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## Course Information

**Course Title:** *Partnership Taxation* #492722

**Recommended CPE credit hours for this course**

In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors and the IRS, CPE credits have been granted based on a 50-minute hour.

**CFP® 7.5** (All states) CFP Board Course ID# 257138  
CFP Board sponsor number: 1008.

**CPA: 13.5** (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii Board of Public Accountancy: 14003

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Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX 178025

Texas State Board of Accountancy: 009349

**EA, OTRP 13** IRS: Qualified Sponsor number: FWKKO.

**Course Description**

The program will examine tax issues relating to the formation and operation of partnerships. Participants will gain a familiarity with basic areas of partnership taxation so as to recognize a problem and have at hand some practical knowledge for its solution. This course is presented in four practical segments: (1) the formation of partnerships, (2) the basic day-to-day operations of partnerships, (3) distributions of assets to partners, and (4) the termination of partnership affairs.

**Course Content**

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Final exam (online): One-hundred twenty questions (multiple-choice).

**Program Delivery Method:** Self-Study (NASBA QAS Self-Study/interactive)

**Subject Codes/Field of Study**

NASBA (CPA), CFP Board of Standards, Inc.: Taxes.

IRS (EA, OTRP): Federal Tax Law.

NAPFA: Taxes

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# Learning Assignments & Objectives

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 1</b>	<b>Introduction</b>

At the start of Chapter 1, participants should identify the following topics for study:

- \* Section 761(a)
- \* Husband-wife partnerships
- \* Limited partnerships
- \* Co-tenancies & joint ventures
- \* Partnership agreements
- \* Family partnerships
- \* Publicly traded partnerships
- \* Advantages & disadvantages
- \* Complete & partial exclusion elections
- \* Loss & year limitations

## **Learning Objectives**

After reading Chapter 1, participants will be able to:

1. Determine what constitutes a partnership for federal income tax purposes under §761(a) by:
  - a. Recognizing factors for partnership existence identifying co-tenancy status, husband-wife partnerships, and the correct reporting of income and loss;
  - b. Identifying the liability of general and limited partners including how such liability might be contained; and
  - c. Specifying the factors previously used to determine whether a business was a corporation or a partnership and the factors of the current check-the-box regulations.
2. Recognize the impact of partnership agreements on partners' shares of tax items, specify the requirements of §704(e) for family partnerships, and cite the pros and cons of partnerships to determine when the entity choice is appropriate.
3. Identify the complete or partial exclusion from partnership treatment under §761.

After studying the materials in Chapter 1, answer the exam questions 1 to 23.

**ASSIGNMENT****SUBJECT****Chapter 2****Partnership Income**

At the start of Chapter 2, participants should identify the following topics for study:

- \* Partners taxed as individuals
- \* Separately treated items
- \* Deduction of losses
- \* Partnership tax return
- \* Special allocations
- \* Limitations on the choice of a taxable year
- \* Closing of the partnership tax year
- \* Treating partner as a stranger
- \* Guaranteed payments
- \* Certain losses disallowed & sales at a gain

**Learning Objectives**

After reading Chapter 2, participants will be able to:

1. Recognize the allocation of income and deduction among partners, identify when a partnership or its partners are subject to income or estimated tax, determine what constitutes §1402 self-employment taxes, and specify instances where partnerships are viewed as separate entities.
2. Specify the types of separately stated partnership expenses identifying the character of such items and their deduction limitations, and recognize the §704(d) outside basis limitation and its impact on losses.
3. Determine whether a partnership can elect to amortize certain business-related expenses, and specify the elements and requirements of the partnership tax return and the items of deduction to which individuals are entitled.
4. Identify a partnership's year taxable under §706(a) and the allocation of items of income and deduction from the partnership to the partners by:
  - a. Specifying instances when a partnership generally must conform its tax year to its partners' tax years and the least aggregate deferral of income for each partner whose tax year is different from other partners;
  - b. Recognizing the availability of the natural business year including the §444 election as it relates to a partnership's tax year identifying its costs and/or benefits; and
  - c. Determining tax year termination and non-termination events for a partnership.

