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The *Statistics of Income (SOI) Bulletin* is issued quarterly by the Statistics of Income Division of the Internal Revenue Service. This report provides written descriptive analyses of statistics previously released on SOI's Tax Stats webpage (see www.irs.gov/statistics) based on the data collected from the distinct types of tax and information returns filed with the IRS and included in SOI's programs. Periodically, this report also includes results from special analytical studies of particular interest to students of the U.S. tax system, tax policymakers, and tax administrators. Selected historical and other data tables previously published in the spring issue of the *SOI Bulletin* are now only available on SOI's Tax Stats webpages of the IRS website (https://www.irs.gov/statistics/soi-tax-stats-historical-data-tables). Information on the availability of supplemental data on the topics included in this issue or other SOI subjects may be obtained by sending an email to SOI's Statistical Information Services at sis@irs.gov, or by writing to the Director, Statistics of Income Division OS:RAAS:S, Internal Revenue Service, 1111 Constitution Avenue, NW, K-Room 4112, Washington, D.C. 20224.

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Partnership Returns, Tax Year 2021 **2**

by Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky

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Partnership Returns, Tax Year 2021

by Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky

The number of partnerships and partners in the United States both increased for Tax Year (TY) 2021.[1] Partnerships filed 4.5 million returns for the year, representing more than 30.6 million partners. The real estate and rental and leasing sector comprised half of all partnerships (49.6%) and almost a third of all partners (32.3%).[2]

Total assets and total receipts, and total income (loss) minus deductions[3] all increased in 2021 (Figure A). The finance and insurance sector accounted for the largest portion of each of these three critical financial figures.

The number of partnerships increased 4.4% (from 4,280,690 to 4,467,584) between 2020 and 2021 (Figure B). The number of partnerships has grown at an average annual rate of 3.2% over the period 2012–2021. Partnerships classified as limited liability companies (LLCs) accounted for most of this growth.[4]

The number of partners increased 8.4% for 2021 (from 28,246,795 in the prior year to 30,624,451). Partnerships with fewer than three partners made up more than half (57.6%) of all partnerships (Figure C). These same-sized partnerships accounted for just under a quarter (23.4%) of all partnerships with total assets of $100 million or more. Partnerships with 100 or more partners accounted for only 0.4% of all partnerships, but 37.6% of all partners in 2021.

Partnerships do not generally pay taxes on their income, but "pass through" any profits and losses to their partners, who must include those profits and losses on their income tax returns.[5] For 2021, partnerships passed through $3,893.5 billion in total income (loss) minus total deductions available for allocation to their partners (Table 5). This amount represents a 98.3% increase from 2020, when partnerships passed through $1,963.0 billion. The finance and insurance sector accounted for the

Highlights

- Partnerships filed over 4 million returns for TY 2021, a 4.4% increase over the number filed for 2020. These returns represented more than 30.6 million partners, up 8.4% from the previous year.
- Limited liability companies (LLCs) made up the majority of partnerships (71.7%), surpassing all other entity types for the 20th consecutive year.
- Limited partnerships represented only 9.9% of all partnerships, but reported 36.1% of all pass-through income and over one-third of the total partners (34.0%).
- Real estate and rental and leasing accounted for about half (49.6%) of all partnerships and nearly a third (32.3%) of all partners. The finance and insurance sector reported the largest shares of total income (loss) minus total deductions or pass-through income (loss) (66.7%), total assets (61.6%), and total receipts (31.3%) for 2021.
- Total assets increased 17.7% between 2020 and 2021, from $43.2 trillion to $50.8 trillion. Eighteen of the 20 industrial sectors reported an increase.
- Receipts totaled $12.1 trillion for 2021, up 30.9% from the amount reported for 2020. Pass-through income (loss) increased 98.34% to $3.9 trillion for 2021 (up from $2.0 trillion for 2020). Historical total net income (loss) or profits increased 57.2% to $1.2 trillion for 2021 (up from $760.3 billion for the previous year).
- Partners classified as partnerships received the largest share of income (loss) allocated to partners, $1.4 trillion.

Figure A
Partnership Returns: Percentage Changes in Selected Items, Tax Years 2012–2021

Tax year	Number of partnerships	Number of partners	Total assets	Total receipts	Total income (loss) minus total deductions
	(1)	(2)	(3)	(4)	(5)
2012	3.1	3.9	7	9.4	43.4
2013	2.1	8.5	9.8	7.1	5.5
2014	4.4	0.8	8.1	5.6	16.5
2015	2.9	-2.2	4.7	-4.4	-6.7
2016	1.3	4	5.8	-2.3	-14.2
2017	3.8	-2.4	11.9	16.1	25.3
2018	2.7	-0.2	6	7.7	-1.1
2019	-4.7	-7.9	5	-7.3	-11.6
2020	12	11.8	19.8	14.7	29.8
2021	4.4	8.4	17.7	30.9	98.3

SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

[1] SOI based the statistics for TY 2021 on a stratified probability sample selected from the population of partnerships processed by the Internal Revenue Service (IRS) during Calendar Year 2022. IRS Processing Centers implemented processing adjustments as a result of Covid-19 during this time period. More information on the sample is included in the Data Sources and Limitations section.

[2] This article references TY 2020 data. For further information on these data, see Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky, "Partnership Returns, TY 2020," Statistics of Income Bulletin, Fall 2022, Volume 42, Number 2.

[3] Beginning in 2021, total income (loss) minus total deductions (or pass-through income (loss)) has replaced total net income (loss) as a critical element referred to in this article. Total income minus total deductions is a more complete measure of partnership income. For more information, see the explanation of terms at the end of the article.

[4] See the "Explanation of Selected Terms" section for more information on LLCs.

[5] The Bipartisan Budget Act of 2015 created a new centralized partnership audit regime effective for partnership tax years beginning after 2017, which revised the auditing of some partnership returns. Any adjustment takes place at the partnership level and any taxes will be paid by the partnership.

