internal Revenue Service Center<br>Ogden, UT 84201-0011 |
| Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming                         | Department of the Treasury<br>Internal Revenue Service Center<br>Ogden, UT 84201-0011  |
| A foreign country or U.S. possession   | Internal Revenue Service Center<br>P.O. Box 409101<br>Ogden, UT 84409  |

\* Year-end assets are shown on line F of Form 1065, page 1.

**City or town, state.** Enter city and 2-letter state code in 25 characters or less.

**ZIP code.** Enter the 5-digit (00000) or 9-digit (00000-0000) ZIP code of the partnership.

**May the IRS discuss this return with the preparer shown on Form 1065, page 1?** Answer Yes to authorize the IRS to discuss this return with the paid preparer who is signing the return when necessary. Your answer will be shown in the signature block at the bottom of page 1 of Form 1065.

**A Principal business activity.** Using the IRS table on pages 63 through 65 of the IRS 2023 *Instructions for Form 1065* as a guideline (*Codes for Principal Business Activity and Principal Product or Service*), enter the general category for the partnership. Choose from the 19 general categories in the IRS table. Use abbreviations in order to fit within the limited 10-character space on the IRS form.

**B Principal product or service.** Enter the main product or service in 10 characters or less.

**C Business code number.** Enter the 6-digit code from the IRS table you used to complete line A that best fits the product or service you entered in line B. There are generally several different codes for each general category.

**D Employer ID number.** Enter the partnership's identifying number in its standard 10-character format (00-0000000). It must match the EIN assigned to the partnership as a result of the filing of Form SS-4, and should appear on the IRS-supplied address label. This entry is used in the header for all forms and schedules.

**E Date business started.** Enter the date in the standard mm/dd/yyyy format.

**Year-end assets shown on Schedule L.** *(auto-calc)* The total assets at the end of the fiscal year as it appears on line 14 of Schedule L (Form 1065 page 6) is posted here automatically once you complete Schedule L. If there are no year-end assets, the total assets at the beginning of the tax year is used instead, in accordance with IRS instructions for line F. Note that Schedule L, and therefore this entry, may be unnecessary in some cases. See question 5 of Form 1065 Schedule B, detailed later, for more information.

**F Total assets.** *(auto-calc)* This line, which will appear on the printed Form 1065, is taken as the above line unless you override this result. The IRS allows you to submit your own balance sheet in lieu of Schedule L as long as it provides all the information required for Schedule L. If you elect to do so, you must override the automatic entry for this line with the amount from your own balance sheet. (To override the amount, you must press the Override Key, F8 or ctrl-O, then move the cursor to this line. See Chapter 7 of the *User's Guide* for details.)

**G Check if return is.** Answer Yes to all that apply:

- 1 **Initial return?** Answer Yes if this is the partnership's first tax return.
- 2 **Final return?** Answer Yes if the partnership is dissolving and this is the last return that the partnership will file.
- 3 **Name change?** Answer Yes if this return reflects a change in the name of the partnership since the last return that the partnership filed.
- 4 **Address change?** Answer Yes if this return reflects a change of address since the last return that the partnership filed.
- 5 **Amended return?** Answer Yes if this return modifies a previously filed return. *If you answer Yes to this question and Question 4 on Schedule B of Form 1065 (detailed later), the designated tax matters partner must file Form 8082: Notice of Inconsistent Treatment or Amended Return.*

**H Accounting method.** Answer Yes to only one of the following:

- 1 **Cash?** For cash basis partnerships.
  - 2 **Accrual?** For accrual basis partnerships.
  - 3 **Other?** For any other method, explained below.
- If 3, specify other.** If you answered Yes to (3), above, you **MUST** explain the method in this line, using a supporting statement for this line if you need more room. (You must use the F10 key or ctrl-Y, not the I key, to itemize this line, since it is not a numeric line.)

The software recognizes only the first Yes answer among the three.

**Number of Schedules K-1 prepared.** *(auto-calc)* The number of K-1 schedules already *prepared* for the return is displayed here automatically. Once the return has been completed you should check the number displayed here against the actual number of partners, entered below, to make sure that all required Schedules K-1 have been prepared. (If the partner count is greater than 100, you may have to file the return electronically. See page 5 of IRS 2023 *Instructions for Form 1065*.)

**I Number of Schedules K-1 attached.** Enter the *actual* total number of partners here. ***CAUTION: When you are completely finished preparing the return, the above auto-calc line must match this entry or else you have not completed all required Schedules K-1.***

**Elect out of section 42(j)(5)?** A partnership is generally treated under section 42(j)(5) if it has 35 or more partners, where a husband and wife who are partners are together treated as one partner. However, a partnership that exercised a special election within a short period after the enactment of section 42(j)(5) late in 1988 is *not* treated under section 42(j)(5). Answer Yes here only if the election was made for this partnership.

**Section 42(j)(5) rules will be used.** *(auto-calc)* Answered Yes only if line I is 35 or more and the answer to the preceding question is No. This result is used in the Premium Level software to control the calculations for forms related to the Low-Income Housing Credit (Form 8586 for the credit and Form 8611 for its recapture) and the transfer of their amounts to Schedules K and K-1 calculation.

**J Are Schedules C and M-3 attached?** Schedules C (*Additional Information for Schedule M-3 Filers*) and M-3 (*Net Income (Loss) Reconciliation for Certain Partnerships*) are schedules that must be completed and filed by certain large partnerships (\$10 million in assets or \$35 million in receipts) and partnerships owned at least 50% by large partnerships. See IRS instructions for details on determining whether you must file Schedules C and M-3. (*Schedule M-3 replaces Schedule M-1, which appears on page 6 of Form 1065, for partnerships that are required to file the former.*)

**K Check if partnership...** This line flags to the IRS that the partnership has multiple activities subject to at-risk rules or passive activity rules that are grouped together for reporting purposes.

**1 Aggregated activities for section 465 at-risk purposes?** If you answer Yes here you must generally attach a statement to the Schedules K-1 you deliver to partners to explain the multiple activities, as flagged by a Yes answer on Schedule K-1, line 21 (which is answered automatically from your answer and support on the last screen of Schedule K, Form 1065, page 5).

**2 Grouped activities for section 469 passive activity purposes?** If you answer Yes here you must generally attach a statement to the Schedules K-1 you deliver to partners to explain the multiple activities, as flagged by a Yes answer on Schedule K-1, line 22 (which is

answered automatically from your answer and support on the last screen of Schedule K, Form 1065, page 5).

**INCOME.** Lines 1 through 8 are used to report only taxable income that is NOT passed through to the partners. Income that is passed to partners is instead reported directly on Schedule K for distribution to each partner's Schedule K-1. For example, tax-exempt interest income is reported on Schedule K line 18a and other tax-exempt income is reported on Schedule K line 18b.

**1a Gross receipts or sales.** Enter all business income not separately stated on lines 4 through 7, below. *Merchant card and third-party payments are no longer shown separately on the form, thanks to legislation that removed that requirement.*

**1b Less returns and allowances.** Enter all returned sales, rebates, and special allowances and discounts.

**1c Balance.** *(auto-calc)* Computed as line 1a less line 1b.

**2 Cost of goods sold (Form 1125-A).** *(Road Map line, supported by Form 1125-A.)* Form 1125-A is now used in place of the former Schedule A (Form 1065) to compute the cost of good sold. The result on line 8 of Form 1125-A is posted here.

**3 Gross profit.** *(auto-calc)* Computed as line 1c less line 2.

**4 Ordinary income from other partnerships, estates, and trusts.** *(Supported by the Other Income Worksheet, Figure PAR-2.)* You MUST report the ordinary income from other entities on the supporting worksheets described next in order to satisfy the reporting requirements of the IRS.

**Net farm income (Schedule F).** *(Road Map line, supported by Schedule F.)* Up to five separate Schedules F are available for reporting income or loss from up to five separate farms. The sum of net profit or loss from all Schedules F is posted here automatically.

**Net fishing income (itemize).** Enter in a supporting statement for this line the partnership's fishing income. The supporting statement is required so that the printout of the return will indicate that fishing income is included in line 5, as required by the IRS.

**5 Net farm profit or loss (Schedule F).** *(auto-calc)* Computed as the sum of the above two lines.

**6 Net ordinary gain or loss from Form 4797.** *(Road Map line, supported by Form 4797.)* The ordinary income portion of gain or loss, as shown on line 17 of Form 4797, is posted here automatically, excluding the amount allocated to line 19 of Form 8825.

**7 Other income (loss) (itemize).** Any other taxable income not reported on lines 1 through 6 should be entered here, but not income that is specially allocated to partners on Schedule K-1. Describe in a supporting statement for this line the sources of additional income, such as annuity income, insurance proceeds, and biofuel producer credit (from Form 6478, which is built into the software only for the

Premium Level). (Tax-exempt income is reported on Schedule K lines 18a and 18b, not here.)

**8 TOTAL INCOME (LOSS).** (auto-calc) Computed as the sum of lines 3 through 7.

**Other Income Worksheet** (from other partnerships, estates, and trusts), Figure PAR-2. (Supports line 4 of Form 1065, Page 1.)

This worksheet is used to report ordinary income from other partnerships, estates, and trusts with the detail

**OTHER INCOME**

|   |                            |   |
|---|----------------------------|---|
| 1 | Entity name                |   |
| 2 | Address                    |   |
| 3 | Employer Identification No |   |
| 4 | Ordinary income (loss)     | 0 |

**CAUTION:**

Do NOT report portfolio, rental or inc from PTPs HERE. See at-risk/basis limit's if a loss.

**Figure PAR-2. Other Income Worksheet**  
(from other partnerships, estates, and trusts)

that the IRS requires. You should report only amounts reported by the entity for a tax year ending within the tax year of *THIS* partnership. Note that only ordinary income is reported here. Other income shown on the Schedule K-1 from the other partnerships and fiduciaries is reported elsewhere in the partnership return.

**1 Entity name.** Enter the name of the entity in 25 characters or less.

**2 Address.** Enter the address of the entity in 25 characters or less.

**3 Employer Identification No.** Enter the entity's EIN in the standard xxxxxxxx format.

**4 Net income or loss.** Enter the net income or loss reported to *THIS* partnership. The proper amounts are shown on the Schedule K-1 of Form 1065 from the other partnerships and the Schedule K-1 of Form 1041 from the fiduciaries.

The sum of line c for all worksheets is posted to line 4 when you return to Form 1065.

**DEDUCTIONS.** Lines 9 through 21 are used to report deductions that can be taken by the partnership and are NOT passed through to the partners.

**9 Salaries and wages.** When entering salaries and wages here, do not include amounts paid to partners nor amounts reported elsewhere (such as line 3 of Form 1125-A or line 18 or 19 of Form 1065 Page 1):

**Salaries/wages (except partners).** Enter TOTAL wages paid here.

**Less employment credit.** Enter employment credits from Forms 5884 (*Work Opportunity Credit*), 8844 (*Empowerment Zone Employment Credit*), and 8845 (*Indian Employment Credit*). **CAUTION:** Although Form 5884 is built into the Premium Level software, posting to this line is not automatic. Unless you qualify for an exception which you explained in a supporting statement for the credit form that applies, you must enter the credit here so that the deduction for wages is reduced by the amount of credit claimed.



**9 Salaries (less employment credits).** *(auto-calc)* Computed as indicated from the above two lines.

**10 Guaranteed payments to partners.** Enter here payments to partners that are guaranteed; that is, payments that are determined irrespective of partnership income and are not portfolio income. This entry should include salaries for general partners and, if applicable, salaries for limited partners. This entry is automatically posted to line 4 of Schedule K for use in line 14a.

**11 Repairs and maintenance.** Only incidental repairs and maintenance are deductible here. Capital repairs, which add to the value of the property or prolong its life, are chargeable to capital accounts and may only be capitalized or amortized.

**12 Bad debts.** You may use the specific charge-off method or the reserve method, but you cannot change methods once you have made a bad debt claim on a prior return. *NOTE: Cash method partnerships can claim bad debts ONLY if the amount was previously reported as income.*

**13 Rent.** Enter rent on business property, but not rent paid for a partner's personal use of a dwelling. If the partnership leased a vehicle for a term of 30 days or more, you may have to reduce your entry by an inclusion amount, as described in our details in the main *Tax Forms Guide 2024 Edition* for line 9 of Schedule C under the heading "Inclusion amount from IRS Pub. 463." See IRS Pub. 463 for more details.

**14 Taxes and licenses.** Enter here only business property taxes and licenses associated with the trade or business of the partnership, and not reported elsewhere.

**15 Interest.** Interest passed through to partners is distinguished here from interest claimed by the partnership as a deduction:

**Investment interest passed to partners.** Enter here the interest expense on investment debts that is passed through to partners. This entry is posted to line 13b of Schedule K and distributed to each partner's Schedule K-1.

**Other interest passed to partners.** Enter here any interest expense that is NOT incurred in the trade or business of the partnership, but must be passed through to the partners instead. This entry is used in line 13d of Schedule K and distributed to each partner's Schedule K-1.

**Interest not claimed elsewhere.** Enter here any other interest that is deductible by the partnership and NOT passed through to partners.

**Total interest expense.** *(auto-calc)* The sum of the above three lines.

**Interest passed to partners.** *(auto-calc)* Computed as the sum of the first two interest items.

**15 Interest.** *(auto-calc)* Computed as the total interest less the interest passed to partners.

**16 Depreciation.** Depreciation is generally claimed by the partnership, but the first-year section 179 expense is passed through to partners.

**Depreciation for 1065 NOT claimed elsewhere.** (*Road Map line, supported by Form 4562.*) Any depreciation that is deductible by the partnership but is not claimed anywhere else in the return is reflected here. A separate copy of Form 4562 is reserved to support this line. After you complete this copy of Form 4562, total depreciation is posted here, amortization is posted to line 20, below, and section 179 expense is posted to line 12 of Schedule K. The depreciation for this line is automatically excluded from line 16b, below, and appears on line 16c.

**Depreciation on Form 1125-A.** (*auto-calc*) Depreciation claimed on Form 1125-A (*Cost of Goods Sold*), supported by its own copy of Form 4562, is posted here.

**Depreciation on Form 8825.** (*auto-calc*) Depreciation claimed on Form 8825 (*Rental Real Estate Income and Expenses*), supported by its own copy of Form 4562, is posted here.

**Depreciation on Schedule F.** (*auto-calc*) Depreciation claimed on Schedule F (*Profit or Loss from Farming*), supported by its own copy of Form 4562, is posted here.

**Other depreciation not claimed elsewhere.** This entry is intended only for depreciation NOT reflected in the preceding four lines, such as depreciation that supports a form not built into the software.

**16a Depreciation (see instructions).** (*auto-calc*) Computed as the sum of the above preceding five depreciation lines.

**16b Less depreciation claimed on Form 1125-A and elsewhere.** (*auto-calc*) Computed as line 16a less the part of line 16a for Form 1065 and not claimed elsewhere.

**16c Balance.** (*auto-calc*) Computed as line 16a less line 16b, this result should match the amount from Form 4562 for "Depreciation for 1065 NOT claimed elsewhere."

**17 Depletion (excluding oil and gas).** If timber depletion is reported here, Form T (not built into the software) must be completed. Oil and gas depletion cannot be deducted by a partnership, but must be figured by each partner and deducted on the partner's return. Information on oil and gas depletion is therefore detailed at the end of Schedule K (line 20c of Form 1065, page 5), not here, and is then distributed among the partners' Schedules K-1.

**18 Retirement plans, etc.** Enter only contributions made under a qualified retirement plan for the partnership's common-law employees. Payments made on behalf of partners, such as IRAs, Keoghs, SEP, and SIMPLE plans, are reported on line 13d of Schedule K, instead, for distribution to each partner's Schedule K-1. (Note that employers who maintain a retirement plan, whether qualified or not, generally must file an annual return for the plan, either Form 5500 or, if for a one-participant plan, Form 5500-EZ. This is not a part of the Form 1065 return, and is therefore not built into the software.)

**19 Employee benefit programs.** Enter contributions made for the partnership's common-law employees which are not part of a qualified retirement plan, but are part of other fringe benefits like health insurance and welfare programs.

**20 Energy efficient commercial buildings deduction.** Enter the amount from line 3 of Form 7205 (*Energy Efficient Commercial Buildings Deduction*), which is the total section 179D deduction you claim.

**21 Other deductions.** All deductions not entered on lines 9 through 20 are reported here:

**Amortization (Form 4562).** (*Road Map line, supported by Form 4562.*)

Any amortization that is deductible by the partnership but not claimed anywhere else in the return is reflected here. A separate copy of Form 4562 is reserved to support this line along with line 16. After you complete this copy of Form 4562, total amortization is seen here, depreciation is seen on line 16c, above, and section 179 expense is seen on line 12 of Schedule K.

**Other deductions (itemize).** Enter any other allowable deductions here. This line *MUST* be supported by a supporting statement to explain the deduction. For special rules concerning meals and entertainment, which are subject to a 50% reduction, see the IRS Instructions for Form 1065.

**21 Other deductions.** (*auto-calc*) Computed as the sum of the above two entries.

**22 TOTAL DEDUCTIONS.** (*auto-calc*) Computed as the sum of line 9 through line 21.

**23 ORDINARY BUSINESS INCOME (LOSS).** (*auto-calc*) Computed as line 8 less line 22. This result is automatically transferred to line 1 of Schedule K for distribution to each partner's Schedule K-1.

**TAX AND PAYMENTS.** Lines 23 through 30 allow you to make payments or claim refunds for the partnership on Form 1065 rather than requiring you to handle them independent of Form 1065.

**24 Interest due under the look-back method--completed long-term contracts (attach Form 8697).** Enter here the amount of the interest you are paying with Form 1065 for the completed contract method as reported on Form 8697.

**25 Interest due under the look-back method--income forecast method (attach Form 8866).** Enter here the amount of interest you are paying with Form 1065 for the income forecast method as reported on Form 8866.

**26 BBA AAR imputed underpayment.** Enter the amount of imputed underpayment you are paying with Form 1065 for the Bipartisan Budget Act of 2015 (BBA) Administrative Adjustment Request (AAR), as determined using the IRS Instructions for Form 8062.

**27 Other taxes.** In a supporting statement for this line, enter any other taxes you are paying with Form 1065, identifying the purpose of the payment in the description column of the support.

**28 TOTAL BALANCE DUE.** (auto-calc) Computed as the sum of lines 24 through 27, this is the total amount due.

**29 Elective payment election amount from Form 3800.** Thanks to the *Inflation Reduction Act of 2022*, partnerships can claim a deemed payment in lieu of a credit for several credits reported on Form 3468, plus a couple of credits from other a couple of other forms. However, the elections are made on Form 3800, not the source form (such as Form 3468), even through Form 3800 (*General Business Credit*) is not otherwise used by partnerships. To make the election, the partnership must complete Part III of the 2023 Form 3800 and enter the election amount in column (h) of Part III for each credit for which the election is made. The sum of all amounts entered in column (h) is shown on line 6(h) of Form 3800, which is entered here.

**30 Payment.** Enter any payments already made for the taxes on lines 24 through 27. (You can explain how the payments were made in a supporting statement for this line.)

**31 AMOUNT OWED.** (auto-calc) Computed as line 28 less the sum of lines 29 and 30, but no less than zero, this is the amount to be paid with Form 1065.

**32 OVERPAYMENT.** (auto-calc) Computed as the sum of lines 29 and 30 less line 28, but no less than zero, this is the amount to be refunded by the IRS to the partnership.

**ACCESS TO OTHER FORM 1065 PAGES.** Each of the remaining parts of Form 1065 operate in the software like independent forms, but are considered as additional pages of Form 1065. Access to those other parts of Form 1065 is provided on the last screen of Form 1065, page 1, as follows:

**Itemize to access Schedule B.** (Road Map line, supported by Form 1065 Pages 2, 3, and 4.) This line provides access to Form 1065 Pages 2, 3, and 4.

**Itemize to access Schedule K.** (Road Map line, supported by Form 1065 Page 5.) This line is provided for easy access to Schedule K, which appears on page 5 of Form 1065 and is the logical next page to complete once Form 1065 pages 1 through 4 are complete.

**Itemize to access Schedules L, M-1, and M-2.** (Road Map line, supported by Form 1065 Page 6.) This line is provided for easy access to Form 1065 Page 6, which must be completed unless the answers to all parts of Question 4 of Schedule B are Yes.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

**FORM 1065 PAGES 2, 3, AND 4 (Schedule B)**

*The next few pages of this supplement detail Schedule B of Form 1065, which is a 3-page schedule designated as pages 2, 3, and 4 of the 6-page Form 1065. It contains Schedule B and a section for designating the partnership's representative.*

**SCHEDULE B - OTHER INFORMATION.** This schedule is used to provide certain information about the partnership's organization and its foreign connections, mainly in the form of Yes/No answers to questions, and to designate the partnership representative.

**1 What type of entity is filing this return?** Enter a number from 1 through 6 as defined below. Your entry determines which box, from a to f, will be checked on the official printout. See pages 3 through 5 of the IRS 2023 *Instructions for Form 1065* for more detail on what comprises each type of entity.

**1=Domestic general partnership.** Unless this is a foreign partnership, enter 1 if there are no limited partners but only general partners who are personally liable for the obligations of the partnership).

**2=Domestic limited partnership.** Unless this is a foreign partnership, enter 2 if the partnership consists of at least one general partner plus limited partners (whose liability is limited to that partner's investment in the partnership).

**3=Domestic limited liability company.** Unless this is a foreign partnership, enter 3 if the partnership was formed under state law by filing articles of organization as a Limited Liability Company (LLC). None of the members of an LLC are personally liable for its debts.

**4=Domestic limited liability partnership.** Unless this is a foreign partnership, enter 4 if the partnership was formed under state law as a Limited Liability Partnership (LLP). Members of an LLP are generally not liable for the debts of the LLP or any other partners.

**5=Foreign partnership.** Enter 5 for *all* types of foreign partnerships.

**6=Other.** If none of the above, enter 6 and explain in the next line.

**Explain if Other.** Enter the type of entity here if types 1 through 5 do not apply to this partnership.

**2 At the end of the tax year:**

**a Did any foreign or domestic corporation, partnership, trust, tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?** If Yes, you must complete Schedule B-1, which is accessible from the next line.

**If Yes, itemize to Schedule B-1 here.** (*Road Map line, supported by Schedule B-1.*) You must supply, on Schedule B-1, information on all entities for which a Yes answer to line 2a applies.

**b Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?** If Yes, you must complete Schedule B-1, which is accessible from the next line.

If **Yes**, itemize to Schedule B-1 here. (*Road Map line, supported by Schedule B-1.*) You must supply, on Schedule B-1, information on all individuals and estates for which a Yes answer to line 2b applies.

**3 At the end of the tax year, did the partnership:**

**a Own directly 20% or more, or own, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote of any foreign or domestic corporation?** If Yes, you must itemize the next line.

If **Yes**, itemize worksheet here. (*Supported by the Schedule B Line 3a Worksheet, Figure PAR-3.*) You must supply, on the supporting worksheets, information on all corporations for which a Yes answer to line 3a applies.

**b Own directly an interest of 20% or more, or own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital in any foreign or domestic partnership or the beneficial interest of a trust?** If Yes, you must itemize the next line.

If **Yes**, itemize worksheet here. (*Supported by the Schedule B Line 3b Worksheet, Figure PAR-4.*) You must supply, on the supporting worksheets, information on all partnerships or trusts for which a Yes answer to line 3b applies.

**Schedule B Line 3a Worksheet.** You must identify ALL corporations described on line 3a:

**i Name of Corporation.**

Enter the name in 30 characters or less.

**ii Employer ID Number.**

Enter the corporation's EIN in the standard xxxxxxxx format.

**iii Country of Incorporation.**

Enter the country in 11 characters or less. (Abbreviate when necessary.)

**iv Percentage Owned in the voting stock of the corporation.** Enter the partnership's percentage of ownership of the corporation, from 0 to 100.

```
SCH B LINE 3A WORKSHEET
i Name of Corporation .....:
ii Employer ID Number .....
iii Country of Incorporation..
iv Pct. Owned in Voting Stock
    (Enter % from 0% to 100%)
```

Figure PAR-3 Schedule B Line  
3a Worksheet

**Schedule B Line 3b Worksheet.** You must identify ALL partnerships and trusts described on line 3b:

**i Name of Entity.** Enter the name in 30 characters or less.

**ii Employer ID Number.** Enter entity's EIN in the standard xx-xxxxxxx format.

**iii Type of Entity.** Enter partnership or trust.

**iv Country of Organization.** Enter the country in 11 characters or less, using a standard abbreviation when necessary.

**v Maximum Percentage Owned in Profit, Loss, or Capital.** Enter the percentage for the classification with the highest percentage of ownership, from 0 to 100.

## SCH B LINE 3B WORKSHEET

```
i Name of Entity .....:
ii Employer ID Number .....
iii Type of Entity .....
iv Country of Organization ..
v Maximum Percentage Owned .
Enter maximum % (from 0%
to 100%) of ownership of
profit, loss, or capital.
```

**Figure PAR-4. Schedule B Line 3b Worksheet**

**4 Does this partnership meet all 4 of the following requirements?** The answer to this question is Yes *ONLY* if the answers to *ALL FOUR* of the following questions is Yes:

**a Total Receipts under \$250,000?** *(auto-calc)* Automatically answered Yes if your entry for line 1a of Form 1065, page 1 (Gross receipts or sales) is under \$250,000. Otherwise, No.

