

# Instructions for Form 1065

## U.S. Return of Partnership Income

Volume 6 of 6



Get forms and other information faster and easier at:

- [IRS.gov](https://www.irs.gov) (English)
- [IRS.gov/Korean](https://www.irs.gov/Korean) (한국어)
- [IRS.gov/Spanish](https://www.irs.gov/Spanish) (Español)
- [IRS.gov/Russian](https://www.irs.gov/Russian) (Русский)
- [IRS.gov/Chinese](https://www.irs.gov/Chinese) (中文)
- [IRS.gov/Vietnamese](https://www.irs.gov/Vietnamese) (Tiếng Việt)



Department of the Treasury  
**Internal Revenue Service**

Instructions for Form 1065 (Rev. 2023) Catalog Number 47748D  
Department of the Treasury **Internal Revenue Service** [www.irs.gov](https://www.irs.gov)



Visit the Accessibility  
Page on [IRS.gov](https://www.irs.gov)

This page is intentionally left blank

***Determining the partnership's qualified trades or businesses.*** The partnership's qualified trades or businesses include its section 162 trades or businesses, except for SSTBs, or the trade or business of providing services as an employee. A section 162 trade or business generally includes any activity if the partnership's primary purpose for engaging in the activity is for income or profit and the partnership is involved in the activity with continuity and regularity. For more information on what qualifies as a trade or business for purposes of section 199A, see the Instructions for Form 8995, Qualified Business Income Deduction Simplified Computation; or the Instructions for Form 8995-A, Qualified Business Income Deduction.

***Rental real estate.*** Rental real estate may constitute a trade or business for purposes of the QBI deduction if the rental real estate:

- Rises to the level of a trade or business under section 162,
- Satisfies the requirements for the rental real estate safe harbor in Rev. Proc. 2019-38, or
- Meets the self-rental exception (that is, the rental or licensing of property to a commonly controlled trade or business conducted by an individual or relevant pass-through entity) described in Regulations section 1.199A-1(b)(14).

The determination of whether rental real estate constitutes a trade or business for purposes of the QBI deduction is made by the partnership. The partnership must first make this determination and then only include the distributive share of rental real estate items of income, gain, loss, and deduction from a trade or business on the statement provided to partners. Rental real estate that doesn't meet any of the three conditions noted above

doesn't constitute a trade or business for purposes of the QBI deduction and must not be included in the QBI information provided to partners.

***SSTBs excluded from qualified trades or businesses.*** SSTBs are generally excluded from the definition of a qualified trade or business. An SSTB is any trade or business providing services in the field of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, investing and investment management, trading or dealing in securities, partnership interests, or commodities, or any other trade or business where the principal asset is the reputation or skill of one or more of its employees or owners. The term “any trade or business where the principal asset is the reputation or skill of one or more of its employees or owners” means any trade or business that consists of (a) a trade or business in which a person receives fees,

compensation, or other income from endorsing products or services; (b) a trade or business in which a person licenses or receives fees, compensation, or other income for the use of an individual's image, likeness, name, signature, voice, or trademark, or any other symbols associated with the individual's identity; or (c) receiving fees, compensation, or other income for appearing at an event or on radio, television, or another media format.

Partnerships must separately report QBI information for all trades or businesses engaged in by the partnership, including SSTBs, but must identify which trades or businesses are SSTBs.

***Aggregation of trades or businesses.*** A partnership engaged in more than one trade or business may choose to aggregate multiple trades or businesses into a single trade or business for purposes of section 199A if it meets the following requirements.

1. The same person, or group of persons, either directly or through attribution, owns 50% or more of each trade or business for a majority of the tax year, including the last day of the tax year, and all trades or businesses use the same tax year-end.
2. None of the trades or businesses are SSTBs.
3. The trades or businesses to be aggregated meet at least two of the following three factors.
  - a. They provide products, property, or services that are the same or that are customarily offered together.
  - b. They share facilities or share significant centralized business elements, such as personnel, accounting, legal, manufacturing, purchasing, human resources, or information technology resources.

- c. They are operated in coordination with, or reliance on, one or more of the businesses in the aggregated group.

If the partnership chooses to aggregate multiple trades or businesses, it must report the aggregation on Statement B, or a substantially similar statement, and attach it to each Schedule K-1. The statement must provide the information necessary to identify each separate trade or business included in each aggregation, a description of the aggregated trades or businesses, and an explanation of the factors met that allow the aggregation in accordance with Regulations section 1.199A-4. The aggregation statement must be completed each year to show the partnership's trade or business aggregations. Failure to disclose the aggregations may cause them to be disaggregated.

The partnership's aggregations must be reported consistently for all subsequent

years, unless there's a change in facts and circumstances that changes or disqualifies the aggregation. The partnership must provide a written explanation for any changes to prior year aggregations that describes the change in facts and circumstances.

If the partnership directly or indirectly owns an interest in another relevant pass-through entity (RPE) that aggregates multiple trades or businesses, it must attach a copy of the RPE's aggregation to each Schedule K-1. The partnership can't break apart the aggregation of another RPE, but it may add trades or businesses to the aggregation, assuming the requirements above are satisfied.

***Determining the partnership's QBI or qualified PTP items.*** The partnership's items of QBI include qualified items of income, gain, deduction, and loss from the partnership's trades or businesses that are effectively connected with the conduct of a trade or business within the United States. This may

include, but isn't limited to, items such as ordinary business income or losses, section 1231 gains or (losses), section 179 deductions, and interest from debt-financed distributions.

QBI may also include rental income/losses or royalty income, if the activity rises to the level of a trade or business; and gambling gains or losses, but only if the partnership is engaged in the trade or business of gambling. Whether an activity rises to the level of a trade or business must be determined at the entity level and, once made, is binding on partners.

Qualified PTP items include the partnership's share of qualified items of income, gain, deduction, and loss from an interest in a PTP and may also include gain or loss recognized on the disposition of the partner's partnership interest that isn't treated as a capital gain or loss. If the reporting partnership is itself a PTP, the PTP should report all qualified items

of income, gain, deduction, and loss separately for each trade or business engaged in by the PTP.

- QBI and qualified PTP items don't include the following.
- Items that aren't properly includible in income.
- Items that are treated as capital gain or loss under any provision of the Code.
- Dividends or dividend equivalents, including qualified REIT dividends.
- Interest income (unless received in connection with the trade or business).
- Wage income.
- Income that isn't effectively connected with the conduct of business within the United States (go to [IRS.gov/ECI](https://www.irs.gov/efile) for more information).

- Commodities transactions, or foreign currency gains or losses described in section 954(c)(1)(C) or (D).
- Income, loss, or deductions from notional principal contracts under section 954(c)(1)(F).
- Annuities (unless received in connection with the trade or business).
- Guaranteed payments described in section 707(c) received by the entity for services rendered to a partnership.
- Payments described in section 707(a) received by the entity for services rendered to a partnership.

Flowchart To Help Determine if Items Are Qualified Business Income

Questions	Yes	No
1. Is the item effectively connected with the conduct of a trade or business within the United States?	Continue to next question.	<b>Stop.</b> This item isn't QBI.
2. Is the item attributable to a trade or business (this may include section 1231 gain/(loss), section 179 deductions, interest from debt-financed distributions, etc.)? Examples of an item not considered attributable to the trade or business at the entity level include gambling income/(loss) where the entity isn't engaged in the trade or business of gambling, income/(loss) from vacation properties when the entity isn't in that trade or business, activities not engaged in for profit, etc.	Continue to next question.	<b>Stop.</b> This item isn't QBI.
3. Is the item treated as a capital gain or loss under any provision of the Code or is it a dividend or dividend equivalent?	<b>Stop.</b> This item isn't QBI.	Continue to next question.
4. Is the item interest income other than interest income properly allocable to a trade or business? (Note that interest income attributable to an investment of working capital, reserves, or similar accounts isn't properly allocable to a trade or business.)	<b>Stop.</b> This item isn't QBI.	Continue to next question.
5. Is the item an annuity, other than an annuity received in connection with the trade or business?	<b>Stop.</b> This item isn't QBI.	Continue to next question.
6. Is the item gain or loss from a commodities transaction or foreign currency gain or loss described in section 954(c)(1)(C) or (D)?	<b>Stop.</b> This item isn't QBI.	Continue to next question.
7. Is the item gain or loss from a notional principal contract under section 954(c)(1)(F)?	<b>Stop.</b> This item isn't QBI.	Continue to next question.
8. Is the item of income or loss from a qualified PTP?	This item is a qualified PTP item. <b>Report this item as qualified PTP income or loss, subject to partner-specific determinations, and check the PTP box.</b>	This item is QBI. <b>Report this item as QBI subject to partner-specific determinations.</b>

This page is intentionally left blank

***QBI flowchart.*** Partnerships may use this flowchart to determine if an item of income, gain, deduction, or loss is includible in QBI reportable to partners.