Figure B
Partnership Returns: Number of Partnerships and Partners, by Selected Industrial Groups, Tax Years 2020 and 2021

Industrial group	Number of partnerships		Percentage change	Number of partners		Percentage change
	2020	2021		2020	2021	
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**4,280,690**	**4,467,584**	**4.4**	**28,246,795**	**30,624,451**	**8.4**
Finance and insurance	411,298	459,729	11.8	7,613,691	9,342,033	22.7
Securities, commodity contracts, and other financial investments and related activities	314,773	349,486	11.0	6,056,837	7,757,204	28.1
Securities and commodity contracts and exchanges	7,401	11,502	55.4	160,574	655,371	308.1
Other financial investment activities	307,372	337,984	10.0	5,896,263	7,101,833	20.4
Funds, trusts and other financial vehicles	62,324	69,047	10.8	1,334,933	1,302,810	-2.4
Other finance and insurance	34,202	41,196	20.4	221,922	282,019	27.1
Real estate and rental and leasing	2,144,150	2,217,608	3.4	9,390,768	9,876,891	5.2
Real estate	2,093,964	2,171,650	3.7	9,174,391	9,677,632	5.5
Lessors of residential buildings and dwellings and cooperative housing	737,363	772,432	4.8	3,390,304	3,610,540	6.5
Lessors of nonresidential buildings (except miniwarehouses)	786,894	825,648	4.9	3,126,456	3,300,863	5.6
Lessors of miniwarehouses and self-storage units	29,380	23,432	-20.2	106,661	116,464	9.2
Lessors of other real estate property	147,489	145,854	-1.1	632,544	682,616	7.9
Other real estate activities	392,837	404,284	2.9	1,918,426	1,967,148	2.5
Rental and leasing services and lessors of nonfinancial intangible assets (except copyrighted works)	50,186	45,958	-8.4	216,377	199,260	-7.9

NOTES: Detail may not add to totals because of rounding. For data on additional industries, see Table 10.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

Figure C
Partnership Returns: Number of Partnerships and Partners, by Number of Partners per Partnership, Tax Year 2021

Number of partners per partnership	Total number of partnerships	Partnerships with $100,000,000 or more in assets	
		Number of partnerships	Percentage of total
	(1)	(2)	(3)
Number of partnerships, total	**4,467,584**	**52,956**	**1.2**
Number of partners per partnership:			
Less than 3	2,574,688	12,374	0.5
3 less than 5	1,123,962	11,585	1.0
5 less than 10	464,783	7,426	1.6
10 less than 20	156,403	5,593	3.6
20 less than 30	54,592	2,947	5.4
30 less than 40	27,960	2,122	7.6
40 less than 50	17,069	1,525	8.9
50 less than 60	8,211	1,247	15.2
60 less than 70	9,213	923	10.0
70 less than 80	6,224	1,021	16.4
80 less than 90	3,165	755	23.9
90 less than 100	4,926	615	12.5
100 or greater	16,388	4,823	29.4
1,000 or greater [1]	385	292	75.9

Number of partners per partnership	Total number of partners	Partnerships with $100,000,000 or more in assets	
		Number of partners	Percentage of total
	(4)	(5)	(6)
Number of partners, total	**30,624,451**	**9,807,836**	**32.0**
Number of partners per partnership:			
Less than 3	5,148,772	24,743	0.5
3 less than 5	3,779,194	38,818	1.0
5 less than 10	2,835,140	48,646	1.7
10 less than 20	2,060,863	77,445	3.8
20 less than 30	1,323,261	70,708	5.3
30 less than 40	950,840	72,748	7.7
40 less than 50	763,348	67,553	8.8
50 less than 60	443,338	67,488	15.2
60 less than 70	605,206	59,388	9.8
70 less than 80	468,435	75,649	16.1
80 less than 90	264,751	64,020	24.2
90 less than 100	459,538	58,059	12.6
100 or greater	11,521,766	9,082,569	78.8
1,000 or greater [1]	8,436,952	7,940,673	94.1

[1] These statistics are also included on the line entitled "100 or greater."
NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

largest amount reported ($2.6 trillion) and the largest increase ($1.3 trillion) for 2021. In addition, for the tenth consecutive year, partners that are partnerships received the largest portion of this income.[6]

Finance and Insurance Sector Dominated Assets, Receipts, and Total Income (Loss) Minus Total Deductions

Historically, partnerships classified in the real estate and rental and leasing sector have made up the largest share of partnerships and partners. This sector accounted for approximately half of all partnerships for both 2021 (49.6%) and 2020 (50.1%), and it made up almost a third of all partners for 2021 (32.3%) and 2020 (33.2%). While partnerships in this sector accounted for just half of all partnerships, they reported less than a fourth (19.9%) of total assets, only 9.8% of total receipts, and just 14.5% of total income (loss) minus total deductions available for allocation to partners for 2021 (Figure D).

However, the finance and insurance sector typically represents the largest percentage of several key money amounts, compared to all other sectors. Partnerships classified in this sector reported the largest share of total assets (61.6%), total receipts (31.3%), and total income (loss) minus total deductions (66.7%). Yet, this sector accounted for a smaller portion of total partnerships (10.3%) and partners (30.5%).

Total Assets Continued To Increase

Total assets for partnerships overall increased for 2021. Eighteen out of 20 of the industrial sectors reported an increase in total assets. For partnerships reporting balance sheet information,[7] total assets rose 17.7% (from $43.2 trillion for 2020 to $50.8 trillion for 2021). The finance and insurance sector accounted for the largest portion of this growth in asset accumulation, with an increase of $5.8 trillion (from $25.5 trillion to $31.3 trillion). The largest decrease was in the assets of the transportation and warehousing sector, which decreased $92.5 billion (from $875.2 billion to $782.7 billion) (Table 10).

Total Receipts Increased Between 2020 and 2021

Partnerships reported a 30.9% increase in total receipts (from $9.3 trillion to $12.1 trillion) between 2020 and 2021. Business receipts made up the bulk of total receipts (57.8%) and increased to $7.0 trillion from $5.9 trillion for the year (Table 7). The largest increases in total receipts were in the finance and insurance

Figure D

Partnership Returns: Total Assets, Total Receipts, and Total Income (Loss) Minus Total Deductions, by Selected Industrial Group, Tax Years 2020 and 2021

[Money amounts in thousands of dollars]

