Partner’s Instructions for Schedule K-1 (Form 1065)

Partner’s Share of Income, Deductions, Credits, etc. (For Partner’s Use Only)

Section references are to the Internal Revenue Code unless otherwise noted.

What’s New

- The instructions have been revised in accordance with the redesign of Schedule K-1, which uses codes to identify many of the items. The “small partnership exception” rules are now in the specific instructions for Part III on page 5, for more information on the codes and how attached statements are identified on Schedule K-1.
- There is a new worksheet on page 2 of these instructions that you can use to keep track of your adjusted basis in your partnership interest.

General Instructions

Purpose of Schedule K-1

The partnership uses Schedule K-1 to report your share of the partnership’s income, deductions, credits, etc. Keep it for your records. Do not file it with your tax return. The partnership has filed a copy with the IRS.

Although the partnership generally is not subject to income tax, you are liable for tax on your share of the partnership income, whether or not distributed. Include your share on your tax return if a return is required. Use these instructions to help you report the items shown on Schedule K-1 on your tax return.

The amount of loss and deduction that you may claim on your tax return may be less than the amount reported on Schedule K-1. It is the partner’s responsibility to consider and apply any applicable limitations. See Limitations on Losses, Deductions, and Credits beginning on page 2 for more information.

Inconsistent Treatment of Items

Generally, you must report partnership items shown on Schedule K-1 (and any attached schedules) the same way that the partnership treated the items on its return. This rule does not apply if your partnership is in a special partnership level and does not elect to have the tax treatment of partnership items determined at the partnership level.

If the treatment on your original or amended return is inconsistent with the partnership’s treatment, or if the partnership was required to but has not filed a return, you must file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with your original or amended return to identify and explain any inconsistency (or to note that a partnership return has not been filed).

If you are required to file Form 8082 but fail to do so, you may be subject to the accuracy-related penalty. This penalty is in addition to any tax that results from making your amount or treatment of the item consistent with that shown on the partnership’s return. Any deficiency that results from making the amounts consistent may be assessed immediately.

Errors

If you believe the partnership has made an error on your Schedule K-1, notify the partnership and ask for a corrected Schedule K-1. Do not change any items on your copy of Schedule K-1. Be sure that the partnership sends a copy of the corrected Schedule K-1 to the IRS. If you are a partner in a partnership that does not meet the small partnership exception and you report any partnership item on your return in a manner different from the way the partnership reported it, you must file Form 8082.

Sale or Exchange of Partnership Interest

Generally, a partner who sells or exchanges a partnership interest in a section 751(a) exchange must notify the partnership, in writing, within 30 days of the exchange (or, if earlier, January 15 of the calendar year following the calendar year in which the exchange occurred). A “section 751(a) exchange” is any sale or exchange of a partnership interest in which any money or other property received by the partner in exchange for that partner’s interest is attributable to unrealized receivables (as defined in section 751(c)) or inventory items (as defined in section 751(d)).

The written notice to the partnership must include the names and addresses of both parties to the exchange, the identifying numbers of the transferor and (if known) of the transferee, and the exchange date.

An exception to this rule is made for sales or exchanges of publicly traded partnership interests for which a broker is required to file Form 1099-B, Proceeds From Broker and Barter Exchange Transactions.

If a partner is required to notify the partnership of a section 751(a) exchange but fails to do so, a $50 penalty may be imposed for each such failure. However, no penalty will be imposed if the partner can show that the failure was due to reasonable cause and not willful neglect.

Nominee Reporting

Any person who holds, directly or indirectly, an interest in a partnership as a nominee for another person must furnish a written statement to the partnership by the last day of the month following the end of the partnership’s tax year. This statement must include the name, address, and identifying number of the nominee and such other person. See Form 5713 and its instructions for more information. If the treatment on your original or amended return to identify and explain any inconsistency (or to note that a partnership return has not been filed).

A nominee who fails to furnish this statement must furnish to the person for whom the nominee holds the partnership interest a copy of Schedule K-1 and related information within 30 days of receiving it from the partnership.

A nominee who fails to furnish when due all the information required by Temporary Regulations section 1.6031(c)-1T, or who furnishes incorrect information, is subject to a $50 penalty for each statement for which a failure occurs. The maximum penalty is $100,000 for all such failures during a calendar year. If the nominee intentionally disregards the requirement to report correct information, each $50 penalty increases to $100 or, if greater, 10% of the aggregate amount of items required to be reported, and the $100,000 maximum does not apply.

International Boycotts

Every partnership that had operations in, or related to, a boycotting country, company, or a national of a country must file Form 5713, International Boycott Report.

If the partnership cooperated with an international boycott, it must give you a copy of its Form 5713. You must file your own Form 5713 to report the partnership’s activities and any other boycott operations that you may have. You may lose certain tax benefits if the partnership participated in, or cooperated with, an international boycott. See Form 5713 and its instructions for more information.
Definitions

General Partner
A general partner is a partner who is personally liable for partnership debts.

Limited Partner
A limited partner is a partner in a partnership formed under a state limited partnership law, whose personal liability for partnership debts is limited to the amount of money or other property that the partner contributed or is required to contribute to the partnership. Some limited partners of other entities, such as domestic or foreign business trusts or limited liability companies that are classified as partnerships, may be treated as limited partners for certain purposes. See, for example, Temporary Regulations section 1.469-5T(e)(3), which treats all members with limited liability as limited partners for purposes of section 469(h)(2).

Nonrecourse Loans
Nonrecourse loans are those liabilities of the partnership for which no partner bears the economic risk of loss.

Elections

Generally, the partnership decides how to figure taxable income from its operations. However, certain elections are made by you separately on your income tax return and not by the partnership. These elections are made under the following code sections:
- Section 59(e) (deduction of certain qualified expenditures retroactively over the period of time specified in that section). For more information, see the instructions for code K in box 13 on page 8.
- Section 108(b)(5) (income from the discharge of indebtedness).
- Section 263A(d) (preproductive income).
- Section 901 (foreign tax credit).
- Section 617 (deduction and recapture of certain mining exploration expenditures).

Additional Information

For more information on the treatment of partnership income, deductions, credits, etc., see Pub. 541, Partnerships, and Pub. 535, Business Expenses.

To get forms and publications, see the instructions for your tax return.

Limitations on Losses, Deductions, and Credits

There are three separate potential limitations on the amount of partnership losses that you may deduct on your return. These limitations and the order in which you must apply them are as follows: the basis rules, the at-risk limitations, and the passive activity limitations. Each of these limitations is discussed separately below.

Other limitations may apply to specific deductions (for example, the section 179 expense deduction). Generally, specific limitations apply before the basis, at-risk, and passive loss limitations.