## **Specific instructions for Statement A— QBI Pass-Through Entity Reporting.**

***QBI or qualified PTP items.*** The partnership (including PTPs) must first determine if it's engaged in one or more trades or businesses. It must then determine if any of its trades or businesses are SSTBs. It must also determine whether it has qualified PTP items from an interest in a PTP. It must indicate the status in the appropriate checkboxes for each trade or business (or aggregated trade or business) reported.

**Note.** SSTBs and PTPs can't be aggregated with any other trade or business. So, if the aggregation box is checked, the SSTB and PTP boxes for that specific aggregated trade or business shouldn't be checked.

Next, the partnership must report to each partner their distributive share of all items that are QBI or qualified PTP items for each trade or business the partnership owns directly or indirectly. Use the QBI flowchart above to determine if an item is reportable as a QBI item or qualified PTP item subject to partner-specific determinations.

The descriptions on the statement generally match the descriptions reported on Schedule K-1. So the amounts should reflect each trade's or business's portion of the qualified items of income, gain, deduction, or loss reported in the applicable box of the partner's Schedule K-1. For example, the amount reported on the "Ordinary business income (loss)" line of this statement should reflect the attributable portion of qualified items of income, gain, deduction, and loss for each trade or business included in the "Ordinary business income (loss)" reported in box 1 of the partner's

Schedule K-1. Each item included under “Other income (loss)” and “Other deductions” must be stated separately, identifying the nature and amount of each item.

***W-2 wages and UBIA of qualified***

***property.*** The partnership must determine the W-2 wages and UBIA of qualified property properly allocable to QBI for each qualified trade or business and report the distributive share to each partner on Statement A, or a substantially similar statement, attached to Schedule K-1. This includes the pro rata share of W-2 wages and UBIA of qualified property reported to the partnership from any qualified trades or businesses of an RPE the partnership owns directly or indirectly.

However, partnerships that own a direct or indirect interest in a PTP may not include any amounts for W-2 wages or UBIA of qualified property from the PTP, as the W-2 wages and UBIA of qualified property from a PTP aren't

allowed in figuring the W-2 wage and UBIA limitations.

The W-2 wages are amounts paid to employees described in sections 6051(a)(3) and (8). If the partnership conducts more than one trade or business, it must allocate the W-2 wages among its trades or businesses. See Rev. Proc. 2019-11, 2019-09 I.R.B. 742, for more information.

The unadjusted basis of qualified property is figured by adding the unadjusted basis of all qualified assets immediately after acquisition. Qualified property includes all tangible property subject to depreciation under section 167, for which the depreciable period hasn't ended, that is held and used by the trade or business during the tax year and held on the last day of the tax year. The depreciable period ends on the later of 10 years after the property is placed in service or the last day of the full year for the applicable recovery period under section 168.

***Qualified REIT dividends.*** The partnership must report the distributive share of any qualified REIT dividends to each partner on Statement A, or a substantially similar statement, attached to Schedule K-1. Qualified REIT dividends don't have to be separately reported by trades or businesses and can be reported as a single amount to partners. Qualified REIT dividends include any dividend the partnership receives on REIT stock held for more than 45 days (taking into account the principles of sections 246(c)(3) and (4)) during the 91-day period beginning on the date that is 45 days before the date on which such stock becomes ex-dividend with respect to such dividend, for which the payment isn't obligated to someone else, isn't a capital gain dividend under section 857(b)(3), and isn't a qualified dividend under section 1(h)(11), plus any section 199A dividends received from a RIC that are permitted to be treated as qualified REIT

dividends under Regulations section 1.199A-3(d).

***Fiscal year partnerships.*** For purposes of determining the QBI or qualified PTP items, UBIA of qualified property, and the aggregate amount of qualified REIT dividends, fiscal year-end partnerships include all items from the tax (fiscal) year.

For purposes of determining W-2 wages, fiscal year-end partnerships include amounts paid to employees under sections 6051(a)(3) and (8) for the calendar year ended with or within the partnership's tax year. If the partnership conducts more than one trade or business, it must allocate W-2 wages among its trades or businesses. See Rev. Proc. 2019-11 for more information.

Statement A—QBI Pass-Through Entity Reporting

Partnership's name:		Partnership's EIN:		
Partner's name:		Partner's identifying number:		
Partner's share of:	Trade or Business 1	Trade or Business 2	Trade or Business 3	
	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	
QBI or qualified PTP items subject to partner-specific determinations:				
	Ordinary business income (loss) . . . . .			
	Rental income (loss) . . . . .			
	Royalty income (loss) . . . . .			
	Section 1231 gain (loss) . . . . .			
	Other income (loss) . . . . .			
	Section 179 deduction . . . . .			
	Other deductions . . . . .			
W-2 wages . . . . .				
UBIA of qualified property . . . . .				
Qualified REIT dividends . . . . .				

This page is intentionally left blank

**Specific instructions for Statement B—  
QBI Pass-Through Entity Aggregation  
Election(s).**

If the partnership elects to aggregate more than one trade or business that meets all the requirements to aggregate, the partnership must report the aggregation to partners on Statement B, or a substantially similar statement, and attach it to each Schedule K-1. The partnership must indicate trades or businesses that were aggregated by checking the appropriate box on Statement A for each aggregated trade or business. The partnership must also provide a description of the aggregated trade or business and an explanation of the factors met that allow the aggregation.

The aggregation statement must be completed each year to show the partnership's trade or business aggregations. Failure to disclose the aggregations may cause them to be disaggregated. The partnership's aggregations must be reported

consistently for all subsequent years, unless there's a change in facts and circumstances that changes or disqualifies the aggregation. The partnership must provide a written explanation for any changes to prior year aggregations that describes the change in facts and circumstances.

If the partnership holds a direct or indirect interest in an RPE that aggregates multiple trades or businesses, the partnership must also include a copy of the RPE's aggregations with each partner's Schedule K-1. The partnership can't break apart the aggregation of another RPE, but it may add trades or businesses to the aggregation, assuming the aggregation requirements are satisfied.

<b>Partnership's name:</b>	<b>Partnership's EIN:</b>
<b>Trade or business aggregation 1*</b> Provide a description of the aggregated trades or businesses and an explanation of the factors met that allow the aggregation in accordance with Regulations section 1.199A-4. In addition, if the partnership holds a direct or indirect interest in a relevant pass-through entity (RPE) that aggregates multiple trades or businesses, attach a copy of the RPE's aggregations.  <hr/> <hr/> <hr/> <hr/> Has this trade or business aggregation changed from the prior year? This includes changes in the aggregation due to a trade or business being formed, acquired, or disposed of, or having ceased operations. If yes, explain.  <hr/> <hr/>	
<small>* If the partnership has more than one aggregated group, attach additional Statements B. Name the additional aggregations 2, 3, 4, etc.</small>	

This page is intentionally left blank

## **Specific instructions for Statement C— QBI Pass-Through Entity Reporting— Patrons of Specified Agricultural and Horticultural Cooperatives.**

***QBI items and W-2 wages allocable to qualified payments.*** If the partnership is a patron of a specified agricultural or horticultural cooperative, the partnership must provide the share of QBI items and W-2 wages allocable to qualified payments from each trade or business to each of its partners on Statement C, or a substantially similar statement, and attach it to each Schedule K-1 so each partner can figure their patron reduction under section 199A(b)(7).

QBI items and W-2 wages allocable to qualified payments include QBI items included on Statement A that are allocable to the qualified payments reported to the partnership on Form 1099-PATR from the cooperative.

***Section 199A(g) deduction.*** The partnership must report to its partners their share of any section 199A(g) deduction passed through from the cooperative, as reported on Form 1099-PATR. Section 199A(g) deductions don't have to be reported separately by trades or businesses and can be reported as a single amount to partners.

Statement C—QBI Pass-Through Entity Reporting—Patrons of Specified Agricultural and Horticultural Cooperatives

Partnership's name:		Partnership's EIN:		
Partner's name:		Partner's identifying number:		
Partner's share of:	Trade or Business	Trade or Business	Trade or Business	
	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input type="checkbox"/> SSTB	
QBI items allocable to qualified payments subject to partner-specific determinations:				
	Ordinary business income (loss) . . . . .			
	Rental income (loss) . . . . .			
	Royalty income (loss) . . . . .			
	Section 1231 gain (loss) . . . . .			
	Other income (loss) . . . . .			
	Section 179 deduction . . . . .			
	Other deductions . . . . .			
W-2 wages allocable to qualified payments . . . . .				
Section 199A(g) deduction . . . . .				

