Partnership Returns, Tax Year 2023

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

The number of partnerships and partners in the United States increased for Tax Year (TY) 2023.[1] Partnerships filed over 4.5 million returns for the year, representing more than 30.2 million partners. The Real estate and rental and leasing sector comprised half of all partnerships (50.7%) and a third of all partners (32.8%).

Total assets increased in 2023 while total receipts and total income (loss) minus deductions decreased (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 1.7% (from 4,500,186 to 4,575,280) between 2022 and 2023 (Figure B). The number of partnerships has grown at an average annual rate of 2.9% over the period 2014–2023. Partnerships classified as limited liability companies (LLCs) accounted for most of this growth.[2]

The number of partners increased 5.0% for 2023 (from 28,797,574 in the prior year to 30,239,463). Partnerships with fewer than three partners made up more than half (59.7%) of all partnerships (Figure C). These small partnerships accounted for just under a quarter (23.9%) 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 35.5% of all partners in 2023.

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.[3] For 2023, partnerships passed through $2,099.4 billion in total income (loss) minus total deductions available for allocation to their partners (Figure D). This amount represents a 17.9% decrease from 2022, when partnerships passed through $2,558.0 billion. The Real estate and rental and leasing sector reported the largest decrease ($294.4 billion) in 2023. In addition, for the twelfth consecutive year, partners that are partnerships received the largest portion of this income.[4]

Figure A

Partnership Returns: Percentage Changes in Selected Items, Tax Years 2014–2023

Tax year	Number of partnerships	Number of partners	Total assets	Total receipts	Total income (loss) minus total deductions
	(1)	(2)	(3)	(4)	(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	4.0	5.8	-2.3	-14.2
2017	3.8	-2.4	11.9	16.1	25.3
2018	2.7	-0.2	6.0	7.7	-1.1
2019	-4.7	-7.9	5.0	-7.3	-11.6
2020	12.0	11.8	19.8	14.7	29.8
2021	4.3	8.4	17.7	30.9	98.3
2022	0.7	-6.0	3.3	3.3	-34.3
2023	1.7	5.0	9.1	-4.4	-17.9

Source: IRS, Statistics of Income Division, Partnerships, April 2025

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

Highlights

- Partnerships filed over 4.5 million returns for TY 2023, a 1.7% increase over the number filed for 2022. These returns represented more than 30.2 million partners, a 5.0% increase from the previous year.
- Limited liability companies (LLCs) made up most partnerships (72.7%), surpassing all other entity types for more than two decades.
- Limited partnerships represented 9.7% of all partnerships, and they reported 32.8% of all pass-through income and more than one third of the total partners (34.2%).
- The Real estate and rental and leasing sector accounted for approximately half (50.7%) of all partnerships and about one third (32.8%) of all partners. The Finance and insurance sector reported the largest shares of total income (loss) minus total deductions or pass-through income (loss) (63.5%), total assets (59.9%), and total receipts (25.0%) for 2023.
- Total assets increased 9.1% between 2022 and 2023, from $52.5 trillion to $57.3 trillion.
- Receipts totaled $12.0 trillion for 2023, down 4.4% from the amount reported for 2022. Pass-through income (loss) decreased 17.9% to $2.1 trillion for 2023 (down from $2.6 trillion for 2022).
- Partners classified as partnerships received the largest share of income (loss) allocated to partners, $635.5 billion.

[1] SOI based the statistics for 2023 on a stratified probability sample selected from the population of partnerships processed by the Internal Revenue Service (IRS) during Calendar Year 2024. This article also references TY 2022 data. For further information on these data, see Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky, "Partnership Returns, Tax Year 2022," Statistics of Income Bulletin, Fall 2024, Volume 44, Number 2.

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

[3] 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.

[4] For further discussion of pass-through income, see the section of this article entitled "Partnerships Allocated Over $2 Trillion to Their Partners in 2023."