Basis Rules

Generally, you may not claim your share of a partnership loss (including a capital loss) to the extent that it is greater than the adjusted basis of your partnership interest at the end of the partnership’s tax year. Any losses and deductions not allowable this year because of the basis limit can be carried forward indefinitely and deducted in a later year subject to the basis limit for that year.

The partnership is not responsible for keeping the information needed to figure the basis of your partnership interest. Although the partnership does provide an at-risk analysis, the changes to your capital account in item N of Schedule K-1, that information is based on the partnership’s books and records and cannot be used to figure your basis.

You can figure the adjusted basis of your partnership interest by adding items that increase your basis and then subtracting items that decrease your basis.

Use the worksheet below to figure the basis of your interest in the partnership.

For more details on the basis rules, see Pub. 541.

At-Risk Limitations

Generally, if you have (a) a loss or other deduction from any activity carried on as a trade or business or (b) the production of income by the partnership and (b) amounts in the activity for which you are not at risk, you will have to complete Form 6198, At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss and other deductions that you may deduct on your return to the amount you could actually lose in the activity. These losses and deductions include a loss on the

Worksheet for Adjusting the Basis of a Partner’s Interest in the Partnership

(Keep for your records.)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Your adjusted basis at the end of the prior year. Do not enter less than zero. Enter -0- if this is your first tax year.</td>
</tr>
<tr>
<td>2.</td>
<td>Increases:</td>
</tr>
<tr>
<td>3.</td>
<td>Your increased share of or assumption of partnership liabilities (Subtract your share of liabilities shown in item D of your 2003 Schedule K-1 from your share of liabilities shown in Item M of your 2004 Schedule K-1 and add the amount of any partnership liabilities you assumed during the tax year).</td>
</tr>
<tr>
<td>4.</td>
<td>Your share of the partnership’s income or gain (including tax-exempt income).</td>
</tr>
<tr>
<td>5.</td>
<td>Any gain recognized this year on contributions of property. Do not include gain from transfer of liabilities.</td>
</tr>
<tr>
<td>6.</td>
<td>Your share of the excess of the deductions for depletion (other than oil and gas depletion) over the basis of the property subject to depletion.</td>
</tr>
<tr>
<td>7.</td>
<td>Decreases:</td>
</tr>
<tr>
<td>8.</td>
<td>Withdrawals and distributions of money and the adjusted basis of property distributed to you from the partnership. Do not include the amount of property distributions included in the partner’s income (taxable income).</td>
</tr>
<tr>
<td>9.</td>
<td>Your share of the partnership’s nondeductible expenses that are not capital expenditures.</td>
</tr>
<tr>
<td>10.</td>
<td>Your share of the partnership’s losses and deductions (including capital losses). Include your share of the partnership’s section 179 expense deduction for this year even if you cannot deduct all of it because of limitations.</td>
</tr>
<tr>
<td>11.</td>
<td>The amount of your deduction for depletion of any partnership oil and gas property, not to exceed your allocable share of the adjusted basis of that property.</td>
</tr>
<tr>
<td>12.</td>
<td>Your adjusted basis in the partnership at the end of this tax year. (Add lines 1 through 8 and subtract lines 9 through 10 from the total, enter -0- if less, enter -0-).</td>
</tr>
</tbody>
</table>

Caution: A distribution may be taxable if the amount exceeds your adjusted basis of your partnership interest immediately before the distribution.

Caution: The deduction for your share of the partnership’s losses and deductions is limited to your adjusted basis in your partnership interest. If you entered zero on line 11 and the amount computed for line 11 was less than zero, a portion of your share of the partnership losses and deductions may not be deductible. (See Basis Rules above for more information.)
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

1. You participated in the activity for more than 500 hours during the tax year.

2. Your participation in the activity for the tax year constituted substantially all the participation in the activity of all individuals (including individuals who are not owners of interests in the activity).

3. You participated in the activity for more than 500 hours during the tax year, and your participation in the activity for the tax year was not less than the participation of any other individual (including individuals who were not owners of interests in the activity) for the tax year.

4. The activity was a significant participation activity for the tax year, and you participated in all significant participation activities (including activities outside the partnership) during the year for more than 500 hours. A significant participation activity is any trade or business activity in which you participated for more than 100 hours during the year and in which you did not materially participate under any of the material participation tests (other than this test 4).

5. You materially participated in the activity for any 5 tax years (whether or not consecutive) during the 10 tax years that immediately precede the tax year.

6. The activity was a personal service activity, and you materially participated in the activity for any 3 tax years (whether or not consecutive) preceding the tax year. A personal service activity involves the performance of personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year.

Limited partners. If you are a limited partner, you do not materially participate in an activity for your own use. See one of the tests in paragraphs 5, 6, or 7 above.

Work counted toward material participation. Generally, any work that you or your spouse does in connection with an activity held through a partnership (where you own your partnership interest at the time of your participation in the activity) counts as material participation. However, work in connection with the activity is not counted toward material participation if either of the following applies.

1. The work is not the type of work that owners of the activity would usually do and one of the principal purposes of the work that you or your spouse does is to avoid the passive loss or credit limitation.

2. You do the work in your capacity as an investor and you are not directly involved in the day-to-day operations of the activity. Examples of work done as an investor that would not count toward material participation include:

   a. Studying and reviewing financial statements or reports on operations of the activity.

   b. Preparing or compiling summaries or analyses of the finances or operations of the activity.

   c. Monitoring the finances or operations of the activity in a nonmanagerial capacity.
Effect of determination. Income (loss), deductions, and credits from an activity are nonpassive if you determine that:

1. You materially participated in a trade or business activity of the partnership or 
2. You were a real estate professional (defined on page 3) in a rental real estate activity of the partnership.

If you determine that you did not materially participate in a trade or business activity of the partnership or if you have income (loss), deductions, or credits from a rental activity of the partnership (other than a rental real estate activity in which you materially participated as a real estate professional), the amounts from that activity are passive. Report passive income (losses), deductions, and credits as follows:

1. If you have an overall gain (the excess of income over deductions and losses, including any prior year unallowed loss) from a passive activity, report the income, deductions, and losses from the activity as indicated in these instructions.
2. If you have an overall loss (the excess of deductions and losses, including any prior year unallowed loss, over income) or credits from a passive activity, report the income, losses, deductions, and credits from all passive activities using the Instructions for Form 8582 or Form 8582-CR (or Form 8810), to show your deductions, losses, and credits are limited under the passive activity rules.

Publicly traded partnerships. The passive activity limitations are applied separately for items (other than the low-income housing credit and the rehabilitation credit) from each publicly traded partnership (PTP). Thus, a net passive loss from a PTP may not be deducted from other passive income. Instead, the passive loss from a PTP is suspended and carried forward to be applied against passive income from the same PTP in later years, or if the partner’s entire interest in the PTP is completely disposed of, any unused losses are allowed in full in the current year.

If you have an overall gain from a PTP, the net gain is nonpassive income. In addition, the nonpassive income is included in investment income to figure your investment interest expense deduction.