5. Identify transactions between a partner and a partnership as being between a stranger and a partnership or as guaranteed payments.

After studying the materials in Chapter 2, answer the exam questions 24 to 56.

**ASSIGNMENT**

**SUBJECT**

**Chapter 3**

**Contributions to Partnerships**

At the start of Chapter 3, participants should identify the following topics for study:

- \* Contribution vs. sale or exchange
- \* Precontribution gain or loss property
- \* Allocations as to contributed property
- \* Character of subsequent gain or loss
- \* Contribution of services
- \* Original and adjusted basis of partner's interest
- \* Effect of liabilities on outside basis
- \* Partner's share of partnership liabilities
- \* At-risk rule
- \* Passive losses

**Learning Objectives**

After reading Chapter 3, participants will be able to:

1. Recognize the tax-free capitalization rules of §721 by:
  - a. Specifying the differences between a contribution and a sale or exchange recognizing the treatment of transfers to investment company type partnerships; and
  - b. Identifying when the property taint rules apply and methods of allocation for precontribution gain or loss.
2. Determine a partnership's basis for contributed assets under §723.
3. Specify the taxation of contributed services and strategies to avoid immediate taxation.
4. Determine the original and adjusted basis of an interest acquired by contributing property and/or money under §722.
5. Recognize a partner's loss deduction when the limits on deductions of partnership losses apply by:
  - a. Determining amounts at risk under §465; and
  - b. Specifying the buckets of income under §469 identifying the impact of passive loss rules.

After studying the materials in Chapter 3, answer the exam questions 57 to 79.

**ASSIGNMENT**

**SUBJECT**

**Chapter 4**

**Sales & Exchanges of Partnership Interests**

At the start of Chapter 4, participants should identify the following topics for study:

- \* Corn Product Rule
- \* Importance of capital treatment
- \* Regulations on the gain on sale of pass-through entities
- \* Exchanges & transfers
- \* Unrealized receivables
- \* Inventory
- \* Liabilities of partnership
- \* Inside basis after transfer of a partnership interest
- \* Gifts
- \* Abandonment or forfeiture

### **Learning Objectives**

After reading Chapter 4, participants will be able to:

1. Determine capital asset treatment on the sale or disposition of a partnership interest under §741 by:
  - a. Recognizing whether the Corn Products Rule applies and the reasoning behind the determination;
  - b. Specifying the reasons why capital treatment is important and recognizing the impact of capital gain regulations on sales or exchanges of partnership interests; and
  - c. Identifying the tax consequences of exchanges and transfers, and specifying partnership incorporation methods.
2. Recognize the tax treatment of a sale or exchange of a partnership interest where the partnership possesses hot assets (unrealized receivables and inventory), and identify the impact of partnership liabilities in computing both the amount realized on a sale of a partner's interest and the adjusted basis of the sold interest.
3. Specify optional basis adjustment provisions stating how they relate to the general rule for the inside basis after the transfer of a partnership interest, determine the tax consequences of making a gift of a partnership interest, and recognize the unique treatment of partnership interests that are abandoned or foreclosed on with or without related liabilities.

After studying the materials in Chapter 4, answer the exam questions 80 to 92.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 5</b>	<b>Partnership Distributions</b>

At the start of Chapter 5, participants should identify the following topics for study:

- \* General nonrecognition rule

- \* Exceptions to the general nonrecognition rule
- \* Partner's interest
- \* Nonliquidating & liquidating distributions
- \* Special adjustment to basis & mandatory application
- \* Holding period
- \* Partnership property
- \* Proportionate distributions
- \* Disproportionate distributions
- \* Effect of distributions of receivables or inventory

### **Learning Objectives**

After reading Chapter 5, participants will be able to:

1. Determine the treatment of distributions of cash or property by a partnership to the partners by:
  - a. Recognizing the general nonrecognition rule under §731 and specifying exceptions to this general rule;
  - b. Identifying a partner's basis on either a liquidating or a non-liquidating distribution under §§732 and 733, and specifying instances when a partner may choose a special basis adjustment when receiving a distribution of property other than cash that influence how the partner's basis is determined; and
  - c. Recognizing the tax consequences associated with proportionate and disproportionate distributions, particularly the effect of distributions of receivables or inventory.