**b Year-end assets under \$1 million?** Answer Yes if the partnership's total assets are under \$1,000,000. You must answer this question yourself because it is not always available elsewhere on the return, since some partnerships do not have to complete Schedule L (Form 1065) nor line F of Form 1065, page 1.

**c. Are all Schedules K-1 filed with the return and furnished to partners by the filing deadline of the partnership return (including extensions)?** Answer Yes if applicable.

**d. Is the partnership exempt from filing Schedule M-3?** Answer Yes only if not filing Schedule M-3 and not required to do so.

**If Yes, Schedules L, M-1, and M-2, line F on 1065 page 1, and line L on Schedule K-1 are not required.** *(auto-calc)* Automatically Yes only if the answer to *ALL FOUR* of the preceding questions is Yes. Many independent family partnerships meet these requirements. If the answer is Yes, the partnership is not required to complete Schedules L, M-1, and M-2 (which appear on Form 1065 page 6), nor line F of Form 1065 Page 1, nor line L of each partner's Schedule K-1.

**5 Is the partnership a publicly traded partnership?** See IRS Code section 469(k)(2) for IRS's definition of a publicly traded partnership. Your answer here is posted to Question H of every copy of Schedule K-1.

**6** During the tax year, did the partnership have any debt that was cancelled, was forgiven, or had the terms modified so as to reduce the principal amount of debt? Answer as indicated.

**7** Has this partnership filed, or is it required to file, Form 8918, Material Advisor Disclosure Statement, to provide information on any reportable transaction? Answer as indicated.

**Tax shelter registration number.** Enter here the tax shelter registration number, if any, from the previously-filed Form 8264 (the form formerly used to apply for a tax shelter number, now obsolete) or other source. The IRS discontinued the issuance of tax shelter numbers after October 22, 2004, so only older partnerships that are tax shelters (what the IRS now calls "registration-required tax shelters") would have a number. *TIP: There is no longer a line on Schedule K-1 for this number, so the partnership can no longer rely on Schedule K-1 to report the number to a partner. The entry is still here only for record-keeping purposes. It is not used anywhere else on the return.*

**8** At any time during calendar year 2023, did the partnership have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country? You may be able to answer No, even though the partnership has such a foreign interest, if all accounts combined had less than \$10,000 value throughout the year or the accounts were held at a U. S. military banking facility operated by a U. S. financial institution, or the partnership owns 50% or less of a foreign bank account, security account, or other financial account.

**If yes, name the foreign country.** If you answered Yes to Question 8, enter the name of the country in 25 characters or less.

**9** During the tax year did the partnership  
receive a distribution from?  
or was it the grantor of?  
or was it the transferor to?

... **a foreign trust.** If you answer Yes to any of the questions, you may have to file an annual report on a Form 3520, and the trust must file a Form 3520-A.

**10a** Is the partnership making, or had it previously made (and not revoked), a section 754 election? You may elect to adjust the basis of partnership property under Section 754. To make this election you must submit a signed statement with the return. See *Elections Made by the Partnership* on pages 12 and 13 of the IRS 2023 Instructions for Form 1065 for details.

**b** For this tax year, did the partnership make an optional basis adjustment under section 743(b)? If Yes, in addition to completing the following two line you must show the computation and allocation of each basis adjustment in a supporting statement for this line.

**If Yes, enter the total aggregate net positive amount.** Enter the amount of positive basis adjustment made under the section 743(b) for all partners made in the tax year.



**...and the total aggregate net negative amount.** Enter the amount of *negative* basis adjustment made under the section 743(b) for all partners made in the tax year.

**c For this tax year, did the partnership make an optional basis adjustment under section 734(b)?** If Yes, in addition to completing the following two line you must show the computation and allocation of each basis adjustment in a supporting statement for this line.

**If Yes, enter the total aggregate net positive amount.** Enter the amount of *positive* basis adjustment made under the section 734(b) for all partnership property made in the tax year.

**...and the total aggregate net negative amount.** Enter the amount of *negative* basis adjustment made under the section 734(b) for all partnership property made in the tax year.

**d For this tax year, is the partnership required to adjust the basis of partnership property under section 743(b) or 734(b) because of a substantial built-in loss or substantial basis reduction?** If Yes, in addition to completing the following line you must show the computation and allocation of the basis adjustment in a supporting statement for this line.

**If Yes, enter the total aggregate amount of such adjustments.** Enter the amount of adjustments for all partners and/or partnership property made in the tax year.

**11 During the current or prior tax year, did the partnership distribute any property received in a like-kind exchange or contributed such property to another entity?** Answer as indicated. *EXCEPTION: Answer No if the other entity is wholly-owned by the partnership throughout the tax year.*

**12 At any time during the tax year, did the partnership distribute to any partner a tenancy-in-common or other undivided interest in partnership property?** Answer as indicated.

**13 If the partnership is required to file Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, enter the number of Forms 8858 attached.** Enter the number as indicated.

**14 Does the partnership have any foreign partners?** Answer as indicated.

**If yes, enter the number of Forms 8805 filed for this partnership.** Enter the number as indicated.

**15 Number of Forms 8865 attached to this return.** A domestic partnership may have to file this form (not built into the software) if it had an interest in a foreign partnership. See IRS *Instructions for Form 1065* for details.

**16a Did you make any payments in 2023 that would require you to file Form(s) 1099?** If Yes, you must answer the next question as well.

**b If "Yes," did you or will you file all required Form(s) 1099?** Answer as indicated. Be aware that there are penalties for not filing Form(s) 1099 when they are required to be filed.

**17 Enter number of Form(s) 5471 attached to this return.** Form 5471 is *Information Return of U.S. Persons With Respect To Certain Foreign Corporations*.

**18 Enter number of partners that are foreign governments under section 892.** The IRS has clarified that foreign government partners are treated as corporate partners.

**19 During the partnership's tax year, did the partnership make any payments that would require it to file Form 1042 and Form 1042-S under chapter 3 (sections 1441 through 1464) or chapter 4 (sections 1471 through 1474)?** If the partnership made payments to foreign persons and withheld tax on U.S. source income, it is required to file Form 1042 (*Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*) and Form 1042-S (*Foreign Person's U.S. Source Income Subject to Withholding*). A copy of Form 1042-S, an information form, is sent to those persons as well.

**20 Was the partnership a specified domestic entity required to file Form 8938 for the tax year?** The partnership must file Form 8938 (*Statement of Specified Foreign Financial Assets*) with its Form 1065 return if it is a domestic partnership that was formed to hold specified foreign financial assets (and therefore classified as a "specified domestic entity").

**21 Is the partnership a section 721(c) partnership, as defined in Treasury Regulation section 1.721(c)-1T(b)(14)?** This is a partnership with foreign partners related to a U.S. person who contributes certain property to the partnership. The cited regulation is aimed at ensuring that the transferor (the U.S. person) does not escape the recognition of a gain on his or her tax return for property transferred to foreign partners.

**22 During the tax year, did the partnership pay or accrue any interest or royalty for which the deduction is not allowed under section 267A?** This section applies when interest or royalty is paid or accrued to a related party which doesn't include the entire amount in income or is allowed a related deduction.

**If yes, enter the total amount of the disallowed deduction.** Enter the amount in U.S. dollars.

**23 Did the partnership have an election under section 163(j) for any real property trade or business or any farming business in effect during the tax year?** Without the election, the limitation on business interest expense applies to every taxpayer with a trade or business, unless qualified for certain specified exceptions.

**24 Does the partnership satisfy one or more of the following?** The following entries are required to determine the answer to this question:

- a The partnership owns a pass-through entity with current, or prior-year carryover, excess business interest expense?** If Yes, the answer to line 24 is Yes. Otherwise, continue to the next entry.
- b The partnership's aggregate average annual gross receipts for the 3 tax years preceding the current tax year are more than \$29 million and the partnership has business interest expense.** If Yes, the answer to line 24 is Yes. Otherwise, continue to the next entry.

**c The partnership is a tax shelter and the partnership has business interest expense.** If Yes, the answer to line 24 is Yes.

**Does the partnership satisfy any of the above 3 conditions?** *(auto-calc)*

Answered Yes only if your answer to a, b, or c is Yes. If so, you must complete and file Form 8990.

**25 Is the partnership attaching Form 8996 to certify as a Qualified Opportunity Fund?** A Qualified Opportunity Fund is an investment vehicle organized for the purpose of investing in qualified opportunity zone property, which is property in designated low-income communities in the U.S.

**If yes, enter the amount from Form 8996, line 15.** Enter in U.S. dollars.

**26 Number of foreign partners subject to section 864(c)(8) as a result of transferring all or a portion of an interest in the partnership or of receiving a distribution from the partnership.** Section 864(c)(8) applies to certain nonresident alien individuals or foreign corporations. See *IRS 2023 Instructions for Form 1065* for more detail on who is subject to this section.

**27 At any time during the tax year, were there any transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8?** This section applies to certain transfers or debt within 2 years of a relevant event. See *IRS 2023 Instructions for Form 1065* for more detail on who is subject to this section.

**28 Since December 22, 2017, did a foreign corporation directly or indirectly acquire substantially all of the properties constituting a trade or business of your partnership, and was the ownership percentage (by vote or value) for purposes of section 787 greater than 50%?** This question applies only to domestic partnerships. If you answer "Yes" for this line, list the ownership percentage by vote and by value in the following lines. See the regulations under section 7874 for rules regarding the computation of ownership percentage.

**Percentage:**

**By Vote.** Enter the voting percentage (0 to 100%) of the acquisition (for the most recent acquisition only, if there are multiple reportable acquisitions).

**By Value.** Enter the percentage ownership by value represented by the acquisition (for the most recent acquisition only, if there are multiple reportable acquisitions).

**If multiple acquisitions, ITEMIZE. List all earlier acquisitions by vote and by value, if any, in an itemized list for this line.**

**29 Is the partnership required to file Form 7208:**

**a Under the applicable foreign corporation rules?** See page 30 of the *IRS 2023 Instructions for Form 1065* for more information.

**b Under the covered surrogate foreign corporation rules?** See page 30 of the *IRS 2023 Instructions for Form 1065* for more information.

If you answer Yes to a or b, you must file Form 7208 (*Excise Tax on Repurchase of Common Stock*), once upcoming regulations under section 4501 are released by the IRS.

**30** At any time during the tax year, did the partnership receive or sell, exchange, or otherwise dispose of a digital asset (or financial interest therein)? See page 30 of the IRS *2023 Instructions for Form 1065* for details and examples of when a Yes answer is required here.

**31** Is the partnership electing out of the centralized partnership audit regime under section 6221(b)? A partnership is eligible to answer Yes only if it had no more than 100 partners during the tax year. If you answer Yes, you must complete Schedule B-2 (*Election Out of the Centralized Partnership Audit Regime*) and complete the next entry.

If Yes, complete Schedule B-2 (Form 1065) and enter the total from Schedule B-2, Part III, line 3. This entry is the total number of partners of the partnership, all of whom you must list on Schedule B-2.

**DESIGNATION OF PARTNERSHIP REPRESENTATIVE.** If you answered No to line 30, you are required under IRS Section 6223 to designate a partner or other person with a substantial presence in the U.S. as the partnership's Personal Representative (PR) with the sole authority to act on behalf of the partnership before the IRS.

**Name of Personal Representative (PR).** Enter the name of the PR here, which can be an individual or an entity, in 25 characters or less.

**U.S. address of designated PR.** Enter only the street address of the PR on this line, in 35 characters or less. The PR must have a substantial presence in the U.S. and, accordingly, the address must be a U.S. address.

**...(City, State, ZIP).** Enter the city, state, and ZIP code of the PR on this line, in 35 characters or less.

**U.S. phone number of PR.** Enter the contact phone number for the PR entered above.

**If the PR is an entity, enter the name of the designated individual.** If the PR named above is an entity, enter here the name, in 25 characters or less, of the individual who is designated to represent the entity as the partnership's PR. Otherwise, leave this entry and the following four entries blank.

**U.S. address of designated individual.** Enter only the street address of the individual on this line, in 35 characters or less. The PR must have a substantial presence in the U.S. and, accordingly, the address must be a U.S. address.

**...(City, State, ZIP).** Enter the city, state, and ZIP code of the PR on this line, in 35 characters or less.

**U.S. phone number of designated individual.** Enter the contact phone number for the individual entered above.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

**FORM 1065 PAGE 5 (Schedule K)**

*The next few pages of this supplement detail the fifth page of the 6-page Form 1065, which contains only Schedule K.*

**SCHEDULE K - PARTNERS' SHARES OF INCOME, CREDITS, DEDUCTIONS, ETC.** Schedule K is the summary of totals that are distributed to partners for reporting on their own returns. Each partner's share of the amounts on Schedule K is determined from the sharing percentages specified on line D of each partner's Schedule K-1 and the distribution methods specified on the Distribution Worksheet (described at the end of this supplement). Accordingly, Schedule K must be completed before any Schedule K-1 is prepared. Several lines on Schedule K must be supported by a general itemized list to provide the detail that the IRS and the individual partners need. The subordinate lines on our Schedules K and K-1 that are not part of the official IRS schedules are printed as part of the supporting statements for the schedule. In addition, whenever a line on Schedule K is supported by a general itemized list, that list is generally printed with each Schedule K-1 as well, with all amounts reduced to the appropriate share for that partner. If, however, an exception exists for a particular partner, the corresponding line on that partner's Schedule K-1 can be separately itemized, and the separate list is printed as the supporting statement for that partner, and the itemized list from Schedule K is printed for all other partners with the partners' shares appropriately readjusted. (You can access Schedule K through the Road Map from the last screen of Form 1065, Page 1.)

**Collectibles (28% rate) gain or loss and unrecaptured section 1250 gain must still be reported to partners.** Even though special lines for these items have been dropped from most IRS forms, transactions that fall into these categories must still be identified to partners. They are now reported to partners at lines 9b and 9c of Schedule K-1 for use on the partners' Schedule D (Form 1040) in computing the proper capital gains tax. However, the software takes care of this reporting automatically based on your entries on the various gain/loss worksheets for the supported forms.

**ACCESS TO RELATED FORMS.** Two forms are very closely tied to Schedule K and can be accessed here:

**Itemize for Distribution Worksheet.** (Road Map line, supported by our unique Distribution Worksheet.) The Distribution Worksheet provides an automated way of completing each partner's Schedule K-1. It lets you define how your entries on Schedule K will be distributed among partners in conjunction with the percentages you enter on each partner's Schedule K-1. If you complete this worksheet before you complete Schedules K and K-1, you will find most of Part III of Schedule K-1 completed for you in the manner you define.

**Itemize for Schedule K-1.** (Road Map line, supported by Schedule K-1.) Schedule K-1 reports income and losses that apply to an individual

partner for use on the partner's tax return. For most partnerships you only have to complete the first two parts of Schedule K-1 to identify the partner and a variety of characteristics of the partner, including the partner's percentage share of certain general attributes (such as profit-sharing and loss-sharing percentages).

**INCOME (LOSS).** Income items are reported on lines 1 through 11.

**1 Ordinary business income (loss).** *(auto-calc)* Taken from line 23 of Form 1065 Page 1.

**2 Net rental real estate income (loss).** *(auto-calc)* Taken from line 21 of Form 8825.

**3 Other rental activities.** Report here the income and expenses for all rental activities *other than rental real estate*:

**Gross income from Form 4835.** *(Road Map line for Standard and Premium Level software, supported by Form 4835.)* The total on line 7 of Form 4835 is reported here, for use in line 3a, below.

**Gross income from other rental activities.** Enter here gross income before deductions for all other rental activities not from rental real estate.

**3a Other gross income rental income (loss).** *(auto-calc)* Computed as the sum of the preceding two amounts.

**Expenses from Form 4835.** *(Road Map line for Standard and Premium Level software, supported by Form 4835.)* The total on line 37 of Form 4835 is reported here for use in line 3b, below.

**Expenses from other rental activities (itemize).** Itemize in a supporting statement for this line expenses for all other rental activities not from rental real estate.

**3b Expenses from other rental activities.** *(auto-calc)* Computed as the sum of the preceding two amounts.

**3c Other net rental income (loss).** *(auto-calc)* Computed as line 3a less line 3b.

**4 Guaranteed payments.** Guaranteed payments to partners come from two sources:

**4a Services.** *(auto-calc)* Automatically transferred from line 10 of Form 1065 Page 1, this is generally the total salaries paid to partners.

**4b Capital.** Enter here the guaranteed payments to partners that the partnership cannot deduct on Form 1065 but must capitalize instead.

**4c Total.** Add lines 4a and 4b. *(auto-calc)* Computed as the sum of the above two lines.

**5 Interest income.** Enter only taxable interest received.

**6 Dividends and dividend equivalents:**

- 6a Ordinary dividends.** Include only taxable ordinary dividends, generally reported to you in box 1a of a Form 1099-DIV.
- 6b Qualified dividends.** These are ordinary taxable dividends included in line 6a, above, that qualify for a lower tax rate for the individual, generally reported to you in box 1b of a Form 1099-DIV.
- 6c Dividend equivalents.** These are payments from derivative instruments that are triggered by dividends from U.S. securities and are therefore treated like U.S. dividends even when provided by foreign derivative instruments for foreign individuals or entities. Section 871(m) of the tax code defines these dividend equivalents.

**7 Royalties.** Enter royalty income.

**8 and 9 Capital gains:**

**Short-term capital gain (loss) from Schedule D.** (*Road Map line, supported by Schedule D.*) The part of line 7 of Schedule D that is portfolio income or loss is posted here.

**Specially allocated short-term capital gain (loss).** Enter here short-term capital gains and losses that are not reported on Schedule D because they are specially allocated to partners.

**8 Net short-term capital gain (loss).** (*auto-calc*) Computed as the sum of the above two lines.

**Long-term net from Schedule D.** (*Road Map line, supported by Schedule D.*) The part of Schedule D, line 15 that is portfolio income or loss is posted here. The part that is *not* portfolio income or loss is posted to line 11 of Schedule K, not here.

**Specially allocated long-term capital gain (loss).** Enter here long-term capital gains and losses that are not reported on Schedule D because they are specially allocated to partners.

**9a Net long-term capital gain (loss).** (*auto-calc*) Computed as the sum of the above two lines.

**28% rate gain (loss) in line 9a from Schedule D.** (*Road Map line, supported by Schedule D.*) The collectibles part of Schedule D, line 15 that relates to portfolio income (the full amount of which is reported at Schedule K, line 9a, above) appears here.

**28% rate gain (loss) specially allocated in line 9a.** Enter the part of the specially allocated amount you entered in line 9a that is 28% rate (collectibles) gain or loss.

**28% rate gain (loss) from non-portfolio income reported on Schedule D.** (*Road Map line, supported by Schedule D.*) The collectibles part of Schedule D, line 15 that relates to nonportfolio income (the full amount of which is reported in Schedule K, line 11, later) appears here.

**Other 28% rate gain (loss).** Enter any other 28% rate (collectibles) gain or loss that must be reported to partners for use in computing the amount for line 18 of their Schedule D (Form 1040).

**9b Collectibles (28%) gain (loss).** *(auto-calc)* Computed as the sum of the above four lines.

**Sec. 1231 unrecaptured sec. 1250 gain in Form 4797 Part III.** *(Road Map line, supported by Form 6252.)* This is the unrecaptured section 1250 gain reported in Part III of Form 4797 and included in Part I of Form 4797, but excluding any amount flowing to Form 6252.

**Sec. 1231 unrecaptured sec. 1250 gain from Form 6252.** *(Road Map line, supported by Form 6252.)* This is the unrecaptured section 1250 gain allocated to the current year from Form 6252, and therefore included in Part I of Form 4797.

**Sec. 1231 unrecaptured sec. 1250 gain from Schedules K-1.** *(Road Map line, supported by Form 6252.)* This is the unrecaptured section 1250 gain reported to the partnership by other partnerships allocated to the current year from Form 6252, and included in Part I of Form 4797.

**Other unrecaptured sec. 1250 gain.** Enter any other unrecaptured section 1250 gain that must be reported to partners for use in computing the amount for line 19 of their Schedule D (Form 1040).

**9c Unrecaptured section 1250 gain.** *(auto-calc)* Computed as the sum of the above four lines.

**10 Net section 1231 gain (loss).** *(Road Map line, supported by Form 4797.)* Taken from line 7 of Form 4797, this is the total gain or loss on Form 4797 that is treated as a long-term capital gain or loss.

**11 Other income or loss.** This is an omnibus line for amounts not reported in lines 1 through 10. These amounts are reported on each partner's Schedule K-1 using codes defined by the IRS.

**IRS-coded amounts for line 11.** There are 5 specific categories defined as codes A through E:

**Code A – Other portfolio income.** Enter portfolio income or loss not included in lines 5 through 10.

**Code B – Involuntary conversions.** *(Road Map line, supported by Form 4684.)* The gain or loss on involuntary conversions due to casualty or theft is posted here from Form 4684 lines 44a, 44b, and 45.

**Code C – Section 1256 contracts.** *(Road Map line for Premium Level software, supported by Form 6781.)* The amount on line 5 of Form 6781 is reported here.

**Code D – Mining exploration costs recapture. involuntary conversions.** Enter as indicated.

**Code E – Cancellation of debt.** Enter the amount reported to the partnership on a Form 1099-C.

**Code L Net gain/loss under section 751(b).** Any income or loss to the partnership from unrealized receivables, substantially appreciated inventory, and other items under section 751(b) must be reported here.



**Code P Gains from section 1252 property recapture.** The recapture on the disposition of section 1252 property is entered here rather than Part III of the partnerships Form 4797. The amounts reported here are used individually by the partners in their separate Forms 4797. You should therefore provide in a general itemized list all information that each partner will need to complete his or her Form 4797.

**Code R Specially allocated ordinary gain or loss.** Enter here other specially allocated amounts not included in the preceding lines.

**Code S Short-term non-portfolio gain or loss from Schedule D.** (*Road Map line, supported by Schedule D.*) The part of line 5 of Schedule D that is *NOT* portfolio income or loss is posted here. (*Note that the IRS does not provide separate Codes for short-term vs. long-term gains and losses.*)

**Code S Long-term non-portfolio gain or loss from Schedule D.** (*Road Map line, supported by Schedule D.*) The part of line 13 of Schedule D that is *NOT* portfolio income or loss is posted here. (*Note that the IRS does not provide separate Codes for short-term vs. long-term gains and losses.*)

**Code ZZ Other income/loss (itemize).** Enter in a supporting statement for this line any other income not included in prior entries, such as gambling gain or loss reported under section 165(d), gains from sec. 1254 dispositions, and gain on the sale of sec. 1202(c) small business stock. Clearly identify the separate components, using the IRS Codes defined for line 11 on page 32 of the IRS 2023 Partner's Instructions for Schedule K-1 (Form 1065). You can also use this line to provide details that partners need concerning amounts that are subject to special treatment on their own returns, such as amounts eligible for up to 50% exclusion of gain under Section 1202. See IRS instructions for details.

**Code ZZ – Other income (loss).** (*auto-calc*) Computed as the sum of the preceding uncoded amounts.

**11 Other income (loss).** (*auto-calc*) Computed as the sum of amounts for codes A through I.

**DEDUCTIONS.** Deductible items are entered on lines 12 through 13e.

**12 Section 179 expense deduction.** Based on:

**Sec 179 for other 1065 depreciation.** *(auto-calc)* Transferred from line 12 of the copy of Form 4562 that is attached to line 16 of Form 1065 Page 1.

**Sec 179 for depreciation on Form 1125-A.** *(auto-calc)* Transferred from line 12 of the copy of Form 4562 that is attached to line 5 of Form 1125-A.

**Sec 179 for depreciation on Schedule F.** *(auto-calc)* Transferred from line 12 of all copies of Form 4562 that are attached to line 14 of all Schedules F.

**Sec 179 for depreciation on Form 8825.** *(auto-calc)* Transferred from line 12 of the copy of Form 4562 attached to line 14 of Form 8825.

**Sec 179 not included above.** Enter here any additional section 179 deduction not included in the copies of Form 4562 identified above.

**Section 179 amount disallowed.** *(auto-calc)* Section 179 deductions are generally limited to \$1,160,000 for tax years starting in 2023. The amount by which the section 179 amounts on the preceding five lines collectively exceed the ceiling is computed here. ***CAUTION: Further limitations may apply if the section 179 expense exceeds the net income of the partnership.*** (The deduction is typically limited to the net income of the partnership, but see the official instructions for Form 4562 for details. *If such a further limitation applies, you must override this line with the proper limitation.*)

**12 Section 179 expense deduction (Form 4562).** *(auto-calc)* Computed as the sum of the first five lines less the above disallowed amount.

**HINT:** Since the section 179 ceiling is applied to the partnership as a whole, and then the limited amount is divided among partners, the deduction available to each partner can be quite small when there are a large number of partners in the partnership. This deduction is therefore seldom used by large partnerships.

**13 Contributions.** Charitable contributions should be separated by category of deductibility so that partners can properly limit the contributions on their own returns. The separate categories are assigned codes by the IRS for reporting the partners' shares on Schedules K-1. See Table 2-9 in the Schedule A section in Chapter 2 of the *Tax Forms Guide 2024 Edition* for guidelines on how to separate contributions.

**Cash contributions limited to 60% of AGI (Code A).** Itemize in a supporting statement for this line contributions that are deductible only to the extent of 60% of the partner's adjusted gross income. *(These contributions were limited to 50% of AGI prior to tax year 2018.)*

**Cash contributions limited to 30% of AGI (Code B).** Itemize in a supporting statement for this line contributions that are deductible only to the extent of 30% of the partner's adjusted gross income.