Industrial group	Total assets		Percentage change	Total receipts		Percentage change	Total income (loss) minus total deductions		Percentage change
	2020	2021		2020	2021		2020	2021	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All industries	**43,182,900,507**	**50,832,008,026**	**17.7**	**9,268,923,770**	**12,131,165,089**	**30.9**	**1,963,027,490**	**3,893,499,959**	**98.3**
Finance and insurance	25,514,689,315	31,302,665,039	22.7	2,504,051,058	3,798,394,537	51.7	1,333,473,003	2,598,235,930	94.8
Securities, commodity contracts, and other financial investments and related activities	22,033,485,471	27,094,245,940	23.0	2,143,833,525	3,273,849,878	52.7	1,172,851,481	2,296,889,479	95.8
Securities and commodity contracts and exchanges	782,451,364	1,111,023,797	42.0	114,863,292	128,140,077	11.6	32,745,196	46,978,201	43.5
Other financial investment activities	21,251,034,107	25,983,222,142	22.3	2,028,970,233	3,145,709,800	55.0	1,140,106,285	2,249,911,278	97.3
Funds, trusts and other financial vehicles	2,933,557,407	3,543,925,887	20.8	224,924,086	358,382,533	59.3	128,531,405	256,685,112	99.7
Other finance and insurance	547,646,436	664,493,213	21.3	135,293,447	166,162,126	22.8	32,090,117	44,661,338	39.2
Real estate and rental and leasing	8,908,970,759	10,109,516,613	13.5	822,586,486	1,183,140,436	43.8	269,073,843	565,965,030	110.3
Real estate	8,597,083,349	9,826,402,388	14.3	724,187,838	1,101,250,496	52.1	248,629,776	550,190,043	121.3
Lessors of residential buildings and dwellings and cooperative housing	2,587,121,699	2,948,694,408	14.0	149,171,785	234,049,952	56.9	36,781,400	94,382,341	156.6
Lessors of nonresidential buildings (except miniwarehouses)	3,737,143,854	4,239,341,005	13.4	271,551,851	358,574,810	32.0	161,015,504	234,795,908	45.8
Lessors of miniwarehouses and self-storage units	98,804,482	104,322,482	5.6	10,751,598	16,625,489	54.6	6,922,243	13,652,961	97.2
Lessors of other real estate property	304,399,133	352,590,145	15.8	18,607,086	41,066,809	120.7	1,873,911	24,609,945	1213.3
Other real estate activities	1,869,614,181	2,181,454,349	16.7	274,105,517	450,933,436	64.5	42,036,718	182,748,888	334.7
Rental and leasing services and lessors of nonfinancial intangible assets (ex copyrighted works)	311,887,410	283,114,225	-9.2	98,398,648	81,889,940	-16.8	20,444,067	15,774,988	-22.8

NOTES: Detail may not add to totals because of rounding. For data on additional industries, see Table 10.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

[6] For further discussion of pass-through income, see the section of this article entitled "Partnerships Allocated Over $3.8 Trillion to Their Partners in 2021."

[7] Partnerships meeting all 4 of the following criteria were not required to file a balance sheet: Total receipts were less than $250,000; total assets at the end of the tax year were less than $1 million; Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return; and the partnership is not filing and is not required to file Schedule M-3.

sector (from $2.5 trillion to $3.8 trillion) and real estate and rental and leasing sectors (from $822.6 billion to $1.2 trillion). Overall, 19 sectors reported increases for 2021.

The Finance and Insurance Sector Had the Largest Increases in Total Income (Loss) Minus Total Deductions Available for Allocation to Partners

Total income (loss) minus total deductions available for allocation to partners, or pass-through income (loss), increased 98.3% (from $2.0 trillion to $3.9 trillion) between 2020 and 2021 (Figure E). Income from net long-term capital gains and ordinary business income accounted for the largest increases ($1.1 trillion and $344.9 billion, respectively). Pass-through income (loss) was reduced by deductions. The "other deduction" category included the largest deduction amount ($409.2 billion). Eighteen industrial sectors reported an increase in pass-through income (Table 10). The finance and insurance sector had the largest increase, $1.3 trillion or 94.8%. This increase was countered by decreases in information ($35.4 billion) and agriculture ($2.1 billion).

Researchers note the Tax Reform Act of 1986 made fundamental changes to the Internal Revenue Code. This article has used a pre-1986 definition for consistency across the decades, but now, in this TY 2021 article, we supplemented this set of income items with a new set of income and deductions, which represent a more comprehensive definition of total income (loss) minus total deductions. Prior versions of this article often referred to total net income (loss), which is based on a historical, pre-1986 definition of partnership income to allow for consistent comparisons with amounts reported for years before 1987. It is the sum of ordinary business income (loss), interest income, dividend income, royalties, net rental real estate income (loss), and other net rental income (loss). The entire pass-through partnership income (loss) amount includes the following additional types of income and deductions: guaranteed payments, net short- and long-term capital gains, net section 1231 gain (loss), other income, section 179 deductions, contributions, investment interest expense, section 59(e)(2) expenditures, and other deductions. Historical total net income (loss) is still included on partnership tables for consistency. A comparison of the two definitions is shown in Figure F.

Limited Liability Companies Made Up the Majority of All Partnerships for the 20th Consecutive Year

Partnerships classify their business structures as one of six entity types: domestic general partnership, domestic limited partnership, domestic LLC, domestic limited liability partnership (LLP), foreign partnership, or "other" partnership.[8] LLCs accounted for

Figure E
Partnership Returns: Components of Total Income (Loss) Minus Total Deductions , Tax Years 2020 and 2021

(Money amounts are in thousands of dollars)

Item	2020	2021	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
Total income (loss) minus total deductions [1]	**1,963,027,490**	**3,893,499,959**	**1,930,472,469**	**98.3**
Income				
Ordinary business income (loss)	316,568,537	661,461,193	344,892,656	108.9
Interest income	237,489,985	232,799,046	-4,690,939	-2.0
Dividend income	197,343,395	285,284,706	87,941,311	44.6
Royalties	38,812,965	54,979,643	16,166,678	41.7
Net short-term capital gain (loss)	80,106,047	188,417,925	108,311,878	135.2
Net long-term capital gain (loss)	784,024,424	1,870,272,823	1,086,248,399	138.5
Guaranteed Payments to Partners	90,726,996	100,079,680	9,352,684	10.3
Net Section 1231 gain (loss)	249,708,327	564,303,029	314,594,702	126.0
Other Income (loss)	522,023,918	584,166,108	62,142,190	11.9
Deductions				
Section 179 deduction	6,477,026	7,881,526	1,404,500	21.7
Contributions	11,647,484	13,617,621	1,970,137	16.9
Investment interest expense	86,327,995	88,900,710	2,572,715	3.0
Section 59E(2) expenditures	53,012,369	68,061,177	15,048,808	28.4
Other deductions	349,913,188	409,190,065	59,276,877	16.9
Total Foreign Taxes	16,437,020	21,210,933	4,773,913	29.0
Net rental real estate income (loss)	-36,658,977	-42,260,936	-5,601,959	-15.3
Other net rental income (loss)	6,696,955	2,858,775	3,838,180	-57.3