Figure B
Partnership Returns: Number of Partnerships and Partners, by Selected Industrial Groups, Tax Years 2022 and 2023

Industrial group	Number of partnerships		Percentage change	Number of partners		Percentage change
	2022	2023		2022	2023	
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**4,500,186**	**4,575,280**	**1.7**	**28,797,574**	**30,239,463**	**5.0**
Finance and insurance	452,181	490,731	8.5	8,990,673	9,579,458	6.5
Securities, commodity contracts, and other financial investments and related activities	341,392	366,076	7.2	7,218,400	7,758,215	7.5
Securities and commodity contracts and exchanges	6,268	6,656	6.2	55,618	51,562	-7.3
Other financial investment activities	335,124	359,420	7.2	7,162,782	7,706,653	7.6
Funds, trusts and other financial vehicles	70,068	77,596	10.7	1,511,159	1,476,946	-2.3
Other finance and insurance	40,722	47,059	15.6	261,114	344,297	31.9
Real estate and rental and leasing	2,282,238	2,320,939	1.7	9,750,424	9,905,857	1.6
Real estate	2,235,245	2,281,245	2.1	9,587,435	9,774,755	2.0
Lessors of residential buildings and dwellings and cooperative housing	813,619	850,331	4.5	3,541,266	3,530,819	-0.3
Lessors of nonresidential buildings (except miniwarehouses)	823,716	853,379	3.6	3,226,547	3,504,082	8.6
Lessors of miniwarehouses and self-storage units	22,276	18,381	-17.5	105,915	102,574	-3.2
Lessors of other real estate property	154,692	149,942	-3.1	698,474	671,958	-3.8
Other real estate activities	420,942	409,213	-2.8	2,015,233	1,965,323	-2.5
Rental and leasing services and lessors of nonfinancial intangible assets (except copyrighted works)	46,993	39,694	-15.5	162,989	131,102	-19.6

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, April 2025

Figure C
Partnership Returns: Number of Partnerships and Partners, by Number of Partners per Partnership, Tax Year 2023

Number of partners per partnership	Total number of partnerships	Partnerships with $100,000,000 or more in assets	
		Number of partners	Percentage of total
	(1)	(2)	(3)
Number of partnerships, total	**4,575,280**	**60,977**	**1.3**
Number of partners per partnership:			
Less than 3	2,731,229	14,545	0.5
At least 3, less than 5	1,075,958	13,699	1.3
At least 5, less than 10	445,998	8,733	2.0
At least 10, less than 20	162,768	6,219	3.8
At least 20, less than 30	54,066	3,371	6.2
At least 30, less than 40	32,425	2,284	7.0
At least 40, less than 50	15,783	1,605	10.2
At least 50, less than 60	13,971	1,456	10.4
At least 60, less than 70	9,351	1,138	12.2
At least 70, less than 80	5,973	990	16.6
At least 80, less than 90	4,211	826	19.6
At least 90, less than 100	3,524	735	20.9
At least 100	20,021	5,376	26.9
At least 1000 [1]	425	349	82.1

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	**30,239,463**	**8,552,419**	**28.3**
Number of partners per partnership:			
Less than 3	5,462,085	29,091	0.5
At least 3, less than 5	3,622,088	45,965	1.3
At least 5, less than 10	2,728,346	57,202	2.1
At least 10, less than 20	2,138,854	85,751	4.0
At least 20, less than 30	1,280,090	80,806	6.3
At least 30, less than 40	1,102,468	78,018	7.1
At least 40, less than 50	696,545	71,467	10.3
At least 50, less than 60	746,908	79,424	10.6
At least 60, less than 70	594,654	73,249	12.3
At least 70, less than 80	450,838	73,510	16.3
At least 80, less than 90	349,188	69,534	19.9
At least 90, less than 100	333,975	69,226	20.7
At least 100	10,733,421	7,739,177	72.1
At least 1000 [1]	6,557,620	6,465,857	98.6

[1] These statistics are also included on the line entitled “At least 100.”
NOTE: Detail may not add to totals because of rounding.
Source: IRS, Statistics of Income Division, Partnerships, April 2025

half of all partnerships for both 2023 and 2022. It also made up about one third of all partners for both 2023 (32.8%) and 2022 (33.9%) (Table 10). While partnerships in this sector accounted for about half of all partnerships, they reported less than a fourth (20.7%) of total assets, only 7.3% of total receipts, and just 5.5% of total income (loss) minus total deductions available for allocation to partners for 2023.

However, in 2023, the Finance and insurance sector represented 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 (59.9%), total receipts (25.0%), and total income (loss) minus total deductions available for allocation to partners (63.5%). Yet, this sector accounted for a smaller portion of total partnerships (10.7%) and partners (31.7%).