After studying the materials in Chapter 5, answer the exam questions 93 to 97.

<b>ASSIGNMENT</b>	<b>SUBJECT</b>
<b>Chapter 6</b>	<b>Partnership Liquidations</b>

At the start of Chapter 6, participants should identify the following topics for study:

- \* Flexible treatment of partnership liquidations
- \* Types of liquidating distributions
- \* Section 736(a) payments
- \* Section 736(b) payments
- \* Distributions of unrealized receivables or inventory
- \* Basis of distributed property
- \* Gain or loss recognition
- \* Basis adjustment after distributions
- \* Election - §754
- \* Additional adjustments required by §754

### **Learning Objectives**

After reading Chapter 6, participants will be able to:

1. Determine ways to liquidate a retiring partner's interest by:
  - a. Recognizing the types of liquidating distributions and specifying the character and treatment of cash distributions under §736; and
  - b. Identifying the tax treatment of property distributions in liquidation permitting partnerships to distribute unrealized receivables or inventory.
2. Identify a withdrawing partner's basis when there are distributions in liquidation or in nonliquidation, and specify the requirements of a §754 election identifying additional adjustments required.

After studying the materials in Chapter 6, answer the exam questions 98 to 106.

**ASSIGNMENT**

**SUBJECT**

**Chapter 7**

**Limited Liability Companies**

At the start of Chapter 7, participants should identify the following topics for study:

- \* Benefits of LLCs
- \* Advantages of LLCs over C corporations
- \* Advantages of LLCs over S corporations
- \* Advantages of LLCs over limited partnerships
- \* Advantages of LLCs over general partnerships
- \* Disadvantages of LLCs
- \* Uses
- \* Federal tax consequences
- \* Converting to an LLC from another form of entity
- \* Local taxes on conversion

**Learning Objectives**

After reading Chapter 7, participants will be able to:

1. Determine the taxation of limited liability companies recognizing the variety of tax entity choices and their advantages and disadvantages by:
  - a. Specifying the advantages and disadvantages of an LLC recognizing the advantages of LLCs over C corporations;
  - b. Identifying the advantages that LLCs have over S corporations and the differences between an LLC and a limited partnership; and
  - c. Cite the drawbacks of LLCs and their bearing on entity choice.
2. Identify ways to use an LLC and their business-planning opportunities, and specify business ventures that should avoid LLCs.
3. Recognize the federal tax consequences of establishing an LLC by:



- a. Determining the role of check-the-box regulations in the entity characterization and identifying self-employment tax regulations and their application to LLC members;
  - b. Specifying whether an LLC member is at risk for recourse debt and determine the treatment of debt discharge income on an LLC;
  - c. Identifying the passive loss rules and their association with LLCs and selecting an appropriate method of accounting for an LLC based on its characterization; and
  - d. Determining how an LLC can designate a tax matters partner for audit purposes.
4. Identify the dangers and tax consequences in converting to an LLC from another form of entity, and recognize the potential assessment of sales and use tax, real property taxes, and real property transfer taxes on entities on conversion to an LLC.

After studying the materials in Chapter 7, answer the exam questions 107 to 120.

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# Partnership Taxation



By  
**Danny C. Santucci**

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### **Learning Objectives**

After reading Chapter 1, participants will be able to:

- 1.** Determine what constitutes a partnership for federal income tax purposes under §761(a) by:
  - a.** Recognizing factors for partnership existence identifying co-tenancy status, husband-wife partnerships, and the correct reporting of income and loss;
  - b.** Identifying the liability of general and limited partners including how such liability might be contained; and
  - c.** Specifying the factors previously used to determine whether a business was a corporation or a partnership and the factors of the current check-the-box regulations.
- 2.** Recognize the impact of partnership agreements on partners' shares of tax items, specify the requirements of §704(e) for family partnerships, and cite the pros and cons of partnerships to determine when the entity choice is appropriate.
- 3.** Identify the complete or partial exclusion from partnership treatment under §761.