This page is intentionally left blank

## **Section 704(c) information (code AA).**

For partnerships other than PTPs, if a partner's taxable income or loss on any line item on Schedule K-1 (Form 1065) includes an allocation of any income or deduction item determined by applying section 704(c), include the sum of such income and deduction items here.

### ***Example 1—single section 704(c)***

**allocation.** Partnership P has two partners, A and B. A and B share all items of income, loss, and deduction equally, except for items required to be allocated under section 704(c). A contributes property X with an FMV of \$100 and a tax basis of \$60. X is depreciable over 10 years. B contributes \$100. The traditional method is used to allocate section 704(c) items pertaining to X. In the first year, the partnership has \$10 of section 704(b) book depreciation, which is allocated equally to A and B for book purposes (\$5 each). However, P only has \$6 of tax depreciation. The

partnership has no other income or deductions during the tax year. Under the traditional method, P allocates \$1 to A and \$5 to B for tax purposes. Assuming this is the only item where taxable income is affected by section 704(c) allocations during the current year, the partnership would report deductions of \$1 for A and \$5 for B in box 20, code AA, of Schedule K-1.

***Example 2—multiple section 704(c) allocations.*** The facts are the same as in *Example 1*, except in addition to the facts in that example, A also contributes property Y with an FMV of \$100 and a remaining tax basis of \$0. If Y were newly placed in service, its depreciable life would be 10 years straight line. The partnership adopts the remedial method with respect to property Y. In the first year, P has \$10 of section 704(b) book depreciation, which is allocated equally to A and B for book purposes (\$5 each). However, P has \$0 of tax depreciation with respect to

property Y. Under the remedial method, for tax purposes, P allocates \$5 of remedial income to A and \$5 of a remedial depreciation deduction to B with respect to property Y. In this case, the partnership would report in box 20, code AA, of Schedule K-1 that A has \$4 of taxable income, determined by applying section 704(c) (\$1 of depreciation deductions from property X and \$5 of remedial income from property Y) and that B has \$10 of deductions for tax purposes, determined by applying section 704(c) (consisting of \$5 depreciation from property X and \$5 remedial depreciation from property Y).

**Required reporting for the sale or exchange of an interest in a partnership (codes AB, AC, and AD).** When a sale or exchange of a partnership interest occurs and the partnership holds section 751 property such as unrealized receivables defined in section 751(c), property subject to unrecaptured section 1250 gain, inventory

items defined in section 751(d), or collectibles, the partnership must report to the transferor partner their share of the gain or loss figured for the following categories of assets. If there was an exchange described in section 751(a), this information must also be reported on Form 8308.

***Section 751 gain (loss) (code AB).*** Section 751 "hot assets" (unrealized receivables and inventory items).

***Section 1(h)(5) gain (code AC).*** Section 1(h)(5) collectible assets.

***Deemed section 1250 unrecaptured gain (code AD).*** Section 1(h)(6) unrecaptured section 1250 gain assets (depreciable real property) are section 751 property per Regulations section 1.751-1(c)(4)(v).

***Excess taxable income (code AE).*** If the partnership is required to file Form 8990, it may determine it has excess taxable income.

If so, enter the amount from Form 8990, Part II, line 36, for excess taxable income.

***Schedule K-1.*** Enter the partner's amount of excess taxable income. The partner will enter the amount on Form 8990, Schedule A, line 43, column (f), if the partner is required to file Form 8990.

**Excess business interest income (code AF).** If the partnership is required to file Form 8990, it may determine it has excess business interest income. If so, enter the amount from Form 8990, Part II, line 37, for excess business interest income.

***Schedule K-1.*** Enter the partner's amount of excess business interest income. The partner will enter the amount on Form 8990, Schedule A, line 43, column (g), if the partner is required to file Form 8990.

**Gross receipts for section 448(c) (code AG).** Regulations section 1.163(j)-2(d)(2)(iii) requires that partners in a partnership include

a share of partnership gross receipts in proportion to their share of gross income under section 703 (unless the partnership is treated as one person under the aggregation rules of section 448(c)). Partnerships with current year gross receipts (defined in Regulations section 1.448-1T(f)(2)(iv)) greater than \$5 million are required to report to partners their distributive shares of their current year gross receipts, as well as their distributive shares of gross receipts for the 3 immediately preceding tax years. If a partnership and a partner are treated as a single employer under the section 448(c) aggregation rules, and the partnership has current year gross receipts greater than \$5 million, then the partnership should also report its current year total gross receipts, as well as its total gross receipts for the 3 immediately preceding tax years, to that partner.

See [IRS.gov/newsroom/faqs-regarding-the-aggregation-rules-undersection-448c2-that-apply-to-the-section-163j-small-businessexemption](https://www.irs.gov/newsroom/faqs-regarding-the-aggregation-rules-undersection-448c2-that-apply-to-the-section-163j-small-businessexemption). Partnerships whose current year gross receipts are less than or equal to \$5 million may also use this code to report gross receipts.

**Noncash charitable contributions (code AH).** If the partnership made a noncash charitable contribution, report the partner's share of the partnership's adjusted basis of the property for basis limitation purposes.

**Interest and tax on deferred compensation to partners (code AI).** Interest and additional tax on deferred compensation under a section 409A nonqualified deferred compensation plan that doesn't meet the requirements of section 409A. Include in this amount any earnings on these deferrals. This amount must also be included on Schedule K, line 4. For details, see the regulations under section 409A. These

regulations don't provide guidance on the application of section 409A to arrangements between partnerships and partners. For interim guidance on such arrangements, see Q&A-7 in Notice 2005-1, 2005-2 I.R.B. 274, and the information provided in T.D. 9321. Also see Notice 2006-79, 2006-43 I.R.B. 763; Notice 2007-86, 2007-46 I.R.B. 990; and Notice 2008-113, 2008-51 I.R.B. 1305, for additional information on transitional and relief rules.

**Excess business loss limitation (code AJ).** To enable partners to figure their excess business loss limitation under section 461(l), attach a statement to each partner's Schedule K-1 showing the partner's distributive share of the aggregate business activity gross income or gain, and the aggregate business activity deductions, from all of the partnership's trades or businesses.

**Gain from mark-to-market election (code AK).** If a partnership is a trader in securities,

commodities, or both, and has properly elected under section 475(f) to mark-to-market the securities, the commodities, or both, the partnership should report ordinary gain or loss from the securities or commodities (or both securities and commodities) trading activities separately from any other ordinary gain or loss. Gain from the mark-to-market election is relevant for partners to figure the NIIT. See the instructions regarding net investment income (code Y), earlier.

**Section 721(c) partnership (code AL).** If the partnership is a section 721(c) partnership, line 20c must include the amounts relating to any remedial items made under the remedial allocation method (described in Regulations sections 1.704-3(d) and 1.704-3(d)(5)(iii)) with respect to section 721(c) property. Enter a separate code AL in box 20 of Schedule K-1 for each amount for items allocated to the partner. For the U.S.

transferor, enter a separate code AL, if any, for the total remedial income allocated to the U.S. transferor, total gain recognized due to an acceleration event, and/or total gain recognized due to a section 367 transfer reflected on Schedule G (Form 8865), Part II, columns (c), (d), and (e), respectively. For all other partners of the section 721(c) partnership, enter a separate code AL for the total amount of remedial items allocated to such partner relating to section 721(c) property. See Regulations sections 1.721(c)-3 and 1.721(c)-6.

**Section 1061 information (code AM).** The partnership will furnish to the partners any information needed to figure their capital gains with respect to an applicable partnership interest. Go to [Section 1061 Reporting Guidance FAQs](#).

**Farming and fishing business (code AN).** If the partnership is involved in a farming or fishing business, report the gross income and

gains as well as the losses and deductions attributable to such business activities. See section 1301.

**PTP information (code AO).** Any information a partner that is a PTP may need to determine if it meets the 90% qualifying income test of section 7704(c)(2). A partner is required to notify the partnership of their status as a PTP.

**Inversion gain (code AP).** Any income or gain reported on Schedule K, lines 1 through 11, that qualifies as inversion gain, if the partnership is an expatriated entity or is a partner in an expatriated entity. For details, see section 7874. Attach a statement to Form 1065 that shows the amount of each type of income or gain included in the inversion gain. The partnership must report each partner's distributive share of the inversion gain in box 20 of Schedule K-1 using code AP. Attach a statement to Schedule K-1 that shows the partner's distributive share of the amount of

each type of income or gain included in the inversion gain.

**Conservation reserve program payments (code AQ).** The partner's distributive share of any conservation reserve program payments made to the partnership.

**IRA disclosure (code AR).** For IRA partners with an amount reported in box 20, code V, include code AR with the IRA partner's unique EIN (not the custodian's EIN).