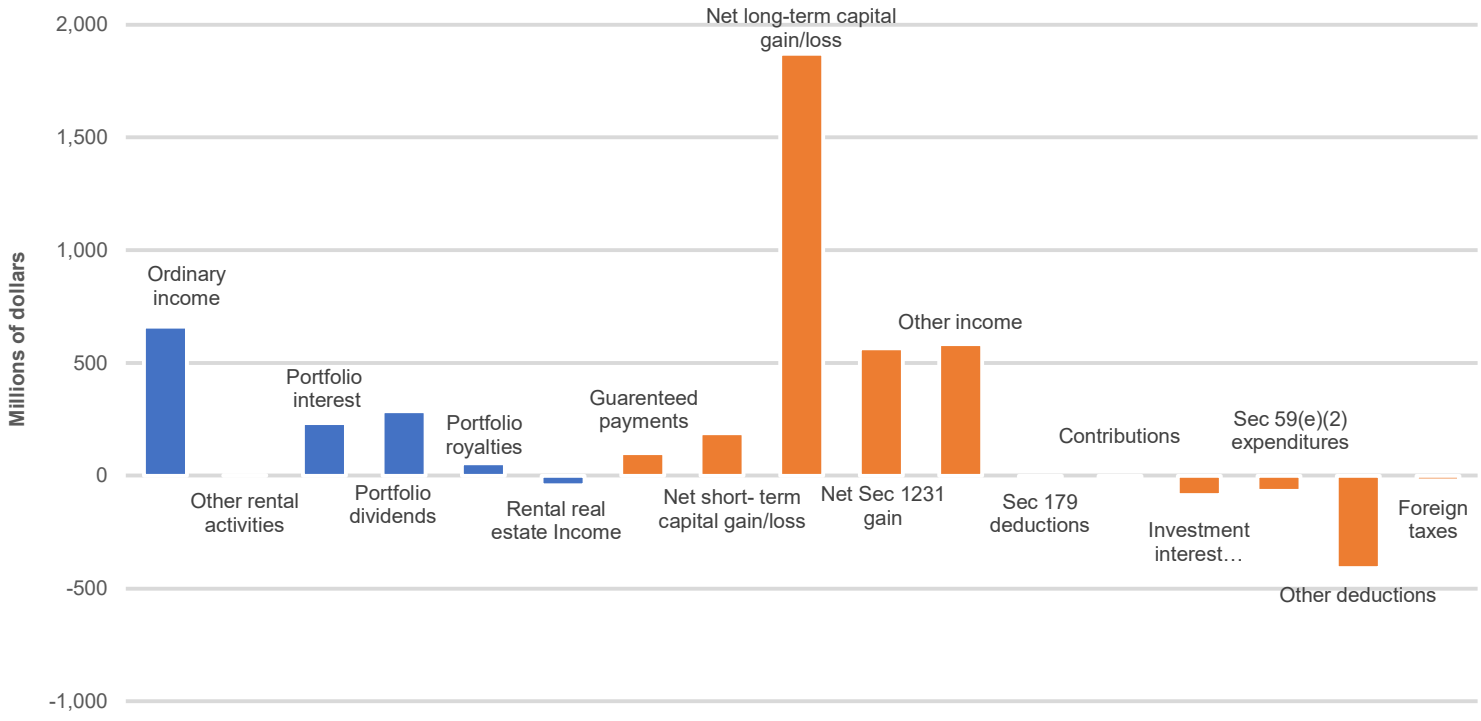
[1] Total income (loss) minus total deductions is discussed in the Explanation of Selected Terms section.

NOTE: Detail may not add to totals because of rounding.

SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

[8] See the "Explanation of Selected Terms" section for definitions of the different entity types.

Figure F
Total Net Income (Loss), Historical Versus Total Income (Loss) Minus Total Deductions, Tax Year 2021



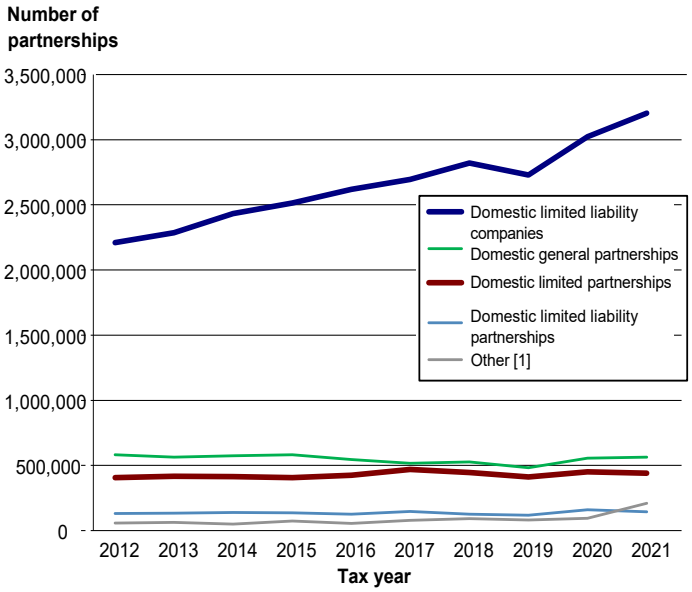
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

71.7% of all partnerships, surpassing all other entity types for the 20th consecutive year (Figure G). The number of LLCs increased to 3.2 million after increasing 6.0% between 2020 and 2021 (Figure H). Partners associated with LLCs increased 9.5% (from 12.6 million to 13.8 million) while pass-through income increased 122.5% (from $596.9 billion to $1.3 trillion). LLCs were responsible for 34.1% of the overall pass-through income (loss) for all partnerships for 2021. Looking at gains and losses separately, the losses for LLCs ($601.4 billion) were almost double the combined losses for all other types of partnerships ($342.0 billion) and reduced the net profit amount for partnerships overall.

In contrast to LLCs, limited partnerships represented only 9.9% of all partnerships, but reported a similar amount of pass-through income ($1.4 trillion), and number of partners (10.4 million). Over the last 10 years, the number of limited partnerships has shown a mix of increases and decreases, while the number of partners associated with those partnerships has trended lower recently (Figure I). Total pass-through income (loss) for limited partnerships increased $797.0 billion (from $607.8 billion to $1,404.8 billion) between 2020 and 2021.

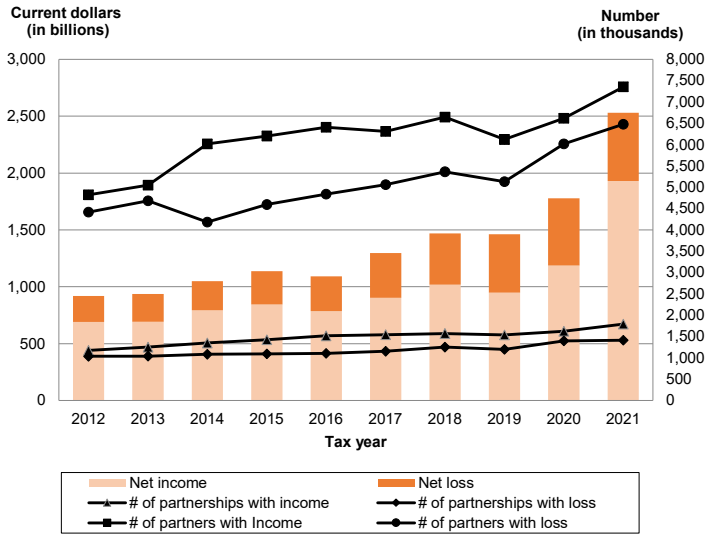
Prior to 2002, domestic general partnerships were consistently the most common type of partnership; they have ranked second since that time. This type of partnership accounted for