Do not report passive income, gains, or losses from a PTP on Form 8822. Instead, use the following rules to figure and report on the proper form or schedule your income, gains, and losses from passive activities that you held through each PTP you owned during the tax year:

1. Combine any current year income, gains, and losses, and any prior year unallowed losses from any one passive activity to obtain an overall gain or loss from the PTP. Include only the same types of income and losses you would include in your net income or loss from a non-PTP passive activity. See Pub. 925, Passive Activity and At-Risk Rules, for more details.
2. If you have an overall gain, the net gain portion (total gain minus total losses) is nonpassive income and you report the net gain portion as nonpassive income and the remaining income and the total losses as passive income and loss. To the left of the entry space, write “From PTP.” It is important to identify the nonpassive income because the nonpassive portion is included in modified adjusted gross income for purposes of figuring on Form 8582 the “special allowance” for active participation in a non-PTP rental real estate activity. In addition, the nonpassive income is included in investment income when figuring your investment interest expense deduction on Form 4952.

Example. If you have Schedule E income of $5,000 and a Form 4797 prior year unallowed loss of $3,500 from the passive activities of a particular PTP, you have a $4,500 overall gain ($8,000 − $3,500). On Form Schedule E, line 28, report the $4,500 net gain as passive income in column (g). In column (g), report the Schedule E gain of $3,500 ($8,000 − $4,500). On the appropriate line of Form 4957, report the prior year unallowed loss of $3,500. Be sure to write “From PTP” to the left of each entry space.

3. If you have an overall loss (but did not dispose of your entire interest in the PTP to an unrelated person in a fully taxable transaction during the year), the losses are allowed to the extent of the income, and the excess (if any) is carried forward to be allowed in a future year when you have income to offset it. Report a passive loss on the schedule for or to you normally use the portion of the loss equal to the income. Report the income as passive income on the form or schedule you normally use.

You have a Schedule E loss of $12,000 (current year losses plus prior year unallowed losses) and a Form 4797 gain of $7,200. Report the $7,200 gain on the appropriate line of Form 4797. On Schedule E, line 28, report $7,200 of the losses as a passive loss in column (l). Carry forward to 2005 the unallowed loss of $4,800 ($12,000 − $7,200).

Special allowance for a rental real estate activity. If you actively participated in a rental real estate activity, you may be able to deduct up to $25,000 of the loss from the activity from nonpassive income. This “special allowance” is an exception to the general rule disallowing losses in excess of income from passive activities. The special allowance is not available if you were married, filed a separate return for the year, and did not live apart from your spouse at all times during the year.

Only individuals and qualifying estates can actively participate in a rental real estate activity. Estates (other than qualifying estates), trusts, and corporations cannot actively participate. Limited partners cannot actively participate. Active participation is a less stringent requirement than material participation. You may be treated as actively participating if you participated, for example, in making management decisions or arranging for others to provide services (such as repair services) in a significant and bona fide sense.

Management decisions that can count as active participation include leasing new tenants, deciding rental terms, approving capital repair expenditures, and other similar decisions.

An estate is a qualifying estate if the decedent would have satisfied the active participation requirement for the tax year the decedent died. A qualifying estate is treated as actively participating for tax years ending more than 2 years after the date of the decedent’s death.

Modified adjusted gross income limitation. The maximum special allowance that single individuals and married individuals filing a joint return can qualify for is $25,000. The maximum special allowance for married individuals who file separate returns and who lived apart all times during the year is $12,500. The maximum special allowance for which an estate can qualify is $25,000 reduced by the special allowance for which the surviving spouse is eligible.

If your modified adjusted gross income (defined below) is $100,000 or less ($50,000 or less if married filing separately), your loss is deductible up to the amount of the maximum special allowance referred to in the preceding paragraph. If your modified adjusted gross income is more than $100,000 (more than $50,000 if married filing separately), the special allowance is limited to 50% of the difference between $150,000 ($75,000 if married filing separately) and your modified adjusted gross income. When modified adjusted gross income is $150,000 or more ($75,000...
Specific Instructions

Part I. Information About the Partnership

Item D
If the box in Item D is checked, you are a partner in a publicly traded partnership and must follow the rules discussed on page 4 under Publicly traded partnerships.

Item E
If the partnership is a registration-required tax shelter, it should have completed Item E. Use the information on Schedule K-1 (name of the partnership, partnership identifying number, and tax shelter registration number) to complete your Form 8271, Investor Reporting of Tax Shelter Registration Number.

Item F
If you claim or report any income, loss, deduction, or credit from a registration-required tax shelter, you must attach Form 8271 to your tax return. If the partnership has invested in a registration-required tax shelter, it will check Item F and it must give you a copy of its Form 8271 with Schedule K-1. Use this information to complete your Form 8271.

Part II. Information About the Partner

Item M
Item M should show your share of the partnership’s nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other recourse liabilities as of the end of the partnership’s tax year. If you terminated your interest in the partnership during the tax year, Item M should show the share that existed immediately before the total disposition. A partner’s “recourse liability” is any partnership liability for which a partner is personally liable.

Use the total of the three amounts for computing the adjusted basis of your partnership interest.

Generally, you may use only the amounts shown next to “Qualified nonrecourse financing” and “Recourse” to compute your amount at risk. Do not include any amounts that are not at risk if such amounts are included in either of these categories.

If your partnership is engaged in two or more different types of activities subject to the at-risk provisions, or a combination of at-risk activities and any other activity, the partnership should give you a statement showing your share of nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other recourse liabilities for each activity.

Qualified nonrecourse financing secured by real property used in an activity of holding real property that is subject to the at-risk rules is treated as an amount at risk. Qualified nonrecourse financing generally includes financing for which no one is personally liable for repayment that is borrowed for use in an activity of holding

Part III. Partner’s Share of Current Year Income, Deductions, Credits, and Other Items

The amounts shown in boxes 1 through 20 reflect your share of income, loss, deductions, credits, etc., from partnership business or rental activities without reference to limitations on losses or adjustments that may be required of you because of:

1. The adjusted basis of your partnership interest.
2. The amount for which you are at risk, or
3. The passive activity limitations.

For information on these provisions, see Limitations on Losses, Deductions, and Credits beginning on page 2.

If you are an individual and the passive activity rules do not apply to the amounts shown on your Schedule K-1, take the amounts shown and enter them on the lines on your tax return as indicated in the summarized reporting information shown on the back of the Schedule K-1. If the passive activity rules do apply, report the amounts shown as indicated in these instructions.

If you are not an individual, report the amounts in each box as instructed on your tax return.

The line numbers in the summarized reporting information on page 2 of Schedule K-1 are references to forms in use for calendar year 2004. If you file your tax return on a calendar year basis, but your partnership files a return for a fiscal year, enter the amounts on your tax return for the year in which the partnership’s fiscal year ends. For example, if the partnership’s tax year ends in February 2005, report the amounts on your 2005 tax return.