**13a Cash contributions.** *(auto-calc)* Computed as the sum of the above two amounts.

**Noncash contributions limited to 50% of AGI (Code C).** Itemize in a supporting statement for this line contributions that are deductible only to the extent of 60% of the partner's adjusted gross income.

**Noncash contributions limited to 30% of AGI (Code D).** Itemize in a supporting statement for this line contributions that are deductible only to the extent of 30% of the partner's adjusted gross income.

**Capital gain property limited to 30% of AGI (Code E).** Itemize in a supporting statement for this line contributions of capital gain property to a 50% organization, which are deductible only to the extent of 30% of the partner's adjusted gross income.

**Capital gain property limited to 20% of AGI (Code F).** Itemize in a supporting statement for this line contributions of other capital gain property, which are deductible only to the extent of 20% of the partner's adjusted gross income.

**Contributions limited to 100% of AGI (Code G).** Itemize in a supporting statement for this line only the very special contributions that are deductible to the full extent of AGI. The IRS specifically describes in their instructions for Schedule K only two types of qualified contributions for this category: (a) qualified conservation contributions of property used in agriculture or livestock production and (b) cash contributions for relief efforts in certain disaster areas.

**13b Noncash contributions.** *(auto-calc)* Computed as the sum of the above five amounts.

**Noncash contributions over \$500?** *(auto-calc)* Answered Yes if line 13a (which is comprised code C through code G) is more than \$500. **CAUTION:** *If Yes, you must file Form 8283 to report details on the contributions.*

**Itemize here for Form 8283.** *(For Standard and Premium Levels only: Road Map line, supported by Form 8283.)* This line is provided for easy access to Form 8283, so that you can supply the required information for a Yes answer to the preceding question. It appears only in the Standard and Premium Level software, since Form 8283 is not built into the Economy Level software.

**13c Investment interest expense.** *(auto-calc)* Taken as the amount identified above line 15 of Form 1065 Page 1 as the amount of investment interest to be passed through to partners.

**13d Section 59(e)(2) expenditures.** Section 59(e) allows partners to deduct certain expenses over a 3 or 10 year period, but each partner makes his or her own election.

(1) **Type.** Enter the type of expenditure and the period over which the expense is ratably deducted. If you need more room, provide the information in a supporting statement for the next line.

(2) **Amount.** Enter the total qualified expenditures to which the section 59(e) election applies. If more than one type, itemize this line to

provide a supporting statement, entering each type for (1) in the text column and each amount for (2) in the amount column.

See IRS Instructions for Form 1065 for details.

**13e Other deductions.** Based on:

**Interest not incurred in trade or business of the partnership.** (*auto-calc*) Taken from the entry above line 15 of Form 1065 Page 1 that relates to interest passed to partners other than investment interest.

**Deductions related to portfolio income.** Enter in a supporting statement for this line all deductions clearly allocable to portfolio income,

**Net loss from Form 4684.** (*Road Map line, supported by Form 4684.*) The casualty or theft loss from line 32 of Form 4684 is posted here.

**Other deductions (itemize).** Enter in a supporting statement for this line any other deductions not included above, clearly identify the separate components. See IRS instructions for examples of what to report.

**13e Other deductions.** (*auto-calc*) Computed as the sum of the above four amounts.

**SELF-EMPLOYMENT.** Self-employment income or loss generated for partners is reported here.

**14a Net earnings from self-employment.** Whereas the income reported on lines 1 and 3, and sometimes line 2, of a general partner's Schedule K-1 is generally considered self-employment income, only the amount on line 4 is considered self-employment income to a limited partner. The IRS provides a special worksheet in its instructions for this line which take this distinction into account. The results from that worksheet are entered on line 14a as follows:

**Ordinary income to general partners.** Enter here the portion of lines 1 through 3 of Schedule K that represents income to all general partners taken as a whole.

**Guaranteed payments from line 4.** (*auto-calc*) Taken from line 4 of this schedule.

**Other amounts or adjustments for line 14a.** This line allows the adjustment of the total to appear on line 14a of Schedule K. It should include any special allocations, distributions to special types of partners, and general partners' portions of certain amounts on Form 1065 (excluding interest income earned on notes and accounts receivable), net income or loss from rental of real estate, and net gain or loss from Form 4797. See the IRS *Worksheet for Figuring Net Earnings (Loss) from Self-Employment* in the IRS 1065 Instructions for line 14a.

**14a Net earnings from self-employment.** (*auto-calc*) Computed as the sum of the above three amounts.

**14b Gross farming/fishing income.** Enter the amount of farming or fishing income that can be used by partners in their Schedule SE (Form 1040) under the Farm Optional Method for the self-employment tax.

**14c Gross non-farm income.** Enter the amount of non-farm income that can be used by partners in the computation of their self-employment tax under the Non-farm Optional Method on Schedule SE (Form 1040).

**CREDITS.** Tax credits related to housing and rentals are reported on lines 15a through 15e, and other credits are reported on line 15f. (Note that credit recapture, formerly reported at line 15f along with credits, is now reported at line 20c with other items and amounts.)

**15a Low-income housing credit (section 42(j)(5)).** (*Road Map line for Premium Level software, supported by Form 8586.*) The parts of lines 5 and 12 of Form 8586 that stem from section 42(j)(5) partnerships are reported here. There can be an amount here even if this partnership is not identified below line I of Form 1065 page 1 as a section 42(j)(5) partnership because Form 8586 can include amounts from pass-through entities that are section 42(j)(5) partnerships. The amount on this line is distributed to partners, identified in box 15 of Schedule K-1 as code C.

**15b Low-income housing credit (other).** (*Road Map line for Premium Level software, supported by Form 8586.*) The parts of lines 5 and 12 of Form 8586 not reported on line 15a are reported here. The amount on this line is distributed to partners, identified in box 15 of Schedule K-1 as code D.

**15c Qualified rehabilitation expenditures (rental real estate).** (*Road Map line, supported by Form 3468.*) The expenditures associated with lines 11e through 11j and 11m of Form 3468 are reported here to the extent that they are rental real estate properties. The individual partners determine their credit by using these amounts (as allocated to them) on their own Forms 3468. The expenditures that are *NOT* rental real estate are reported as a component of line 20c, described later. The amount on line 15c is distributed to partners, identified in box 15 of Schedule K-1 as code E.

**15d Other rental real estate credits.** Detail in a supporting statement for this line any information partners may need to figure any other credits on rental real estate not reported in the preceding lines, identifying the type of credit for each. The amount on this line is distributed to partners, identified in box 15 of Schedule K-1 as code F.

**15e Credits related to other rental activities.** Enter in a supporting statement for this line any information partners may need to figure credits related to any other rental activity, identifying the type of credit for each. The amount on this line is distributed to partners, identified in box 15 of Schedule K-1 as code G.

**15f Other credits.** Other credits passed to partners or figured by partners are reported on the following lines, most of which have been assigned a specific code for reporting to partners on Schedule K-1:

**Undistributed capital gain.** Enter the amount reported to the partnership as a shareholder in a RIC or REIT. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code H.

**6478 Biofuel producer credit.** (Road Map line for Premium Level software, supported by Form 6478.) The credit before limitation to tax is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code I.

**5884 Work opportunity credit.** (Road Map line for Premium Level software, supported by Form 5884.) The credit shown on line 4 of Form 5884 is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code J.

**8826 Disabled access credit.** Enter the credit before limitation to tax shown on Form 8826 (not built into the software). This amount is distributed to partners, identified in box 15 of Schedule K-1 as code K.

**8844 Empowerment zone and renewal community employment credit.** Enter the credit before limitation to tax shown on Form 8844, line 3 (not built into the software). This amount is distributed to partners, identified in box 15 of Schedule K-1 as code L.

**6765 Increasing research credit.** (Road Map line for Premium Level software, supported by Form 6765.) The credit shown on Form 6765 is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code M.

**8846 Credit for employer social security and Medicare taxes on tips.** (Road Map line for Premium Level software, supported by Form 8846.) The credit shown on line 6 of Form 8846 is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code N.

**Backup withholding.** Enter the credit for backup withholding on dividends, interest, and other income of the partnership. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code O.

**3468 Unused investment credit from cooperatives.** (Road Map line, supported by Form 3468.) The corresponding amounts on Form 3468 are reported here. This credit is identified in box 15 of Schedule K-1 as codes P through U.

**8936 New clean vehicle credit.** (Road Map line for Standard and Premium Levels, supported by Form 8936.) The business and investment part of the credit, shown on line 8 of Form 8936, is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code AY.

**8936 Plug-in electric drive vehicle credit.** (Road Map line for Standard and Premium Levels, supported by Form 8936.) The business and

investment part of the credit, shown on line 21 of Form 8936, is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code AZ.

**8941 Small employer health insurance credit.** (*Road Map line for Standard and Premium Levels, supported by Form 8941.*) This credit stems from the *Health Care Reform Act of 2010*. For partnerships, the amount on line 16 of Form 8941 is reported here. This amount is distributed to partners, identified in box 15 of Schedule K-1 as code BA.

**Other credits (itemize).** Report any other credits in a supporting statement for this line. See IRS instructions for line 15f in the IRS *Instructions for Form 1065* for a list of other credits to include. The amount on this line is distributed to partners, identified in box 15 of Schedule K-1 using the generic code ZZ. **TIP:** If you have a credit for this line that has an IRS Code on page 33 or 34 of the IRS *2023 Partner's Instructions for Schedule K-1 (Form 1065)*, enter that code as the first one or two characters in your entry in the support, followed by 5 or 4 spaces.

**15f Other credits.** (*auto-calc*) Computed as the sum of all credits reported above for line 15f.

**INTERNATIONAL TRANSACTIONS.** This section of Schedule K is now used merely to flag to the IRS that Schedule K-2 (Form 1065) is attached, which is now required for reporting details of international tax relevance. See IRS Pub. 517 for details.

**16 Are you reporting items of international tax relevance?** Answer Yes if the partnership had foreign income or loss, or paid or accrued foreign income. If Yes, you must complete and attach *Schedule K-2 (Form 1065) – Partners' Distributive Share Items – International, which is not included in this software*. A Yes answer here will be indicated on Schedule K-1 as an X in the box withing box 16 of each partner's Schedule K-1.

**ALTERNATIVE MINIMUM TAX (AMT) ITEMS.** This part is used to report entries needed by partners in order to complete the alternative minimum tax form (Form 6251 for individuals) on their own returns.

**17a Post-1986 depreciation adjustment.** This adjustment is only for tangible property placed in service after 12/31/86 (and tangible property placed in service after 7/31/86 if the general depreciation system was elected). The adjustment is generally relative to an accelerated depreciation over a longer life than originally taken. For property placed in service after 1998, only property depreciated using the 200% declining balance method applies to this line, and the adjustment is the amount by which the deduction using 200% differs from that using 150%. See IRS instructions for Form 1065 for complete details and our details for line 8 of Form 6251 in the main *Tax Forms Guide 2024 Edition*.

- 17b Adjusted gain or loss.** If the partnership disposed of any property put in service after 1986, enter here the difference between the actual gain and the AMT gain.
- 17c Depletion (other than oil and gas).** Enter the amount of depletion that is more than the year-end adjusted basis of the property figured without regard to depletion.
- 17d Oil, gas, and geothermal properties – gross income.** Enter only income from these sources included in line 8 of Form 1065.
- 17e Oil, gas, and geothermal properties -- deductions.** Enter only the amount from these sources included in line 20 of Form 1065.
- 17f Other AMT items (itemized).** Enter items not reported in lines 17a through 17e that the partners need to complete the AMT forms for their own returns, including accelerated depreciation (the amount of depreciation taken which is in excess of straight-line depreciation) on real property and leased personal property placed in service before 1/1/87. See IRS instructions for details. Supply all information in a supporting statement for this line, categorizing the amounts in accordance with the separate lines on the AMT forms that apply to the partners (Form 6251 for individuals).

**OTHER INFORMATION.** This section is a catch-all for all other items that must be reported to partners.

**18 Tax-exempt income and nondeductible expenses:**

- 18a Tax-exempt interest income.** Enter tax-exempt interest received.
- 18b Other tax-exempt income.** Enter all other tax-exempt income here.
- 18c Nondeductible expenses.** Enter expenses not reported elsewhere because they are not deductible from income for tax purposes.

**19 Distributions:**

**19a Distributions of cash and marketable securities.** Enter distributions to partners made not only in the form of cash but also in the form of marketable securities that are treated as money under section 731(c)(1). These distributions are identified in box 19 of Schedule K-1 as code A.

**19b Distributions of other property.** All distributions to partners for the year *not included in line 19a* are reported here:

**Distributions subject to section 737.** Enter here only distributions of property that is section 737 property. You are required to provide information unique to each partner for this distribution, so you'll need to create a separate supporting statement for each partner's Schedule K-1. That statement must show the fair market value of the property received in the distribution, the amount of money received in the distribution, and the net precontribution gain of the partner. See IRS *Instructions for Form 1065* for details. These distributions are identified in box 19 of Schedule K-1 as code C.

**Distributions of other property (not section 737).** Enter only distributions of property that is not section 737 property. In a supporting statement for this line, provide the adjusted basis and fair market



value of each property distributed. These distributions are identified in box 19 of Schedule K-1 as code B.

**CAUTION: Special rules for distribution of marketable securities.** For distributions made after December 8, 1994, the fair market value of securities distributed to partners is generally treated by the partner as money received when figuring the amount of gain that must be recognized for tax purposes. That is, the partner must recognize a gain to the extent that cash plus marketable securities received exceeds the partner's basis in his or her partnership interest immediately before the distribution. Distributions are detailed on lines 19a and 19b of Schedules K and K-1 to help the IRS enforce these rules. See IRS Section 731(c) for details.

**20 Investment and other information:**

**Adjustment to 5+6a+7+11 for line 20a.** If the sum of lines 5, 6a, 7, and the portfolio income part of line 11 (code A) is not equal to the total investment income for the partnership, enter any necessary adjustment here. For example, income and expenses from a passive activity should generally *NOT* be included.

**20a Investment income.** *(auto-calc)* Computed as the sum of lines 5, 6a, 7, and 11 plus the above adjustment. This income is identified in box 20 of Schedule K-1 as code A.

**Adjustment to portfolio income for line 20b.** If the amount you entered for "Deduction for portfolio income" in line 13d is not equal to the total investment expense for the partnership, enter any necessary adjustment here. See IRS instructions for details.

**20b Investment expenses.** *(auto-calc)* Computed as the "Deduction for portfolio income" part of line 13d plus the above adjustment. This expense is identified in box 20 of Schedule K-1 as code B.

**20c Other items and amounts.** Other items that must be reported to partners, but that do not fit into the categories of any other lines, must be reported here:

**4136 Fuel tax credit information.** No credit amount is reported here because each partner must use the information provided on Form 4136 to complete his or her own Form 4136. Any entry here or in a supporting statement will appear in box 20 of Schedule K-1 identified as code C.

**3468 Qualified rehabilitation expenditures not on line 15c.** *(auto-calc, supported by Form 3468, but not blocked)* The expenditures associated with lines 11e through 11g and 11j of Form 3468 are reported here to the extent that they are NOT rental real estate properties. A partner's share of this total will appear in box 20 of Schedule K-1 identified as code D. If an amount appears here, you must provide the details of Form 3468 lines 11b through 11g and 11j in a supporting statement for this line:

- (1) Identify the lines contributing to the total by entering the Form 3468 line numbers in the description column and the basis in the amount column. *Only lines 11e, 11f, 11g, and 11j apply.*
- (2) For lines 11b, 11c, and 11d, provide all information (line numbers, date, amounts) in the description column. Do not make any entry for these lines in the amount column.

Make sure that the total in the supporting statement matches the amount posted to Schedule K from Form 3468; the entries in the amount column will then be properly allocated among partners in the support for box 20, code D, of their Schedules K-1. *TIP: You can access Form 3468 through the Road Map at line 15c of Schedule K.*

**3468 Basis of energy property.** *(auto-calc, supported by Form 3468, but not blocked)* The basis of all energy property in lines 12a through 12v is reported here. A partner's share of this total will appear in box 20 of Schedule K-1 identified as code E. *If an amount appears here, you must provide the details of Form 3468 lines 12a through 12v in a supporting statement for this line:*

- (1) Identify the lines contributing to the total by entering the Form 3468 line numbers in the description column and the basis in the amount column. Only lines 12a, 12b, 12c, 12f, 12i, 12l, 12o, 12q, 12r, 12s, 12t, 12u, and 12v apply.
- (2) For lines 12d, 12g, and 12j, enter all information in the description column alone, including the line numbers and the kilowatt capacities, megawatts, and horsepower. Do not make an entry in the amount column.

Make sure that the total in the supporting statement matches the amount posted to Schedule K from Form 3468; the entries in the amount column will then be properly allocated among partners in the support for box 20, code E, of their Schedules K-1. *TIP: You can access Form 3468 through the Road Map at line 15c of Schedule K.*

**8611 Recapture of low-income housing credit (section 42(j)(5)).** *(Road Map line for Premium Level software, supported by Form 8611.)* Line 8 of a Form 8611 for which the amount is passed through from a section 42(j)(5) partnership of which this partnership is a partner, plus, if this partnership is itself a section 42(j)(5), the amount on line 17. A partner's share of this total will appear in box 20 of Schedule K-1 identified as code F.

**8611 Recapture of low-income housing credit (other).** *(Road Map line for Premium Level software, supported by Form 8611.)* Line 8 of a Form 8611 not passed through from a section 42(j)(5) partnership, plus, if this partnership is not a section 42(j)(5) itself, the amount on line 7. A partner's share of this total will appear in box 20 of Schedule K-1 identified as code G.

**4255 Investment credit.** (*Road Map line for Premium Level software, supported by Form 4255.*) The amount on line 13 of Form 4255 is reported here. A partner's share of this total will appear in box 20 of Schedule K-1 identified as code H.

**Recapture of other (itemize).** Report other recapture in a supporting statement for this line. See the IRS *Instructions for Form 1065* for examples. The amount you report here will be shown in box 20 of a partner's Schedule K-1 as code ZZ, but you should use IRS Codes in your support if defined on page 35 of the IRS *2023 Partner's Instructions for Schedule K-1 (Form 1065)*.

**Other items to report.** You must provide, in a supporting statement for this line, all other information required to be reported to partners, including:

- Basis in qualifying advanced coal project property (lines 5a, 5b, and 5c of Form 3468), basis in qualifying gasification project property (lines 6a and 6b of Form 3468), and basis in advanced energy project property (line 7 of Form 3468). *TIP: The total of these basis amounts is shown on the last calculated line of the last screen of Form 3468, but is NOT automatically posted here. You must itemize the amounts in the cited lines in a supporting statement for this line, showing the line numbers in the description column and the basis for each line in the amount column. Make sure that the total in the supporting statement matches the total on Form 3468 so that the amounts are properly distributed among partners.*
- Nonqualified withdrawals from a capital construction fund.
- Taxes on undistributed regulated investment company capital gains.
- Gallons of fuels used and appropriate tax rate for each use.
- Gross income and share of production for oil or gas wells. Include information on oil and gas depletion for use by each partner, since oil and gas depletion cannot be deducted by the partnership itself.
- Recapture of section 179 deduction.
- Qualified income and expenditures under section 58(i) election.
- Intangible drilling costs under section 263.
- Items needed to determine basis of interest for section 704(d).
- Transfers of partnerships interests under section 6050k.
- Registration of Tax Shelters under section 6111.
- Information to partners to substantiate cause for understatement of tax liability under section 6661.
- Construction period interest and taxes under section 189.

See the IRS *Instructions for Form 1065* for more examples.

- 21 Total foreign taxes paid or accrued.** Enter all amounts in a supporting statement for this line, categorizing each tax as (1) taxes withheld at source on interest, (2) taxes withheld at source on dividends, (3) taxes withheld at source on rents and royalties, or (4) other foreign taxes. In the text column of the support, enter the

date each tax was paid or accrued and the amount in the *foreign* currency. *In the amount column of the support, enter the amount in U.S. dollars.*

### **Summary for Partnership:**

**Overall NET INCOME OR LOSS.** *(auto-calc)* Computed as net the income or loss on lines 1, 2, 3c, 4c, 5, 6a, 7, 8, 9a, 10, and 11 less the deductions on lines 12 through 13e and the foreign tax paid on line 21, this is the net income or loss for the partnership. It is posted to line 1 of *Analysis of Net Income (Loss)* at the top of page 6 of Form 1065.

**For Schedule K-1 (itemize if Yes).** In order for their answers and support to be automatically included on Schedule K-1 for all partners, two questions that do not appear on the IRS Schedule K but appear on IRS Schedule K-1 must be answered here. They relate to item K on Form 1065, page 1, concerning multiple activities that are aggregated or otherwise grouped together.

**22 More than one activity for at-risk purposes.** If you answer Yes, you must itemize this line to provide the information that each partner needs to correctly figure their at-risk limitations.

**23 More than one activity for passive activity purposes.** If you answer Yes, you must itemize this line to provide the information that each partner needs to correctly figure their passive activity limitations.

**FORM 1065 PAGE 6 (Schedules L, M-1, and M-2)**

*The next few pages detail the final page of the 6-page Form 1065. Although the bulk of the page is comprised of Schedules L, M-1, and M-2, which are not required if you could answer Yes to Question 4 of Schedule B (Form 1065, page 2), the first section of the page, Analysis of Net Income (Loss), is always required and depends on entries you can make only after the final recalculation of the return. This page is accessible only from the bottom of the last screen of Form 1065, page 1, or the Forms Menu.*

**ANALYSIS OF NET INCOME (LOSS).** This section is used by the IRS to assess the type of partnership.

**1 Net income (loss) from Schedule K.** *(auto-calc)* Taken from the NET INCOME OR LOSS line we display at the end of Schedule K (Form 1065, page 5), which is the sum of Schedule K, lines 1, 2, 3c, 4, 5, 6a, 7, 8, 9a, 10, and 11 less the deductions on lines 12 through 13e and the foreign tax paid on line 21. This is the distributive net income and payments.

**2 Analysis by type of partner.** This section shows how the above total is distributed among different classes of partners. The partners are first separated into **(a) general partners** and **(b) limited partners**. Then six classes are identified for each: **(i)** Corporate, **(ii)** Individual with active participation, **(iii)** Individual with passive participation, **(iv)** Partnership, **(v)** Exempt organization, **(vi)** Nominee or other. See the sections for Schedule E and Form 8582 in the *Tax Forms Guide 2024 Edition* for discussions of active participation and passive activities. **CAUTION:** *Because you must allocate the result on line 1 among these 12 categories, you cannot make accurate entries until the amount on line 1 is final (upon the final recalculation of the return).*

Refer to the IRS instructions for *Analysis of Net Income (Loss)* in the IRS's *Instructions for Form 1065* for more information.

**SCHEDULE L (BALANCE SHEETS).** Even if you must submit balance sheets, you may, under some circumstances, leave Schedule L blank and submit the balance sheets you have to submit to your local authority in place of Schedule L. In either case, you must explain and justify in a supporting statement any difference between the balance sheets you submit to the IRS and the partnership's books (such a difference due to contributed property).

**Assets.** The assets side of the balance sheets is completed first. The assets at the beginning of the year are specified first, then the assets at the end of the year. The categories for both parts are identical, but entries and calculations for the beginning of the year appear in columns (a) and (b) when printed, while entries and calculations for the end of the year appear in columns (c) and (d). The first two screens of Schedule L apply to assets at the beginning of the tax year, and the next two apply to assets at the end of the tax year.

**1 Cash.** Enter cash assets here.

**2a Trade notes and accounts receivable.** Enter short-term receivables here.

**2b Less allowance for bad debts.** Enter as indicated.

**Net accounts receivable.** *(auto-calc)* Computed as line 2a less line 2b.

**3 Inventories.** Enter as indicated.

**4 U. S. government obligations.** Enter as indicated.

**5 Tax-exempt securities.** Enter state and local government obligations, the interest on which is exempt from federal income tax. Also include stock in a mutual fund or other regulated investment company from which the partnership received tax-exempt income.

**6 Other current assets (itemize).** You must describe any other current assets in a supporting statement for this line.

**7a Loans to partners.** Also include loans to persons related to partners.

**7b Mortgage and real estate loans.** Enter all realty loans for which the partnership is the lender.

**8 Other investments (itemize).** You must describe any other investments in a supporting statement for this line.

**9a Buildings and other depreciable assets.** Enter as indicated.

**9b Less accumulated depreciation.** Enter all past depreciation taken on the items in line 9.

**Net depreciable assets.** *(auto-calc)* Line 9a less line 9b.

**10a Depletable assets.** Enter as indicated.

**10b Less accumulated depletion.** Enter all past depletion taken on the items in line 10.

**Net depletable assets.** *(auto-calc)* Line 10a less line 10b.

**11 Land (net of any amortization).** Enter as indicated.

**12a Intangible assets (amortizable only).** Enter as indicated.

**12b Less accumulated amortization.** Enter all past amortization taken on the items in line 12a.

**Net amortizable assets.** *(auto-calc)* Line 12a less line 12b.

**13 Other assets (itemize).** You must describe any other assets in a supporting statement for this line.

**14 TOTAL assets.** *(auto-calc)* The sum of lines 1 through 13. The end of year result, column (d), is posted to line F of Form 1065 Page 1 unless it is zero; if zero, the beginning of year total, column (b) of line 14, is posted to line F of Form 1065 Page 1 instead.

**Liabilities and Capital.** The liabilities side of the balance sheets is completed next. The beginning-of-year and end-of-year liabilities alternate for each numbered line. Entries and calculations for the beginning of the year appear in column (b) when printed, while entries and calculations for the end of the year appear in column (d).