*Enter the EIN without any dashes.*

**Qualifying advanced coal project property and qualifying gasification project property (code AS).** Attach a statement to Schedule K-1 showing the partner's distributive share of the amounts that the partner will use when figuring the amounts to report on their Form 3468, Part II. See the Instructions for Form 3468 for details.

**Qualifying advanced energy project property (code AT).** Attach a statement to Schedule K-1 showing the partner's distributive share of the amounts that the partner will use when figuring the amounts to report on their Form 3468, Part III. See the Instructions for Form 3468 for details.

**Advanced manufacturing investment property (code AU).** Attach a statement to Schedule K-1 showing the partner's distributive share of the amounts that the partner will use when figuring the amount to report on their Form 3468, Part IV. See the Instructions for Form 3468 for details.

**Code AV.** Reserved for future use.

**Reportable transactions (code AW).** If the partnership participates in a transaction that must be disclosed on Form 8886, both the partnership and its partners may be required to file Form 8886. The partnership must determine if any of its partners are required to disclose the transaction and provide those

partners with information they will need to file Form 8886. This determination is based on the category(ies) under which a transaction qualified for disclosures. See Form 8886 and its instructions for details.

**Code AX.** Reserved for future use.

**Foreign partners, Form 8990, Schedule A (code AY).** Form 8990, Schedule A, requires certain foreign partners to report their allocable share of EBIE, excess taxable income, and excess business interest income, if any, that is attributable to income effectively connected with a U.S. trade or business. Provide on Schedule K-1 the information needed to complete Form 8990, Schedule A, for a partner that is a foreign corporation or nonresident alien or is a partnership (domestic or foreign) in which you know, or have reason to know, that one or more of the partners is a foreign corporation or nonresident alien.

**Code AZ.** Reserved for future use.

**Codes BA through BD.** Reserved for future use.

**Other (code ZZ).** Any other information the partners need to prepare their tax returns, including information needed to prepare state and local tax returns.

Instructions regarding the corporate alternative minimum tax (CAMT) will be issued as a Recent Development article.

## **Line 21. Total Foreign Taxes Paid or Accrued**

Enter in U.S. dollars the total creditable foreign taxes (described in section 901 or section 903) that were paid or accrued by the partnership (according to its method of accounting for such taxes). Enter the amount paid or accrued on line 21. Translate these amounts into U.S. dollars by using the applicable exchange rate (see Pub. 514, Foreign Tax Credit for Individuals).

The information on line 21 is solely for purposes of computing basis. A partnership must complete Schedules K-2 and K-3 to provide the information necessary for the partner to claim a foreign tax credit.

## **Line 22. More Than One At-Risk Activity**

If the partnership conducted more than one at-risk activity, the partnership is required to provide certain information separately for each at-risk activity to its partners. This information is reported on an attached statement to Schedule K-1. Check the box to indicate there's more than one at-risk activity for which a statement is attached. See *At-risk activity reporting requirements*, earlier, for details. Also see Notice 2019-66 for certain at-risk reporting.

## **Line 23. More Than One Passive Activity**

If the partnership conducted more than one activity (determined for purposes of the passive activity loss and credit limitations), the partnership is required to provide information separately for each activity to its partners. This information is reported on an attached statement to Schedule K-1. Check the box to indicate there's more than one passive activity for which a statement is attached. See *Passive Activity Reporting Requirements*, earlier, for details.

This page is intentionally left blank

# **Analysis of Net Income (Loss) per Return**

For each type of partner shown on line 2, enter the portion of the amount shown on line 1 that was allocated to that type of partner. Foreign government partners are treated as corporate partners pursuant to section 892(a)(3). Report all amounts for LLC members on the line for limited partners. The sum of the amounts shown on line 2 must equal the amount shown on line 1. In addition, the amount on Analysis of Net Income (Loss) per Return, line 1, must equal the amount on Schedule M-1, line 9 (if the partnership is required to complete Schedule M-1). If the partnership files Schedule M-3, the amount on Analysis of Net Income (Loss) per Return, line 1, must equal the amount in column (d) of Schedule M-3, Part II, line 26.

In classifying partners who are individuals as active or passive, the partnership should

apply the rules below. In applying these rules, a partnership should classify each partner to the best of its knowledge and belief. It's assumed that in most cases the level of a particular partner's participation in an activity will be apparent.

- If the partnership's principal activity is a trade or business, classify a general partner as active if the partner materially participated in all partnership trade or business activities; otherwise, classify a general partner as passive.
- If the partnership's principal activity consists of a working interest in an oil or gas well, classify a general partner as active.
- If the partnership's principal activity is a rental real estate activity, classify a general partner as active if the partner actively participated in all of the partnership's rental real estate

activities; otherwise, classify a general partner as passive.

- Classify as passive all partners in a partnership whose principal activity is a rental activity other than a rental real estate activity.
- If the partnership's principal activity is a portfolio activity, classify all partners as active.
- Classify as passive all limited partners in a partnership whose principal activity is a trade or business or rental activity.

This page is intentionally left blank

# Schedule L. Balance Sheets per Books



*Schedules L, M-1, and M-2 aren't required to be completed if the partnership answered "Yes" to question 4 of Schedule B.*

The balance sheets should agree with the partnership's books and records. Attach a statement explaining any differences. There are additional requirements for completing Schedule L for partnerships that are required to file Schedule M-3 (see the Instructions for Schedule M-3 (Form 1065) for details).

Partnerships reporting to the Interstate Commerce Commission (ICC) or to any national, state, municipal, or other public officer may send copies of their balance sheets prescribed by the ICC or national, state, or municipal authorities, as of the beginning and end of the tax year, instead of completing Schedule L. However, statements

filed under this procedure must contain sufficient information to enable the IRS to reconstruct a balance sheet similar to that contained on Form 1065 without contacting the partnership during processing.

All amounts on the balance sheet should be reported in U.S. dollars. If the partnership's books and records are kept in a foreign currency, the balance sheet should be translated in accordance with U.S. generally accepted accounting principles (GAAP).

**Exception.** If the partnership or any qualified business unit of the partnership uses the U.S. dollar approximate separate transactions method, Schedule L should reflect the tax balance sheet prepared and translated into U.S. dollars according to Regulations section 1.985-3(d), and not a U.S. GAAP balance sheet.

## **Partnerships Required To File Schedule M-3**

For partnerships required to file Schedule M-3, the amounts reported on Schedule L must be amounts from financial statements used to complete Schedule M-3. If the partnership prepares non-tax-basis financial statements, Schedule M-3 and Schedule L must report non-tax-basis financial statement amounts. If the partnership doesn't prepare non-tax-basis financial statements, Schedule L must be based on the partnership's books and records and may show tax-basis balance sheet amounts if the partnership's books and records reflect only tax-basis amounts.

### **Line 5. Tax-Exempt Securities**

Include on this line:

- State and local government obligations, the interest on which is excludable from gross income under section 103(a); and

- Stock in a mutual fund or other RIC that distributed exempt-interest dividends during the tax year of the partnership.

## **Line 7a. Loans to Partners (or Persons Related to Partners)**

Include on this line loans to partners or persons related to partners.

Persons are related if they have a relationship specified in section 267(b) or 707(b).

Amounts included here shouldn't be included elsewhere on lines 1 through 13.

## **Line 14. Total Assets**

Generally, total assets at the beginning of the year (Schedule L, line 14, column (b)) must equal total assets at the close of the prior tax year (Schedule L, line 14, column (d)). If total assets at the beginning of the year don't equal total assets at the close of the prior

year, attach a statement explaining the difference.

For purposes of measuring total assets at the end of the year, the partnership's assets may not be netted against or reduced by partnership liabilities. In addition, asset amounts may not be reported as a negative number. If the partnership has an interest in another partnership and uses a tax-basis method for Schedule L, it must show as an asset the adjusted basis of its interest in the other partnership and separately show as a liability its share of the other partnership's liabilities (which are included in the computation of its adjusted basis). See the Partner's Instructions for Schedule K-1 for details on how to figure the adjusted basis of a partnership interest. If Schedule L is non-tax-basis, investment in a partnership may be shown as appropriate under the non-tax-basis accounting method of the partnership including, if required by the non-tax-basis

accounting method of the partnership, the equity method of accounting for investments, but must be shown as a non-negative amount.

**Example.** Partnership A prepares a tax-basis Schedule L and is a general partner in Partnership B, a general partnership. Partnership A's adjusted basis in Partnership B at the end of the year is \$16 million. Partnership A's share of Partnership B's liabilities is \$20 million, which is included in the \$16 million adjusted basis amount. On its Schedule L, Partnership A must report \$16 million on line 8 as the amount of its investment asset in Partnership B and report on line 20 its \$20 million share of Partnership B's liabilities. These amounts can't be netted on Schedule L.