If you have losses, deductions, or credits from a prior year that were not deductible or usable because of certain limitations, such as the basis rules or the at-risk limitations, take them into account in determining your
net income, loss, or credits for this year. However, except for passive activity losses and unallowed credits from a passive activity, enter each item separately on line 28 of Schedule E.

Codes. In box 11 and boxes 13 through 20, the partnership will identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on the back of Schedule K-1 and in these instructions.

Attached Statements. The partnership will enter an asterisk (*) after the code, if any, in the column to the left of the dollar amount entry space for each item for which it has attached a statement providing additional information. For those informational items that cannot be reported as a single dollar amount, the partnership will enter an asterisk in the left column and write "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

Income (Loss)

Box 1. Ordinary Business Income (Loss)
The amount reported for box 1 is your share of the ordinary income (loss) from the trade or business activities of the partnership. Generally, where you report this amount on Form 1040 depends on whether the amount is from an activity that is a passive activity to you. If you have a loss from a passive activity, you should report the amounts on the attached forms attached to your return. Instead, report the amounts on the attached schedule, summary or form on a year-by-year basis.

If you have amounts other than those shown on Schedule K-1 to report on Schedule E (Form 1040), enter each item separately on line 28 of Schedule E.

Box 2. Net Rental Real Estate Income (Loss)
Generally, the income (loss) reported in box 2 is a passive activity amount for all partners. However, the income (loss) in box 2 is not from a passive activity if you were a real estate professional (defined on page 3) and you materially participated in the activity. If the partnership had more than one real estate rental activity, it will attach a statement that will identify the amount of income or loss from each activity.

If you are filing a 2004 Form 1040, use the following instructions to determine where to enter the boxes:
1. If you have a loss from a passive activity in box 2 and you meet all of the conditions in 1 above, enter the loss on Schedule E (Form 1040), line 28, column (f).
2. If you have income from a passive activity in box 2 and you do not meet all the conditions in 1 above, report the loss on Schedule E (Form 1040), line 28, column (g).
3. If you have an item D checked, report the income following the rules for Publicly traded partnerships on page 4.

Box 3. Other Net Rental Income (Loss)
The amount in box 3 is a passive activity amount for all partners. If the partnership had more than one rental activity, it will attach a statement that will identify the amount of income or loss from each activity. Report the income or loss as follows.
1. If box 3 is a loss, follow the instructions for Form 8582 to figure how much of the loss can be reported on Schedule E, line 28, column (f). However, if the box in item D is checked, report the loss following the rules for Publicly traded partnerships on page 4.
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Report unrecaptured section 1250 gain from the sale or exchange of an interest in a partnership on line 10. Report unrecaptured section 1250 gain from an estate, trust, regulated investment company (RIC), or real estate investment trust (REIT) on line 11.

If the partnership reports only unrecaptured section 1250 gain from the sale or exchange of its business assets, it will enter a dollar amount in box B. If it reports the other two types of unrecaptured gain, it will provide an attached statement that shows the amounts for each type of unrecaptured section 1250 gain.

Box 10. Net Section 1231 Gain (Loss)

If this amount is from a rental activity, the section 1231 gain (loss) is generally a passive activity amount. Likewise, if the amount is from a trade or business activity and you did not materially participate in the activity, the section 1231 gain (loss) is a passive activity amount.

However, an amount from a rental real estate activity is not from a passive activity if you were a real estate professional (defined on page 3) and you materially participated in the activity.

If the amount is either (a) a loss that is not from a passive activity or (b) a gain, report it on line 2 column (g), of Form 4797, Sales of Business Property. Do not complete columns (b) through (f) on line 2. Instead, write “From Schedule K-1 (Form 1065)” across these columns.

If the amount is a loss from a passive activity, see Passive losses limitations in the Instructions for Form 4797. You will need to report the loss following the Instructions for Form 8582 to figure how much of the loss is allowed on Form 4797. However, if the box in item D is checked, report the loss following the rules for Publicly traded partnerships on page 4. If the partnership had net section 1231 gain (loss) from more than one activity, attach a statement that will identify the amount of section 1231 gain (loss) from each activity.

Box 11. Other Income (Loss)

Code A. Other portfolio income (loss).

The partnership will report portfolio income other than interest, ordinary dividend, royalty, and capital gain (loss) income. It will attach a statement to tell you what kind of portfolio income is reported.

If the partnership has a residual interest in a real estate mortgage investment conduit (REMIC), it will report on the statement your share of REMIC taxable income (net loss) that you report on Schedule E (Form 1040), line 38, column (d). The statement will also report your share of any “excess inclusion” that you report on Schedule E, line 38, column (c), and your share of section 212 expenses that you report on Schedule E, line 38, column (e). If you itemize your deductions on Schedule A (Form 1040), you may also deduct these section 212 expenses as a miscellaneous deduction subject to the 2% limit on Schedule A, line 22.

Code B. Involuntary conversions.

This is your net gain (loss) from involuntary conversions due to casualty or theft. The partnership will give you a schedule that shows the amounts to be entered on Form 4684, Casualties and Theft, lines 34, columns (b)(i), (b)(ii), and (c).

If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, the partnership will provide you with the information you need to complete Form 4684.

Code C. Section 1256 contracts & straddles.

The partnership will report any net gain or loss from section 1256 contracts. Report this amount on line 1 of Form 6781, Gains and Losses From Section 1256 Contracts and Straddles.

Code D. Mining exploration costs recapture.

The partnership will give you a schedule that shows the information needed to report certain mining exploration costs (section 617). See Pub. 535 for more information.

Code E. Cancellation of debt.

Generally, this is included in your gross income (Form 1040, line 21). Under section 108(b)(5), you may elect to apply any portion of this cancellation of debt to the reduction of the basis of depreciable property. See Form 4797 for more details.

Code F. Other income (loss).

Amounts with code F are other items of income, gain, or loss included in boxes 1 through 10 or reported in box 11 using codes A through E. The partnership should give you a description and the amount of your share for each of these items.

Report loss items that are passive activity amounts to you following the Instructions for Form 8582. However, if the box in item D is checked, report the loss following the rules for Publicly traded partnerships on page 4.

Code F items may include the following:

• Partnership gains from the disposition of farm property (see the instructions for line 27 of Form 4797) and other items to which section 1252 applies.

• Income from recoveries of tax benefit items. A tax benefit item is an amount you deducted in a prior tax year that reduced your income tax. Report this amount on line 21 of Form 1040 to the extent it reduced your tax.

• Gambling gains and losses. 

1. If the partnership was not engaged in the trade or business of gambling, (a) report gambling winnings on line 28 of Schedule E and (b) deduct gambling losses to the extent of winnings on Schedule A (Form 1040), line 27.