Total Assets Continued To Increase

Total assets for partnerships overall increased for 2023. For partnerships reporting balance sheet information, total assets rose 9.1% (from $52.5 trillion for 2022 to $57.3 trillion for 2023). The Finance and insurance sector accounted for the largest portion of this growth in asset accumulation, with an increase of about $3.5 trillion (from $30.9 trillion to $34.3 trillion). For 2022, this same sector recorded the largest decrease ($421.9 billion) (Table 10).

Total Receipts Decreased Between 2022 and 2023

Partnerships reported a 4.4% decrease in total receipts (from $12.5 trillion to $12.0 trillion) between 2022 and 2023. Business receipts made up most of total receipts (67.3%) while recording a decrease to $8.1 trillion from $8.3 trillion for the year (Table 7).[5] The largest decrease in total receipts was in the Real estate and rental and leasing sector (from $1.1 trillion to $877.9 billion). Overall, 11 sectors reported decreases for 2023.

The Real Estate and Rental and Leasing Sector Had the Largest Decreases 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), decreased 17.9% (from $2.6 trillion to $2.1 trillion) between 2022 and 2023 (Figure E). Decreases in net long-term capital gains (losses) accounted for the largest portion of the decreases ($341.2 billion). Pass-through income (loss) was reduced by deductions, with the "other deduction" category representing the largest deduction amount ($616.3 billion). Fifteen industrial sectors reported a decrease in pass-through income (Table 10). The Real estate and rental and leasing sector had the largest decrease, $294.4 billion (71.7%). These decreases were countered by increases, the largest of which was in Information ($21.5 billion).

Figure D

Partnership Returns: Total Assets, Total Receipts, and Total Net Income (Loss), by Selected Industrial Group, Tax Years 2022 and 2023

[Money amounts are in thousands of dollars]

Industrial group	Total assets		Percentage change	Total receipts		Percentage change	Total net income (loss)		Percentage change
	2022	2023		2022	2023		2022	2023	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All industries	**52,530,130,780**	**57,322,271,527**	**9.1**	**12,526,523,853**	**11,969,273,719**	**-4.4**	**2,557,992,724**	**2,099,412,354**	**-17.9**
Finance and insurance	30,880,742,511	34,336,720,902	11.2	3,002,779,227	2,990,854,365	-0.4	1,386,196,291	1,332,991,616	-3.8
Securities, commodity contracts, and other financial investments and related activities	26,701,956,112	29,547,207,752	10.7	2,588,939,814	2,558,325,084	-1.2	1,234,266,176	1,176,651,503	-4.7
Securities and commodity contracts and exchanges	741,145,062	913,266,669	23.2	132,669,829	162,635,226	22.6	36,295,765	29,372,904	-19.1
Other financial investment activities	25,960,811,050	28,633,941,083	10.3	2,456,269,986	2,395,689,858	-2.5	1,197,970,411	1,147,278,599	-4.2
Funds, trusts and other financial vehicles	3,508,861,399	4,012,872,394	14.4	266,941,969	262,654,016	-1.6	131,603,872	127,385,221	-3.2
Other finance and insurance	669,925,000	776,640,756	15.9	146,897,444	169,875,265	15.6	20,326,244	28,954,891	42.5
Real estate and rental and leasing	11,329,106,074	11,841,646,201	4.5	1,127,953,815	877,908,551	-22.2	410,826,403	116,381,318	-71.7
Real estate	10,992,320,446	11,447,464,598	4.1	1,012,049,907	768,472,080	-24.1	390,918,881	102,422,888	-73.8
Lessors of residential buildings and dwellings and cooperative housing	3,378,114,994	3,533,412,303	4.6	260,734,599	121,417,312	-53.4	94,399,502	-39,083,537	[N]
Lessors of nonresidential buildings (except miniwarehouses)	4,632,256,200	4,853,652,757	4.8	304,281,921	250,398,616	-17.7	160,141,226	102,314,268	-36.1
Lessors of miniwarehouses and self-storage units	128,257,285	120,530,001	-6.0	14,520,608	8,988,201	-38.1	10,357,621	3,788,346	-63.4
Lessors of other real estate property	444,424,120	472,677,371	6.4	29,706,713	26,944,702	-9.3	11,220,025	6,540,488	-41.7
Other real estate activities	2,409,267,846	2,467,192,166	2.4	402,806,065	360,723,248	-10.4	114,800,506	28,863,324	-74.9
Rental and leasing services and lessors of nonfinancial intangible assets (except copyrighted works)	336,785,628	394,181,603	17.0	115,903,908	109,436,471	-5.6	19,907,522	13,958,430	-29.9