Figure G
Number of Partnerships by Type of Entity, Tax Years 2012–2021



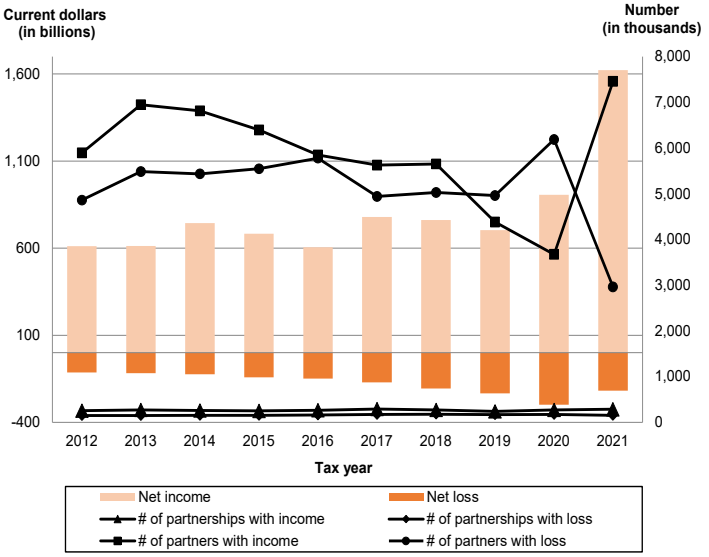
[1] Data for "other" partnerships include foreign partnerships, as well as partnerships, which checked the "other" box, Form 1065, Schedule B, line 1, Type of Entity, or did not check a box.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

Figure H
Domestic Limited Liability Companies: Number of Partnerships and Partners, and Amount of Total Income (Loss) Minus Total Deductions, by Income and Loss, Tax Years 2012–2021



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

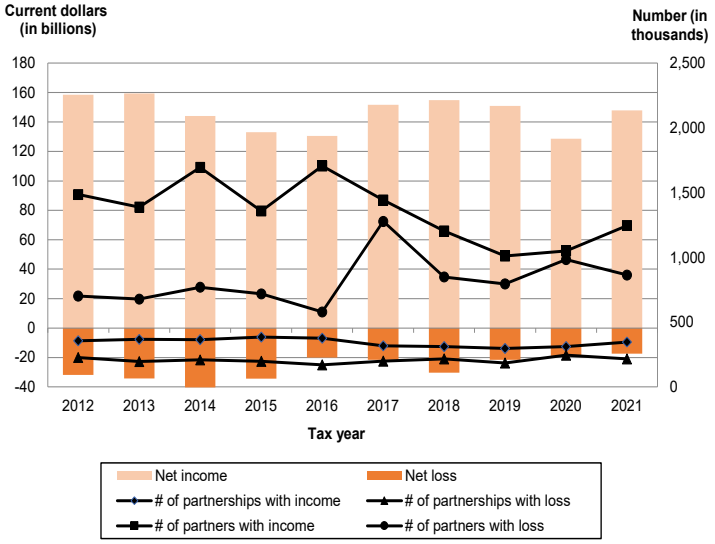
Figure I
Domestic Limited Partnerships: Number of Partnerships and Partners, and Amount of Total Income (Loss) Minus Total Deductions, by Income and Loss, Tax Years 2012–2021



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

12.6% (0.6 million) of all partnerships for TY 2021. The number of domestic general partnerships increased 1.3% in 2021 (from 556,059 to 563,242). Despite this increase, the number of general partnerships has still declined 3.3% overall since 2012 (Figure J).

Figure J
Domestic General Partnerships: Number of Partnerships and Partners, and Amount of Total Income (Loss) Minus Total Deductions, by Income and Loss, Tax Years 2012–2021



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

Partnerships Allocated Over $3.8 Trillion to Their Partners in 2021

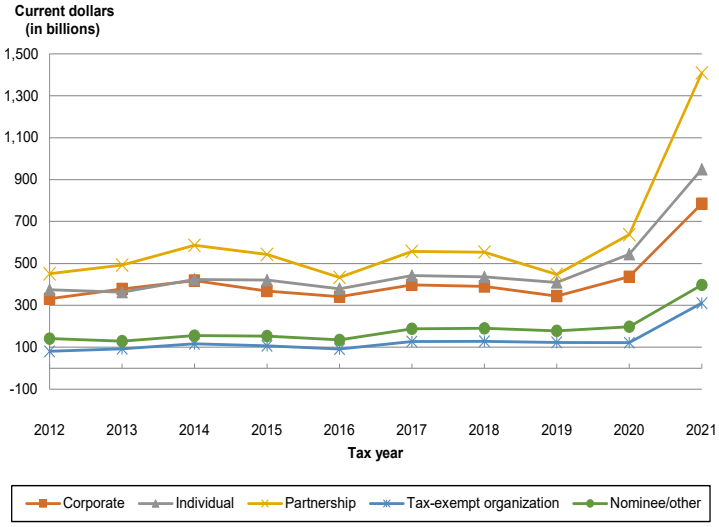
Partners may be corporations, individuals, other partnerships, tax-exempt organizations, nominees, and other legal entities. For 2021, all partnerships reported a total of $4,502.4 billion in total income (loss) available for allocation before deductions (Table 5). For separately stated deductions (such as contributions and interest investment expense), all partnerships reported a total of $608.9 billion. The difference between total income (loss) and total deductions resulted in $3,893.5 billion of total income (loss) minus total deductions available for allocation to partners, a 98.3% (or $1.9 trillion) increase relative to 2020. Of the $3,893.5 billion available for allocation to partners, almost all (98.9% or $3,850.1 billion) was identified by type of partner. The difference between total income (loss) minus total deductions available for allocation and income (loss) allocated to partners was due to some partnerships' failure to report allocations, by type of partner, on their originally filed returns.

For the tenth consecutive year, partnerships surpassed both corporations and individuals as the top income (loss) recipients. Partnerships passed $1,408.6 billion through to partners classified as partnerships for 2021, a $770.8-billion increase from the $637.8 billion passed through for 2020. In addition, partnerships passed $948.8 billion through to partners classified as individuals, and $785.2 billion through to partners classified as corporations (Figure K).

Since the North American Industry Classification System (NAICS) data were first reported in 1998, partnerships classified in the finance and insurance sector have had the largest share of allocations, except in 2002. The trend continued for

Figure K

Partnership Returns: Income (Loss) Allocations, by Type of Partner, Tax Years 2012–2021



SOURCE: IRS, Statistics of Income Division, Partnerships May 2023.

2021, when this sector reported 66.7% of the total amount of allocations of net income to partners.