2. If the partnership was engaged in the trade or business of gambling, (a) report gambling winnings on line 28 of Schedule E and (b) deduct gambling losses (to the extent of winnings) on line 28 of Schedule E, column (h).

• Gain (loss) from the disposition of an interest in oil, gas, geothermal, or other mineral properties. The partnership will give you an attached statement that provides a description of the property, your share of the amount realized from the disposition, your share of the partnership’s adjusted basis in the property (for other than oil or gas properties), and your share of the total intangible drilling costs, development costs, and mining exploration costs (section 59(e) expenditures) passed through for the property. You must determine the amount of gain or loss from the disposition by increasing your share of the adjusted basis by the amount of intangible drilling costs, development costs, or mine exploration costs for the property that you capitalized (that is, costs that you did not elect to deduct under section 59(e)). Report a loss in Part I of Form 4797. Report a gain in Part II of Form 4797 in accordance with the instructions for your interest in the partnerships section 1.1254-5 for more information.

• Any income, gain, or loss to the partnership under section 751(b). Report this amount on Form 4797, line 10.

• Specially allocated ordinary gain (loss). Report this amount on Form 4797, line 10.

• Gain from the sale or exchange of qualified small business stock (as defined in the Instructions for Schedule D) that is eligible for the partial section 1202 exclusion. The partnership should also give you the name of the corporation that issued the stock, your share of the partnership’s adjusted basis and sales price of the stock, and the dates the stock was bought and sold. Corporate partners are not eligible for the section 1202 exclusion. The following additional limitations apply at the partner level:

1. You must have held an interest in the partnership when the partnership acquired the qualified small business stock and at all times thereafter until the partnership disposed of the qualified small business stock.

2. Your distributive share of the eligible section 1202 gain cannot exceed the amount that would have been allocated to you based on your interest in the partnership at the time the stock was acquired.

See the Instructions for Schedule D (Form 1040) for details on how to report the gain and the amount of the allowable exclusion.

• Gain eligible for section 1045 rollover (replacement stock purchased by the partnership). The partnership will also give you the name of the corporation that issued the stock, your share of the partnership’s adjusted basis and sales price of the stock, and the dates the stock was bought and sold. Corporate partners are not eligible for the section 1045 rollover. To qualify for the section 1045 rollover:

1. You must have held an interest in the partnership during the entire period in which the partnership held the qualified small business stock (more than 6 months prior to the sale)

2. Your distributive share of the gain eligible for the section 1045 rollover cannot exceed the amount that would have been allocated to you based on your interest in the partnership at the time the stock was acquired.

See the Instructions for Schedule D (Form 1040) for details on how to report the gain and the amount of the allowable exclusion.

• Gain eligible for section 1045 rollover (replacement stock not purchased by the partnership). The partnership should also give you the name of the corporation that issued the stock, your share of the partnership’s adjusted basis and sales price of the stock, and the dates the stock was bought and sold. Corporate partners are not eligible for the section 1045 rollover. To qualify for the section 1045 rollover:

1. You must have held an interest in the partnership during the entire period in which
the partnership held the qualified small business stock (more than 6 months prior to the sale).

2. Your distributive share of the gain eligible for the section 1045 rollover cannot exceed the amount that would have been allocated to you based on your interest in the partnership at the time the stock was acquired, and

3. You must purchase other qualified small business stock (as defined in the Instructions for Schedule D (Form 1040)) during the 60-day period that began on the date the stock was sold by the partnership.

See the Instructions for Schedule D (Form 1040) for details on how to report the gain and the amount of the allowable postponed gain.

• Net short-term capital gain (loss) and net long-term capital gain (loss) from Schedule D (Form 1065) is not portfolio income. An example is gain or loss from the disposition of nondepreciable personal property used in a trade or business activity of the partnership. Report total net short-term gain (loss) on Schedule D (Form 1040), line 5, column (f), Report the total net long-term gain (loss) on Schedule D (Form 1040), line 12, column (f).

Deductions

Box 12. Section 179 Deduction

Use this amount, along with the total cost of section 179 property placed in service during the year from other sources, to complete Part I of Form 4562. Depreciation and Amortization. Use Part I of Form 4562 to figure your allowable section 179 deduction allocable to all sources. Report the amount on line 12 of Form 4562 allocable to a passive activity from the partnership using the Instructions for Form 8582. If the amount is not a passive activity deduction, report it on Schedule D (Form 1040), line 28, column (f). However, if the box in item D is checked, report this amount following the rules for Publicly traded partnerships on page 4.

Box 13. Other Deductions

Contributions. Codes A through F. The partnership will give you a schedule that shows the amount of contributions subject to the 50%, 30%, and 20% adjusted gross income limitation on line 15 of Schedule A (Form 1040). If your contributions are subject to more than one of the AGI limitations, see the Filled-in Worksheet for Limit on Deductions in Pub. 526. Charitable contributions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8582.

Code A. Cash contributions (50%). Enter this amount subject to the 50% AGI limitation on line 15 of Schedule A (Form 1040).

Code B. Cash contributions (30%). Report this amount, subject to the 30% AGI limitation, on line 15 of Schedule A (Form 1040).

Code C. Noncash contributions (50%). If property other than cash is contributed and if the claimed deduction for one item or group of similar items of property exceeds $5,000, the partnership must give you a copy of Form 8283, Noncash Charitable Contributions, to attach to your tax return. Do not deduct the amount shown on this form. It is the partnership’s contribution. Instead, deduct the amount identified by code 50, subject to the 50% AGI limitation, on line 16 of Schedule A (Form 1040).

If the partnership provides you with information that the contribution was property other than cash and does not give you a Form 8283, see the Instructions for Form 8283 for filing requirements. Do not file Form 8283 unless the total claimed deduction for all contributed items of property exceeds $500.

Code D. Noncash contributions (30%). Report this amount, subject to the 30% AGI limitation, on line 16 of Schedule A (Form 1040).

Code E. Capital gain property to a 50% organization (30%). Report this amount, subject to the 30% AGI limitation, on line 16 of Schedule A (Form 1040). See Special 30% Limit for Capital Gain Property in Pub. 526.

Code F. Capital gain property (20%). Report this amount, subject to the 20% AGI limitation, on line 16 of Schedule A (Form 1040).

Code G. Deductions — portfolio (2% floor). Amounts entered with this code are deductions that are clearly and directly allocable to portfolio income (other than investment interest expense and section 212 expenses from a REMIC). Generally, you should enter these amounts on Schedule A (Form 1040), line 22. See the Instructions for Schedule A, lines 22 and 27, for more information. These deductions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8582.

Code H. Deductions — portfolio (other). Generally, you should enter these amounts on Form 1065, line 27. See the Instructions for Schedule A, lines 22 and 27, for more information. These deductions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8582.