NOTES: Detail may not add to totals because of rounding.
For data on additional industries, see Table 10.
[N] Percentage change is not provided if the current year data contains a negative value (loss) compared to a prior year positive value (income). Source: IRS, Statistics of Income Division, Partnerships, April 2025

[5] See the "Explanation of Selected Terms" section for the definition of total receipts and business receipts.

Figure E
Partnership Returns: Components of Total Income (Loss) Minus Total Deductions, Tax Years 2022 and 2023

[Money amounts are in thousands of dollars]

Item	2022	2023	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
Total income (loss) minus total deductions [1]	**2,557,992,724**	**2,099,412,354**	**-458,580,370**	**-17.9**
Partnership distributive income				
Ordinary business income (loss)	847,619,582	763,792,093	-83,827,489	-9.9
Guaranteed payments to partners	102,409,433	110,970,081	8,560,648	8.4
Interest income	335,128,294	625,515,194	290,386,900	86.6
Dividend income	296,286,465	319,951,607	23,665,142	8.0
Royalties	80,464,397	70,928,652	-9,535,745	-11.9
Net short-term capital gain (loss)	-124,775,201	61,874,100	186,649,301	[P]
Net long-term capital gain (loss)	968,284,376	627,053,499	-341,230,877	-35.2
Net Section 1231 gain (loss)	467,636,715	202,599,914	-265,036,801	-56.7
Other Income (loss)	484,733,915	462,297,326	-22,436,589	-4.6
Partnership distributive deductions				
Section 179 deduction	9,077,200	16,215,168	7,137,968	78.6
Contributions - Cash [2]	N/A	7,668,753		
Contributions - Noncash [2]	N/A	5,103,635		
Investment interest expense	144,753,102	274,944,122	130,191,020	89.9
Section 59E(2) expenditures	102,120,953	102,859,444	738,491	0.7
Other deductions	537,337,327	616,347,029	79,009,702	14.7
Total foreign taxes	23,138,191	23,133,600	-4,591	0.0
Net rental real estate income (loss)	-66,872,253	-100,622,375	-33,750,122	-50.5
Other net rental income (loss)	-2,597,844	1,324,014	3,921,858	[P]

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

[2] In 2023, Contributions-Cash and Noncash fields replaced a combined Contributions field so no comparison is shown.

[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.

Limited Liability Companies Made Up Most Partnerships for More Than Two Decades

Partnerships classify their business structures as one of six entity types: domestic general partnership, domestic limited partnership, domestic limited liability company (LLC), domestic limited liability partnership (LLP), foreign partnership, or "other" partnership.[6] LLCs accounted for 72.7% of all partnerships, surpassing all other entity types for the 22nd consecutive year (Figure F). The number of LLCs remained around 3.3 million filers (Figure G). Partners associated with LLCs increased 2.1% (from 14.1 million to 14.4 million) while pass-through income decreased 32.6% (from $999.6 billion to $674.0 billion). LLCs accounted for 32.1% of the overall pass-through income (loss) in 2023. Looking at gains and losses separately, the losses for LLCs ($665.7 billion) were more than the combined losses for all other types of partnerships ($479.3 billion) and reduced the overall net profit amount for partnerships.

Limited partnerships represented 9.7% of all partnerships and reported a similar amount of pass-through income ($689.1 billion) and number of partners (10.3 million). The number of limited partnerships increased slightly (2.1%). Their number of partners increased 12.6% (Figure H). Total pass-through income (loss) for limited partnerships decreased $217.6 billion (from $906.7 billion to $689.1 billion) between 2022 and 2023, which was the second year of decline.