## **Line 18. All Nonrecourse Loans**

Nonrecourse loans are those liabilities of the partnership for which no partner bears the

economic risk of loss. If the partnership's nonrecourse liabilities include its share of the liabilities of another partnership, the partnership's share of those liabilities must be reflected on line 18.

### **Line 19a. Loans From Partners (or Persons Related to Partners)**

Include on this line loans from partners or persons related to partners. Persons are related if they have a relationship specified in section 267(b) or 707(b). Amounts included here shouldn't be included elsewhere on lines 15 through 21.

### **Line 20. Other Liabilities**

A partnership that is a partner in a tiered partnership must include as a liability on line 20 the partner's share of the tiered partnership's liabilities to the extent they are recourse liabilities to the partner.

This page is intentionally left blank

# **Schedule M-1. Reconciliation of Income (Loss) per Books With Analysis of Net Income (Loss) per Return**



*Schedule M-3 may be required instead of Schedule M-1. See Item J. Schedule C and Schedule M-3, earlier.*

*See the Instructions for Schedule M-3 for more information.*

## **Line 2**

Report on this line income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11, not recorded on the partnership's books this year. Describe each such item of income. Attach a statement if necessary.

## **Line 3. Guaranteed Payments**

Include on this line guaranteed payments shown on Schedule K, lines 4a and 4b (other than amounts paid for insurance that

constitutes medical care for a partner, a partner's spouse, a partner's dependents, and a partner's children under age 27 who aren't dependents).

## **Line 4b. Travel and Entertainment**

Include the following on this line.

- Entertainment expenses, including entertainment-related meals and facilities, not deductible under section 274(a).
- Non-entertainment-related meal expenses not deductible under section 274(n).
- The part of business gifts over \$25. See section 274(b).
- Expenses of an individual allocable to conventions on cruise ships over \$2,000. See section 274(h)(2).
- Employee achievement awards of nontangible property or tangible

property over \$400 (\$1,600 if part of a qualified plan). See section 274(j).

- The part of the cost of luxury water travel expenses not deductible under section 274(m). See section 274(m)(1)(A).
- Expenses for travel as a form of education. See section 274(m) (2).
- Nondeductible club dues. See section 274(a)(3).
- Qualified transportation fringes under section 274(a)(4).
- Transportation and commuting expenses under section 274(l).
- Other nondeductible travel and entertainment expenses.

## **Line 6**

Include tax-exempt income from forgiven PPP loans on line 6 if it was included on line 1 of Schedule M-1.

## **Line 7**

Report on this line deductions included on Schedule K, lines 1 through 13e, and 21, not charged against the partnership's book income this year. Describe each such item of deduction. Attach a statement if necessary.

## **Line 9**

This line 9 should reconcile to the Analysis of Net Income (Loss) per Return, line 1.

# **Schedule M-2. Analysis of Partners' Capital Accounts**

Show what caused changes during the tax year in the partners' tax-basis capital accounts.

## **Line 1. Balance at Beginning of Year**

The balance at the beginning of the year should equal the total of the amounts reported as the partners' beginning tax-basis capital accounts in item L of all the partners' Schedules K-1. If not, the partnership should attach an explanation of the difference.

Generally, the balance at the beginning of the year should equal the adjusted tax basis of the partnership's assets at the beginning of the year reduced by the partnership's liabilities at the beginning of the year. If the partnership's balance sheet (Schedule L) is reported on the tax basis and if the aggregate of the partners' beginning and ending capital accounts differs from the amounts reported

on Schedule L, attach a statement reconciling any differences. No such reconciliation is required if Schedule L isn't reported on the tax basis.

## **Line 2. Capital Contributed During Year**

Include on line 2a the amount of money contributed by each partner to the partnership, as reflected on the partnership's books and records. Include on line 2b the adjusted tax basis of property net of liabilities contributed by each partner to the partnership, as reflected on the partnership's books and records.

## **Line 3. Net Income (Loss)**

Enter on Schedule M-2, line 3, the amount from the Analysis of Net Income (Loss) per Return, line 1. Generally, this is the same as the amount entered on Schedule M-1, line 9, (if the partnership is required to complete Schedule M-1) or, if the partnership files

Schedule M-3, the amount in column (d) of Schedule M-3, Part II, line 26. Because section 743(b) basis adjustments and income from guaranteed payments aren't included in the partners' tax-basis capital accounts, certain adjustments may be necessary. If adjustments to income under section 743(b) are taken into account in calculating net income (loss), remove the effects of those adjustments (for example, by adding or subtracting the income, gain, loss, or deduction resulting from those adjustments on line 4 or line 7 in accordance with the instructions for those lines). If net income includes income from guaranteed payments made to partners, remove such income on line 7.

#### **Line 4. Other Increases (Itemize)**

Enter on line 4 the sum of all other increases to the partners' tax-basis capital accounts during the year not reflected on lines 2 and 3. Also, if the aggregate net negative income

from all section 743(b) adjustments reported on Schedule K, line 13e, was included as a decrease to income in arriving at net income (loss) on line 3, report those amounts as an increase on line 4. For these purposes, "net negative income from all section 743(b) adjustments" means the excess of all section 743(b) adjustments to income allocated to the partner that decrease partner taxable income over all section 743(b) adjustments to income that increase partner taxable income.

## **Line 6. Distributions**

**Line 6a. Cash.** Enter the amount of money distributed to each partner by the partnership. For purposes of line 6a, money includes marketable securities, as described in section 731(c).

**Line 6b. Property.** Enter the sum of the adjusted tax bases of property net of liabilities distributed to each partner by the partnership as reflected on the partnership's

books and records. Include withdrawals from inventory for the personal use of a partner.

## **Line 7. Other Decreases (Itemize)**

Enter on line 7 the sum of all other decreases to the partners' tax-basis capital accounts during the year not reflected on line 6.

Also, if the aggregate net positive income from all section 743(b) adjustments reported on Schedule K, line 11, was included as an increase to income in arriving at net income (loss) on line 3, report that amount as a decrease on line 7. For these purposes, "net positive income from all section 743(b) adjustments" means the excess of all section 743(b) adjustments to income allocated to the partner that increase the partner's taxable income over all section 743(b) adjustments to income that decrease the partner's taxable income. Likewise, if line 3 includes income from guaranteed payments

reported on Schedule K, line 4c, include that amount as a decrease on line 7.

## **Line 9. Balance at End of Year**

The balance at the end of the year should equal the total of the amounts reported as the partners' ending capital accounts in item L of all the partners' Schedules K-1.

**Paperwork Reduction Act Notice.** We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You're required to give us the information. We need it to ensure that you're complying with these laws and to allow us to figure and collect the right amount of tax.

You aren't required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

**Estimates of taxpayer burden.** The following tables show burden estimates based on current statutory requirements as of December

2023, for taxpayers filing 2023 Forms 1065, 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-S, 1120-SF, 1120-FSC, 1120-L, 1120-PC, 1066, 1120-REIT, 1120-RIC, 1120-POL, and related attachments. Time spent and out-of-pocket costs are presented separately. Time burden is broken out by taxpayer activity, with reporting representing the largest component. Out-of-pocket costs include any expenses incurred by taxpayers to prepare and submit their tax returns. Examples include tax return preparation and submission fees, postage and photocopying costs, and tax preparation software costs. While these estimates don't include burden associated with post-filing activities, IRS operational data indicate that electronically prepared and filed returns have fewer arithmetic errors, implying lower post-filing burden.

Reported time and cost burdens are national averages and don't necessarily reflect a

“typical” case. Most taxpayers experience lower-than-average burden, with taxpayer burden varying considerably by taxpayer type.

The average burden for partnerships filing Forms 1065 and related attachments is about 60 hours and \$5,000; the average burden for corporations filing Form 1120 and associated forms is about 105 hours and \$6,700; and the average burden for Forms 1120-REIT, 1120-RIC, and 1120-S, and all related attachments is 65 hours and \$4,400. Within each of these estimates, there's significant variation in taxpayer activity. Tax preparation fees and other out-of-pocket costs vary extensively depending on the tax situation of the taxpayer, the type of software or professional preparer used, and the geographic location. Third-party burden hours aren't included in these estimates.

This page is intentionally left blank

Table 1—Taxpayer Burden for Partnerships

Forms 1065, 1066, and all attachments				
Primary Form Filed or Type of Taxpayer	Total Number of Returns (millions)	Average Time (hours)	Average Cost	Average Monetized Burden
All Partnerships	5.3	60	\$5,000	\$8,700
Small	4.9	50	\$3,200	\$5,200
Large*	0.4	200	\$27,800	\$50,800
* A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that doesn't meet the definition of a large business.				