Increases in Rental Expenses Drove a Decrease in Net Rental Real Estate Income (Loss)

For all industries, net rental real estate income (loss) went from -$36.7 billion to -$42.3 billion between 2020 and 2021 (Figure L). TY 2021 was the third consecutive year partnerships reported a loss for net rental real estate income (loss). The loss was the result of an increase in total expenditures ($69.7 billion) that surpassed an increase in total rents ($59.3 billion) (Table 4). Also contributing to the decline was a drop in pass-through rental real estate income (from -$41.8 billion in 2020 to -$44.7 billion in 2021). The finance and insurance sector reported the largest decrease, from -$9.4 billion to -$14.6 billion. Overall, 12 sectors reported decreases for 2021.

Partnerships Reported Billions of Dollars in Differences Between Financial and Tax Reporting

Net Income (Loss) Reconciliation for Certain Partnerships (Schedule M-3) provides more detail on the differences between financial accounting net income and tax accounting net income. Differences are divided into two categories: temporary and permanent. Temporary (or timing) differences between book income and taxable income are due to items of revenue or expense that are recognized in different periods for tax and book reporting. Permanent differences are differences that partnerships never reverse; they are either nontaxable book revenues or nondeductible book expenses. For 2021, the partnerships that filed a Schedule M-3 reported $5,705.7 billion in reconciled income (loss) per income statement, -$2,440.1 billion in temporary differences, -$83.6 billion in permanent differences, and $3,176.4 billion in reconciled income (loss) per tax return.[9]

More Than 95% of All Partnerships Filed Their Tax Returns Electronically

In 1986, the IRS first offered partnerships the option of using electronic media to file their *U.S. Return of Partnership Income* (Form 1065) returns. Beginning in TY 2000, the IRS required partnerships with more than 100 partners to file their returns electronically; however, the IRS could waive the electronic filing rules if a partnership demonstrated that a hardship would result from the requirement. For returns with 100 or fewer partners, electronic filing was optional.

Some 4.3 million partnerships (95.4%) filed electronically for 2021, an increase from the 3.9 million partnerships that filed

Figure L

Partnership Returns: Net Rental Real Estate Income (Loss), by Selected Industrial Group, Tax Years 2020 and 2021

[Money amounts are in thousands of dollars]

Industrial group	2020	2021	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
All industries	**-36,658,977**	**-42,260,936**	**-5,601,959**	**-15.3**
Finance and Insurance	-9,429,192	-14,601,158	-5,171,966	-54.9
Real estate and rental and leasing	-25,790,569	-25,964,652	-174,083	-0.7
Real estate	-25,932,965	-25,676,015	256,950	1.0
Lessors of residential buildings and dwellings and cooperative housing	-48,844,186	-57,026,023	-8,181,837	-16.8
Lessors of nonresidential buildings (except miniwarehouses)	51,621,262	62,684,647	11,063,385	21.4
Lessors of miniwarehouses and self-storage units	2,206,175	4,098,678	1,892,503	85.8
Lessors of other real estate property	-1,043,781	262,550	1,306,331	[P]
Other real estate activities	-29,872,435	-35,695,866	-5,823,431	-19.5

[P] Percentage change is not provided if the current year data contains a positive value (income) compared to a prior year negative value (loss).

NOTE: Detail may not add to totals because of rounding.

SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

[9] Not all partnerships are required to file Schedule M-3, and not all filers are required to complete the entire M-3. For more information, see 2021 Instructions for Schedule M-3 (Form 1065).

returns electronically for 2020. These partnerships represented 29.6 million partners for 2021, a 10.0% increase from the 26.9 million partners for 2020. In addition, for 2021, returns filed electronically represented 96.7% of all partners, 96.9% of total assets, and 98.8% of total income (loss) minus deductions.

Data Sources and Limitations

IRS Statistics of Income (SOI) based the statistics for TY 2021 on a stratified probability sample of 53,445 returns selected from a population of 4,878,461 partnerships. TY 2021 covers returns processed by the IRS during Calendar Year 2022. All partnerships engaged in business in, or having income from sources within, the United States were required to file Form 1065 to report income or loss, deductions, tax credits, and other tax-related items generated by the partnership. The statistics are only for active partnerships, defined as those reporting any items of income or deduction derived from a trade or business, or from rental or portfolio income.

SOI stratified the population into classes based on industry, type of return, size of total assets, and size of certain receipt or income amounts from both ordinary business income (loss) and portfolio income (loss). From these classes, SOI selected returns with various probabilities of selection (from 0.01% to 100%) and weighted them to represent the total population. SOI ruled that 1,153 sampled returns were either out of scope (due to inactivity or being duplications of other returns in the sample) or not available in time to meet the publication deadline. This resulted in a final sample of 52,292 returns and an estimated overall active population of 4,467,584. Because the data presented in this article are based on a sample of returns, they are subject to sampling error. To use the data properly, researchers must know the magnitude of the potential sampling error. Coefficients of variation (CVs), the ratios of an estimate's standard error to the estimate, are used to measure this magnitude. Figure M presents the CVs for certain money amounts for selected industrial sectors. The estimate is judged more reliable the smaller the CV.

Notes for Data Tables

All money amounts and frequencies in the data tables were subject to rounding errors. As a result, a row or column of frequencies or amounts may fail to add exactly to the corresponding total amount. At the table level, SOI rounded money amounts to the nearest $1,000. Total amounts between +$500 and -$500 were footnoted to indicate that an amount that rounded to zero was present.

Whenever a cell frequency was low, SOI either combined data or deleted the estimate to avoid disclosing information about specific partnerships. These cells are identified with a "[d]." In addition, an estimate based on fewer than 10 returns, not selected at the 100% rate, is indicated by an asterisk (*) and considered statistically unreliable. These estimates should typically be used in combination with other tabulated values due to the small sample size. The statistical reliability of each cell in the tables was determined separately from all other cells. Thus, it was possible for a total figure to be marked with an asterisk (*),

Figure M
Partnership Returns: Coefficients of Variation for Selected Items by Industrial Sector, Tax Year 2021

[Coefficients of variation in percentages]

Industrial sector	Coefficients of variation			
	Number of partnerships	Total assets	Total income	Total deductions
	(1)	(2)	(3)	(4)
All industries	0.65	0.10	0.21	0.22
Agriculture, forestry, fishing, and hunting	9.70	5.09	4.47	4.32
Mining	17.54	1.45	1.49	1.67
Utilities	29.38	2.37	0.88	1.02
Construction	7.55	3.17	1.64	1.64
Manufacturing	13.10	0.92	0.59	0.61
Wholesale trade	12.42	1.26	0.70	0.69
Retail trade	8.36	1.72	1.04	1.05
Transportation and warehousing	12.62	1.00	1.55	1.63
Information	14.80	0.57	0.82	0.84
Finance and insurance	4.28	0.20	1.05	1.18
Real estate and rental and leasing	1.37	0.57	2.18	2.14
Professional, scientific, and technical services	6.91	1.80	1.11	1.20
Management of companies	14.55	1.44	2.83	2.91
Administrative and support and waste management and remediation services	12.28	4.37	3.52	3.55
Educational services	22.20	13.02	8.98	9.46
Health care and social assistance	6.74	2.40	1.41	1.48
Arts, entertainment, and recreation	14.89	2.85	3.34	3.20
Accommodation and food services	7.27	3.37	2.31	2.31
Other services	11.25	7.58	5.18	5.16
Nature of business not allocable*	0.00	0.00	0.00	0.00