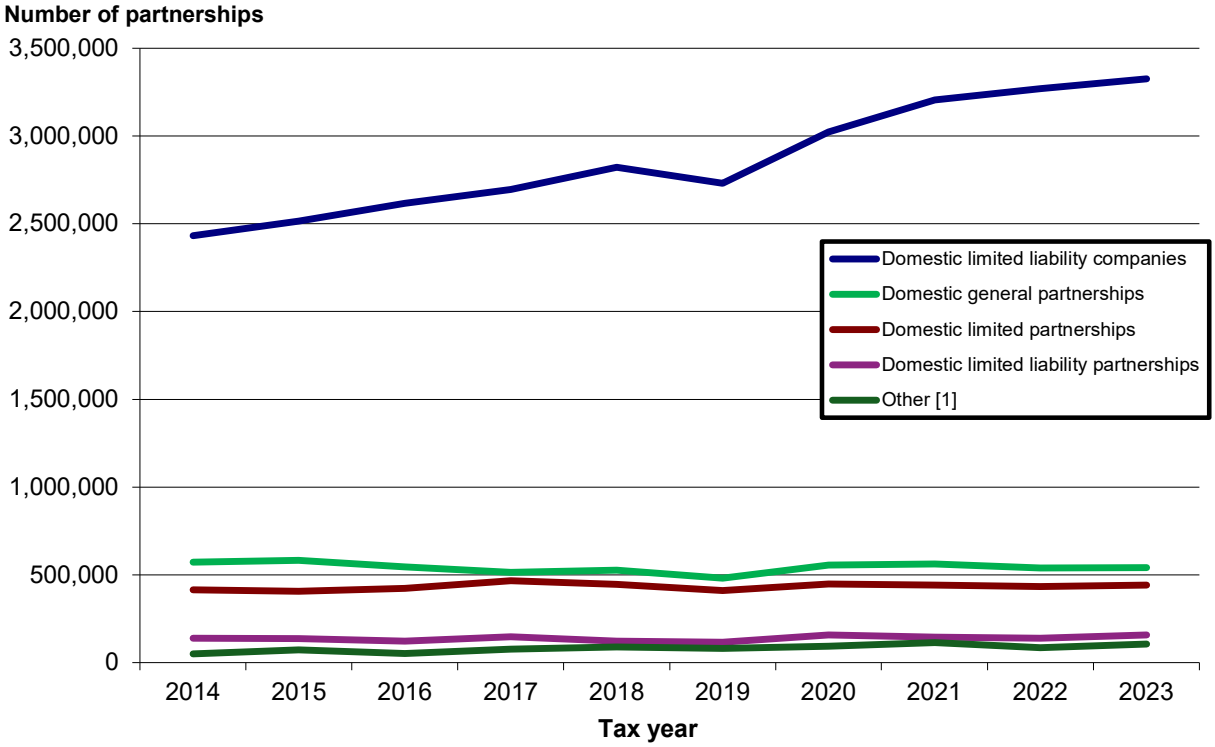
Prior to 2002, domestic general partnerships were consistently the most common type of partnership; they have ranked second since that time. This type of partnership accounted for 11.9% (0.5 million) of all partnerships for TY 2023. The number of domestic general partnerships increased 0.4% in 2023 (from 540,356 to 542,540). The number of general partnerships has decreased 5.4% overall since 2014 (Figure I).

Partnerships Allocated Over $2 Trillion to Their Partners in 2023

Partners may be corporations, individuals, other partnerships, tax-exempt organizations, nominees, and other legal entities. For 2023, all partnerships reported a total of $3,145.7 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 $1,046.3 billion. The difference between total income