Table 2—Taxpayer Burden for Taxable Corporations

Forms 1120, 1120-C, 1120-F, 1120-H, 1120-ND, 1120-SF, 1120-FSC, 1120-L, 1120-PC, and 1120-POL, and all attachments				
Primary Form Filed or Type of Taxpayer	Total Number of Returns (millions)	Average Time (hours)	Average Cost	Average Monetized Burden
All Taxable Corporations	2.1	105	\$6,700	\$14,900
Small	2.0	55	\$3,600	\$6,200
Large*	0.1	830	\$53,800	\$149,000
* A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that doesn't meet the definition of a large business.				

Table 3—Taxpayer Burden for Pass-Through Corporations

Forms 1120-REIT, 1120-RIC, and 1120-S, and all attachments				
Primary Form Filed or Type of Taxpayer	Total Number of Returns (millions)	Average Time (hours)	Average Cost	Average Monetized Burden
All Pass-Through Corporations	5.8	65	\$4,400	\$7,500
Small	5.7	60	\$3,800	\$6,400
Large*	0.1	295	\$37,700	\$71,800
* A large business is defined as one having end-of-year assets greater than \$10 million. A large business is defined the same way for partnerships, taxable corporations, and pass-through corporations. A small business is any business that doesn't meet the definition of a large business.				

**Comments and Suggestions.** We welcome your comments about this publication and your suggestions for future editions. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or, you can write to:

Internal Revenue Service  
Tax Forms and Publications  
1111 Constitution Ave. NW, IR-6526  
Washington, DC 20224

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments as we revise our tax forms, instructions, and publications. **Don't** send the tax form to this address. Instead, see *Where To File*, earlier, near the beginning of these instructions.

This page is intentionally left blank

<b>Codes for Principal Business Activity and Principal Product or Service</b>		Using the list of activities and codes below, determine from which activity the business derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (page 1, line 1a); all other income (page 1, lines 4 through 7); income reported on Schedule K, lines 3a, 5, 6a, and 7; income or net gain reported on Schedule K, lines 8, 9a, 10, and 11; and income or net gain reported on Form 8825, lines 2, 19, and 20a. If the business purchases raw materials and supplies them to a subcontractor to produce the finished product,		but retains title to the product, the business is considered a manufacturer and must use one of the manufacturing codes (311110–339900).		
This list of Principal Business Activities and their associated codes is designed to classify an enterprise by the type of activity in which it's engaged to facilitate the administration of the Internal Revenue Code. These Principal Business Activity Codes are based on the North American Industry Classification System.				Once the Principal Business Activity is determined, enter the six-digit code from the list below on page 1, item C. Also enter the business activity in item A and a brief description of the principal product or service of the business in item B.		
<b>Agriculture, Forestry, Fishing and Hunting</b> <b>Crop Production</b> 111100 Oilseed & Grain Farming 111210 Vegetable & Melon Farming (including potatoes & yams) 111300 Fruit & Tree Nut Farming 111400 Greenhouse, Nursery, & Floriculture Production 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming) <b>Animal Production</b> 112111 Beef Cattle Ranching & Farming 112112 Cattle Feedlots 112120 Dairy Cattle & Milk Production 112210 Hog & Pig Farming 112300 Poultry & Egg Production 112400 Sheep & Goat Farming 112510 Aquaculture (including shellfish & finfish farms & hatcheries) 112900 Other Animal Production <b>Forestry and Logging</b> 113110 Timber Tract Operations 113210 Forest Nurseries & Gathering of Forest Products 113310 Logging <b>Fishing, Hunting and Trapping</b> 114110 Fishing 114210 Hunting & Trapping <b>Support Activities for Agriculture and Forestry</b> 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating) 115210 Support Activities for Animal Production (including farriers) 115310 Support Activities For Forestry	238900 Other Specialty Trade Contractors (including site preparation)	<b>Manufacturing</b> <b>Food Manufacturing</b> 311110 Animal Food Mfg 311200 Grain & Oilseed Milling 311300 Sugar & Confectionery Product Mfg 311400 Fruit & Vegetable Preserving & Specialty Food Mfg 311500 Dairy Product Mfg 311610 Animal Slaughtering & Processing 311710 Seafood Product Preparation & Packaging 311800 Bakeries, Tortilla & Dry Pasta Mfg 311900 Other Food Mfg (including coffee, tea, flavorings & seasonings) <b>Beverage and Tobacco Product Manufacturing</b> 312110 Soft Drink & Ice Mfg 312120 Breweries 312130 Wineries 312140 Distilleries 312200 Tobacco Manufacturing <b>Textile Mills and Textile Product Mills</b> 313000 Textile Mills 314000 Textile Product Mills <b>Apparel Manufacturing</b> 315100 Apparel Knitting Mills 315210 Cut & Sew Apparel Contractors 315250 Cut & Sew Apparel Mfg (except Contractors) 315990 Apparel Accessories & Other Apparel Mfg <b>Leather and Allied Product Manufacturing</b> 316110 Leather & Hide Tanning & Finishing 316210 Footwear Mfg (including rubber & plastics) 316990 Other Leather & Allied Product Mfg <b>Wood Product Manufacturing</b> 321110 Sawmills & Wood Preservation 321210 Veneer, Plywood, & Engineered Wood Product Mfg 321900 Other Wood Product Mfg <b>Paper Manufacturing</b> 322100 Pulp, Paper, & Paperboard Mills 322200 Converted Paper Product Mfg <b>Printing and Related Support Activities</b> 323100 Printing & Related Support Activities <b>Petroleum and Coal Products Manufacturing</b> 324110 Petroleum Refineries (including integrated) 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg 324190 Other Petroleum & Coal Products Mfg <b>Chemical Manufacturing</b> 325100 Basic Chemical Mfg 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg 325410 Pharmaceutical & Medicine Mfg 325500 Paint, Coating, & Adhesive Mfg 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg 325900 Other Chemical Product & Preparation Mfg <b>Plastics and Rubber Products Manufacturing</b> 326100 Plastics Product Mfg 326200 Rubber Product Mfg <b>Nonmetallic Mineral Product Manufacturing</b> 327100 Clay Product & Refractory Mfg 327210 Glass & Glass Product Mfg 327300 Cement & Concrete Product Mfg 327400 Lime & Gypsum Product Mfg 327900 Other Nonmetallic Mineral Product Mfg <b>Primary Metal Manufacturing</b> 331110 Iron & Steel Mills & Ferroalloy Mfg	331200 Steel Product Mfg from Purchased Steel 331310 Alumina & Aluminum Production & Processing 331400 Nonferrous Metal (except Aluminum) Production & Processing 331500 Foundries <b>Fabricated Metal Product Manufacturing</b> 332110 Forging & Stamping 332210 Cutlery & Handtool Mfg 332300 Architectural & Structural Metals Mfg 332400 Boiler, Tank, & Shipping Container Mfg 332510 Hardware Mfg 332610 Spring & Wire Product Mfg 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg 332810 Coating, Engraving, Heat Treating, & Allied Activities 332900 Other Fabricated Metal Product Mfg <b>Machinery Manufacturing</b> 333100 Agriculture, Construction, & Mining Machinery Mfg 333200 Industrial Machinery Mfg 333310 Commercial & Service Industry Machinery Mfg 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg 333510 Metalworking Machinery Mfg 333610 Engine, Turbine & Power Transmission Equipment Mfg 333900 Other General Purpose Machinery Mfg <b>Computer and Electronic Product Manufacturing</b> 334110 Computer & Peripheral Equipment Mfg 334200 Communications Equipment Mfg 334310 Audio & Video Equipment Mfg 334410 Semiconductor & Other Electronic Component Mfg 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg 334610 Manufacturing & Reproducing Magnetic & Optical Media <b>Electrical Equipment, Appliance, and Component Manufacturing</b> 335100 Electric Lighting Equipment Mfg 335200 Household Appliance Mfg 335310 Electrical Equipment Mfg 335900 Other Electrical Equipment & Component Mfg <b>Transportation Equipment Manufacturing</b> 336100 Motor Vehicle Mfg 336210 Motor Vehicle Body & Trailer Mfg 336300 Motor Vehicle Parts Mfg 336410 Aerospace Product & Parts Mfg 336510 Railroad Rolling Stock Mfg 336610 Ship & Boat Building 336990 Other Transportation Equipment Mfg <b>Furniture and Related Product Manufacturing</b> 337000 Furniture & Related Product Manufacturing <b>Miscellaneous Manufacturing</b> 339110 Medical Equipment & Supplies Mfg 339900 Other Miscellaneous Manufacturing	423800 Machinery, Equipment, & Supplies 423910 Sporting & Recreational Goods & Supplies 423920 Toy & Hobby Goods & Supplies 423930 Recyclable Materials 423940 Jewelry, Watch, Precious Stone, & Precious Metals 423990 Other Miscellaneous Durable Goods <b>Merchant Wholesalers, Nondurable Goods</b> 424100 Paper & Paper Products 424210 Drugs & Druggists' Sundries 424300 Apparel, Piece Goods, & Notions 424400 Grocery & Related Products 424500 Farm Product Raw Materials 424600 Chemical & Allied Products 424700 Petroleum & Petroleum Products 424800 Beer, Wine, & Distilled Alcoholic Beverages 424910 Farm Supplies 424920 Book, Periodical, & Newspapers 424930 Flower, Nursery Stock, & Florists' Supplies 424940 Tobacco Products & Electronic Cigarettes 424950 Paint, Varnish, & Supplies 424990 Other Miscellaneous Nondurable Goods <b>Wholesale Trade Agents &amp; Brokers</b> 425120 Wholesale Trade Agents & Brokers		
	<b>Mining</b> 211120 Crude Petroleum Extraction 211130 Natural Gas Extraction 212110 Coal Mining 212200 Metal Ore Mining 212310 Stone Mining & Quarrying 212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying 212390 Other Nonmetallic Mineral Mining & Quarrying 213110 Support Activities for Mining					
	<b>Utilities</b> 221100 Electric Power Generation, Transmission, & Distribution 221210 Natural Gas Distribution 221300 Water, Sewage & Other Systems 221500 Combination Gas & Electric					
	<b>Construction</b> <b>Construction of Buildings</b> 236110 Residential Building Construction 236200 Nonresidential Building Construction <b>Heavy and Civil Engineering Construction</b> 237100 Utility System Construction 237210 Land Subdivision 237310 Highway, Street, & Bridge Construction 237990 Other Heavy & Civil Engineering Construction <b>Specialty Trade Contractors</b> 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding) 238210 Electrical Contractors 238220 Plumbing, Heating, & Air-Conditioning Contractors 238290 Other Building Equipment Contractors 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry)					
				<b>Wholesale Trade</b> <b>Merchant Wholesalers, Durable Goods</b> 423100 Motor Vehicle & Motor Vehicle Parts & Supplies 423200 Furniture & Home Furnishings 423300 Lumber & Other Construction Materials 423400 Professional & Commercial Equipment & Supplies 423500 Metal & Mineral (except Petroleum) 423600 Household Appliances & Electrical & Electronic Goods 423700 Hardware, & Plumbing & Heating Equipment & Supplies		
					<b>General Merchandise Retailers</b> 455110 Department Stores 455210 Warehouse Clubs, Supercenters, & Other General Merch. Retailers <b>Health and Personal Care Retailers</b> 456110 Pharmacies & Drug Retailers 456120 Cosmetics, Beauty Supplies, & Perfume Retailers 456130 Optical Goods Retailers 456190 Other Health & Personal Care Retailers <b>Gasoline Stations &amp; Fuel Dealers</b> 457100 Gasoline Stations (including convenience stores with gas)	