**15 Accounts payable.** Enter as indicated.

**16 Mortgages, notes, and bonds payable in less than 1 year.** Enter as indicated.

**17 Other current liabilities (itemize).** You must describe any other current liabilities in a supporting statement for this line.

## Partnership Supplement (2024 Edition)

Form 1065 (Schedules L, M-1, and M-2)

- 18 All nonrecourse loans.** Enter here liabilities for which NONE of the partners have any personal liabilities.
- 19a Loans from partners.** Also include loans from persons related to partners.
- 19b Mortgages, notes, and bonds payable in 1 year or more.** Enter as indicated.
- 20 Other liabilities (itemize).** You must describe any other liabilities in a supporting statement for this line.
- 21 Partners' capital accounts.** *(auto-calc)* The beginning of year entry, column (b), is taken automatically from line 1 of Schedule M-2, below. The end of year entry, column (d), is taken automatically from line 9 of Schedule M-2, below. Both lines, however, can be overridden, if necessary, through use of the Override Key.
- 22 TOTAL liabilities and capital.** *(auto-calc)* Lines 15 through 21 are separately summed for beginning-of-year and end-of-year columns.

**SCHEDULE M-1 - RECONCILIATION OF INCOME PER BOOKS WITH INCOME PER RETURN.** This schedule reconciles the partnership's books with the partnership's tax return, so that differences are clearly accounted for. The result on line 9 of this schedule will match the result for NET INCOME OR LOSS at the bottom of the last screen of Schedule K once the two are fully reconciled. *CAUTION: If, after final recalculation of the return, an amount appears on the line below line 9 labeled "DISCREPANCY vs. Schedule K," you have not properly explained the differences between the books and the return in schedule M-1.*

**SCHEDULE M-2 - ANALYSIS OF PARTNERS' CAPITAL ACCOUNTS.** This schedule reconciles the capital accounts of all partners combined. *The separate capital accounts for each partner, reported on line J of each partner's Schedule K-1, should generally add up to the amounts on this schedule.*

- 1 Balance at beginning of year.** Enter beginning amount from line 9 of last year's Sch. M-2. This entry is used for line 21(b) of Sch. L.
- 2 Capital contributed during year.** Enter capital contributed by all partners together, separately stated for cash and property.
- 3 Net income per books.** *(auto-calc)* Taken from line 1 of Sch. M-1.
- 4 Other increases (itemize).** Enter all other gains in a supporting statement for this line, including capital GAINS, tax-exempt income, and dividends that qualify for exclusion.
- 5 Total of lines 1 through 4.** *(auto-calc)* Computed as indicated.
- 6 Distributions.** Enter distributions made in cash or property, including interest passed to partners and purchases for personal use.
- 7 Other decreases (itemized).** Include in a supporting statement for this line capital LOSSES, charitable contributions, other nondeductible amounts, and other itemized deductions.
- 8 Total of lines 6 and 7.** *(auto-calc)* Computed as indicated.
- 9 Balance at end of year.** *(auto-calc)* Computed as line 5 less line 8, this result is automatically posted to line 21(d) of Schedule L.

Schedule B-1 / Information on Partners Owning 50% or More of the Partnership

**Purpose.** This schedule is used to supply information on partners who own 50% or more interest in the partnership, whether based on profit, loss, or capital. You are required to complete Schedule B-1 only if your answer to line 2a or 2b of Schedule B (Form 1065, page 2) is Yes. *Schedule B-1 is accessible through the Road Map below lines 2a and 2b of Schedule B (Form 1065 pages 2, 3, and 4).*

**PART I, ENTITIES OWNING 50% OR MORE OF THE PARTNERSHIP.** Use this part to supply information on any partner that is a foreign or domestic corporation, partnership, trust, or tax-exempt organization that owns 50% or more interest in the profit, loss, or capital of the partnership.

**Did any foreign or domestic corporation, partnership, trust, tax-exempt organization, or any foreign government own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?** *(auto-calc)* Taken from your answer to line 2a of Schedule B (Form 1065 page 2), which you should have completed before accessing this Schedule B-1. If Yes, you must complete the worksheet that supports the next line.

**If Yes, itemize worksheet here.** *(Supported by the Schedule B-1 Part I Worksheet, Figure PAR-5.)* You must supply all information for Part I on the worksheets that support this line, illustrated below.

**Schedule B-1 Part I Worksheet.** You must identify ALL partners who are partners described on line 2a of Schedule B (Form 1065 page 2).

- i Name of Entity.** Enter the name in 30 characters or less.
- ii Employer ID Number.** Enter entity's EIN in the standard xx-xxxxxxx format.
- iii Type of Entity.** Enter corporation, partnership, trust, or tax-exempt.
- iv Country of Organization.** Enter the country in 11 characters or less, using a standard abbreviation when necessary.
- v Maximum Percentage Owned in Profit, Loss, or Capital.** Enter the percentage for the classification with the highest percentage of ownership, from 0 to 100.

SCH B-1 PART I WORKSHEET

i

Name of Entity .....

ii

Employer ID Number .....

iii

Type of Entity .....

iv

Country of Organization ..

v

Maximum Percentage Owned .  
Enter maximum % (from 0%  
to 100%) of ownership of  
profit, loss, or capital.

Figure PAR-5. Schedule B-1  
Part I Worksheet

**Did any individual or estate own, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership?** *(auto-*



*calc*) Taken from your answer to line 2b of Schedule B (Form 1065 page 2), which you should have completed before accessing this Schedule B-1. If Yes, you must complete the worksheet that supports the next line.

**If Yes, itemize worksheet here.** (*Supported by the Schedule B-1 Part II Worksheet, Figure PAR-6.*) You must supply all information for Part II on the worksheets that support this line, illustrated below.

**Schedule B-1 Part II Worksheet.** You must identify ALL partners who are partners described on line 2b of Schedule B (Form 1065 page 2).

**i Name of Individual or Estate.** Enter the name in 30 characters or less.

**ii SSN or EIN.** If an individual, enter the individual's SSN in the standard xxx-xx-xxxx format. Otherwise, enter the estate's EIN in the standard xx-xxxxxxx format.

**iii Country of Citizenship.** If an individual, enter that person's country of citizenship. Otherwise, enter the country of citizenship for the estate's decedent. (Use a standard abbreviation when necessary.)

**iv Maximum Percentage Owned in Profit, Loss, or Capital.** Enter the percentage for the classification with the highest percentage of ownership, from 0 to 100.

```
SCH B-1 PART II WORKSHEET
1  Name Individ. or Estate ....:

ii  SSN or EIN .....
iii Country of Citizenship ...
iv  Maximum Percentage Owned .
     Enter maximum % (from 0%
     to 100%) of ownership of
     profit, loss, or capital.
```

**Figure PAR-6 Schedule B-1  
Part II Worksheet**

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

### Schedule D / Capital Gains and Losses

**Purpose.** Schedule D is used to report the sale or exchange of capital assets, except for capital gains and losses that are specially allocated to partners, and is accessible through Schedule K (Form 1065, page 5) above lines 8, 9a, 9b, and 11. **CAUTION: Sales of depreciable property, such as property used in a trade or business or rental property, are reported on Form 4797, not here.**

**The role of Form 8949.** Since tax year 2012, the IRS has designed Schedule D (Form 1065) to be a summary form that consolidates amounts from other forms, just like the Schedule D for Form 1040 returns. Details that were formerly shown on Schedule D are now shown on six separate pages of Form 8949 instead. However, for data entry purposes in the software, details for amounts not stemming from other forms are still entered on worksheets for Schedule D. Those details are then automatically printed by the software on the appropriate pages of Form 8949, since the IRS requires that transactions for three separate categories in two holding periods (short-term vs. long-term) be reported on separate Forms 8949 pages each, so there can be as many as six pages of Form 8949. The results of the six pages are shown on lines 1b through 3 of Schedule D for short-term transactions and lines 8b through 10 of Schedule D for long-term transactions. **Form 8949 is automatically generated and completed for you based on your Schedule D entries, and there are no user entries allowed on that form.** (You can use details on Schedule D (Form 1040) in the main *Tax Forms Guide 2024 Edition* for more details on how this system works.)

**TIP: Most sales reported on Schedule D are "portfolio" transactions, and NOT SUBJECT TO PASSIVE LOSS LIMITATIONS.** Sales of investment holdings are not normally subject to the passive loss rules. However, **you must identify such sales** by answering Yes to the "Portfolio?" question on the worksheets described below. Otherwise, the transactions will be reported to partners as being subject to the passive loss rules that are implemented by Form 8582 on each partner's Form 1040 return.

**Short-term vs. long-term capital transactions.** Short-term and long-term holdings are reported separately because long-term gains are generally taxed to the partners more favorably than short-term gains. You must therefore enter the proper transactions in the proper sections so that the partners can properly reflect them on their own returns.

**Alternative to itemizing transactions.** Prior to 2013 you were required to separately list all separate transactions for Schedule D separately, showing the proceeds, cost, and net income for each. But there is now an alternative for transactions that meet a stringent set of conditions. For transactions that qualify, you are allowed to combine all transactions of the same class of holding period (short-term vs. long-term) and provide only three numbers for the aggregate: total proceeds, total cost (or other basis), and net gain or loss (computed as proceeds less cost). These are transactions that would have formerly been itemized at line 1 or 8 of Schedule D (now labeled lines 1b and 8b). New lines 1a (for short-term transactions) and 8a (for long-term transactions) of Schedule D have been added for this purpose. Every transaction included in the aggregate for line 1a or line 8a must satisfy all of the following conditions:

- It must be reported to you on a Form 1099-B (*Proceeds From Broker and Barter Exchange Transactions*) or equivalent statement for the transaction with box 6b checked (indicating that the basis was reported to the IRS).
- The property sold must not be a collectible.
- It would not require any adjustments on line (g) if you had itemized the transaction on line 1b or 8b. This means you can have no passive activities that have a carryover or disallowed amount and no other adjustments listed on pages 8 through 10 of the IRS *2023 Instructions for Form 8949*, including other nondeductible losses, such as wash sale losses, and gains that are excludable, such as sales from exchanges.

**Qualified Opportunity Fund (QOF).** The first data entry line on Schedule D (Form 1065) is really just a flag to the IRS and a reminder to taxpayers about the special treatment that applies to qualified opportunity funds.

**Did the partnership dispose of any investment(s) in a qualified opportunity fund during the tax year?** If Yes, you will generally have to report previously-deferred gain on Schedule D through our worksheets. Instructions on how to complete the worksheets is provided on page 12 of the IRS *2023 Instructions for Form 8949* under the title "How to Report Gain Previously Deferred in a QOF Investment." You may also have to file IRS Form 8997 to report the change in your investment in the QOF.

**PART I - SHORT-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD ONE YEAR OR LESS.** Lines 1 through 7 of Schedule D are reserved for assets held one year or less. You must determine yourself whether an asset should be reported here or in the next section, and access the worksheets from the proper section.

**Short-term sales reported on Schedule D alone.** You should report most of the partnership's own short-term transactions here, except for installment sales. (You will report transactions by partnerships, S corporations, and fidu-

## Schedule D

ciaries in which the partnership has an interest at line 6.) Except for transactions that you include in the combined totals at line 1a, you **MUST** supply all information on the Gain/Loss Worksheets provided by the software at lines 1b, 2, and 3 in order to satisfy IRS reporting requirements and to properly automate the passive loss rules. Use these lines **ONLY** for SHORT-TERM sales. Sales are usually reported to the partnership and the IRS on Forms 1099-B or 1099-S. Using one worksheet for each transaction, any number of transactions may be entered, within your disk space limitations.

**Separate lines for separate Form 1099-B status.** You must separately report transactions based on what information was reported to the partnership by the seller or broker. Lines 1a, 1b, 2, and 3, below, provide this separation, and a separate set of worksheets is available for each line except line 1a.

**1a Certain combined transactions.** This category is reserved for the aggregate of all transactions that satisfy certain conditions and you choose not to include in line 1b. It provides a convenient alternative to itemizing all transactions for the year. ***CAUTION:** In order for a transaction to be included on this line, it must satisfy the conditions detailed in the shaded box on the preceding page titled "NEW: Alternative to itemizing transactions."*

**(d) Proceeds (sales price).** Enter the sum of proceeds (box 2a of Form 1099-B) for all transactions that you are reporting on line 1a.

**(e) Cost or other basis.** Enter the sum of basis (box 3 of Form 1099-B) for all transactions that you are reporting on line 1a.

**(h) Gain or loss.** *(auto-calc)* Computed as line (d) less line (e), this is the net income for all transactions included in line 1a combined.

**Non-portfolio amount in line (h).** You must enter the amount in the above line that stems from transactions *NOT* identified as portfolio transactions.

**1b Short-term transactions reported on Form 1099-B with basis reported to the IRS.** *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-7a.)* Itemize this line to report short-term transactions reported to the partnership on a Form 1099-B with your basis (usually original cost) shown on the form. The sale of common stock that was both purchased and sold for the partnership by the same broker is usually reported to the partnership this way. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box A checked.*

**(d) Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 1 combined, this amount will also appear on line 2(d) of the appropriate page of the printed Form 8949.

**(e) Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 1 combined, this amount will also appear on line 2(e) of the appropriate page of the printed Form 8949.

**(g) Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 1 combined, this amount will also

appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.

- (h) Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 1 combined.

**Non-portfolio amount in line (h).** *(auto-calc; supported by the Short-term Gain/Loss Worksheet, Figure PAR-7.)* The total gain or loss from the same worksheets for only those transactions *NOT* identified as portfolio transactions appears here.

- 2 Short-term transactions reported on Form 1099-B but basis not reported to the IRS.** *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-7a.)* Itemize this line to report short-term transactions reported to the partnership on a Form 1099-B for which your basis is not shown. The sale of common stock that was sold for the partnership by a different broker than the broker who purchased the stock for the partnership. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box B checked.*

- (d) Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 2 combined, this amount will also appear on line 2(d) of the appropriate page of the printed Form 8949.

- (e) Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 2 combined, this amount will also appear on line 2(e) of the appropriate page of the printed Form 8949.

- (g) Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 2 combined, this amount will also appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.

- (h) Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 2 combined.

**Non-portfolio amount in line (h).** *(auto-calc; supported by the Short-term Gain/Loss Worksheet, Figure PAR-7.)* The total gain or loss from the same worksheets for only those transactions *NOT* identified as portfolio transactions appears here.

- 3 Short-term transactions not reported on Form 1099-B.** *(Supported by the Short-term Gain/Loss Worksheet, Figure 2-7a.)* Itemize this line to report short-term transactions not reported to the partnership on a Form 1099-B. The sale of real estate is normally reported to the partnership on a Form 1099-S from the partnership's real estate broker, not Form 1099-B, and would therefore be reported here. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 1, with box C checked.*

## Schedule D

- (d) **Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 3 combined, this amount will also appear on line 2(d) of the appropriate page of the printed Form 8949.
- (e) **Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 3 combined, this amount will also appear on line 2(e) of the appropriate page of the printed Form 8949.
- (g) **Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 3 combined, this amount will also appear on line 2(g) of the appropriate page of the printed Form 8949. This adjustment can be negative or positive.
- (h) **Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 3 combined.

**Non-portfolio amount in line (h).** *(auto-calc; supported by the Short-term Gain/Loss Worksheet, Figure PAR-7.)* The total gain or loss from the same worksheets for only those transactions *NOT* identified as portfolio transactions appears here.

**CAUTION:** You must create worksheets at line 3 to reflect the following total from Form 6781, Part II. Unlike Schedule D (Form 1040), the IRS failed to include amounts from Form 6781 in line 4 of Schedule D (Form 1065). As a result, you must reflect those amounts in worksheets for line 3 yourself. *If you fail to do so, the short-term amounts from Form 6781 will not be reflected in the total at line 7!*

**Form 6781, Part II amount for Schedule D, line 3.** *(Road Map line for Premium Level software, supported by Form 6781.)* The amount of short-term capital gain or loss shown from Part II of Form 6781 is reported here.

- 4 Short-term gain from Form 6252.** *(Road Map line, supported by Form 6252.)* Short-term gains from installment sales for Schedule D are posted here from all copies of Form 6252 completed.
- 5 Short-term gain or loss from like-kind exchanges from Form 8824.** *(Road Map line for Premium Level software, supported by Form 8824.)* You must complete Form 8824 to claim the deferral of any gain under the rules for like-kind exchanges. Any short-term gain or loss resulting on that form is reported here.
- 6 Short-term gain or loss from other partnerships and fiduciaries.** Enter the partnership's share of net short-term capital gains or losses from *other* partnerships and from fiduciaries (estates and trusts), including specially allocated short-term capital gains or losses. This entry should generally be the sum of amounts from all Schedules K-1 received from the partnerships and fiduciaries.
- 7 NET SHORT-TERM CAPITAL GAIN OR (LOSS).** *(auto-calc)* Computed as the sum of amounts on lines 1a(h), 1b(h), 2(h), and 3(h) plus the amounts on lines 4 through 6.

**Amount for Schedule K, line 11.** *(auto-calc)* Taken as the non-portfolio part of lines 1a(h), 1b(h), 2(h), and 3(h), this result is posted to Schedule K (Form 1065, page 5) as the component of line 11 labeled "ST non-portfolio in D," then distributed to line 11 of each partner's Schedule K-1. If line 4, 5, or 6 includes any income or loss that is not portfolio income or loss, you must override this line to include it here.

**Balance for Schedule K, line 8.** *(auto-calc)* Computed as line 7 less the preceding non-portfolio part of line 7, this result is posted to line 8 of Schedule K (Form 1065, page 5), and then distributed to line 8 of each partner's Schedule K-1.

**PART II - LONG-TERM CAPITAL GAINS AND LOSSES—ASSETS HELD MORE THAN ONE YEAR.** Lines 8 through 15 are reserved for assets held more than one year before disposition.

**Long-term sales reported on Schedule D alone.** You should report most of the partnership's own long-term transactions here except installment sales, which are reported on Form 6252. (You will report transactions by partnerships, S corporations, and fiduciaries in which the partnership has an interest at line 12.) Except for transactions that you include in the combined totals at line 8a, you **MUST** supply all information on the Gain/Loss Worksheets provided by the software at lines 8b, 9, and 10 in the same way as you reported short-term sales at lines 1b, 2, and 3. Details for the Gain/Loss Worksheets that support these lines are given in the prior shaded pages, which apply to both short-term and long-term holdings.

**Separate lines for separate Form 1099-B status.** You must separately report transactions based on what information was reported to the partnership by the seller or broker. Lines 8a, 8b, 9, and 10, below, provide this separation, and a separate set of worksheets is available for each line except line 8a.

**8a Certain combined transactions.** This category is reserved for the aggregate of all transactions that satisfy certain conditions and you choose not to include in line 8b. It provides a convenient alternative to itemizing all transactions for the year. ***CAUTION:** In order for a transaction to be included on this line, it must satisfy the conditions detailed in the shaded box on the third page of these details for Schedule D titled "NEW: Alternative to itemizing transactions."*

**(d) Proceeds (sales price).** Enter the sum of proceeds (box 2a of Form 1099-B) for all transactions that you are reporting on line 8a.

**(e) Cost or other basis.** Enter the sum of basis (box 3 of Form 1099-B) for all transactions that you are reporting on line 8a.

**(h) Gain or loss.** *(auto-calc)* Computed as line (d) less line (e), this is the net income for all transactions included in line 8a combined.

**Collectibles part of above.** Enter the part of line (h) identified as collectible. This amount is subject to the 28% rate rules.

**Non-portfolio part of line (h).** Enter the part of line (h) for transactions *NOT* identified as portfolio transactions.

**Collectibles part of above.** Enter the part of the preceding line for transactions identified as collectible.

**8b Long-term transactions reported on Form 1099-B with basis reported to the IRS.** *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-7b, shown previously.)* Itemize this line to report long-term transactions reported to the partnership on a Form 1099-B with the partnership's basis (usually original cost) shown on the form. The sale of common stock that was both purchased and sold for the partnership by the same broker is usually reported to the partnership this way. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 2, with box D checked.*

**(d) Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 8 combined, this amount will also appear on line 1(d) of the appropriate page of the printed Form 8949.

**(e) Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 8 combined, this amount will also appear on line 1(e) of the appropriate page of the printed Form 8949.

**(g) Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 8 combined, this amount will also appear on line 1(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.

**(h) Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 8 combined.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible appears here. This amount is subject to the 28% rate rules

**Non-portfolio part of line (h).** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from worksheets for transactions *NOT* identified as portfolio transactions appears here.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible and *NOT* identified as portfolio transactions, appears here.

**9 Long-term transactions reported on Form 1099-B but basis not reported to the IRS.** *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-7b, shown previously.)* Itemize this line to report long-term transactions reported to the partnership on a Form 1099-B for which the partnership's basis is not shown on the form. The sale of common stock that was sold for the partnership by a different broker than the broker who purchased the stock for the partnership is usually reported to the partnership this way. *The entries on lines a*



*through h of the worksheets will appear on an official printout of Form 8949, page 2, with **box E** checked.*

- (d) **Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 9 combined, this amount will also appear on line 1(d) of the appropriate page of the printed Form 8949.
- (e) **Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 9 combined, this amount will also appear on line 1(e) of the appropriate page of the printed Form 8949.
- (g) **Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 9 combined, this amount will also appear on line 1(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.
- (h) **Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 10 combined.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible appears here. This amount is subject to the 28% rate rules

**Non-portfolio part of line (h).** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from worksheets for transactions *NOT* identified as portfolio transactions appears here.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible and *NOT* identified as portfolio transactions, appears here.

**10 Long-term transactions not reported on Form 1099-B.** *(Supported by the Long-term Gain/Loss Worksheet, Figure 2-7b, shown previously.)* Itemize this line to report long-term transactions *not* reported to the partnership on a Form 1099-B. The sale of real estate is normally reported to the partnership on a Form 1099-S from the partnership's real estate broker, not Form 1099-B, and would therefore be reported here. *The entries on lines a through h of the worksheets will appear on an official printout of Form 8949, page 2, with **box F** checked.*

- (d) **Proceeds (sales price).** *(auto-calc)* Computed as the sum of line d of all worksheets for line 10 combined, this amount will also appear on line 1(d) of the appropriate page of the printed Form 8949.
- (e) **Cost or other basis.** *(auto-calc)* Computed as the sum of line e of all worksheets for line 10 combined, this amount will also appear on line 1(e) of the appropriate page of the printed Form 8949.
- (g) **Adjustments to gain or loss.** *(auto-calc)* Computed as the sum of line g of all worksheets for line 10 combined, this amount will also appear on line 1(g) of the appropriate page of Form 8949. This adjustment can be negative or positive.

## Schedule D

**(h) Gain or loss.** *(auto-calc)* Computed as line (d) *less* line (e) *plus* line (g), this is the net income resulting from all worksheets for line 10 combined.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible appears here. This amount is subject to the 28% rate rules

**Non-portfolio part of line (h).** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from worksheets for transactions *NOT* identified as portfolio transactions appears here.

**Collectibles part of above.** *(auto-calc; supported by the Long-term Gain/Loss Worksheet, Figure PAR-8.)* The gain or loss from the worksheets for transactions identified as collectible and *NOT* identified as portfolio transactions, appears here.

**CAUTION: You must create worksheets at line 10 to reflect the following total from Form 6781, Part II.** Unlike Schedule D (Form 1040), the IRS failed to include amounts from Form 6781 in line 11 of Schedule D (Form 1065). As a result, you must reflect those amounts in worksheets for line 10 yourself. *If you fail to do so, the long-term amounts from Form 6781 will not be reflected in the total at line 15!*

**Form 6781, Part II amount for Schedule D, line 10.** *(Road Map line for Premium Level software, supported by Form 6781.)* The amount of long-term capital gain or loss shown from Part II of Form 6781 is reported here.

**Collectibles part of above.** *(Road Map line for Premium Level software, supported by Form 6781.)* The part of the preceding Form 6781 amount that is attributable to collectibles is reported here.

- 11 Long-term gain on Form 6252.** *(Road Map line, supported by Form 6252.)* Those long-term gains from installment sales for Schedule D are transferred here from all copies of Form 6252 completed.

**Collectibles part of above.** *(Road Map line, supported by Form 6252.)* Only long-term gains from installment sales for Schedule D that are identified as sales of collectibles are transferred here from Forms 6252.

- 12 Long-term gain or loss from like-kind exchanges from Form 8824.** *(Road Map line for Premium Level software, supported by Form 8824.)* You must complete Form 8824 to claim the deferral of any gain under the rules for like-kind exchanges. Any long-term gain or loss resulting on that form is reported here.

**Collectibles part of above.** *(Road Map line for Premium Level software, supported by Form 8824.)* The portion of the preceding long-term amount from Form 8824 that is subject to the 28% rate rules is reported here.

**13 Long-term gain or loss from other partnerships and fiduciaries.** Enter the partnership's share of net long-term capital gains or losses from *other* partnerships and from fiduciaries (estates and trusts), including specially allocated long-term capital gains or losses. This entry should generally be the sum of amounts from all Schedules K-1 received from the partnerships and fiduciaries.

**Collectibles part of above.** Enter here the portion of the preceding long-term gain or loss that is subject to the 28% rate rules.

**14 Capital gain distributions.** Enter capital gain distributions received.

**Collectibles of above.** Enter the portion of the preceding capital gain distributions that is subject to the 28% rate rules.

**15 NET LONG-TERM CAPITAL GAIN (LOSS).** *(auto-calc)* Computed as the sum of the amounts on lines 8a(h), 8b(h), 9(h), and 10(h) plus the amounts on lines 11 through 14.