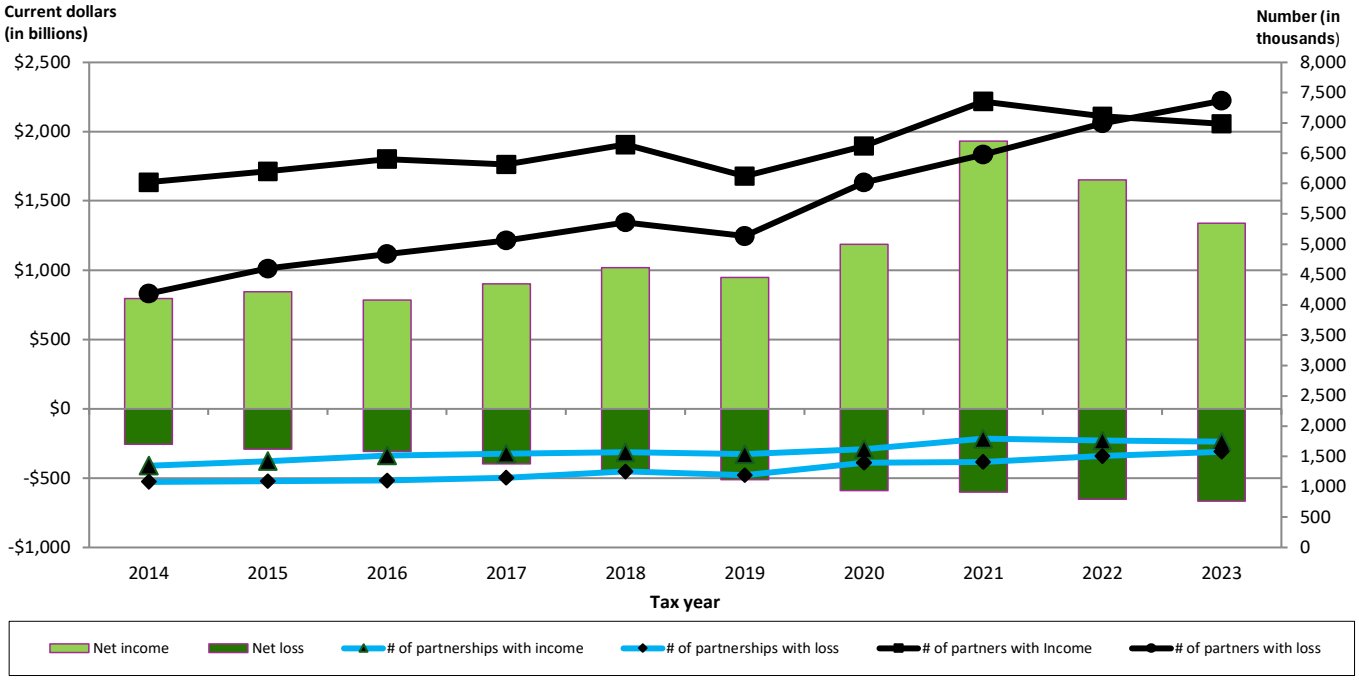
[6] See the "Explanation of Selected Terms" section for definitions of the different entity types.

Figure F
Number of Partnerships by Type of Entity, Tax Years 2014–2023



[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, April 2025

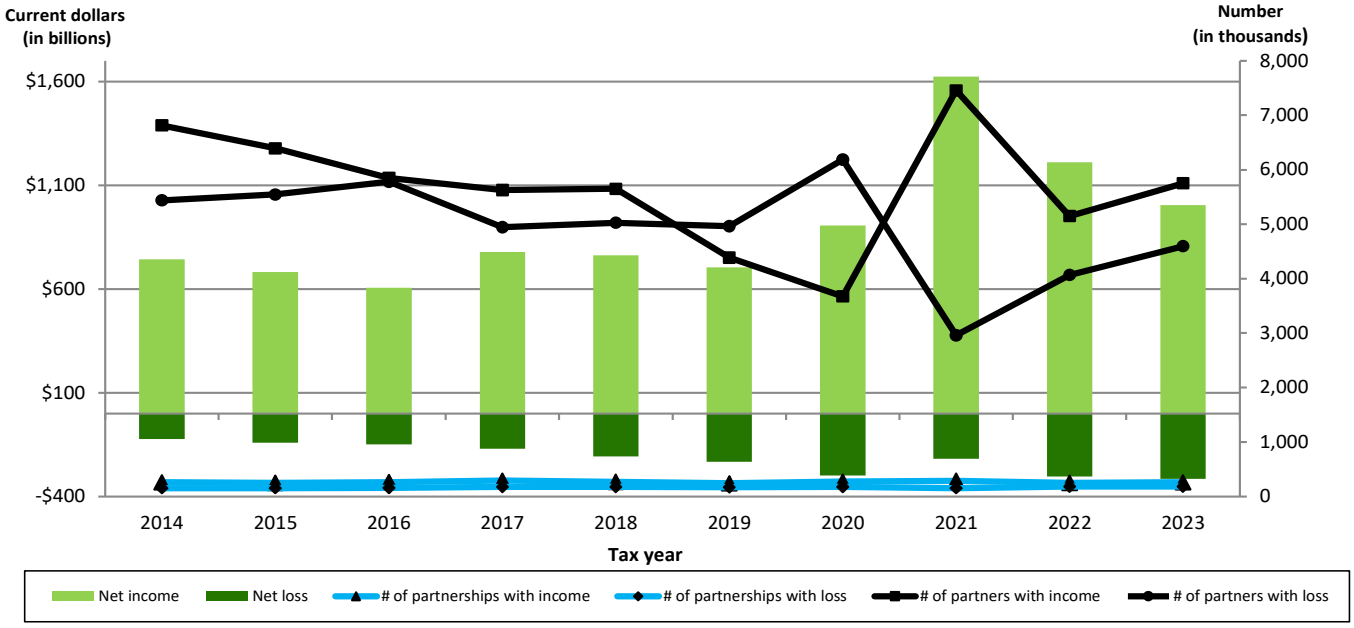
Figure G
Domestic Limited Liability Companies: Number of Partnerships and Partners, and Amount of Net Income (Loss), by Income and Loss, Tax Years 2014–2023