Code I. Investment interest expense. Enter this amount on Form 4952, line 1. If the partnership has investment income or other investment expense, it will report your share of these items in box 20 using codes A and B. Include investment income and expenses from other sources to figure how much of your total investment interest is deductible. You will also need this information to figure your investment interest expense deduction.

If the partnership paid or accrued interest on debts properly allocable to investment property, the amount of interest you are allowed to deduct may be limited.

For more information and the special provisions that apply to investment interest expense, see Form 4952 and Pub. 550.

Code J. Deductions — royalty income. Enter deductions allocable to royalties on Schedule E (Form 1040), line 18. For this type of expense, write “From Schedule K-1 (Form 1065).” These deductions are not taken into account in figuring your passive activity loss for the year. Do not enter them on Form 8583.

Code K. Section 59(e)(2) expenditures. On an attached statement, the partnership will show the type and the amount of qualified expenditures to which an election under section 59(e) may apply. The statement will also identify the property for which the expenditures were paid or incurred. If there is more than one type of expenditure, the amount of each type will also be listed.

Generally, section 59(e) allows each partner to elect to deduct certain expenses ratably over a 3-year period. Research and experimental expenditures and mining exploration and development costs qualify for a writeoff period of 10 years. Intangible drilling and development costs may be deducted over a 60-month period, beginning with the month in which such costs were paid or incurred.

If you make this election, these items are not treated as adjustments or tax preference items for purposes of the alternative minimum tax.

Make the election on Form 4562.

Because each partner decides whether to make the election under section 59(e), the partnership cannot provide you with the amount of the adjustment or tax preference item related to the expenses. You must decide both how to claim the expenses on your return and compute the resulting adjustment or tax preference item.

Code L. Amounts paid for medical insurance. Any amounts paid during the tax year for insurance that is not considered medical care for you, your spouse, and your dependents. On line 31 of Form 1040, you may be allowed to deduct such amounts, even if you do not itemize deductions. If you do itemize deductions, enter on line 1 of Schedule A (Form 1040) any amounts not deducted on line 31 of Form 1040.

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

Code N. Dependence care benefits. The partnership will report the dependent care benefits you received. You must use Form 2441, line 12, to figure that amount, if any, of the benefits you may exclude from your income.

Code O. Preproductive period expenses. You may be eligible to elect to deduct these expenses normally or capitalize them under section 263A. See Pub. 225, Farmer’s Tax Guide, and Regulations section 1.263A-4.

Code P. Commercial revitalization deductions from rental real estate activities. Follow the instructions for Form 8582 to figure how much of the deduction can be reported on Schedule E, line 28, column (f).

Code Q. Penalty on early withdrawal of payments. Report this amount on Form 1040, line 33.

Code R. Pensions and IRAs. Payments made on your behalf to an IRA, qualified
plan, simplified employee pension (SEP), or a SIMPLE IRA plan. Fill out Form 1040 instructions for line 26 for any IRA deduction. Enter payments made to a qualified plan, SEP, or SIMPLE IRA plan on Form 1040, line 32. If the payments to a qualified plan were to a defined benefit plan, the partnership should give you a statement showing the amount of the benefit accrued for the current tax year.

Code S. Reforestation expense deduction. The partnership will provide a statement that describes the qualified timber property for these reforestation expenses. The deduction is limited to $10,000 ($5,000 if married filing separately) for each qualified timber property, including your distribution share of the property. The expense and any reforestation expenses you separately paid or incurred after October 22, 2004, for the property. Follow the instructions for Form 8582 to report a deduction allocable to a passive activity. If you materially participated in the reforestation activity, report the deduction on line 12, column (h), of Schedule E (Form 1040).

Code T. Other deductions. Amounts with Low-Income Housing Credit.

• Itemized deductions (Form 1040 lines 17 and 18).

• Deductions for the removal of architectural and transportation barriers to the elderly and disabled that the partnership elected to treat as a current expense. The deduction is limited by section 190(c) to $15,000 per year from all sources.

• Deductions for debt-financed distributions. The manner in which you report such interest expense depends on the source of the distribution and related debt proceeds. If the proceeds were used in a trade or business activity, report the interest on line 28 of Schedule E (Form 1040). If column (a) enter the name of the partnership and “Interest Expense.” If you materially participated in the activity, enter the amount of interest expense in column (h). If you did not materially participate in the activity, follow the instructions for Form 8582 to determine the amount of interest expense you can report in column (f). See page 3 for a definition of material participation. If the proceeds were used in an investment activity, enter the interest on Form 4952. If the proceeds are used for personal purposes, the interest is generally not deductible.

• Interest paid or accrued on debt properly allocable to your share of a working interest in any oil or gas property (if your liability is not limited). If you did not materially participate in the oil or gas activity, this interest is investment interest reportable as described on page 8; otherwise, it is trade or business interest. If you did not materially participate in the oil or gas activity, this interest is investment interest expense and should be reported on Form 4952. If you materially participated in the activity, report the interest on line 28 of Schedule E (Form 1040). On a separate line, enter “interest expense” and the name of the partnership in column (a) and the amount in column (h). Contributions to a capital construction fund (CCF). The deduction for a CCF investment is not taken on Schedule E (Form 1040). Instead, you subtract the deduction from the amount that would normally be entered as taxable income on line 42 (Form 1040). In the margin to the left of line 42, write “CCF” and the amount of the deduction.

The partnership will give you a description and the amount of your share for each of these items.

Box 14. Self-Employment Earnings (Loss)

If you are a partner, the amount of interest expense you report under section 1125 of the Code and Code E. Basis of energy property.

Code D. Low-income housing credit. The partnership will report your share of the low-income housing credit using code A if section 42(j)(5) applies. If section 42(j)(5) (code A or code B) are reported with the credit will be reported using code B. Any allowable low-income housing credit (reported as code A or code B) is entered on line 5 of Form 8856, Low-Income Housing Credit.

Keep a separate record of the amount of low-income housing credit from each of these sources so that you can correctly compute the recapture of low-income housing credit that may result from the disposition of all or part of your partnership interest. For more information, see the instructions for Form 8811, Recapture of Low-Income Housing Credit.

If part or all of the low-income housing credit reported using code A or B is attributable to additions to qualified basis properly placed in service before 1990, the partnership will provide an attached statement that will separately identify these amounts. Amounts placed in service before 1990 are subject to different passive activity limitation rules. See Part I. Passive Activity Limitations and Form 8832-CR for more information.

Codes C and D. Qualified rehabilitation expenditures. The partnership will report your share of the qualified rehabilitation expenditures related to your share of passive activities using code C. Your share of qualified rehabilitation expenditures from properties not related to passive activities will be reported using code D. On an attached statement, the partnership will indicate the line number on Form 3468, Investment Credit, to report these expenditures (line 1b for pre-1936 buildings or line 1c for certified historic structures). If the partnership is reporting expenditures from more than one activity, the attached statement will separately identify the amount of expenditures from each activity for lines 1b and 1c.