Item [1]	Coefficients of variation
	(5)
Number of partnerships	0.65
Number of partners	1.83
Total assets	0.10
Total income	0.21
Business receipts	0.20
Total deductions	0.22
Cost of goods sold	0.28
Interest paid	1.12
Taxes and licenses	0.68
Depreciation	1.23
Ordinary business income	1.18
Ordinary business loss	1.05
Interest income	1.08
Portfolio income (loss) distributed directly to partners	0.45
Net rental real estate income	1.83
Net rental real estate loss	2.15
Other net rental income	4.76
Other net rental loss	7.55
Total net income (loss)	1.05
Total income (loss) minus total deductions available for allocation	1.62
Total receipts	0.47

* For 2021, there were no returns classified as Nature of business not allocable.
[1] All items in this figure can be found in Table 1 except for: Total receipts (Table 7).
SOURCE: IRS, Statistics of Income Division, Partnerships, May 2023.

indicating statistical unreliability, while a subset of the total is not so marked. For example, a sector amount could be based on seven returns, three not sampled at the 100% rate. That amount would receive an asterisk. However, an industry amount within the sector, may include all four returns sampled at the 100% rate and would not receive an asterisk.

The IRS issued requirements for safeguarding Federal Tax Information (FTI) in *Tax Information Security Guidelines for Federal, State and Local Agencies* (Publication 1075). While FTI is subject to Internal Revenue Code section 6103(p)(4) safeguarding requirements, the increased availability of data on the internet and in the cloud creates greater challenges for government agencies responsible for protecting the confidentiality of FTI and preventing the commingling of FTI with other information. This article provides data tables that meet the requirements, with the understanding that periodic reviews could lead to further adjustments of content in future editions.

Explanation of Selected Terms

Assets and liabilities—A partnership was not required to provide balance sheet information if it had total receipts of less than $250, had total assets of less than $1,000,000, filed, provided Schedules K-1 timely, and was not required to file *Net Income (Loss) Reconciliation for Certain Partnerships* (Schedule M-3, Form 1065). SOI did not estimate the assets and liabilities of partnerships that did not provide this information. In addition, for returns with accounting periods ending after December 31, 2005, total assets should have been determined without offset by liabilities and not reported as a negative amount. If, however, the partnership continued to report negative total assets, no effort was made during data collection to change the amount.

Business receipts—Business receipts represent the gross receipts or sales less returns and allowances from trade or business income. Business receipts are typically the largest component of gross receipts for industry groups such as Manufacturing. SOI did not adjust business receipts to include rental real estate activity, which was reported separately on the partnership's return.

Electronically filed partnerships—Certain partnerships with more than 100 partners were required to file their returns electronically. Other partnerships could volunteer to file electronically. Partnerships submitting returns electronically submitted them in lieu of paper returns.

Foreign partnerships—A foreign partnership that has gross income effectively connected with the conduct of a trade or business within the United States or has gross income derived from sources in the United States must file a Form 1065, even if its principal place of business was outside the United States or all of its partners were foreign persons.

Historical Total net income (loss)—Through TY 1986, partnerships reported the amounts for total net income (loss) as ordinary income (loss) on Form 1065. After the tax law changes and tax form revisions in 1987, SOI studies began computing a similar total figure as the sum of the following:

- Ordinary business income (loss);
- Interest income;
- Dividend income;
- Royalties;
- Net rental real estate income (loss) from Form 8825; and
- Other net rental income (loss).

The sum of these components is a measure of overall partnership profit or loss, which allows for comparisons with total net income (loss), reported for years before 1987. The profit status of a partnership is determined on the basis of the sum of these six amounts. Partnerships for which the sum of these six amounts equals zero are included with loss partnerships. For 2004, the definition of total net income (loss) was revised because other portfolio income (loss) was excluded since it was no longer reported separately on *Partners' Distributive Share Items* (Schedule K), but was included on Schedule K, line 11, "Other income (loss)." Beginning in 2021, the title of this term became "*Historical Net Income (loss)*" based on its pre-1987 definition.

Limited liability companies (domestic)—An LLC is an entity formed under state law by filing articles of organization as an LLC. Limited liability companies that choose to be classified as partnerships file *U.S. Partnership Return of Income* (Form 1065). SOI identified LLCs by their response to a question on *Other Information* (Schedule B, Form 1065). Limited liability companies combine the corporate characteristics of limited liability for all members with the pass-through income treatment of a partnership. (The owners of an LLC are called members, not partners.) These businesses offer more organizational flexibility than do S corporations. (S corporations pass through their income, gains and losses, deductions, and credits to their shareholders for tax purposes, like partnerships.) For example, unlike S corporations, LLCs are not limited in the number and type of owners. Unlike partners in limited partnerships, all members of LLCs have limited liability protection, even if they actively participate in the management of the business. In some cases, LLCs file as sole proprietorships on individual income tax returns or as corporations on corporation income tax returns. LLC data reported on these returns were not included in this article.

Figure N provides more detail about the members of LLCs. Members of an LLC choose a manager, who is similar to a general partner of a partnership or a director of a corporation. The manager may be one of the members. Figure N data are based on an examination of unedited IRS administrative records.

Limited liability partnerships (domestic)—An LLP is formed under a state limited liability partnership law. Limited liability partnerships file *U.S. Partnership Return of Income* (Form 1065). SOI identified LLPs by response to a question on *Other Information* (Schedule B, Form 1065). Organizationally, LLPs are available in some states only for professional partnerships, such as law firms or accounting firms. A partner in an LLP receives liability protection from the actions of other partners, but is liable for the partnership debts as well as the consequences of his or her own actions.

Figure N
Number of Members of Limited Liability Companies (LLCs), by Member and Entity Types, Tax Year 2021

Type and number of members	All entities	Corporations	Individuals	Partnerships	Limited liability companies	Exempt organizations	Nominees	Other entities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total LLC Members [1]:								
Number of members	14,140,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LLC Members-Managers:								
Number of members	4,098,800	152,200	3,492,700	259,300	37,600	6,300	4,000	146,700
Percent of total	100.00	3.71	85.21	6.33	0.92	0.15	0.10	3.58
LLC Members:								
Number of members	10,036,500	350,100	6,970,300	1,059,700	119,400	69,900	29,000	1,438,100
Percent of total	100.00	3.49	69.45	10.56	1.19	0.70	0.29	14.33
Unallocable LLC Members:								
Number of members	5,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A—Not available.