457210	Fuel Dealers (including Heating oil & Liquefied Petroleum)	<b>Information</b>  <b>Motion Picture and Sound Recording Industries</b> 512100 Motion Picture & Video Industries (except video rental) 512200 Sound Recording Industries <b>Publishing Industries</b> 513110 Newspaper Publishers 513120 Periodical Publishers 513130 Book Publishers 513140 Directory & Mailing List Publishers 513190 Other Publishers 513210 Software Publishers <b>Broadcasting &amp; Content Providers &amp; Telecommunications</b> 516100 Radio & Television Broadcasting Stations 516210 Media Streaming, Social Networks, & Other Content Providers 517000 Telecommunications (including Wired, Wireless, Satellite, Cable & Other Program Distribution, Resellers, Agents, Other Telecommunications, & Internet Service Providers)  <b>Data Processing, Web Search Portals, &amp; Other Information Services</b> 518210 Computing Infrastructure Providers, Data Processing, Web Hosting, & Related Services 519200 Web Search Portals, Libraries, Archives, & Other Info. Services	531310 Real Estate Property Managers 531320 Offices of Real Estate Appraisers 531390 Other Activities Related to Real Estate  <b>Rental and Leasing Services</b> 532100 Automotive Equipment Rental & Leasing  532210 Consumer Electronics & Appliances Rental 532281 Formal Wear & Costume Rental 532282 Video Tape & Disc Rental 532283 Home Health Equipment Rental 532284 Recreational Goods Rental 532289 All Other Consumer Goods Rental 532310 General Rental Centers 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing  <b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b> 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	561440 Collection Agencies 561450 Credit Bureaus 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services)  561500 Travel Arrangement & Reservation Services  561600 Investigation & Security Services 561710 Exterminating & Pest Control Services  561720 Janitorial Services 561730 Landscaping Services 561740 Carpet & Upholstery Cleaning Services  561790 Other Services to Buildings & Dwellings  561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)  <b>Waste Management and Remediation Services</b> 562000 Waste Management & Remediation Services
<b>Clothing and Accessories Retailers</b> 458110 Clothing & Clothing Accessories Retailers 458210 Shoe Retailers 458310 Jewelry Retailers 458320 Luggage & Leather Goods Retailers  <b>Sporting, Hobby, Book, Musical Instruments, &amp; Miscellaneous Retailers</b> 459110 Sporting Goods Retailers 459120 Hobby, Toy, & Game Retailers 459130 Sewing, Needlework, & Piece Goods Retailers 459140 Musical Instrument & Supplies Retailers 459210 Book Retailers & News Dealers (including newsstands) 459310 Florists 459410 Office Supplies & Stationery Retailers 459420 Gift, Novelty, & Souvenir Retailers 459510 Used Merchandise Retailers 459910 Pet & Pet Supplies Retailers 459920 Art Dealers 459930 Manufactured (Mobile) Home Dealers  459990 All Other Miscellaneous Retailers (including tobacco, candle, & trophy retailers)  <b>Nonstore Retailers</b>  Nonstore retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of Retailers should select the PBA associated with their primary line of products sold. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code <i>456110 Pharmacies &amp; Drug Retailers.</i>			<b>Professional, Scientific, and Technical Services</b>  <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services  <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants  541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services  <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services  541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories & Services  <b>Specialized Design Services</b> 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)  <b>Computer Systems Design and Related Services</b> 541511 Custom Computer Programming Services 541512 Computer Systems Design Services 541513 Computer Facilities Management Services 541519 Other Computer Related Services  <b>Other Professional, Scientific, and Technical Services</b> 541600 Management, Scientific, & Technical Consulting Services 541700 Scientific Research & Development Services  541800 Advertising, Public Relations, & Related Services 541910 Marketing Research & Public Opinion Polling 541920 Photographic Services 541930 Translation & Interpretation Services  541940 Veterinary Services 541990 All Other Professional, Scientific, & Technical Services	
<b>Transportation and Warehousing</b> <b>Air, Rail, and Water Transportation</b> 481000 Air Transportation 482110 Rail Transportation 483000 Water Transportation <b>Truck Transportation</b> 484110 General Freight Trucking, Local 484120 General Freight Trucking, Long-distance 484200 Specialized Freight Trucking <b>Transit and Ground Passenger Transportation</b> 485110 Urban Transit Systems 485210 Interurban & Rural Bus Transportation 485310 Taxi and Ridesharing Services 485320 Limousine Service 485410 School & Employee Bus Transportation 485510 Charter Bus Industry 485990 Other Transit & Ground Passenger Transportation  <b>Pipeline Transportation</b> 486000 Pipeline Transportation <b>Scenic &amp; Sightseeing Transportation</b> 487000 Scenic & Sightseeing Transportation  <b>Support Activities for Transportation</b> 488100 Support Activities for Air Transportation 488210 Support Activities for Rail Transportation 488300 Support Activities for Water Transportation 488410 Motor Vehicle Towing 488490 Other Support Activities for Road Transportation 488510 Freight Transportation Arrangement 488990 Other Support Activities for Transportation  <b>Couriers and Messengers</b> 492110 Couriers & Express Delivery Services 492210 Local Messengers & Local Delivery  <b>Warehousing and Storage</b> 493100 Warehousing & Storage (except lessors of miniwarehouses & self-storage units)			<b>Finance and Insurance</b>  <b>Depository Credit Intermediation</b> 522110 Commercial Banking 522130 Credit Unions 522180 Savings Institutions & Other Depository Credit Intermediation  <b>Nondepository Credit Intermediation</b> 522210 Credit Card Issuing 522220 Sales Financing 522291 Consumer Lending 522292 Real Estate Credit (including mortgage bankers & originators) 522299 Intl, Secondary Market, & Other Nondepos. Credit Intermediation  <b>Activities Related to Credit Intermediation</b> 522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)  <b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b> 523150 Investment Banking & Securities Intermediation 523160 Commodity Contracts Intermediation 523210 Securities & Commodity Exchanges 523900 Other Financial Investment Activities (including portfolio management & investment advice)  <b>Insurance Carriers and Related Activities</b> 524110 Direct Life, Health, & Medical Insurance Carriers 524120 Direct Insurance (except Life, Health, & Medical) Carriers 524210 Insurance Agencies & Brokerages 524290 Other Insurance Related Activities (including third-party administration of insurance & pension funds)  <b>Funds, Trusts, and Other Financial Vehicles</b> 525100 Insurance & Employee Benefit Funds 525910 Open-End Investment Funds (Form 1120-RIC) 525920 Trusts, Estates, & Agency Accounts 525990 Other Financial Vehicles (including mortgage REITs & closed-end investment funds)	
			<b>Management of Companies (Holding Companies)</b> 551111 Offices of Bank Holding Companies 551112 Offices of Other Holding Companies	
			<b>Administrative and Support and Waste Management and Remediation Services</b>  <b>Administrative and Support Services</b> 561110 Office Administrative Services 561210 Facilities Support Services 561300 Employment Services 561410 Document Preparation Services 561420 Telephone Call Centers 561430 Business Service Centers (including private mail centers & copy shops)	
				711100 Performing Arts Companies 711210 Spectator Sports (including sports clubs & racetracks)  711300 Promoters of Performing Arts, Sports, & Similar Events 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures  711510 Independent Artists, Writers, & Performers  <b>Museums, Historical Sites, and Similar Institutions</b> 712100 Museums, Historical Sites, & Similar Institutions