Combine the code C and code D expenditures on lines 1b and 1c of Form 3468. The expenditures related to rental real estate activities (code C) are reported on Schedule K-1 separately from other qualified rehabilitation activities (code D) because they are subject to different passive activity limitation rules. See the instructions for Form 8832-CR, Passive Activity Credit Limitations, for details.

Code E. Basis of property. Report this amount on Form 3468, line 2.

Code F. Qualified timber property. Report this amount on Form 3468, line 3.

Code G. Other rental real estate credit. The partnership will identify the type of credit and any other information you need to compute credits from rental real estate activities (other than the low-income housing credit and qualified rehabilitation expenditures). These credits may be limited
by the passive activity limitations. If the credits are from more than one activity, the partnership will identify the amount of credits from each activity on an attached statement. See Passive Activity Limitations on page 3 and Form 8882-CR for details.

Code H. Other rental credits. The partnership will identify the type of credit and any other information you need to compute credits on Form 6251 if you disposed of more than one-third of your exclusion if the partnership's foreign trading gross receipts for the tax year were $5 million or less. To qualify for this exclusion, your foreign trading gross receipts from all sources for the tax year also must have been $5 million or less. If you qualify for the exclusion, report this amount on line 16 of Form 6251 in accordance with the instructions for Income (Loss) on page 6 for box 1, 2, or 3, whichever applies. See Form 8873, Extraterritorial Income Exclusion, for more information.

2. Partnership claimed the exclusion. If the partnership reports your distributive share of foreign trading gross receipts but not the amount of the extraterritorial income exclusion, the partnership met the foreign economic process requirements and claimed the exclusion when figuring your distributive share of partnership income. You also may need to know the amount of your distributive share of foreign trading gross receipts from this partnership to determine if you met the $5 million or less exception discussed above for purposes of qualifying for an extraterritorial income exclusion from other sources.

Note. Upon request, the partnership should furnish you a copy of the partnership's Form 8873 if there is a reduction for international boycott operations, illegal bribes, kickbacks, etc.

Code Q. Other foreign transactions. On an attachment to Schedule K-1, the partnership will report any other information on foreign transactions that you may need using code Q.

Box 17. Alternative Minimum Tax (AMT) Items

Use the information reported in box 17 (as well as your adjustments and other preference items from other sources) to prepare your Form 6251, Alternative Minimum Tax — Individuals; Form 4255, Alternative Minimum Tax — Corporations; and Schedule 1 of Form 1041, U.S. Income Tax Return for Estates and Trusts.

Note. A partner that is a corporation subject to alternative minimum tax must notify the partnership of its inclusion amount and any adjustments you claimed for the tax year are included in box 17 of Schedule K-1. The partnership should have attached a schedule that shows any income from or deductions allocable to such properties that are included in boxes 2 through 13 and in box 20 of Schedule K-1.
Use the amounts reported and the amounts on the attached schedule to help you figure the net amount to enter on line 25 of Form 6251.

Code F. Other AMT items. Enter the information on the statement attached by the partnership on the applicable lines of Form 6251, Form 4626, or Schedule I of Form 1041.

Box 18. Tax-Exempt Income and Nondeductible Expenses

Code A. Tax-exempt interest income. You must report on your return, as an item of information, your share of the tax-exempt interest received or accrued by the partnership during the year. Individual partners must include this amount on Form 1040, line 8b. Increase the adjusted basis of your interest in the partnership by this amount.

Code B. Other tax-exempt income. Increase the adjusted basis of your interest in the partnership by the amount shown, but do not include it in income on your tax return.

Code C. Nondeductible expenses. The nondeductible expenses paid or incurred by the partnership are not deductible on your tax return. Decrease the adjusted basis of your interest in the partnership by this amount.

Box 19. Distributions

Code A. Cash and marketable securities. Code A shows the distributions the partnership made to you of cash and certain marketable securities. The marketable securities are included at their fair market value (FMV) on the date of distribution (minus your share of the partnership’s gain on the securities distributed to you). If the amount is negative, enter as code C. Decrease the adjusted basis of your partnership interest immediately before the distribution, the excess is treated as gain from the sale or exchange of your partnership interest. Generally, this gain is treated as gain from the sale of a capital asset and should be reported on the Schedule D for your return. However, if you receive cash or property in exchange for any part of a partnership interest, the amount of the distribution allocatable to your share of the partnership’s unrealized receivable or inventory items result in ordinary income (see Regulations section 1.731-1(a) and Sale or Exchange of Partnership Interest on page 1). For details, see Pub. 541.

The partnership will separately identify both of the following:

• The FMV of the marketable securities when distributed (minus your share of the gain on the securities distributed to you).
• The partnership’s adjusted basis of those securities immediately before the distribution.

Decrease the adjusted basis of your interest in the partnership (but not below zero) by the amount of cash distributed to you and the partnership’s adjusted basis of the distributed securities. Advances or drawings of money or property against your distributive share are treated as current distributions made on the last day of the partnership’s tax year.

Your basis in the distributed marketable securities (in liquidation of your interest) is the smaller of:

• The partnership’s adjusted basis in the securities immediately before the distribution increased by any gain recognized on the distribution of the securities or
• The adjusted basis of your partnership interest reduced by any cash distributed in the same transaction and increased by any gain recognized on the distribution of the securities.

If you received the securities in liquidation of your partnership interest, your basis in the marketable securities is equal to the adjusted basis of your partnership interest reduced by any cash distributed in the same transaction and increased by any gain recognized on the distribution of the securities.

If, within 5 years of a distribution to you of marketable securities, you contributed appreciated property (other than those securities) to the partnership and the FMV of those securities exceeded the adjusted basis of your partnership interest immediately before the distribution (reduced by any cash received in the distribution), you may have to recognize gain on the appreciated property. For property contributed after June 8, 1997, the 5-year period is generally extended to 7 years. See section 737 for details.

Code B. Other property. Code B shows the partnership’s adjusted basis of property other than cash you received immediately before the property was distributed to you. In addition, the partnership should report the adjusted basis and FMV of each property distributed. Decrease the adjusted basis of your interest in the partnership by the amount of your basis in the distributed property. Your basis in the distributed property (other than in liquidation of your interest) is the smaller of:

• The partnership’s adjusted basis in the distributed property immediately before the distribution or
• The adjusted basis of your partnership interest reduced by any cash distributed in the same transaction.

If you received the property in liquidation of your interest, your basis in the distributed property is equal to the adjusted basis of your partnership interest reduced by any cash distributed in the same transaction.