**Amount for Schedule K, line 11.** *(auto-calc)* Taken as the non-portfolio part of lines 8a(h), 8b(h), 9(h), and 10(h), this result is posted to Schedule K (Form 1065, page 5) as a the component of line 11 labeled "LT non-portfolio in D," then distributed to line 11 of each partner's Schedule K-1. *If long-term capital gains in lines 11, 12, 13, or 14 include any income or loss that is not portfolio income or loss, you must override this line to include those amounts here as well.*

**Balance for Schedule K, line 9a.** *(auto-calc)* Computed as line 15 less the preceding non-portfolio part of line 15, this result is posted to line 9a of Schedule K (Form 1065, page 5), and then distributed to line 9a of each partner's Schedule K-1.

>>**Collectibles in lines 8 through 15, column (h).** *(auto-calc)* Computed as the sum of 28% rate gain or loss in lines 8a through 15.

**Amount related to Schedule K, line 11.** *(auto-calc)* Computed as the collectibles part of the non-portfolio part of lines 8a(h), 8b(h), 9(h), and 10(h). Even though the total non-portfolio part of lines 8a(h), 8b(h), 9(h), and 10(h) is reported at line 11 of Schedule K, the collectibles part is not. Instead, this result is posted to Schedule K (Form 1065, page 5) as the component of line 9b labeled "28% rate non-portfolio in D," and then distributed to line 9b of each partner's Schedule K-1. *If lines 11, 12, 13, or 14 include any 28% rate income or loss that is not portfolio income or loss, you must override this line to include those amounts here as well.*

**Balance related to Schedule K, line 9a.** *(auto-calc)* Computed as the "Collectibles" total less the preceding non-portfolio part, this result is posted to Schedule K (Form 1065, page 5) as the component of line 9b labeled "28% rate in 9a from Sch. D," and then distributed to line 9b of each partner's Schedule K-1.

Schedule D

**Gain/Loss Worksheet, Short-term or Long-term, Figures PAR-7 and PAR-8.** (*Supports lines 1, 2, and 3 for short-term capital gains and losses and lines 8, 9, and 10 for long-term capital gains and losses.*) This worksheet follows the format of the columns on IRS Form 8949 (since Schedule D itself no longer includes a multi-column format), with additions that help automate the return:

**Form 1099-B status.** (*auto-calc*) This entry is A, B, C, D, E, or F, de-

pending on which line you itemized to reach the worksheet (A if line 1b, B if line 2, C if line 3, D if line 8b, E if line 9, and F if line 10). If A or D, the worksheet must be used only to report information on a Form 1099-B that shows your basis in the property sold. If B or E, the worksheet must be used only to report

|                             |                              |
|-----------------------------|------------------------------|
| <b>SHORT-TERM GAIN/LOSS</b> |                              |
| 1099-B status (A, B, or C)  |                              |
| a.                          | Description of property...   |
|                             | Portfolio transaction..? No  |
|                             | Entire interest sold..? No   |
|                             | Bypass date checking..? No   |
| b.                          | Date acquired (mm/dd/yy)     |
| c.                          | Date sold (mm/dd/yy)         |
| d.                          | Proceeds (sales price).... 0 |
| e.                          | Cost or other basis..... 0   |
| >                           | TENTATIVE NET..... 0         |
| f.                          | Code(s) from instructions.   |
| g.                          | Amount of adjustment..... 0  |
| h.                          | Gain or (loss) 0             |

Figure PAR-7. Short-term Gain/Loss Worksheet

|                            |                              |
|----------------------------|------------------------------|
| <b>LONG-TERM GAIN/LOSS</b> |                              |
| 1099-B status (D, E, or F) |                              |
| a.                         | Description of property...   |
|                            | Is it a collectible...? No   |
|                            | Portfolio transaction..? No  |
|                            | Entire interest sold..? No   |
|                            | Bypass date checking..? No   |
| b.                         | Date acquired (mm/dd/yy)     |
| c.                         | Date sold (mm/dd/yy)         |
| d.                         | Proceeds (sales price).... 0 |
| e.                         | Cost or other basis..... 0   |
| >                          | TENTATIVE NET..... 0         |
| f.                         | Code(s) from instructions.   |
| g.                         | Amount of adjustment..... 0  |
| h.                         | Gain or (loss) 0             |
|                            | 28% rate gain/loss..... 0    |

Figure PAR-8. Long-term Gain/Loss Worksheet

information on a Form 1099-B that does not show your basis. If C or F, the workseet must be used only to report information on a form other than Form 1099-B.

**a. Description of property.** Describe the asset sold (or otherwise disposed) in 15 characters or less.

**Is it a collectible?** (*appears ONLY on long-term worksheets accessed at line 7*) Answer Yes if the item qualifies as a collectible, such as a work of art, antique, precious metal, gem, stamps, coins, etc.

Long-term gains on collectibles are not eligible for the lowest rates of capital gains tax, and are therefore classified as 28% rate gains.

**Portfolio transaction?** If a portfolio transaction, the partner is not subject to the passive activity rules on the transaction. (You would normally answer Yes here for sales of stocks and bonds.)

**Entire interest sold?** Losses may be subject to passive activity rules for the partner if the entire interest is not sold and the transaction is not a portfolio transaction.

**Bypass date checking?** Answer Yes for special types of transactions for which the usual short-term vs. long-term rules do not apply. (See the details for the Gain/Loss Worksheet for Schedule D in Chapter 2 of the main *Tax Forms Guide 2024 Edition*.)

**b and c, Date acquired and date sold.** Use the mm/dd/yy format for both dates. Unless you chose to bypass date checking through a Yes answer to the preceding question, the software will check your entries to make sure that the sale date is in the current fiscal year (consistent with your entry for tax year and fiscal year on the Control Form), and that the holding period is consistent with the line you itemized.

**d Proceeds (sales price).** Enter either gross or net proceeds of the sale here. If you received a Form 1099-B for the sale, use that amount. If the amount you enter here is a net figure, be sure not to include the costs of the sale (such as commissions and option premiums) included in line e, below.

**e Cost or other basis.** Enter here the purchase price and any of the costs associated with the sale that were not deducted in reporting the amount for line d.

**> TENTATIVE NET.** *(auto-calc)* Computed as line d less line e. (This line is no longer accessible to the user because the IRS now provides line g for negative or positive adjustments.)

**f. Code(s) from instructions.** You must enter a letter code for this line if you will have an adjustment at line g, in order to classify the adjustment for the IRS. **See the chart on pages 8 through 10 of the IRS 2023 Instructions for Form 8949 to determine the codes to enter.** The codes include code H to exclude part of the gain on the sale of your main home and code O for adjustments (negative or positive) not defined by other codes, such as a negative adjustment for prior unallowed losses now allowed and a positive adjustment for losses currently disallowed (include passive activity losses). *TIP: You can enter more than one code, if applicable, and no longer need to separate code letters with a space.*

**g. Amount of adjustment.** Enter any special adjustment to the "TENTATIVE NET" computed above. Enter a positive amount to increase the net income or a negative amount to decrease the net income. See the chart on pages 8 through 10 of the IRS 2023 Instructions for

### Schedule D

Form 8949 for examples. CAUTION: If you make an entry here, be sure to enter an adjustment code for line f, above.

**h Gain or (loss).** (auto-calc) Computed as "TENTATIVE NET" plus "g Amount of adjustment."

**28% rate gain/loss.** (auto-calc line, which appears ONLY for long-term worksheets accessed at line 7) Computed as line h if the answer to the collectibles question is Yes, and zero otherwise.

Amounts from this worksheet are summed with all other worksheets for the same line and posted to Schedule D itself, including not only the total gain or loss at line h but also a separate total for transactions that are not portfolio transactions. For the long-term worksheets the 28% rate gain or loss and the non-portfolio transactions in line h are also posted to Schedule D.

## Schedule F / Profit or Loss from Farming

**Refer to main Tax Forms Guide for details.** Schedule F is used to report income from a partnership-owned farm business. Five separate copies of Schedule F are available in the software to report the activities of five separate farm businesses. This schedule is the same one used by individuals for Form 1040, except:

- Spouse question is omitted from screen, since all copies of Schedule F apply only to the partnership.
- Passive activity questions are omitted from screen, since each partner must make the passive determination for himself or herself.
- At-risk questions are omitted from screen and boxes at lines 36a and 36b are left unchecked on the official printout, since each partner must make the at-risk determination for himself or herself.
- Line D (Employer ID no.) is automatically taken as the partnership's EIN.

See the section on Schedule F in Chapter 2 of the main *Tax Forms Guide 2024 Edition* for information on all other entries.

## Schedule K-1 / Partner's Share of Income, etc.

**Purpose.** A Schedule K-1 must be submitted to each partner. However, entries on the schedules do not affect the calculations on any other form or schedule. Instead, the schedules are used only to report to partners their share and income, expenses, and credits on the partnership's return, so that they can properly complete their own tax returns. Therefore, you can defer the creation of any Schedule K-1 until the return is complete.

**The role of the Distribution Worksheet.** The Distribution Worksheet *MUST* be prepared before any Schedule K-1 is created in order to achieve all but the simplest distribution of Schedule K amounts to each partner's Schedule K-1. As detailed at the end of this document, the Distribution Worksheet provides you with ten different distribution methods for each line of Schedule K. Once the amounts are distributed from Schedule K to Schedule K-1, however, any entry can be overridden by itemizing the line and creating a supporting statement that is customized to that particular Schedule K-1.

**What happens without the Distribution Worksheet.** If no Distribution Worksheet has been created, method 1 is assumed for ALL lines. Method 1 uses the end-of-year profit-sharing percentage entered on line D of the partner's Schedule K-1 to distribute positive amounts, and end-of-year loss-sharing percentage entered on line D to distribute negative amounts.

**Accessing Schedules K-1.** Whether you try to access Schedule K-1 from the Forms Menu or the last line of Schedule K, you are first asked which copy of Schedule K-1 you want to access through the

|                                      |   |
|--------------------------------------|---|
| Existing K-1 copies:                 | 1 |
| NEXT Copy:                           | 2 |
| Which do you choose?                 | 1 |
| Figure PAR-9. Schedule K-1 Selection |   |

menu in Figure PAR-9. After you complete a Schedule K-1, you are returned to this menu so that you can select a Schedule K-1 for another partner. When you press the Escape Key at this question, however, you are returned to the line from which you accessed the Schedules K-1. The number of Schedules K-1 that you can generate is virtually unlimited. (Only the capacity of your Storage Disk limits the number of Schedules K-1, which consume little more than 2K of disk space each except for extra support you may provide.)

**The role of copy number.** The copy number you selected when accessing the Schedule K-1 appears in the upper right corner of the menu for the Schedule K-1 you selected. The partner's name and identifying number you enter on that copy become permanently associated with that copy unless you delete a copy of Schedule K-1 with the file manager. When you delete a Schedule K-1, the copy numbers for all Schedules K-1 with a copy number higher than the deleted copy are lowered by one.



**PART I, INFORMATION ABOUT THE PARTNERSHIP.** Information concerning the partnership, most of which is entered elsewhere, is provided here for use on the Schedule K-1 to partners.

**Is this K-1: (1) Final K-1 or (2) Amended K-1?** Answer Yes to either or both questions that apply. (A final K-1 is the final one for this partner because the partner disposed of all interest in the partnership by the end of the year. An amended K-1 is a modified K-1 to replace one previously filed with the IRS for the same tax year.)

**A and B appear on printouts only.** The partnership's identity (EIN, name, address, etc.) is taken from your entries on Form 1065 (Page 1) when the Schedules K-1 are printed.

**C IRS Center where partnership filed return.** *(auto-calc)* Taken from your entry on Form 1065 (Page 1) for the IRS Center for partnership return.

**D Is this a publicly traded partnership (PTP) under sec. 469(k)(2)?** *(auto-calc)* The answer is taken from your answer to Question 7 of Schedule B (Form 1065 Pages 2, 3, and 4). Partners need this determination for their own returns because income and loss from publicly traded partnerships are subject to special reporting requirements under the passive loss rules, as highlighted in a shaded box near the end of our details for Part II of Schedule E in Chapter 2 of the main *Tax Forms Guide 2024 Edition*.

**PART II, INFORMATION ABOUT THE PARTNER.** Information concerning the specific partner associated with the selected copy is supplied here.

**E Partner's SSN or TIN (not DE).** If the partner for this copy of Schedule K-1 is a disregarded entity (DE), you must enter here the TIN of the beneficial owner of the DE instead of the actual partner and that person's address in line F. (The TIN and name of the disregarded entity will be entered in line H1, not here.) If an individual (rather than an entity), enter the social security number in the format 000-00-0000. Otherwise, enter the employer identification number of the entity in the format 00-0000000. However, if the partner is an IRA, enter the identifying number of the custodian of the IRA.

**F Name and address for partner entered in E.** You must enter here the name and address of the partner identified in line E:

**Partner's name.** Enter the name in 25 characters or less.

**Street address.** Enter the number and street of the partner in 35 characters or less.

**City or town, state.** Enter the city and 2-letter state code for the partnership in 25 characters or less.

**ZIP Code.** Enter the 5-digit (00000) or 9-digit (00000-0000) ZIP code of the partner.

**G This partner is a...** Classify this partner as one of two classes. A general partner is one who is personally liable for the obligations of the partnership. A limited partner is one whose personal liability is limited by the investment

## Schedule K-1

made or required to be made by the partner. A partner in a limited liability company is not personally liable for any debts of the partnership.

**General partner of LLC member-manager.** If you answer Yes for this partner, ordinary income on lines 1 and 3 is included in self-employment income at line 14a before you make any necessary adjustments.

**Limited partner or other LLC member.** *(auto-calc)* Automatically the opposite of the preceding answer, if Yes appears here then only guaranteed payments on line 4 are included in self-employment income at line 14a before you make any necessary adjustments.

**H1 This partner is a...** Classify this partner as domestic or foreign, as follow:

**Domestic partner.** *(auto-calc)* Automatically Yes unless you answer Yes to the following question.

**Foreign partner.** If Yes, the answer to the preceding question is forced to No.

**H2 Disregarded entity (DE).** If the partner is a disregarded entity, answer Yes here and identify the disregarded entity on the next two lines. (If Yes, you should have identified the beneficial owner of the disregarded entity in lines E and F, not the disregarded entity.)

**TIN of DE.** Enter the taxpayer identification number (TIN) of the disregarded entity in the standard 000-00-0000 or 00-0000000 format.

**Name of DE.** Enter the name of the disregarded entity in 25 characters or less.

**I1 What type of entity is this partner?** Enter the type as individual, corporation, fiduciary, partnership, exempt organization, or nominee. If a nominee (custodian), also identify the type of organization the nominee represents as I for individual, C for corporation, F for fiduciary, P for partnership, E for exempt organization, and IRA for individual retirement account.

**I2 Is this partner a retirement plan (IRA/SEP/Keogh/etc.)?** Answer Yes for any type of retirement plan that is a member of the partnership.

**J Partner's % of sharing.** Eight separate percentages can be specified separately for each partner. Your entries on the Distribution Worksheet control how some of the percentages are used to automatically distribute amounts to each partner's Schedule K-1. (*TIP: Enter all percentages as numbers from 0 to 100, not fractions from 0 to 1. For example, if all profits are shared equally among three partners, the entries for profit sharing percentages for those partners would be 33.3333.*)

The first three pairs of entries are IRS-designated on the official Schedule K-1. Each pair consists of an entry for the beginning of the tax year and the end of the tax year. (*TIP: For a partner who joined the partnership during the tax year, you must enter the percentage that existed immediately after joining. For a partner who left the partnership during the tax year, you must enter the percentage that existed immediately before leaving.*)

**Profit sharing percentages.** How profits are shared is summarized by these entries: column (i) for pre-changes percentages and column (ii) for end-of-year percentages.

**Loss sharing percentages.** How losses are shared is summarized by these entries: column (i) for pre-changes percentages and column (ii) for end-of-year percentages.

**Ownership of capital percentages.** How ownership of capital is split among partners is summarized by these entries: column (i) for pre-changes percentages and column (ii) for end-of-year percentages. You should check that these percentages are consistent with the capital accounts summarized in line K.

The last pair of entries are unique to the software to give you additional flexibility in distributing amounts to individual Schedules K-1 through the software's Distribution Worksheet.

**Alternate percentages.** These entries are provided for distributions that do not directly involve the preceding percentages. Method 7 on the Distribution Worksheet uses alternate percentage number 1 for all distributions, and Method 8 uses alternate percentage number 2. *(Because these percentages are unique to this software, they are not shown on the official printed Schedule K-1 for the IRS.)*

**Identify whether any decrease in the above percentages in the year is due to the sale or exchange of partnership interest:**

**Decrease is due to sale of partnership interest?** A Yes answer will cause the "Sale" box at the end of line J to be checked on the printed Schedule K-1.

**...or Exchange of partnership interest?** A Yes answer will cause the "Exchange" box at the end of line J to be checked on the printed Schedule K-1.

**K1 Partner's share of liabilities at year-end.** Composed of three pair of lines, with each pair composed of liabilities at the beginning of the tax year and the end of the tax year, and a question:

**Nonrecourse.** Enter the dollar amount of the partner's share of nonrecourse liabilities, which are those liabilities for which NONE of the partners have any personal liability, but excluding the amount entered as Qualified nonrecourse financing, below. For the end of year part of this pair, enter the year-end amounts for those who were still partners at year-end, and the amount just prior to final disposition for all others.

**Qualified nonrecourse financing.** Enter the dollar amount of the partner's share of qualified nonrecourse financing, which is typically a real estate mortgage that is loaned or guaranteed by a Federal, state, or local government. For the end of year part of this pair, enter the year-end amounts for those who were still partners at year-end, and the amount just prior to final disposition for all others.

**Recourse.** Enter the dollar amount of the partner's share of all other liabilities. Again, for the end of year part of this pair, enter the year-

## Schedule K-1

end amounts for those who were still partners at year-end, and the amount just prior to final disposition for all others.

If more than one activity is involved, you should support each entry with a general itemized list identifying the activities with the amounts. *(Note that entries for partner's share of liabilities at the beginning of the tax year are not provided, even though they appear on the official Schedule K-1. Only liabilities at the end of the year are important to the IRS, as described in the IRS Form 1065 instructions for preparers of Schedule K-1.)*

**K2 Does item K1 include liability amounts from lower tier partnerships?** Answer Yes if the partnership (upper-tier) owns a direct interest in other partnerships (lower-tier) and therefore must include liabilities of the lower-tier partnerships in line K.

**K3 Is the liability subject to guarantee or other payment obligations by the partner?** Answer Yes if the liability indicated in your answer for line K2 is subject to the indicated restrictions. If Yes, see the instructions for Code X on page 28 of the IRS *2023 Partner's Instructions for Schedule K-1 (Form 1065)*.

**L Analysis of partner's capital account.** If the answer to Question 5 on Schedule B (Form 1065, Pages 2, 3, and 4) is Yes, you need not complete this line. This analysis is related to Schedule M-2 (Form 1065, page 6), but reflects the capital account for the individual partner only, not the entire partnership. Because the capital accounts are subject to so many special distributions, the software makes no attempt to complete line J automatically. Nevertheless, the amounts on Schedule M-2 should generally equal the total of the amounts reported on line J of all Schedules K-1 taken together, and each line J should reflect the capital ownership percentages entered in line D, above. See Schedule M-2 (Form 1065, page 6) for more information on individual entries.

**Beginning capital account.** Provide opening entry for this partner's capital account.

**Capital contributed during the year.** Enter all capital contributed by this partner during the tax year.

**Current year net income (loss).** *(auto-calc)* Computed automatically as this sum of lines 1, 2, 3, 5, 6a, 7, 8, 9a, 10, and 11 of this copy of Schedule K-1.

**Other increase or decrease** Include in this entry this partner's share of capital *GAINS*, tax-exempt income, and dividends that qualify for exclusion, less this partner's share of interest above line 15 of Form 1065 Page 1, capital *LOSSES*, charitable contributions, other nondeductible amounts, and other itemized deductions. *CAUTION: The total of this line summed from all partners' Schedule K-1s should match the indicated results on Schedule M-2 of Form 1065, page 6. If it does not, you most likely have an error in your manual allocation for this line on at least one of the Schedule K-1s.*

**Withdrawals and distributions.** Include any withdrawals from purchases by this partner for personal use.

**Ending capital account.** *(auto-calc)* Computed as the sum of first 4 lines less the 5th, this is the partner's capital account at year-end.

**M Did the partner contribute property with a built-in gain or loss?** Answer Yes only this partner contributed such property anytime during the tax year.

**If Yes, itemize to explain.** If you answered Yes to the preceding question, you must provide, in a supporting statement for this line, a description of the property, the date it was contributed, and the amount of built-in gain or loss. Such contributions could affect this partner's tax liability.

**N Partner's share of Net Unrecognized Section 704(c) Gain or Loss.** Enter on the pair of lines for this section the share of unrecognized section 704(c) gain or loss allocated to this partner at the beginning and end of the tax year. The partnership can use any reasonable method of allocation, such as tax basis, GAAP, or section 704(b) book. See IRS 2023 *Partner's Instructions for Schedule K-1 (Form 1065)* for details.

**Beginning.** Enter the allocation at the beginning of the tax year.

**Ending.** Enter the allocation at the end of the tax year.

**PART III, PARTNER'S SHARE OF CURRENT YEAR INCOME, DEDUCTIONS, CREDITS, AND OTHER INCOME.** All remaining lines of a Schedule K-1 are automatically calculated when you first create the schedule. When the Schedule K-1 is first created, lines 1 through 20 are automatically prorated from lines 1 through 20 of Schedule K, plus the special entries for lines 22 and 23 of Schedules K-1, based on the percentages you entered at line D of each Schedule K-1 and the distribution methods you chose for each line in the Distribution Worksheet. (Distribution Code 1 is used for all lines if you have not completed a Distribution Worksheet for the return. See the end of this document for details.) Whenever you make a change thereafter in any form or schedule in the return, the result is automatically reflected in Schedule K-1 using the same prorationing. In addition, any supporting statements created for any lines on Schedule K are automatically printed with Schedule K-1 with their amounts appropriately pro-rated. *HINT: Supporting statements that are created for lines on Schedule K cannot be viewed on-screen from Schedule K-1, even though they support Schedule K-1 lines and appear with the official printout of Schedule K-1. Only support that you create on a particular Schedule K-1 because you want it to supersede the Schedule K support can be viewed on-screen from Schedule K-1.*

**Line 14a, Net income from self-employment, is special.** Line 14a is computed independently of the Distribution Worksheet. It is computed based on the type of partner identified at line I in Part II of this Schedule K-1, and the amounts that have been distributed to lines 1, 3, and 4 of this Schedule K-1. If you identified the partner as a general partner at line I (Schedule K-1, Part II), lines 1, 3, and 4 are used in line 14a. Otherwise, only 4 is used. This

## Schedule K-1

computation is based on a simplified version of the IRS *Worksheet for Figuring Net Earnings (Loss) From Self-Employment* on page 28 of the IRS Form 1065 Instructions. An adjustment line is provided above line 14a of Schedule K-1 for to handle cases for which this simple computation is inadequate. For example, you will have to make an adjustment if any of the income computed was not income derived from a trade or business as defined by the IRS because partners are only liable for self-employment tax on income received in the regular course of the trade or business. In addition, estates and other special entities are not generally liable for the self-employment tax, so an adjustment is required so that line 14a is zero for those partners.

**Itemize a line to override the automatic distribution.** Although you may change an entry on a line of a particular Schedule K-1, entries you make directly on a Schedule K-1 will not generally be permanent unless distribution method 9 (manual entry) was chosen. Instead, the automatic calculations based on the defined prorationing will generally override your entry. However, you can permanently override the automatic distribution to a particular line on a particular Schedule K-1 by creating a general itemized list for that line. When you do so, the amount reported on the new itemized list overrides the automatic distribution, and the new itemized list is printed with the particular Schedule K-1, rather than the pro-rated version of any itemized list attached to Schedule K, which is still printed with all other Schedules K-1. You should explain to the IRS in this new itemized list why this Schedule K-1 does not follow the same distribution method as the other Schedules K-1.

**20c Other items and amounts.** Line 20c is a common place to use the “override by itemizing” feature described above. This line is provided to attach a supporting statement detailing any other information that must be reported separately to each partner. It is tied to line 20c of Schedule K for any K-1 that does not have a supporting statement of its own for this line. You may therefore report all the information required to be reported here in a supporting statement for line 20c of Schedule K, rather than here, if the proper allocation among partners is performed by our Distribution Worksheet, described at the end of this document. However, if the information to any particular partner is unique, it should be provided in a supporting statement for line 20c of that partner's Schedule K-1, and that supporting statement will appear in the final printout rather than a pro-rated version of the Schedule K, line 20c statement.

**Partner's Instructions for Schedule K-1.** You are required to submit a copy of Partner's Instructions for Schedule K-1 (Form 1065) to each partner along with the partner's Schedule K-1. Complete copies of these instructions are available at most IRS offices, or on the IRS web site at

<http://www.irs.gov/pub/irs-pdf/i1065sk1.pdf>

However, most partnerships provide their own instructions that are a brief synopsis of the parts of the IRS instructions that are relevant to their own partners. The most critical information for partners is shown at the end of the IRS 2023 Partner's Instructions for Schedule K-1 (Form 1065).

## Form 1125-A / Cost of Goods Sold

**Purpose.** This form is used to compute the cost of goods sold for partnerships. The computed result is automatically posted to line 2 of Form 1065, page 1. Form 1125-A is accessible through the Road Map at line 2 of Form 1065, page 1.