[1] Limited liability companies were identified by checkbox "c" on the Form 1065, Schedule B, Line 1.

NOTES: Detail may not add to totals because of rounding; Frequencies are rounded to the nearest hundred. The checkboxes on the Schedule K-1, Item G, were used to distinguish between LLC members-managers and the LLC members. No distinction was made between managers-managed LLCs and members-managed LLCs.

SOURCE: IRS, Unedited administrative records, September 2023.

Figure O provides more detail about the members of LLPs. Figure O data are based on an examination of unedited IRS administrative records.

North American Industry Classification System—Starting with the 1998 partnership study, SOI classified data using NAICS, which replaced the Standard Industry Classification system (SIC). NAICS is a hierarchical system that classifies businesses, including partnerships, into sectors, subsectors, industry groups, and industries. Although the complete NAICS uses 20 sectors, SOI grouped the partnership data into 20 industrial divisions in TY 1998 through TY 2001 *SOI Bulletin* articles for presentation purposes and easier comparison between NAICS and SIC data. SOI dropped the industrial division for the TY 2002 article and grouped the partnership data into the same 20 industrial sectors used in NAICS, except for: excluding Public administration, and adding Nature of business not allocable. Businesses are only classified in the Nature of business not allocable sector when a more specific activity cannot be identified from the

Figure O
Number of Partners of Limited Liability Partnerships (LLPs), by Partner and Entity Types, Tax Year 2021

Type and number of partners	All entities	Corporations	Individuals	Partnerships	Limited liability companies	Exempt organizations	Nominees	Other entities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total LLP Partners [1]:								
Number of partners	631,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LLP General Partners:								
Number of partners	319,900	12,700	287,700	10,500	1,400	400	300	6,900
Percent of total	100.00	3.97	89.93	3.28	0.44	0.13	0.09	2.16
LLP Limited Partners:								
Number of partners	311,000	12,000	245,300	18,400	1,700	1,100	900	31,600
Percent of total	100.00	3.86	78.87	5.92	0.55	0.35	0.29	10.16
Unallocable LLP Partners:								
Number of partners	900	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A—Not available.

[1] Limited liability partnerships were identified by checkbox "d" on the Form 1065, Schedule B, Line 1.

NOTES: Detail may not add to totals because of rounding; Frequencies are rounded to the nearest hundred. The checkboxes on the Schedule K-1, Item G, were used to distinguish between LLP general partners and the LLP limited partners.

SOURCE: IRS, Unedited Administrative Records, September 2023.

return. SOI classified data within these industrial sectors in industrial groups. The most detailed classification in this article and related data tables is the "industry." The 20 sectors used in this article are:

- Agriculture, forestry, fishing, and hunting;
- Mining;
- Utilities;
- Construction;
- Manufacturing;
- Wholesale trade;
- Retail trade;
- Transportation and warehousing;
- Information;
- Finance and insurance;
- Real estate and rental and leasing;
- Professional, scientific, and technical services;
- Management of companies (holding companies);
- Administrative and support and waste management and remediation services;
- Educational services;
- Health care and social assistance;
- Arts, entertainment, and recreation;
- Accommodation and food services;
- Other services; and
- Nature of business not allocable.

Detail of the activities included in each classification is available at North American Industry Classification System (NAICS) U.S. Census Bureau. NAICS is updated every fifth year. This website also contains descriptions of the relationships between various classification system updates.

SOI determined a partnership industry based on the activity from which the business derived the largest percentage of its total receipts. For industry coding purposes only, SOI defined total receipts as the sum of:

- Gross receipts or sales less returns and allowances (i.e., business receipts in the statistics);
- Ordinary income from other partnerships, estates, and trusts;
- Net farm profit;
- Net gain from Form 4797 *(Sale of Business Property)*;
- Other income (Form 1065, page 1, line 7);
- Other gross rental income;
- Interest income;
- Dividend income;
- Royalties;
- Net short-term capital gain;
- Net long-term capital gain;
- Net section 1231 gain;
- Other income (Form 1065, page 4, line 11);
- Gross rents from rental real estate;
- Net gain from the disposition of property from rental real estate activities; and
- Net income from rental real estate activities from partnerships, estates, and trusts in which the partnership is a partner or beneficiary.

"Total receipts" for partnership industry coding purposes differs from "total receipts" used elsewhere in this article (see "Total receipts" in this section).

Partner—Partners can be individuals, corporations, other partnerships, or any other legal entity. One partner may be part of multiple partnerships. Partners are classified as either general or limited. General partners are those who assume liability for the partnership's debts and losses. Limited partners are those whose liability in the partnership is limited to their investment. A partnership must have at least two partners, at least one of which must be a general partner. A general partnership is composed entirely of general partners. A limited partnership has at least one general partner and one or more limited partners.

Partnership—A partnership is the relationship between two or more persons who join to carry on a trade or business. Each partner contributes money, property, labor, or skill with the expectation of sharing in the profits and losses of the business, regardless of whether a formal partnership agreement was made. Every partnership that engages in a trade or business or has income from sources in the United States must file an annual information return with the IRS, *U.S. Partnership Return of Income* (Form 1065), showing the partnership's income or loss for the year. A partnership must file this return even if its principal place of business is outside the United States and even if all of its members are nonresident aliens.

Total income (loss) minus total deductions—Total income minus total deductions represents the entire amount a partnership passes through to its partners. It is shown on the return on Form 1065, page 5, line 1.

Total receipts—Total receipts are computed for the statistics to reflect similar computations published in other SOI studies. Total receipts are the sum of positive income received by partnerships for the specific items listed below (*note that negative amounts or losses are included in the statistics as deduction items and Guaranteed payments are not included in this amount*):

- Gross receipts or sales less returns and allowances (i.e., business receipts in the statistics);
- Ordinary income from other partnerships, estates and trusts;
- Net farm profit;
- Net gain from Form 4797;
- Other income (Form 1065, page 1, line 7);
- Net rental real estate income;
- Other net rental income;

- Interest income;
- Dividend income;
- Royalties;
- Net short-term capital gain;
- Net long-term capital gain;
- Net section 1231 gain; and
- Other income (Form 1065, page 4, line 11).

Total receipts in Table 7 differ from total receipts presented in Table 11 in the Selected Historical and Projected Data accessible online at https://www.irs.gov/statistics/soi-tax-stats-historical-table-11. Table 11 excludes certain income items allocated directly to partners (such as net short-term and long-term capital gains, net gain under Internal Revenue Code section 1231, and other income (Schedule K, line 11)).

Additional Tabular Data on Tax Stats Webpage

For additional partnership tabular data, see the Partnership section on SOI's Tax Stats webpage at www.irs.gov/statistics/soi-tax-stats-partnership-statistics. This site contains tabular data including partnership returns by size of total assets, returns with foreign transactions, and data for prior years.

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