If you contributed appreciated property to the partnership within 5 years of a distribution of other property to you, and the FMV of the other property exceeded the adjusted basis of your partnership interest immediately before the distribution (reduced by any cash received in the distribution), you may have to recognize gain on the appreciated property. For property contributed after June 8, 1997, the 5-year period is generally extended to 7 years. See section 737 for details.

If you receive cash or property in exchange for any part of a partnership interest, the amount of the distribution allocatable to your share of the partnership’s unrealized receivable or inventory items result in ordinary income (see Regulations section 1.731-1(a) and Sale or Exchange of Partnership Interest on page 1).

Box 20. Other Information

Code A. Investment income. Report this amount on line 4a of Form 4952.

Code B. Investment expenses. Report this amount on line 5 of Form 4952.

Code C. Fuel tax credit information. The partnership will report the number of gallons of fuel sold or used during the tax year for a nontaxable use qualifying for the credit for taxes paid on fuels, type of use, and the applicable credit per gallon. Use this information to complete Form 4136, Credit for Federal Tax Paid on Fuels.

Code D. Look-back interest—completed long-term contracts. The partnership will report any information you need to figure the interest due or to be refunded under the look-back method of section 460(b)(2) on certain long-term contracts. Use Form 8697, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts, to report any such interest.

Code E. Look-back interest—income forecast method. The partnership will report any information you need to figure the interest due or to be refunded under the look-back method of section 167(g)(2) for certain property placed in service after September 13, 1995, and depreciated under the income forecast method. Use Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method, to report any such interest.

Code F. Dispositions of property with section 179 deductions. The partnership will report your distributive share of gain or loss on the sale, exchange, or other disposition of property for which a section 179 expense deduction was passed through to partners with code F. If the partnership passed through a section 179 expense deduction to its partners for the property, you must report the gain or loss and any recapture of the section 179 expense deduction for the property on your income tax return (see the Instructions for Form 4797 for details). The partnership must provide all the following information with respect to a disposition of property for which a section 179 expense deduction was passed through to partners:

1. Description of the property.
2. Date the property was acquired and placed in service.
3. Date of the sale or other disposition of the property.
4. Your distributive share of the gross sales price or amount realized.
5. Your distributive share of the cost or other basis plus the expense of sale (reduced as explained in the Instructions for Form 4797, line 21).
6. Your distributive share of the depreciation allowable or allowable, determined as described in the Instructions for Form 4797, line 22, in computing the section 179 expense deduction.
7. Your distributive share of the section 179 expense deduction (if any) passed through for the property and the partnership’s tax year(s) in which the amount was passed through. To compute the amount of depreciation allowable or allowable for Form 4797, line 22, add to the amount from item 6 above the amount of your distributive share of the section 179 depreciation.
expense deduction, reduced by any unused carryover of the deduction for this property. This amount may be different than the amount of section 179 expense you deducted for the property if your interest in the partnership has changed.

8. If the disposition is due to a casualty or theft, a statement providing the information you need to complete Form 4684, Casualties and Thefts.

9. If the sale was an installment sale made during the partnership’s tax year, any information you need to complete Form 6252, Installment Sale Income. The partnership will report:partnership needs to determine whether it property in the following tax years. See the instructions for Form 6252 for more information. Also see section 453A(c) for a deduction. This amount may be different than the details on making the computation.

Code K. Section 1260(b) information.

The partnership will report any information you need to complete Form 6252 for more information. Also see section 453A(c) for a deduction. This amount may be different than the details on making the computation.

Code L. Interest allocable to production expenditures.

The partnership will report any information you need relating to interest expense that you are required to capitalize under section 263A for production expenditures. See Regulations sections 1.263A-8 through 1.263A-15 for more information.

Code M. CCF nonqualified withdrawals.

The partnership will report any nonqualified withdrawals by the partnership from a capital construction fund (CCF). These withdrawals are taxed separately from your other gross income at the highest marginal ordinary income or capital gains tax rate. Attach a statement to your federal income tax return to show your computation of both the tax interest and for a nonqualified withdrawal. Include the tax the and interest on Form 1040, line 62. To the left of line 62, write the amount of tax and interest and “CCF”.

Code N. Information needed to figure depletion—oil and gas. This is your share of gross income from the property, share of production for the tax year, etc., needed to figure your depletion deduction for oil and gas wells. The partnership should also allocate to you a share of the adjusted basis of each partnership oil or gas property. See Pub. 535 for how to figure your depletion deduction.

Code O. Amortization of reforestation costs. The partnership will provide a statement identifying your share of the amortizable basis of reforestation expenditures paid or incurred before October 23, 2004. The partnership will separately report your share of the amortizable basis for reforestation expenditures for the current tax year and the 7 years following the tax year. Your amortizable basis of reforestation expenditures for each tax year from all properties is limited to $10,000 (excluding any qualified reforestation expenditures you separately paid or incurred. To figure your allowable amortization, see section 194 and Pub. 535.

Follow the instructions for Form 8882 to report a deduction allocable to a passive activity. If you materially participated in the reforestation activity, report the deduction on line 28, column (h), of Schedule E (Form 1040).

Code P. Unrelated business taxable income.

The partnership will report any information you need to figure unrelated taxable income under section 512(a)(1) (but excluding any modifications required by paragraphs (8) through (15) of section 512(b)) for a partner that is a tax-exempt organization.

Note. A partner is required to notify the partnership of its status as a publicly traded partnership.

Code Q. Other information.

The partnership will report:

1. Any information a publicly traded partnership needs to determine whether it meets the 90% qualifying income test of section 7704(c)(2).

Note. A partner is required to notify the partnership of its status as a publicly traded partnership.

2. Any information or statements you need to comply with the registration and disclosure requirements under sections 511 and 6662(d)(2)(B)(ii) and the list keeping requirements of Regulations section 301.6112-1. See Form 8824 and Notice 2004-80, 2004-50 I.R.B. 963 for more information.

3. Any information you need to complete a disclosure statement for reportable transactions in which the partnership participates. If the partnership participates in a transaction that must be disclosed on Form 8886, Reportable Transaction Disclosure Statement, both you and the partnership may be required to file Form 8886 for the transaction. The determination of whether you are required to disclose a transaction of the partnership is based on the category(s) under which the transaction qualifies for disclosure and is determined by the partnership. See the instructions for Form 8886 for details.

4. Inversion gain. The partnership will include inversion gain in income elsewhere on Schedule K-1. Inversion gain is also reported under code Q because your taxable income and alternative minimum taxable income cannot be less than the inversion gain. Also, your inversion gain (a) is not taken into account in figuring the amount set forth in section 512(b)(2) (NOL) for the tax year or the amount of NOL that can be carried over to each tax year, (b) may limit the amount of your NOL, and (c) is treated as income from sources within the U.S. for the foreign tax credit. See section 7874 for details.

5. Any other information you may need to file your return not shown elsewhere on Schedule K-1.

The partnership should give you a description and the amount of your share for each of these items.