**1 Inventory at beginning of year.** Enter inventory on hand at the beginning of the tax year. This entry should generally match ending inventory reported on the prior-year Form 1125-A. If not, the difference must be explained in a supporting statement for this line. *TIP: If you started the return by translating the prior-year return with the tax year retained at 2022, this line will automatically have the prior-year ending inventory from line 7 of 2022 Form 1125-A.*

**2 Purchases.** Purchases for goods sold are reported here:

**Total purchases.** Enter only purchases related to goods sold.

**Part for personal use.** Enter all items in the above withdrawn by any of the partners for personal use.

**2 Purchases.** (auto-calc) Computed as "Total purchases" less "Part for personal use."

**3 Cost of labor.** Enter wages and other labor costs attributed to goods sold.

**4 Additional section 263A costs.** An entry is appropriate here *only* if the partnership elects a simplified accounting method under section 263A. Enter in a supporting statement for this line an itemized list of additional costs or capitalized amounts resulting from the use of this method. See IRS instructions for details.

**5 Other costs.** All costs not listed above are reported here:

**Depreciation (Form 4562).** (Road Map line, supported by Form 4562.) A separate copy of Form 4562 is reserved to support this line. Depreciation on equipment used in the production of the goods sold should be reported here. After you complete Form 4562, total depreciation on line 22 of the form (which excludes any section 179 deduction) is automatically posted to this line, total amortization is posted to the line below, and any section 179 deduction on line 12 of Form 4562 is automatically passed through to the partners through line 12 of Schedule K. The entry that appears here is also included in the amounts on lines 16a and 16b of Form 1065 Page 1.

**Amortization (Form 4562).** (Road Map line, supported by Form 4562.) The copy of Form 4562 that supports the above line also supports this line. The result on line 44 of that form is posted here.

**Other costs (itemized).** Any other deductible costs associated with goods sold should be detailed here in a general itemized list.

**5 Other costs.** (auto-calc) Computed as the sum of the above 3 lines.

**6 TOTAL.** Add lines 1 through 5. (auto-calc) Computed as described.

**7 Inventory at end of year.** Enter inventory on hand at the end of the tax year. If you elected the simplified accounting method, see IRS Regulations sections

1.263A-1 through 1.263A-3 to determine the additional amount under section 263A that must be included here.

**8 COST OF GOODS SOLD.** *(auto-calc)* Computed as line 6 less line 7, this result is automatically posted to line 2 of Form 1065 Page 1.

**9a Method for closing inventory.** You must answer Yes for all methods that apply:

- (i) **Cost?** Answer Yes for the cost method as defined in IRS regulations section 1.471-3..
- (ii) **Lower of cost or market?** Answer Yes for the method as defined in IRS regulations section 1.471-4.
- (iii) **Other (Specify below)?** Answer Yes for any other method. If you answer Yes here, you must specify the method on the next line and explain the method in a supporting statement for the line.

**Specify method and explain.** If (iii) is Yes, specify the method here in 35 characters or less. If you need more room, itemize this line using the F10-key or ctrl-Y; you cannot itemize a text line with the I-key.

**9b Was there a writedown of subnormal goods?** Answer Yes only if the method conforms with IRS regulations section 1.471-2(c).

**9c Was the LIFO inventory method adopted this tax year for any goods?** Answer Yes if using the Last In-First Out inventory method for any items.

**You MUST attach Form 970.** *(auto-calc)* Automatically Yes if you answered Yes to 9c, this line is provided to alert you that you must attach a completed Form 970, *Application to Use LIFO Inventory Method*, or a supporting statement that supplies the same information requested in the form. (Form 970 is not built into the software.)

**9d If the LIFO inventory method adopted this tax year, enter amount of closing inventory computed under LIFO.** Enter the amount of total closing inventories computed under section 472. *TIP: Estimates are allowed.*

**9e If property is produced or acquired for resale, do the rules of section 263A apply?** Answer Yes if section 263A applies with respect to property produced or acquired for resale.

**9f Was there any change in inventory method between opening and closing inventory?** Answer Yes if any change was made in determining quantities, costs, or valuations between opening inventory (line 1) and closing inventory (line 7).

**If yes, itemize to explain.** If you answer Yes to 9e, you must explain the change in a supporting statement for this line.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.



## Form 2848\* / Power of Attorney and Declaration of Representative

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to authorize a qualifying individual to represent the partnership before the IRS. To qualify, that individual must be eligible to practice before the IRS. Unlike other forms in the software, you do *not* file Form 2848 as a part of the partnership's return. Instead, you must send the form to one of the special locations listed in the IRS instructions for this form or, if completed for a specific use, to the office handling the specific matter. Because it is a stand-alone form that is not filed with a return, Form 2848 is *accessible only from the Forms Menu, not through the Road Map.*

**Representatives the partnership appoints must be qualified.** Form 2848 requires that the representative to whom the partnership gives power of attorney be one of a select group of individuals, such as an attorney, CPA, enrolled agent, or other person qualified to represent the partnership before the IRS. You identify this person in Part I, but that person must complete and sign Part II to declare qualification as the partnership's representative. **BOTH PARTS MUST BE COMPLETED, SIGNED, AND DATED** or the IRS will not accept the Form 2848 you file. ***CAUTION:** Because of the requirement to sign detailed declarations that appear on the official form, you must file the graphic printout with the IRS; draft printouts are not acceptable.*

**PART I, POWER OF ATTORNEY.** This part of the form is completed and *signed by a partner who has authority to sign.* The representatives to whom the partnership wants to give power of attorney are identified here along with the powers the partnership wants to give to them. ***CAUTION:** Although the partnership's name is printed automatically, line 7 must be signed and dated by an authority of the partnership.*

**PART II, DECLARATION OF REPRESENTATIVE.** This part of the form, which comprises the bottom two-thirds of page 2, *must be completed by hand and signed by all representatives listed in Part I, line 2.* The representative must identify his or her authority to act as a representative by letter (from a to r in Part II, on page 2 of the official form), qualifying licensing authority, and the number issued to the representative by the licensing authority, and must confirm statements in the jurat with a signature.

**Refer to main Tax Forms Guide for line-by-line details.** Form 2848 is a generic form that can be used by partnerships or individuals. You can therefore refer to the details in the main *Tax Forms Guide 2024 Edition* for guidance on your data entry.

### Form 3468 / Investment Credit

**CAUTION:** Details for Form 3468 are not yet updated for tax year 2023! Because of the extensive expansion of Form 3468 from 3 pages for 2022 to 10 pages for 2023, and an extensive redesign of its structure, the details are not yet provided here. In the meantime, we recommend that you use the IRS 2023 Instructions for Form 3468 alone.

**Purpose.** Separate tax credits are available for qualified investments in a number of favored kinds of property, but they are all reported on this one form. As a result, Form 3468 is quite different from other business credit forms, which are usually devoted to a single credit, or a couple of credits that are similar to each other. In fact, the Form 3469 for 2023 handles more than a dozen unrelated credits on its 10-page form. In most cases, the partnership must pass the partner's allocated share of investment for each credit on to partners through Schedules K-1, so the credits are not computed on Form 3468 and only the dollar amounts of investments made (and certain identifying information in some cases) are shown on Form 3468. However, the *Inflation Reduction Act of 2022* introduced another option for some credits. Under that act, the partnership can elect to take one of these credits in the form of a payment against tax and can elect to transfer all or part of selected other credits to an unrelated third-party buyer. To claim these elections, the partnership must figure the credit on Form 3468 and report them on Form 3468 and Form 3800 (which otherwise is not used by a partnership), where the elected transfers and deemed payments for these special credits are claimed. However, even for these elections, there are no differences in data entry for the partnership's Form 3468. As a result, you should refer to the details in the main *Tax Forms Guide 2024 Edition*, not here, for data entry, but use this partnership manual for information on calculations and posting of results. *Form 3468 is accessible through the Road Map at line 15c of Schedule K (Form 1065, page 5) and at the component of line 15f labeled "Unused ITC from coops."*

**Characteristics of the Form 3468 for partnership returns.** There are a number of characteristics of Form 3468 when used for Form 1065 returns that differ from Form 3468 when used for Form 1040 returns:

- **All credit lines compute as zero (except when the partnership elects a deemed payment or transfer).** Since the partners, not the partnership, must claim each credit separately based on the raw data provided by the partnership, all computed credit lines are generally zero for a partnership return. Most lines of Form 3468 follow this pattern; you will allocate the basis of or investment in property among partners, but will not report any credit to the partners because the partners will compute the credit on their own returns. (Calculated lines that are *not* dollar amounts allocated among partners, such as those relating to horsepower-

er or kilowatt or megawatt capacity, *are* computed for use on each partner's Form 3468.)

- **Additional information required for rehabilitation expenditures.** Form 3468 does not provide for it, but the partnership return requires that you separately identify those rehabilitation expenditures related to rental real estate and those that are not. You must identify the real estate portion at the bottom of screen 5 of our Form 3468, in the section titled *Allocation of rehabilitation expenditures to Schedule K, line 15c and 20c*, which is detailed on the next page.
- **Posting of results is more complex.** On a Form 1040 return, the computed credits are always posted to Form 3800. But for a Form 1065 return, except for elected payments and transfers, investments are separated into separate types for posting to Schedule K. The posting is summarized on the last screen of our Form 3468.
- **Itemizing on Schedule K may be required.** Although basis/investment totals are automatically posted to the proper lines on Schedule K and distributed to partners on their Schedules K-1, you may have to provide details in supporting statements for Schedule K. Although you can provide each partner with a copy of the partnership's Form 3468 along with an explanation of the proportion of the basis/investment entries that apply, it is preferable to provide the information in supporting statements for Schedule K so that the proper prorated amounts automatically appear with each partner's Schedule K-1. See our instructions for Schedule K for details.

**Allocation of rehabilitation expenditures to Schedule K, line 15c and 20c.** Amounts for rehabilitation credits must be separately identified as relating to rental real estate or not because they are separately reported on line 15c (code E) and line 20c (Code D), respectively, of Schedule K. As a result, *you must identify here the amounts in Part VII, lines 1e through 1g that apply to rental real estate.*

**Sum of basis on Part VII, lines 1e, 1f, and 1g.** *(auto-calc)* Computed as the sum of basis amounts entered for lines 1e, 1f, and 1g of Part VII of Form 3468. This is the total that must be separated into rental real estate and other than rental real estate.

**Rental real estate in the above.** Enter the part of the above total related to rental real estate activities. This amount will be posted to line 15c of Schedule K for distribution to partners as code E in box 15 in each partner's Schedule K-1.

**Other than rental real estate.** *(auto-calc)* Computed as the remainder of "Sum of basis on Part VII, lines 1e, 1f, and 1g" less "Rental real estate in the above." This amount will be posted to line 20c of Schedule K for distribution to partners as code D in box 20 in each partner's Schedule K-1.

**SUMMARY OF .** All amounts that must be reported to partners are summarized here.

**Rehabilitation expenditures (rental real estate) for Schedule K, line 15c (code E).** *(auto-calc)* Taken from the amount you entered for "Rental real estate in above" (rental real estate part of Part VII, lines 1e, 1f, and 1g), this amount is posted to Schedule K and the distributive share is shown on each partner's Schedule K-1 as code E in box 15.

**Unused investment credit from cooperatives for Schedule K, line 15f (codes P-U).** *(auto-calc)* Computed as the sum of credits from cooperatives (Form 3468, Part II, line 6, Part III, line 2, Part IV, line 2, Part VI, line 31, and Part VI, line 2), this amount is posted to Schedule K and the distributive share is shown on each partner's Schedule K-1 as code P through U in box 15.

**Rehabilitation expenditures (other than rental real estate) for Schedule K, line 20c (code D).** *(auto-calc)* Taken from the amount computed for "Other than rental real estate" (part of Part VII, lines 1e, 1f, and 1g that is *not* identified as rental real estate), this amount is posted to Schedule K and the distributive share is shown on each partner's Schedule K-1 as code D in box 20. You can provide details to partners by itemizing the amounts in a supporting statement for the line on Schedule K. The prorated shares will then be included in a supporting statement for each partner's Schedule K-1. See our instructions for Schedule K for details.

**Energy property (from line 12) for Schedule K, line 20c (code E).** *(auto-calc)* Computed as the sum of basis amounts for Part III, line 1a, Part VI, lines 1a, 3a, 5a, 5f, 7a, 9a, 11a, 11d, 13a, 15a, 17a, 19a, 21a, 23a, 25a, 25d, 25g, and 25j. This total is posted to Schedule K and the distributive share is shown on each partner's Schedule K-1 as code E in box 20. You can provide details to partners by itemizing the amounts in a supporting statement for the line on Schedule K. The prorated shares will then be included in a supporting statement for each partner's Schedule K-1. See our instructions for Schedule K for details.

**CAUTION: Below Part II total is NOT posted to Schedule K:**

**Advanced coal and gasification projects, advanced energy project, and advanced manufacturing investment property YOU must itemize at Schedule K, line 20c (code ZZ).** *(auto-calc)* Computed as the sum of basis amounts for Part II, lines 1a, 2a, 3a, 4a, 5a, Part III, line 1a, and Part IV, line 1b. The distributive share of this total is shown on each partner's Schedule K-1 as generic code ZZ in box 20. Therefore, YOU must itemize these amounts in a supporting statement for line 20c of Schedule K (at the line "Other to report (itemize)") and identify each of these three classes of credits (as codes AS, AT, and AU) so that the distributive share of the basis for each credit is shown on each partner's Schedule K-1.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.



### Form 4255\* / Recapture of Investment Credit

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to figure the additional tax due to (a) the recapture of an Investment Tax Credit (ITC), originally claimed on Form 3468, and, since 2010, (b) the recapture of a qualifying therapeutic discovery project grant. Recapture of the ITC arises if, within 5 years of the date placed in service, you dispose of the property, change its use to a nonqualified use, re-turned leased property, reduce ownership or business use below acceptable limits, etc. See the IRS Form 4255 Instructions for a complete list of actions that require recapture and exceptions that forgive you from it. Recapture of a therapeutic grant generally arises when the grant you received exceeds the amount to which you are qualified based on actual qualified expenses, which is usually 50% of total expenses. *Form 4255 is accessible through the Road Map at the component of line 20c of Schedule K labeled "4255 Investment credit recap."*

**Posting to Schedules K and K-1.** You should complete this form in accordance with the instructions in the main *Tax Forms Guide 2024 Edition*. The recapture resulting on this form is posted to Schedule K for distribution among partners through their Schedules K-1. The recapture tax resulting at line 20 of Form 4255 is posted to the component of line 20c of Schedule K (Form 1065, page 5) labeled "4255 Investment credit recap." and each partner's share is reported on the partner's Schedule K-1 as code H in box 20. The latter amount will generally be reported as the ICR component of line 62c of each partner's Form 1040, with any recapture of therapeutic discovery project grant included. However, each partner must support this entry on his or her own Form 1040 return by completing a Form 4255 that includes the details from the partnership, reporting only his or her share for each entry, including the separate reporting of a therapeutic discovery project grant on line 19 of Form 4255.

## **Form 4562 / Depreciation and Amortization**

**How to use it.** Form 4562 is used to report section 179 expenses, depreciation, and amortization in support of deductions on Form 1065 Page 1, Form 1125-A, Schedule F, and Form 8825. One copy of Form 4562 is available for each separate copy of each supported form, plus three extra copies for use with any form not built into the software. The separate forms are attached permanently to the forms they support to ensure reliable posting of results. Whenever you access Form 4562 by itemizing from a supported form, the Form 4562 that appears is automatically the one that supports the line and form itemized. When you access Form 4562 from the Forms Menu, however, you are presented with a special menu from which you can select the copy you want. See the section on Form 4562 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* for details on this form, subject to the following special treatment.

**Sec. 179 expense subject to special handling.** Because section 179 expense deductions are passed through to partners and *NOT* deducted by the partnership, section 179 expense deductions are NOT included in the depreciation total on line 22 of Form 4562, irrespective of the IRS label for that line. Accordingly, the depreciation total reflected in line 16a of Form 1065, page 1, does not include section 179. Instead, section 179 deductions are reflected in line 12 of Schedule K (page 5 of Form 1065) from which they are distributed to each partner's Schedule K-1. (Note that the fixed limit on all section 179 deductions combined is \$1,160,000 for tax year 2023, as enforced at line 12 of Schedule K. However, further limitations may apply if all section 179 deductions combined exceeds the net income of the partnership. In this case you may have to override the amount for line 1 of Schedule K, as explained in our earlier details for that line.)

**Tax year vs. calendar year.** Understanding Form 4562 can be confusing when used for partnerships because some of the tax laws behind it are based on the tax year (the partnership's fiscal year) and others are based on a calendar date. (For Form 1040 returns, no such confusion exists because the tax year for individuals is the same as the calendar year.) For example:

- **Examples of when tax year applies.** Tax years apply to all years that are shown on the pre-printed IRS Form 4562. Specifically, lines 17 and 43 of the form are reserved for assets placed in service in tax years that begin *before* 2023, irrespective of the calendar date on which the partnership's fiscal year begins. Similarly, lines 14, 19a through 20d, 25, and 42 of the form are reserved for assets placed in tax years that begin in 2023, irrespective of the calendar date on which the partnership's fiscal year begins. And limitations on section 179 deductions are based on the tax year, so the \$1,160,000 limit for 2023 applies only to expenses within the partnership's 2023 fiscal year.
- **Examples of when calendar year applies.** Most other date-sensitive depreciation rules depend on the exact calendar date of the event. Specifi-

cally, the allowable percentages for the special depreciation allowance depend on the calendar date when the asset is acquired, not the tax year when it is acquired. For example, a 100% special allowance is available for most property acquired after September 27, 2017, irrespective of the tax year within which that date falls, and no special allowance is available for most property acquired before September 28, 2017 if not placed in service until tax year 2023, with the exception of property with a long production period and certain aircraft, for which a 30% special allowance is allowed. Limitations on first-year depreciation deductions for passenger vehicles placed in service during the tax year are based on the calendar date when the vehicle is placed in service, not the tax year. However, the limitation in subsequent years is based on that calendar date and the number of tax years the vehicle has been in service.

These complications are handled automatically by the software in the worksheets for Form 4562, but you should be aware of these distinctions when reading the IRS instructions for Form 4562.



## Form 4684 / Casualties and Thefts

**How to use it.** Form 4684 is used to report gains and losses stemming from casualties and thefts. You should complete this form in accordance with the instructions in the main *Tax Forms Guide 2024 Edition*. However, posting of the results of this form to other parts of the return is different for partnership returns. Since Section A (page 1 of the form) is used for Personal Use Property and Section B (page 2 of the form) is used for Business and Income-Producing Property, and the partnership is a business or investment entity, only Section B is relevant to the partnership. As a result, only amounts from Section B are posted elsewhere in the return (to Schedule K and Form 4797). (In the unlikely case that the partnership suffers a casualty or theft of *personal* property not owned by the business, it should report that loss to the partners so that they can complete their own Form 4684. For this purpose, the partnership can complete Section A of Form 4684 and give a copy to each partner, but no amounts from this section of the form are posted elsewhere on the partnership return.)

**Posting of results on Form 4684 to Schedule K and Form 4797.** The results in Section B of Form 4684 are posted as follows:

- **31 Combine line 30, columns (b)(i) and (c).** *(auto-calc)* Computed as the net of short-term loss on business property (line 30(b)(i)) and short-term gain on both business and income property (line 30(c)), this amount is posted to line 14 of Form 4797. (The IRS label for line 14 of Form 4797 refers to line 38a as well as line 31, but only line 31 is posted to Form 4797 for partnership returns. Line 38a is instead posted to Schedule K, line 11, as noted below.)
- **32 Amount from line 30 column (b)(ii).** *(auto-calc)* Computed as the short-term loss on income-producing property *ONLY*, this amount is posted to Schedule K as a component of line 13d (Net loss from Form 4684) as an itemized deduction to be reported on each partner's 2023 Schedule A (Form 1040), line 16.

Below line 39:

- **Total for Schedule K, line 11.** *(auto-calc)* Computed as line 38a (the net of loss on 35(b)(i) and gain on 36) less line 38b (the loss on 35(b)(ii)) plus line 39 (the gain on 36 less loss on 37, but no less than zero), this is long-term gain or loss on both business and income property. It is posted to Schedule K as a component of line 11 (Code B Involuntary conversions), and is separately reported on each partner's own Form 4684.

If any amounts are posted to line 11 of Schedule K, the partners must complete their own Form 4684 for their own returns. The partners will therefore need to know their share of the amounts on lines 35(b)(i), 35(b)(ii), and 36(c) of Form 4684. For this purpose, we recommend that you give each partner a copy of the partnership's Form 4684 and identify the partner's prorated share of each part of line 35 and 36.

### Form 4797 / Gain and Loss from Sales or Exchanges

**Variation from Form 1040 returns.** Although you use the same IRS Form 4797 for Form 1065 returns (for partnerships) as you do for Form 1040 returns (for individuals), there are several differences in how the calculations are performed:

- Passive activity issues are not relevant to the partnership because each partner must characterize the income or loss based on his or her own involvement with the partnership. Accordingly, lines relating to passive activities are omitted from the on-screen Form 4797 for partnerships.
- The results for Parts I are not reflected in Part II as they sometimes are for individual returns. Instead, the total at line 7 (the total Section 1231 gain or loss) is posted directly to line 10 of Schedule K, for distribution to each partner's Schedule K-1.
- Line 8 (nonrecaptured net section 1231 losses from prior years) and the calculated lines 9, 11, and 12 are not relevant to partnerships, so access to these lines is blocked and they remain zero on partnership returns.
- Line 14 includes only the amount from line 31 of 2023 Form 4684. The amount on line 38a is included in line 11 of 2023 Schedule K instead.
- Line 17 (total ordinary gain or loss) is normally posted to line 6 of Form 1065 Page 1 for inclusion in the partnership's net ordinary income or loss (line 22 of Form 1065 Page 1, which flows to line 1 of Schedule K for distribution to line 1 of each partner's schedule K-1). But if line 17 includes ordinary income or loss from rental real estate, that part of line 17 is reported on line 19 of Form 8825, Rental Real Estate Income and Expenses, instead.

See the section on Form 4797 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* for other details.

**Posting to Form 1065 and Form 8825.** This section appears on the screen below line 17 as an aid to the proper allocation of line 17 between line 6 of Form 1065 Page 1 and line 19 of Form 8825. **CAUTION: You must create a Form 8825 for the return if any amount is identified below for rental real estate.** It is accessible through the Road Map at line 2 of Schedule K.

**Active rental real estate in line 10(g).** *(auto-calc)* Taken as the ordinary gains and losses on the worksheets for active rental real estate.

**Other rental real estate in line 17.** If line 17 includes any other amounts from the disposition of rental real estate, whether active or not, enter that part of line 17 here.

**Rental real estate in line 17 for Form 8825.** *(auto-calc)* Computed as the sum of the preceding two lines, this total is posted to line 19 of Form 8825, and is therefore reflected in line 2 of Schedule K.

**Balance for Form 1065, line 6.** *(auto-calc)* Computed as line 17 less the preceding amount for Form 8825, and posted as indicated, this amount is reflected in line 1 of Schedule K through the net ordinary gain or loss at line 22 of Form 1065, Page 1.

## Form 4835\*\* / Farm Rental Income and Expenses

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** This form is used to report farm rental income when you own the property on which the farm operates, the rental income is based on production rather than a flat rate, and you did not materially participate in the operation of the farm. The amount of Gross Income on line 7 of this form is reported at line 3a of Schedule K, and the amount of Total Expenses on line 31 is reported at line 3b of Schedule K. The resulting net income or loss is shown in box 3 of each partner's Schedule K-1, and the partner reports it at line 28 of his or her Schedule E (Form 1040). *Form 4835 is accessible through the Road Map at lines 3a and 3b of Schedule K.*

**Refer to main Tax Forms Guide for details.** Form 4835 for partnerships is the same as the one for individuals except for the omission of passive activity questions and amounts, none of which are relevant to a partnership, and the posting of results to Schedule K, noted above. As a result, most details for Form 4835 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* apply.

### Form 5884\* / Work Opportunity Credit

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used by employers to claim credit for first-year wages to certain targeted groups (and now second-year wages to one of these groups). The credit is claimed by partners, not the partnership, so the result on line 4 is posted to line 15f of Schedule K, and each partner's share of this amount is posted the partner's Schedule K-1 as code J in box 15. Each partner then includes this amount on line 3 of the partner's own Form 5884, which is then reflected on the partner's Form 1040 through Form 3800. *Form 5884 is accessible through the Road Map at the component of line 15f of Schedule K labeled "5884 Work opportunity credit" (at the bottom of screen 5 of the 2023 Schedule K of Form 1065).*

**See main manual for requirements and detailed instructions through line 3.** Certification from the state employment security agency (SESA) is generally required before you can claim a credit, and the targeted groups that qualify you for the credit are very specific. For more information, see our details for Form 5884 in Chapter 2 of the main Tax Forms Guide 2024 Edition. Pay particular attention to special instructions if a member of a controlled group.

**1 through 3.** See the instructions in the main *Tax Forms Guide 2024 Edition*. **CAUTION:** *You must generally reduce the deduction for wages and salaries on the return by the amount on line 2, entering that amount on the line above line 9 of our Form 1065, page 1 labeled "Less employment credits."*

**4 Add lines 2 and 3. (auto-calc)** Computed as indicated, this is the credit to be passed through to partners. It is posted to the component of line 15f of Schedule K labeled "5884 Work opportunity credit," then allocated among partners for their Schedules K-1. The allocated amount is identified as code J in box 15 of each partner's Schedule K-1, which each partner must report on line 3 of a Form 5884 for his or her own tax return. The amount must then be reflected on line 4b of the appropriate copy of each partner's Form 3800, Part III, and then a limited amount will be reflected in line 54a of each partner's Form 1040.