<b>Amusement, Gambling, and Recreation Industries</b> 713100 Amusement Parks & Arcades 713200 Gambling Industries 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)	<b>Food Services and Drinking Places</b> 722300 Special Food Services (including food service contractors & caterers)  722410 Drinking Places (Alcoholic Beverages) 722511 Full-Service Restaurants 722513 Limited Service Restaurants 722514 Cafeterias, Grill Buffets, & Buffets 722515 Snack & Non-alcoholic Beverage Bars	811210 Electronic & Precision Equipment Repair & Maintenance  811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance  811410 Home & Garden Equipment & Appliance Repair & Maintenance 811420 Reupholstery & Furniture Repair 811430 Footwear & Leather Goods Repair 811490 Other Personal & Household Goods Repair & Maintenance	812310 Coin-Operated Laundries & Drycleaners 812320 Drycleaning & Laundry Services (except Coin-Operated) 812330 Linen & Uniform Supply 812910 Pet Care (except Veterinary) Services 812920 Photofinishing 812930 Parking Lots & Garages 812990 All Other Personal Services
<b>Accommodation and Food Services</b> <b>Accommodation</b> 721110 Hotels (except Casino Hotels) & Motels 721120 Casino Hotels 721191 Bed & Breakfast Inns 721199 All Other Traveler Accommodation 721210 RV (Recreational Vehicle) Parks & Recreational Camps 721310 Rooming & Boarding Houses, Dormitories, & Workers' Camps	<b>Other Services</b> <b>Repair and Maintenance</b> 811110 Automotive Mechanical & Electrical Repair & Maintenance 811120 Automotive Body, Paint, Interior, & Glass Repair  811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes)	<b>Personal and Laundry Services</b> 812111 Barber Shops 812112 Beauty Salons 812113 Nail Salons 812190 Other Personal Care Services (including diet & weight reducing centers)  812210 Funeral Homes & Funeral Services 812220 Cemeteries & Crematories	<b>Religious, Grantmaking, Civic, Professional, and Similar Organizations</b> 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium & homeowners associations)
			<b>Other</b> 999000 Unclassified Establishments (unable to classify)

This page is intentionally left blank

# Index

## A

### **Accounting methods 7**

Change in accounting method 8

Mark-to-market accounting method 8

Nonaccrual-experience method 8, 21

Percentage of completion method 8

### **Accounting periods 8**

### **Adjusting deductions for certain credits 22**

### **Administrative adjustment request 9**

### **Allocation of partnership items:**

Contributed property 31

Liabilities 33

Nonrecourse liabilities 33

Partnership agreement 31

Special allocations 35

**Alternative minimum tax 46**

Adjusted gain (loss) 47

Depletion (other than oil and gas) 47

Depreciation adjustment on property  
placed in service after 1986 46

Oil, gas, and geothermal properties 47

**Amended return 9**

**Analysis of net income (loss) per Return  
58**

**Analysis of partner's capital account 34**

**Analysis of partners' capital accounts 59**

**Assembling the return 12 At-risk  
activities 33**

**Attached statements 32**

**B**

**Balance sheets per books 58**

**Bipartisan Budget Act of 2015 (BBA) 3**  
**Business start-up expenses 22**

## **C**

### **Capital gain:**

Net long-term 37

Net short-term 37

**Change of address 19 Charitable  
contribution 39**

### **Codes:**

Partner 33

Principal business activity 63

Schedule K-1 reporting 32

**Collectibles (28%) gain (loss) 37**

**Consolidated audit procedures 3**

**Contributions to the partnership 13**

**Cost of goods sold 21**

**Credits 43**

## **D**

### **Deductions:**

Bad debts 23

Depletion 24

Depreciation 24

Employee benefit programs 25 Entertainment facilities 26

Guaranteed payments 23

How to report 21

Interest 24

Limitations 22

Meals and entertainment 25

Membership dues 25

## **66**

Rent 23

Repairs and maintenance 23

Retirement plans 24

Salaries and wages 23, 35

Taxes and licenses 23

Transactions between related taxpayers 22

Travel 25

Wages 23

**Definitions 3**

**Depreciation 24**

**Dispositions of contributed property 13**

**Distributions:**

Recognition of precontribution gain 14

**Dividends 36**

**E**

**Elections:**

By each partner 13

By the partnership 12

**Electronic filing 5**

**Entity classification election 12**

**Extensions 6**

## **F**

**Foreign accounts 27**

**Foreign partners, withholding 28**

**Foreign partnership 4 Foreign trusts,  
transactions 27**

**Forms:**

How to get 3

That may be required 10

**Future Developments 1**

**General partner 4**

**General partnership 4**

**Guaranteed payments 35, 59**

**Inclusion amount 23**

## **Income:**

Gross receipts or sales 20

Tax-exempt income 20

Trade or business 20

**Installment sales** 20

**Interest income** 36

**Interest on production expenditures** 24

## **Investment:**

Income and expenses 48

Interest expense 41

**Limited liability company** 4

**Limited liability partnership** 4

**Limited partner** 4

**Limited partnership** 4

## **N**

**Net section 1231 gain (loss)** 37

**Nondeductible expenses 48**

**Nonrecourse liabilities 33**

**Nonrecourse loans 4, 33**

*(See also Nonrecourse liabilities)*

**Notice of inconsistent treatment 9**

**Ordinary business income (loss) 35**

## **P**

**Paid preparer authorization 6**

**Partner contributing property with a built-in gain or loss 34**

**Passive activity limitations:** Grouping activities 17

Passive activities defined 14

Recharacterization of passive income 17

Rental activities 15

Reporting requirements 18

Trade or business activities 15

## **Penalties 7**

Failure to furnish information timely 7

Late filing 7

Trust fund recovery 7

## **Period covered 6**

**Portfolio income 16, 36**

**Private delivery services 6**

**Publicly traded partnerships 5, 15, 21**

## **Q**

**Qualified Business Income Deduction 52**

## **R**

### **Recapture:**

Investment credit 49

Low-income housing credit 49

Mining exploration costs 38

Section 179 deduction 50

**Reconciliation of income (loss) per books with income (loss) per return 59**

**Recordkeeping 9**

**Reforestation costs 41**

**Rental activities 15**

**Rounding off to whole dollars 9**

**S**

**Sale of partnership interests 14**

**Sale of small business stock: Exclusion 39**

**Rollover 38, 39**

**Schedule:**

**B 26**

**K 31, 35**

**K-1 31, 35**

**L 58**

**M-1 59**

M-2 59

M-3 59

**Section 179 expense deduction** 39

Recapture 50

**Section 481(a) adjustment** 8

**Section 59(e) expenditures** 13, 22, 41

**Self-charged interest** 16

**Self-employment** 42

**Signatures:**

General partner or LLC member manager 6

Paid preparer 6

**Special allocations** 35

**Substitute forms** 31

**Syndication costs** 22

**T**

**Tax shelter:**

Registration 27

**Tax-exempt income 47**

**Termination of partnership 5**

**Travel and entertainment 25, 59**

**U**

**Uniform capitalization rules 22**

**Unrealized receivables and inventory:**

Sale of partnership interests 14

**Unrecaptured section 1250 gain 37**

**Unrelated business taxable income 50**

**W**

**When to file 6**

**Where to file 7**

**Who must file 4**