**5 and 6. (auto-calc)** Because the amount on line 4 is passed through to partners, the subsequent lines on this form are zero. Lines 5 and 6 apply only to cooperatives, estates, and trusts.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided on-ly to allow you to make private notes or reminders.

## Form 6252 / Installment Sale Income

**Purpose.** This form is used to report the sale of property for which you elect the installment method of reporting the gain in order to avoid reporting the entire gain in the year of sale. A separate copy of Form 6252 must be prepared for each separate sale you report on an installment basis. Five separate copies are available with this software. Form 6252 is accessible through the Road Map at lines 4 and 11 of Schedule D (Form 1065), and at lines 4, 10, and 15 of Form 4797.

**See main Tax Forms Guide for details.** Form 6252 of the Partnership Edition is identical to the one for Form 1040 except that the passive activity questions and the sale of a main home are not relevant to the partnership.

- The extra lines we provide for passive activities are omitted, since passive activity issues are not relevant to the partnership.
- Line 15 of Form 6252 is always zero, since main home sales are not relevant to partnerships.
- Allocations to Schedule D shown on screen 7 of Form 6252 relate to Schedule D (Form 1065), not Schedule D (Form 1040).

Other details for Form 6252 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* apply.

### Form 6478\* / Biofuel Producer Credit

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to claim biofuel fuel producer credit. Although the credit had expired at the end of 2017, it was reinstated retroactively by the year-end 2019 budget bill through 2020. It was extended later through 2021, then the *Inflation Reduction Act of 2022* extended it again through 2024. The result of this form is posted to Schedule K, line 15j, then distributed to each partner's Schedule K-1, box 15, code I. *Form 6478 is accessible through the Road Map at the credit component of line 15f of Schedule K labeled "6478 Biofuel producer credit."*

**See IRS instructions for important details.** The law is very specific about what specific kind of fuel is eligible for what specific credit, so a careful reading of the IRS Instructions for Form 6478 is critical.

**CAUTION: You must report line 2 as income on the partnership return in order to qualify a partner for the credit.** The credit on Form 6478 is allowed only as an offset to income reported on the return for the claimed fuel. Even though the credit is passed through to partners and may be limited by tax liability on the partners' returns, you must report the full amount on line 2 as income on the "other income" line of Form 1065, which is line 7 of Form 1065, page 1. To do so, in a supporting statement for line 7 of Form 1065, page 1, you should enter "Fuel claimed as credit on 6478" in the description column and the amount on Form 6478, line 2, in the amount column.

**Posting of results.** The credit resulting at line 4 of Form 6478 is posted to Schedule K, line 15j, and identified as "6478 Biofuel producer credit." It is then distributed to each partner's Schedule K-1, box 15, and identified as code I. The subsequent lines on Form 6478 (lines 5 and 6) are irrelevant to Form 1065 returns; they are relevant only to cooperatives, estates, and trusts..

**Refer to main manual for more information.** You can refer to the details for Form 6478 in Chapter 2 of the main *Tax Forms Guide 2024 Edition*, for information on how the credit reported by the partnership is used by individual partners.

**Form 6765\* / Credit for Increasing Research**

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to claim credit for investment in technological research over and above what was invested in the prior year. *Form 6765 is accessible through the Road Map at the credit component of line 15f of Schedule K labeled "6765 Increasing research."*

**Refer to main Tax Forms Guide most for details.** Form 6765 (Rev. December 2023) used for a partnership's Form 1065 return is the same form as used for an individual's Form 1040 return. However, the IRS instructions differ in a few areas, leading to the following differences in the software:

**Form 3800 does not apply to partnerships.** Form 3800 is used on a Form 1040 return to report credits from most business credit forms. It does not apply to partnerships, so lines relating to Form 3800 are omitted from this software.

**No taxable income entries for partnerships.** Taxable income attributable to the research credit is used on Form 3800 to determine a limitation on the credit from Form 6765, but that information is not used on a partnership return and so the associated data entry lines do not appear in the partnership version of the software.

**Partnership credit posted to Schedule K, line 15f.** Whereas the credit on line 38 of Form 6765 is posted to Form 3800 on a Form 1040 return, it is instead posted to the Form 6765 component of line 15f of Schedule K for a Form 1065 return. That amount is then allocated to each partner's Schedule K-1 in box 15 as code M.

**43 General business credit carryforward from the current year.** *(auto-calc)* Always zero for partnership returns because Form 3800, where the carryover is computed, does not apply to partnerships.

**44 Smaller of line 36 and line 42.** *(auto-calc)* Computed as indicated for partnership returns. By contrast, the result for Form 1040 returns is the smallest of lines 36, 42, and 43.

All other details for Form 6765 in Chapter 2 of the main *Tax Forms Guide 2023 Edition* apply.

### Form 6781\* / Gains & Losses from Section 1256 Contracts & Straddles

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to report gains and losses from an investment in futures contracts and non-equity options, and from commodity dealers' equity options and security contracts. Form 6781 is accessible through the Road Map at the Form 6781 lines that precede lines 2 and 8 of Schedule D and the Code C component of line 11 of Schedule K on Form 1065, page 5.

**Refer to main Tax Forms Guide for details.** Form 6781 for partnerships is the same as Form 6781 for individuals except:

- Partnerships are not eligible for the election in line D (Net section 1256 contracts loss election). As a result, for a partnership return the amount on line 5 of Form 6781 is passed through to partners (through the Code C component of Schedule K, line 11), and the amounts on lines 6 through 9 are zero.
- Posting of results to Schedule D, shown on the last screen of our Form 6781, relate to the lines following lines 3 and 10 of Schedule D (Form 1065) that refer to Form 6781. However, those amounts are not reflected in the official printouts of Schedule D (Form 1065) and Form 8949 until you create worksheets that report them, as explained in the below shaded box.

Otherwise, details for Form 6781 in Chapter 2 of the main Tax Forms Guide 2024 Edition apply.

**CAUTION: You must create worksheets at line 3 and 10 of Schedule D (Form 1065) to reflect amounts from Form 6781, Part II.** Unlike Schedule D (Form 1040), the IRS does not include amounts from Form 6781 in lines 4 and 11 of Schedule D (Form 1065). Instead, you must include them in worksheets for lines 3 and 10, which you must complete manually. (The amounts from Form 6781 are shown on-screen following lines 3 and 10 of Schedule D (Form 1065).) If you fail to do so, the amounts from Form 6781 will not be reflected on the partnership's return! See our details for Schedule D (Form 1065) for more information.



## Form 7004\*\* / Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** Partnership returns are due on the 15th day of the 3rd month after the end of the partnership's tax year. For partnerships for which the fiscal year is the calendar year, that's one month earlier than the due date for individual calendar-year Form 1040 filers. The automatic extension of time to file a partnership return is a 6 months after the partnership's due date. The form used to file for the extension, Form 7004, applies to many more entities than partnerships, including corporations, estates, trusts, REITs, but the data entry that is built into this software is designed *solely* for partnerships filing Form 1065. Form 7004 is a stand-alone form that you file alone by the regular due date of the return. It is accessible only from the Forms Menu, not through the Road Map.

**When and where to file.** To apply for the extension, you must file this form with the IRS by the regular due date of the return or, if line 4 of Form 7004 applies, 3 months after that date. In either case, the extension will allow you to file 6 months after the regular due date of the return. The address to which you must send this form is generally not the same as the address where you send the partnership's Form 1065 return (which were shown in Table PAR-2 on page PAR-8 of this manual). See Table PAR-4 on the next page instead.

**Name and address.** (auto-calc) The name and address for this form *do not appear on the screen*, but are shown the official printout of Form 7004 based on your entries on Form 1065, page 1.

**PART I, AUTOMATIC EXTENSION FOR CERTAIN BUSINESS INCOME TAX, INFORMATION, AND THER RETURNS.** This part of the form contains only one data entry line, in which you must identify (by a form code) the return to which the form applies. The official form contains a table of form codes for all the returns for which Form 7004 can be used, but only one line in that table applies to a partnership's Form 1065 return, which is identified by Form Code "09."

- 1. Form code for the return that this application is for.** (auto-calc) Because this software is designed for Form 1065 returns, the code "09" is entered for you automatically.

Table PAR-4. IRS Centers for Filing Form 7004

| LOCATION OF PARTNERSHIP'S<br>PRINCIPAL PLACE OF BUSINESS<br>OR PRINCIPAL OFFICE OR AGENCY  | SEND FORM 7004<br>TO THIS ADDRESS:   |
|--|--|
| Connecticut, Delaware, District<br>of Columbia, Georgia, Illinois,<br>Indiana, Kentucky, Maine, Maryland,<br>Massachusetts, Michigan, New<br>ter<br>Hampshire, New Jersey, New York,<br>North Carolina, Ohio, Pennsylvania,<br>Rhode Island, South Carolina,<br>Tennessee, Vermont, Virginia,<br>west Virginia, Wisconsin<br>ter | <i>For partnerships with year-end<br/>assets* under \$10 million:</i><br>Department of the Treasury<br>Internal Revenue Service Cen-<br><br>Kansas City, MO 64999-0019<br><i>For partnerships with year-end<br/>assets* \$10 million or more:</i><br>Department of the Treasury<br>Internal Revenue Service Cen-<br><br>Ogden, UT 84201-0045 |
| Alabama, Alaska, Arizona, Arkansas,<br>California, Colorado, Hawaii, Idaho,<br>ter<br>Iowa, Kansas, Louisiana, Minnesota,<br>Mississippi, Missouri, Montana,<br>Nebraska, Nevada, New Mexico, North<br>Dakota, Oklahoma, Oregon, South Dakota,<br>Texas, Utah, Washington, Wyoming   | Department of the Treasury<br>Internal Revenue Service Cen-<br><br>Ogden, UT 84201-0045  |
| A foreign country or<br>ter<br>U.S. possession   | Internal Revenue Service Cen-<br><br>P.O. Box 409101<br>Ogden, UT 84409  |

**PART II, ALL FILERS MUST COMPLETE THIS PART.** This part covers all enti-  
ties to which Form 7004 applies, but only the entries for lines 4, 5a, and 6  
apply to partnerships.

**2 Is the organization a foreign corporation that does not have an office or  
place of business in the United States?** *(auto-calc)* This question applies only  
to corporations, so the answer is No for this partnership return.

**3 Is the organization a corporation and the common parent of a group that  
intends to file a consolidated return?** *(auto-calc)* This question also applies  
only to corporations, so the answer is No for this partnership return.

**4 Is the organization a corporation or partnership that qualifies under Regu-  
lations section 1.6081-5?** Partnerships that keep their records and books out-  
side the United States and Puerto Rico qualify under regulations section  
1.6081-5 to file their return three months *after* the regular filing due date  
*without penalty* for late filing or late payment. However, if the partnership  
plans to file after the 3-month grace period, it must file Form 7004 with a  
Yes answer for this line, and this form will be taken as an application for an  
additional 3 months to file. The due date for the extension return will then be  
the same as that for those who do not qualify for the 3-month grace period.

**5a The application is for calendar year \_\_\_\_.** *(auto-calc)* If you entered fiscal year beginning and ending dates on our Control Form, this entry will be zero and the next two lines will have entries instead. Otherwise, a calendar year return is assumed, the tax year shown on the Control Form appears here, and the next two entries will be blank.

**or other tax year beginning.** *(auto-calc)* Taken from your entry for "Fiscal year beginning" on our Control Form unless the fiscal year is a calendar year.

**and ending.** *(auto-calc)* Taken from your entry for "Fiscal year ending" on our Control Form unless the fiscal year is a calendar year.

**5b Short tax year. Identify the reason.** If the tax year is less than 12 months, you must answer Yes to one of the following questions to explain why.

**Initial return.** *(auto-calc)* Taken from your answer at line G(1) of Form 1065, page 1.

**Final return.** *(auto-calc)* Taken from your answer at line G(2) of Form 1065, page 1.

**Change in accounting period.** The rules for changing the accounting period are strict. You will have to get IRS approval to change the accounting period unless specific conditions are met. See IRS Pub. 538 (*Accounting Periods and Methods*) for more information.

**Consolidated return to be filed.** This question normally applies only to corporations and should be left at its No default.

**Other (itemize to explain).** If the reason for a short tax year is not covered by the preceding questions, answer Yes here and explain in a supporting statement for this line.

**Remainder of form not relevant to partnerships.** Except for the extra line below, the remainder of the form applies only to corporations and other entities that pay tax. Therefore, lines 6, 7, and 8 will be zero for this partnership return.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

### Form 8283\*\* / Noncash Charitable Contributions

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** This form is used to report information that the IRS requires when your deduction for all noncash gifts exceeds \$500. The form is not computational, and has no results to be posted elsewhere. Rather, it is a form to help the IRS in auditing noncash transactions and assessing the validity of claims for charitable deductions. If you have questions about what is deductible and how much detail you should provide on this form, see IRS Pub. 526 (Charitable Contributions), IRS Pub. 561 (Determining the Value of Donated Property), and the IRS instructions for Form 8283. *Form 8283 is accessible through the Road Map at the special access line that follows line 13a of Schedule K.*

**Refer to main Tax Forms Guide for details.** Form 8283 for partnerships is identical to the Form 8283 that is built into all versions of our Form 1040 software. As a result, details for Form 8283 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* apply.

## Form 8586\* / Low-Income Housing Credit

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to claim credit for placing in service a new qualified low-income housing building. Form 8586 is accessible through the Road Map at all parts of lines 15a and 15b of Schedule K (Form 1065, page 5).

**Recapture.** You may have to pay a recapture tax in the future if, within 15 years of the date placed in service, your ownership in the building changes, the basis of the building decreases, or the building fails to meet the minimum set-aside requirements. Recapture is reported on Form 8611, which is also built into the software at the Premium Level.

**Section 42(j)(5) rules.** A partnership is generally treated under section 42(j)(5) if it has 35 or more partners, where a husband and wife who are partners are together treated as one partner. However, a partnership that exercised a special election within a short period after the enactment of section 42(j)(5) late in 1988 is not treated under section 42(j)(5). For partnerships that are subject to section 42(j)(5), credits from Form 8586 are reported on line 15a of Schedule K. Otherwise, the credits are reported on line 15b. Accordingly, *the version of Form 8586 included in the Partnership Edition is sprinkled with lines that relate to section 42(j)(5), none of which appear in the version of Form 8586 for Form 1040 returns:*

**Section 42(j)(5) rules apply?** *(auto-calc)* This is the first entry of the on-screen Form 8586 for partnership returns. It is answered Yes only if Form 1065 Page 1, line I, is 35 or more and you answered No to "Elect out of 42(j)(5)" below that line. *Note that this answer controls only the reporting of credit for buildings that this partnership placed in service. Buildings that other pass-through entities placed in service are handled separately at lines 4 and 11 of Form 8586.*

**Part of line 4 under section 42(j)(5).** This entry appears below line 4 of Form 8586, which is the credit allocated from Form 8586, Part I, of other partnerships, S corps, estates, or trusts of which the partnership is a member. You must enter here the amount reported to the partnership in box 15 of a Schedule K-1 (Form 1065) with code A.

**Part of line 5 under section 42(j)(5).** *(auto-calc)* This entry appears below line 5 of Form 8586. It is the sum of the preceding amount and, if section 42(j)(5) rules apply to this partnership, the amount line 3.

**Part of line 11 under section 42(j)(5).** This entry appears below line 11 of Form 8586, which is the credit allocated from Form 8586, Part II, of other partnerships, S corps, estates, or trusts of which the partnership is a member. You must enter here the amount reported to the partnership in box 15 of a Schedule K-1 (Form 1065) with code B.

**Part of line 12 under section 42(j)(5).** *(auto-calc)* This entry appears below line 12 of Form 8586. It is the sum of the preceding amount and, if section 42(j)(5) rules apply to this partnership, the amount line 10.

**Posting of results.** Four separate amounts are posted to Schedule K (Form 1065), as follows:

**15a Low-income housing credit (section 42(j)(5)):**

**from pre-2008 buildings.** The amount for this line is taken from the line below line 5 of Form 8586 labeled "Part of line 5 under section 42(j)(5)" and is allocated to partners in box 15 of Schedule K-1, identified as code A.

**from post-2007 buildings.** The amount for this line is taken from the line below line 12 of Form 8586 labeled "Part of line 12 under section 42(j)(5)" and is allocated to partners in box 15 of Schedule K-1, identified as code C.

**15b Low-income housing credit (other):**

**from pre-2008 buildings.** Computed as the amount on line 5 of Form 8586 less the line below it labeled "Part of line 5 under section 42(j)(5)," this amount is allocated to partners in box 15 of Schedule K-1, identified as code B.

**from post-2007 buildings.** Computed as the amount on line 12 of Form 8586 less the line below it labeled "Part of line 12 under section 42(j)(5)," this amount is allocated to partners in box 15 of Schedule K-1, identified as code D.

Note that credits from post-2007 buildings are subject to more favorable tax treatment for partners. They are not subject to tax liability limitations on the partners' own returns, whereas credits from pre-2008 buildings are.

**Refer to main manual for other details.** Other aspects of Form 6478 are the same for partnership (Form 1065) returns as they are for Form 1040 returns. You can therefore refer to the details for Form 8586 in Chapter 2 of the main *Tax Forms Guide 2024 Edition*, ignoring all references to Form 3800 and all shaded boxes.

**Form 8594\* / Asset Acquisition Statement Under Section 1060**

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is an information form that is used to satisfy a reporting requirement when there is a transfer of a group of assets that make up a trade or business and the purchaser's basis in such assets is determined wholly by the amount paid for the assets. In this context, a group of assets makes up a trade or business if goodwill or going concern value could attach to such assets. Form 8594 must be filed by both the purchaser and the seller with their returns for the year in which the sale occurred. It must also be filed in any subsequent year in which there is a change in the purchaser's cost of the assets or a change in the amount realized by the seller. Although Form 8594 is generally filed with the partnership return, because it is just an information form it is not tied to any form in the return and does not affect any calculations. It is therefore accessible only from the Forms Menu and not through the Road Map.

**Refer to main Tax Forms Guide for details.** Form 8594 for partnerships is identical to the Form 8594 that is built into our Form 1040 software at the Premium Level. As a result, all details for Form 8594 in Chapter 2 of the main Tax Forms Guide 2024 Edition apply.

### Form 8611\* / Recapture of Low-Income Housing Credit

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to figure a recapture tax for previously claimed low-income housing credit. The credit is subject to recapture when, within 15 years of the date placed in service, your ownership in the building changes, the basis of the building decreases, or the building fails to meet the minimum set-aside requirements. However, you can often avoid the current payment of the recapture tax by posting a bond through Form 8693. You must complete a separate Form 8611 for each building to which recapture applies, so five separate copies of Form 8611 are built into the software. All copies of Form 8586 are accessible through the Road Map at two credit recapture lines for line 20c of Schedule K: "8611 LowIncHsg.-42(j)(5)" and "8611 Low Income Housing-other."

**How to report recapture from pass-through entities.** Recapture reported to this partnership by another pass-through entity (S corporation, estate, trust, or another partnership) must be reported on line 8 of a separate Form 8611 dedicated to that recapture. Because this copy of Form 8611 is dedicated to that recapture alone, the information you provide on lines C through F of this Form 8611 is taken from the information provided to you by that other pass-through entity, as reported on that entity's own Form 8611. If that other entity is a Section 42(j)(5) partnership (usually because it has 35 or more partners), you must also indicate that fact on our question below your entry for line 8.

If this partnership is a section 42(j)(5) partnership, there is ONE MORE THING you must do: complete lines 1 through 7 of this copy of Form 8611 based on information provided by the other entity. This step is required regardless of the Section 42(j)(5) characterization of the other entity. It provides additional information to the IRS, but does not affect calculations since only the amount you enter on line 8 is posted to Schedule K and passed through to partners with the Section 42(j)(5) characterization of the other entity in tact.

**IDENTITY OF PARTNERSHIP AND BUILDING.** The first section of Form 8611 identifies this partnership and the building to which recapture applies.

**A & B are taken from Form 1065.** (auto-calc, not shown on-screen) These are the name of this partnership and its EIN entered on Form 1065 Page 1. They are not shown on the on-screen version of Form 8611, but appear on its official printout.

**C - F Information that identifies the building to which this recapture applies.** If this partnership owned the building for which the credit being recaptured was claimed, enter the information on the building as detailed in the details for Form 8594 in Chapter 2 of the main *Tax*



*Forms Guide 2024 Edition.* But if another pass-through entity owned the building, enter the information provided by that entity that applies to the recapture it reported to you (and you enter on line 8 of this copy of Form 8611). Reminder: You must complete a separate Form 8611 for each separate building for which credit was claimed and recapture now applies.

**DETERMINATION OF RECAPTURE.** The remainder of the form is used to determine the recapture to be reported, but how it is completed depends on the ownership of the building for which credit was previously claimed and the section 42(j)(5) status of this partnership.

**1 through 7.** If this partnership owned the building, complete lines 1 through 7 in accordance with the details for Form 8594 in Chapter 2 of the main *Tax Forms Guide 2024 Edition*. But if another pass-through entity owned the building, complete lines 1 through 7 only if this partnership is a section 42(j)(5) partnership, but use the information supplied by the other pass-through entity.

**8 Enter recapture amount from flow-through entity.** Make an entry here only if this copy of Form 8611 is being used to report recapture passed on to this partnership from another pass-through entity. This amount will be posted to one of two lines on Schedule K, line 20c, that apply to Form 8611, as detailed next.

**Is line 8 from a section 42(j)(5) partnership?** The section 42(j)(5) character of the recapture on line 8 determines how the amount is posted to Schedule K. Answer Yes if the recapture stems from another partnership and is identified as code F in box 20 of the Schedule K-1 (Form 1065) from that partnership. (Answer No if the recapture is identified as code G in box 20 or the recapture comes from a pass-through entity that is *not* a partnership.)

**9 through 15.** (auto-calc) Lines 9 through 15 are all computed as zero because they do not apply to partnership returns.

**Do section 42(j)(5) rules apply?** (auto-calc) The answer to this question is taken from the answer to "42(j)(5) rules will be used" below line I of Form 1065, page 1. TIP: Lines 16 and 17 apply only to section 42(j)(5) partnerships and are therefore zero if the answer here is No. (Note that this answer identifies the section 42(j)(5) character of this partnership, not a partnership that may be associated with your entry on line 8.)

**16 Enter interest on the line 7 recapture amount.** You can make an entry here only if line 8 is zero and the answer to the preceding question is No. If applicable, you must enter here not your actual interest but rather interest computed in accordance with IRS tables of interest factors and annual interest rates in effect for each year credit that is now recaptured was claimed. See IRS instructions for line 11 for the method of computing this interest (even though line 11 applies only to Form 1040 returns).

**17 Total recapture.** *(auto-calc)* Computed as the sum of lines 7 and 16 only if the answer to the question above line 16 is Yes and the amount on line 8 is zero. Otherwise, zero.

**Posting to Schedule K, line 20c.** The results of Form 8611 are allocated between two separate lines on Schedule K so that (a) partners will have all the information they need to complete a Form 8611 for their own return and (b) the recapture passed through to their partners is properly identified on the Schedules K-1 for partners:

**Recapture under section 42(j)(5).** *(auto-calc)* If the recapture originated from another pass-through entity (as indicated by an entry on line 8), taken as the amount on line 8 if that pass-through entity is a section 42(j)(5) partnership (as indicated by a Yes answer to the question below line 8) and zero otherwise. If the recapture originated from this partnership (as indicated by no entry on line 8), taken as the amount on line 17 if this partnership is a section 42(j)(5) partnership and line 7 otherwise. In either case, the result for this line is posted to the part of Schedule K, line 20c, labeled "8611 Low-IncHsg.-42(j)(5)" and allocated to box 20 of each partner's Schedule K-1, identified as code F.

**Other recapture.** *(auto-calc)* If the recapture originated from another pass-through entity (as indicated by an entry on line 8), taken as the amount on line 8 if that pass-through entity is not a section 42(j)(5) partnership (as indicated by a No answer to the question below line 8) and zero otherwise. If the recapture originated from this partnership (as indicated by no entry on line 8), taken as the amount on line 7 if this partnership is not a section 42(j)(5) partnership and zero otherwise. In either case, this result is posted to the part of Schedule K, line 20c, labeled "Low Income Hsg-other" and allocated to box 20 of each partner's Schedule K-1, identified as code G.

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

**Form 8822-B\* / Change of Address or Responsible Party  
– Business**

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to report a change of address of the partnership (or other business) to the IRS at a time when you are not filing the return to which it applies. Accordingly, this form is not attached to any return, but is sent by itself to the IRS. (To change your address at the time you file you merely use the new address on your return.) Because of its stand-alone nature, Form 8822-B is accessible only from the Forms Menu, and not through the Road Map.

**USE TO CHANGE YOUR BUSINESS MAILING ADDRESS, BUSINESS LOCATION, OR RESPONSIBLE PARTY.** The two addresses need not be the same.

**Check ALL boxes this change affects:**

- 1 Employment, excise, income, and other business returns?** Answer Yes if the address change affects U.S. business returns, such as Form 720, 940, 941, 990, 1041, 1065, or 1120 returns.
- 2 Employee plan returns?** Answer Yes if the address change affects a U.S. employee plan return, such as Form 5500 or 5500-EZ returns.
- 3 Business location?** Answer Yes if the business's physical location has changed.

**If 1, 2, or 3 is "Yes":**

**4a Business name.** Enter the business name in 35 characters or less.

**4b Employer IDN.** (auto-calc) Taken from the IDN you entered on Form 1065, page 1.

**5 Old mailing address.** Enter the mailing address that the IRS has for the cited return(s). If a foreign address, also enter the country, province, and postal code in the lines provided.

**6 New mailing address.** (auto-calc) Taken from the address you entered on Form 1065, page 1.

Foreign address: Form 1065, page 1, does not contain the additional information required for a foreign address, so you must enter that information here *manually* (country, province, and postal code) in the lines provided.

**7 New business location.** Enter the new location of the business if you answered Yes to line 3. If a foreign address, also enter the country, province, and postal code in the lines provided.

**Report a change in responsible party for the business.** The IRS requires that you notify them if you have changed the party responsible for the control of the business or its funds or assets. However, the IRS does not define "responsible property" in this context.. Rather, it refers you to Form SS-4 (*Application for Employer Identification Number*) and its instructions. You must enter the full name of taxpayer identification number for both the current responsible party and the responsible identified on that last return filed of the type identified on line 1 or line 2.

**8 New name of responsible party.** Enter the full name of the new responsible party (in 35 characters or less). (The IRS no longer asks for the name of the prior responsible party.)

**9 New IDN of responsible party.** Enter the tax identification number of the new responsible party (SSN, ITIN, or EIN). (The IRS no longer asks for the IDN of the prior responsible party.)

**10 Signature.** The official Form 8822-B must be signed by the owner of the business or an authorized representative (such as officer, administrator, general partner, etc.).

**Contact person's daytime phone number.** This is an optional entry to use if you want the IRS to contact anyone by phone if there are questions about the completed form.

**Before you file Form 8822-B...** A partner, officer, or other representative of the partnership must sign the printed graphic Form 8822-B. You must then send the signed form to the special addresses indicated by the IRS for that form.

**CAUTION:** *Note that the addresses printed at the bottom of Form 8822-B are not the same as the addresses for mailing your Form 1065 return.*

**Extra line for personal memos.** The supporting statement you create for this line will not be printed as a part of the official return. This line is provided only to allow you to make private notes or reminders.

## Form 8824\* / Like-Kind Exchanges

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is principally used to report an exchange of business or investment property for property of a like kind. (It is also used to report certain conflict-of-interest sales in Part IV of the form.) Although part or all of the exchange may be currently tax-free, the basis in the new property is generally lowered so that the exchange is really a form of tax deferral rather than zero tax. You must use a separate Form 8824 for each separate exchange, and five copies of the form are available in the software. For *both* Form 1040 and Form 1065 software, Form 8824 is accessible through the Road Map at lines 5 and 12 of Schedule D (Form 1065) and lines 5 and 16 of Form 4797.

**CAUTION: Like-kind exchanges subject to many rules.** It is important that you structure the exchange in a way that will satisfy the IRS under the current regulations, because the regulations are quite involved and have changed many times over the years. A careful reading of the IRS Form 8824 Instructions and the examples in IRS Pub. 544 (Sales and Other Dispositions of Assets) are therefore critical for both structuring the exchange and completing Form 8824.

**Refer to main Tax Forms Guide for most details.** Form 8824 for partnerships is identical to the Form 8824 that is built into our Form 1040 software at the Premium Level. However, there are a couple of differences in how it is used:

**Allocation of 8824 lines 21 and 22 to D and 4797.** This section, on screen 5 of Form 8824, shows where short term and long term gains and losses on Form 8824 are posted. However, line numbers on Schedule D (Form 1065) differ slightly from those for Schedule D (Form 1040), so applicable short-term gain or loss is posted to line 5 of Schedule D (Form 1065) instead of line 4 of Schedule D (Form 1040), and applicable long-term gain or loss is posted to line 12 of Schedule D (Form 1065) instead of line 11 of Schedule D (Form 1040). (The on-screen versions of Form 8824 differ accordingly.)

**Part IV does not apply to partnerships.** Part IV of Form 8824 is reserved for certain individuals who are officers or employees of the federal government, and accordingly applies only to Form 1040 tax returns. Partnerships should leave this part of the form blank.

Otherwise, details for Form 8824 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* apply.

### Form 8825 / Rental Real Estate

**Purpose.** This form is used to summarize all rental real estate activities, which are subject to special restrictions on the partners. It is accessible through the Road Map at line 2 of Schedule K (Form 1065, page 5), to which the result on line 21 of this form is posted. This amount is distributed from line 2 of Schedule K to line 2 of the individual partners' Schedules K-1.

**Related Form 4797 gain or loss.** Although ordinary income or loss on Form 4797 is normally reported on line 6 of Form 1065 Page 1, the part of that income or loss that stems from rental real estate is reported on Form 8825 instead. As a result, Form 8825 is automatically created when Form 4797, line 17, contains a rental real estate component. The amount from rental real estate in Form 4797, line 17, then passes through Form 8825 (at line 19) to Schedule K, line 2, along with other income or loss on Form 8825, to be distributed to each partner's Schedule K-1.

**You MUST use our Rental Real Estate Worksheets.** If you have any amounts to report on lines 1 through 17 of Form 8825, you must enter them on the worksheets that support them, using one worksheet for each rental property. The same set of worksheets supports all of the lines, and they are accessible by itemizing any of the unblocked lines that appear on screen 1 or 2 of Form 8825, except line 14 (which is supported by Form 4562 instead). (The *Rental Real Estate Worksheets* are shown in Figures PAR-10 and PAR-11, later.)

**Format for line 1 involves codes and days of use.** As reflected in our *Rental Real Estate Worksheets*, line 1 is a structured line, divided into four columns:

**Physical address.** Street, city, state, and ZIP code.

**Type.** IRS code (1 to 8) that indicates type (enumerated below).

**Fair rental days.** Number of days rented at normal rates.

**Personal use days.** Number of days occupied for personal use.

The codes categorize properties into 7 defined types and an extra type that doesn't fit into the predefined 7, as shown on screen 1 of Form 8825:

**Type Code 1.** Single family residence.

**Type Code 2.** Multi-family residence.

**Type Code 3.** Vacation or short-term rental.

**Type Code 4.** Commercial.

**Type Code 5.** Land.

**Type Code 6.** Royalties.

**Type Code 7.** Self-rental.

**Type Code 8.** Other, for use when type codes 1 through 7 don't fit. For this type code you must supply your own phrase that clearly identifies the type.

See our instructions for the Rental Real Estate Worksheet for more details.

**Form 8825 lines 1 through 17.** The entries for lines 1 through 17 are all made on the Rental Real Estate Worksheets. Screens 1 and 2 of Form 8825 summarize the totals from the worksheets and provide access to the worksheets.

**1 Type and address of each.** This label appears on the screen only for orientation, and no entry is allowed here. The location, type, and days of rental use are entered on the supporting worksheets.

**RENTAL REAL ESTATE INCOME:**

**2 Gross rents.** *(Supported by the Rental Real Estate Worksheet, Figures PAR-10 and PAR-11.)* The sum of income from all supporting worksheets appears here.

**RENTAL REAL ESTATE EXPENSE:**

**3 through 13.** The individual labels for lines 3 through 13 appear on the screen only for orientation, and no amounts are shown here. All amounts are entered on the supporting worksheets, not here.

**Expenses on 3 through 13.** *(Supported by the Rental Real Estate Worksheet, Figures PAR-10 and PAR-11.)* Supported by the same set of worksheets as line 2, the subtotal of expenses through line 13 reported on the worksheets appears here.

**14 Depreciation from Form 4562.** *(Road Map line, supported by Form 4562.)* A separate copy of Form 4562 is reserved to support Form 8825 and this line. After you complete the relevant copy of Form 4562, total depreciation on line 22 of Form 4562 (which excludes section 179 expense) is posted here. (Section 179 expense is posted to line 12 of Schedule K, not here.) **CAUTION: You must allocate the total depreciation that appears on this line among the Rental Real Estate Worksheets. The sum of line 14 for all worksheets combined must match the amount from Form 4562 that appears here.**

**15a through 15c, Describe other.** Enter in these three lines descriptions for any three additional categories of expense you want to report on the supporting worksheets. The entries you make here, which are limited to 25 characters each, will appear on all supporting worksheets so that you can enter amounts on the worksheets for these categories.

**15 Other (list).** *(Supported by the Rental Real Estate Worksheet, Figures PAR-10 and PAR-11.)* The expenses for the three categories defined above are totaled here from your entries on lines 15a, 15b, and 15c of all worksheets combined.

**16 Total expenses.** *(auto-calc)* Computed as the sum of "Expenses on 3 through 13," line 14, and line 15, this is the total of expenses on the worksheets using the amount from Form 4562 for line 14 instead of the amounts you entered on the worksheets. **CAUTION: If there is a discrepancy between this total and the sum of amounts on line 14 of the worksheets, you must revise your worksheet entries to properly reallocate this total among the worksheets.**

**17 Income or loss.** *(auto-calc)* The net income or loss shown on line 17 of each worksheet is totaled here.

The above lines are all supported by the following worksheet.

**Rental Real Estate Worksheet, Figures PAR-10 and PAR-11.** *(Supports lines 1 through 17 of Form 8825.)*

**1 Physical address.**

Entries for the first column of the official form are made on two lines:

**Street address.**

Enter the street address in 30 characters or less.

**City, state, ZIP.**

Enter the city, state and ZIP code in 30 characters or less.

**Type (codes 1-8).**

Enter the appropriate code from the list shown in the shaded box on the first page of these details for Form 8825 instructions. (The codes are also listed on screen 1 of Form 8825.)

**If code 8, describe here.** If you entered 8 as the code because the other 7 categories did not fit, describe the category here in 15 characters or less.

**Fair rental days.** Enter the number of days in the year that the property was rented at fair rental value. Your entry is limited to the number of days in the year (365, or 366 for a leap year).

**Personal use days.** Enter the number of days in the year that the property was maintained for personal use. Your entry is limited to the number of days in the year less your preceding entry.

**2 Gross rents.** Enter gross rental income.

```
RENTAL REAL ESTATE-Scn1of2
1  Physical address:
   Street address.....:

   City,state,ZIP.....:

   Type (codes 1-8)..... 0
   If code 8, describe here:
   See screen 1 of 8825
   Fair rental days..... 0
   Personal use days..... 0
2  Gross rents.....      0
3  Advertising.....      0
4  Auto and travel.....  0
5  Cleaning & maintenance... 0
6  Commissions.....      0
7  Insurance.....        0
8  Legal & other pro fees.... 0
9  Interest.....         0
10 Repairs.....          0
[Press PgDn or > for lns11-17]
```

Figure PAR-10. Rental Real Estate-Screen 1

```
RENTAL REAL ESTATE-Scn2of2
11 Taxes.....           0
12 Utilities.....        0
13 Wages and salaries..... 0
   Expense subtotal (3 to 13) 0
14 Depreciation (seeForm4562) 0
15a .....               0
15b .....               0
15c .....               0
15 Total other expenses..... 0
16 Total expenses.....   0
17 Income or loss for propert 0
[Press PgUp or < for lns 1-10]
```

Figure PAR-11. Rental Real Estate-Screen 2



**3 through 13, Scheduled expenses.** These data entry lines are intended for expenses that fall into categories defined by the IRS for rental property. Note that expenses may be subject to special limitations when any of the property is used by a partner for personal use. Also note that investment interest expense should not be claimed here but rather at line 14 of Schedule K, where it is passed to each partner's Schedule K-1.

**Expense subtotal (lines 3 to 13).** (auto-calc) The sum of lines 3 through 13, this total is posted to the corresponding line on Form 8825.

**14 Depreciation (on Form 4562).** Enter the part of line 14 on Form 8825 that applies to this property alone. (Form 4562 is accessed from line 14 of Form 8825, not this worksheet.)

**15 Total other expenses.** Three lines (15a, 15b, 15c) are provided here using the categories you provided on Form 8825 itself.

**16 Total expenses.** (auto-calc) Computed as the sum of lines 3 through 15.

**17 Income or loss from each property.** (auto-calc) Computed as line 2 less line 16, this is the net income or loss for the property.

When you exit the worksheets, the above five amounts, excluding line 14, are separately summed from all worksheets and posted to the corresponding on-screen lines of Form 8825.

**18a Total gross rents.** (auto-calc) Computed as the sum of line 2 of all worksheets combined.

**18b Total expenses.** (auto-calc) Computed as the sum of line 16 of all worksheets combined.

**Net income above (18a less 18b).** (auto-calc) Computed as line 18a less line 18b, this is the net income (or loss) as computed on this form.

**Net income on worksheets.** (auto-calc) Computed as the sum of line 17 of all worksheets combined, this amount will match the preceding line only if you properly allocated the total from Form 4562 (shown on screen 2 of Form 8825) among line 14 of all the worksheets.

**ERROR in line 14 of worksheets.** (auto-calc) Since lines 2 through 13 and 15 come directly from the worksheets, the only chance for error is an improper allocation of the Form 4562 amount appearing on line 14 among all worksheets. An error here does not affect the results on the return as long as Form 4562 contains all appropriate depreciation. But the detailed printouts for each property will not agree with the calculated totals unless you take care to make the proper entries on line 14 of each worksheet so that this error is zero.

**19 Net gain or loss from Form 4797, Part II, line 17, from rental real estate.** (Road Map line, supported by Form 4797.) The total of amounts you identified below line 17 of our Form 4797 as the part of line 17 for the disposition of rental real estate is posted here automatically.

**20 Rental real estate activities of other partnerships and fiduciaries.** If this partnership owns an interest in any other partnerships or fiduciaries (estates and trusts), this partnership's share must be reported here.

**20a Net from real estate activities of other partnerships and fiduciaries.**

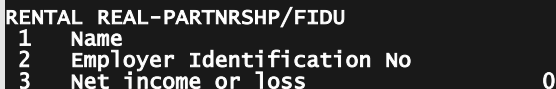
*(Supported by the Rental Real Estate -- Partnerships / Fiduciaries Worksheet, Figure PAR-12.)* If all the rental real estate activities stem from the same entity, you do not have to use the worksheet that supports this line; you can make all entries directly on Form 8825 on this and the next two following lines instead. But if more than one entity is involved, you **MUST** use the worksheets accessed here to enter the required information for all partnerships; the total rental income or loss on the worksheets will appear here automatically.

**20b Identify the partnership or fiduciary:**

- (1) **Name.** *(Use this line **ONLY** if you do **NOT** use the worksheet that supports line 20a.)* Enter the name of the other partnership, estate, or trust.
- (2) **Employer identification number.** *(Use this line **ONLY** if you do **NOT** use the worksheet that supports line 20a.)* Enter the IDN of the other partnership, estate, or trust.

**21 Net income or loss from rental real estate activities.** *(auto-calc)* Computed as the sum of lines 18a, 19, and 20a, less line 18b. This result is posted to line 2 of Schedule K and allocated to each partner's Schedule K-1, box 2.

**Rental Real Estate-Partnerships/Fiduciaries Worksheet, Figure PAR-12.** *(Supports line 20a of Form 8825.)* This worksheet is used to report income from rental real estate activities of other partnerships or fiduciaries (estates and



| RENTAL REAL-PARTNRSHP/FIDU |                            |
|----------------------------|----------------------------|
| 1                          | Name                       |
| 2                          | Employer Identification No |
| 3                          | Net income or loss 0       |

**Figure PAR-12. Rental Real Estate-Partnerships/Fiduciaries** trusts) with the detail that the IRS requires. You should report only amounts reported by the entity for a tax year ending within the tax year of THIS partnership. Note that only rental real estate income is reported here. Other income shown on the Schedule K-1 from the other partnerships and fiduciaries is reported elsewhere in the partnership return.

- 1 Name.** Enter the name of the entity here in 25 characters or less.
- 2 Employer Identification No.** Enter the entity's EIN in the standard xx-xxxxxxx format.
- 3 Net income or loss.** Enter the net income or loss reported to THIS partnership for rental real estate activities. The proper amounts are shown on the Schedule K-1 of Form 1065 from the other partnerships and the Schedule K-1 of Form 1041 from the fiduciaries.

The sum of line 3 for all worksheets is posted to line 20a when you return to Form 8825. **TIP:** If there is only one entity to report, you can enter the information directly on Form 8825 instead of using the worksheet.

## Form 8846\* / Credit for Employer Social Security and Medicare Taxes Paid on Certain Employee Tips

**\* Included in Premium Level software ONLY.** This form is only built into the Premium Level version of the Partnership Edition.

**Purpose.** This form is used to claim a credit for social security and Medicare tax paid on tips on behalf of food service employees, but only to the extent that the tips are not used to meet Federal minimum wage requirements. Form 8846 is accessible through the Road Map at the credit line for line 15f of Schedule K labeled "8846 Employer ss/Med tips."

**For the food service industry ONLY.** This special credit is only for food or beverage establishments where tipping of employees is customary for delivering or serving food or beverage. Furthermore, only those tips for which you paid or incurred social security and Medicare tax qualify.

**Refer to main manual for most details.** Except for the posting of results on line 6 and references to Form 3800, the instructions for Form 6478 for Form 1040 returns apply. You can therefore refer to the details for Form 6478 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* (with the exception of line 6), ignoring all references to Form 3800 and all shaded boxes.

**Posting of results.** The credit resulting at line 6 of Form 8846 is posted to line 15f of Schedule K labeled "8846 Employer ss/Med tips." It is then allocated among partners in box 15 of their Schedules K-1, identified as code N. Partners will generally report this amount on line 5 of their own Form 8846, from which it will be passed through Form 3800 in order to be reflected on their own Forms 1040.

## Form 8936\*\* / Clean Vehicle Credits

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** This form was completely redesigned and renamed for tax year 2023 and all its credits are based on the *Inflation Reduction Act of 2022*. All credits for which this form was used prior to tax year 2023 have expired, but similar credits are included in the new legislation along with a number of completely new credits. The credits now fall into three categories: credits for new clean vehicles, previously owned clean vehicles, and qualified commercial vehicles. And the form has been split into a main form and a separate schedule. Details on vehicles claimed, which were previously part of the main form, are now shown on the separate schedule, Schedule A (Form 8936), Clean Vehicle Credit Amount, use a separate copy of the schedule for each separate vehicle. *Form 8936 is accessible through the Road Map at the components of line 15f of Schedule K labeled "8936 New clean vehicle credit" and "8936 Qualified commercial clean vehicle credit."*

**Function on a partnership returns.** Form 8936 is designed for credits for personal use as well as business or investment use, but only the business or investment use of the vehicle is relevant for a credit on a partnership return. As a result, all lines that relate to the personal credit are automatically zero for the version of Form 8936 that is built into the Partnership Edition.

**Refer to main manual for other details.** Other aspects of Form 8936 are the same for partnership (Form 1065) returns as they are for Form 1040 returns. You can therefore refer to the details for Form 8936 in Chapter 2 of the main *Tax Forms Guide 2024 Edition*.

## Form 8936, Schedule A\*\* / Clean Vehicle Credit Amount

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** This schedule is used to provide details on vehicles claimed on the main form, Form 8936. As described on the preceding page, the personal use parts of Form 8936 and this schedule are not relevant for partnership returns, so lines that relate to the personal use part are zeroed. You can refer to the details in the main *Tax Forms Guide 2024 Edition* for all other details. *Form 8936, Schedule A, is accessible through the Road Map from the main Form 8936.*

### Form 8941 \* / Credit for Small Employer Health Insurance Premiums

**\*\* Included in Standard and Premium Level software ONLY.** This form is only built into the Standard and Premium Level versions of the Partnership Edition.

**Purpose.** This form is used to claim a new credit for providing health insurance to your employees. Created by the *Health Care Reform Act of 2010*, the credit can be as high as 35% of health insurance paid by the employer on behalf of employees. However, the credit is phased out for employers with more than 10 employees or average wages that exceed \$30,000 for 2023, resulting in no credit for a firm with 25 or more employees or average wages of \$62,000 or more for 2023. Form 8941 is accessible through the Road Map at the credit line for line 15f of Schedule K labeled "8941 Small emp. health insur."

**Posting of results.** The credit resulting at line 16 of Form 8941 is posted to the component of line 15f of Schedule K labeled "8941 Small emp. health insur." It is then allocated among partners in box 15 of their Schedules K-1, identified as code P (other credits). Partners will generally report this amount on line 4h of their own Form 3800, from which it will be reflected on their own Forms 1040.

**Refer to main manual for other details.** Other aspects of Form 8941 are the same for partnership (Form 1065) returns as they are for Form 1040 returns. You can therefore refer to the details for Form 8941 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* for most details, ignoring all references to Form 3800 and Schedule C, neither of which is relevant to a partnership return.

## Form 8949 / Sales and Other Dispositions of Capital Assets

**Purpose.** This form is used to show the details of transactions for Schedule D (*Capital Gains and Losses*) that are not reported elsewhere. These are short-term and long-term transactions resulting in capital gains and losses that are reported on lines 1b, 2, 3, 8b, 9, and 10 of Schedule D (Form 1065). The Form 8949 used for partnership Form 1065 returns is the same form as is used for individual Form 1040 returns. You should therefore refer to the section on Form 8949 in Chapter 2 of the main *Tax Forms Guide 2024 Edition* for details. The sole purpose of Form 8949 is for official printouts and, because it has no user entries, it is not accessible through the Road Map. Although it is accessible from the Forms Menu, the only numbers you will see on the screen are those for the totals for each category in each holding period.

**Form 8949 is fully automatic.** Form 8949 is automatically created and completed based on entries you make on the Gain/Loss Worksheets for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D. You must enter all data on these worksheets, which are accessible only from Schedule D, not Form 8949. There is no need to view Form 8949 on the screen. It is intended only for official printouts.

### Distribution Worksheet

**Purpose.** The Distribution Worksheet is a special aid to preparing the Schedules K-1 once Schedule K is complete. It provides a method for the complex distribution of Schedule K amounts among partners without the usual manual labor. Without the worksheet, the software assumes that all positive line items on Schedule K are distributed using the end-of-year *PROFIT*-sharing percentages entered on line D of each Schedule K-1, and all negative line items on Schedule K are distributed using the end-of-year *LOSS*-sharing percentages. With the worksheet, however, separate lines can follow separate distribution rules, with nine automatic distribution methods available plus a manual entry provision.

**Format of the worksheet.** The Distribution Worksheet matches the data entry lines on Schedule K. A code number from 0 to 9 is specified for each line. Each code defines a different distribution method, and each line can have a different code. The different methods use the percentages entered on line D of each Schedule K-1 in different ways. The meanings of the percentages are detailed in the instructions for Schedule K-1. Four pair of percentages are involved:

**Profit sharing percentages.** A pre-change percentage (i) and an end-of-year percentage (ii) are available.

**Loss sharing percentages.** A pre-change percentage (i) and an end-of-year percentage (ii) are available.

**Ownership of capital percentages.** A pre-change percentage (i) and an end-of-year percentage (ii) are available.

**Alternate percentages.** A percentage no. 1 and percentage no. 2 are available.

**Distribution Worksheet codes.** When you first create a Distribution Worksheet for a return, the worksheet is completed with code 1 for all lines. To select a different method, enter a code from 0 to 9 at the line. The instructions you are giving the software with each code are:

**Code 0.** Enter zero for numeric lines on each partners' Schedule K-1. Enter No for question lines, and blank for text lines.

**Code 1.** Use end-of-year profit sharing percentage for distribution of positive amounts, and end-of-year loss sharing percentage for distribution of negative amounts. Use the Schedule K entry for all text and question lines.

**Code 2.** Use end-of-year profit sharing percentage for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 3.** Use end-of-year loss sharing percentage for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 4.** Use pre-change profit sharing percentage for distribution of positive amounts, and pre-change loss sharing percentage for distribution of negative amounts.



bution of negative amounts. Use the Schedule K entry for all text and question lines.

**Code 5.** Use pre-change profit sharing percentage for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 6.** Use pre-change loss sharing percentage for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 7.** Use alternate percentage no. 1 for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 8.** Use alternate percentage no. 2 for distribution of either positive or negative amounts. Use the Schedule K entry for all text and question lines.

**Code 9.** Perform no automatic distribution, allowing separate manual entries on the separate Schedules K-1.

***HINT:** These codes are summarized in the Help Lines at the bottom of the screen.* If you press the Help Key (F1 or ?) when the Distribution Worksheet is being completed, all codes are highlighted in sequence by pressing the space bar.

**Why line 14a is missing.** Line 14a (Net income from self-employment) is a special case not subject to the usual distribution methods. Instead, line 14a is calculated independently and automatically on each individual Schedule K-1 based on the entries on that copy of Schedule K-1 and your answer to Question I for the type of partner.

**Overriding the distribution.** Amounts can be redistributed among the Schedules K-1 at any time by changing the codes on the Distribution Worksheet. All the Schedules K-1 will automatically recalculate after the change, but the process can be quite time-consuming if a large number of Schedules K-1 exist. You can even fix the amounts for a line on Schedule K-1 by changing the entry for the corresponding line on the Distribution Worksheet to code 9, so that subsequent changes in Schedule K do not cause the corresponding line on Schedules K-1 to change. If a change is desired only for selected entries on selected Schedules K-1, however, it is best to itemize the lines on the Schedules K-1 to be changed. The total from an itemized list for a line on a particular Schedule K-1 overrides the amount determined by the distribution code without preventing the automatic distribution to the other Schedules K-1.