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
Source: IRS, Statistics of Income Division, Partnerships, April 2025.

Figure H

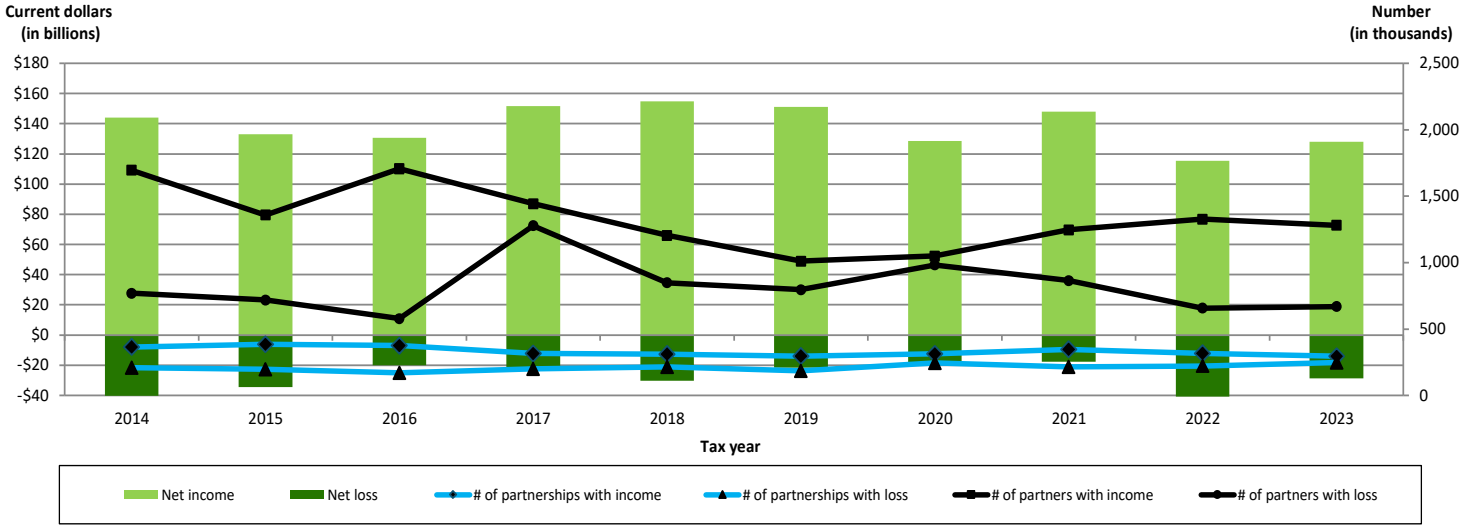
Domestic Limited Partnerships: Number of Partnerships and Partners, and Amount of Total Net Income (Loss) Minus Total Deductions, by Income and Loss, Tax Years 2014–2023



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c. Source: IRS, Statistics of Income Division, Partnerships, April 2025.

Figure I

Domestic General Partnerships: Number of Partnerships and Partners, and Amount of Net Income (Loss), by Income and Loss, Tax Years 2014–2023



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
Source: IRS, Statistics of Income Division, Partnerships, April 2025.

(loss) and total deductions resulted in $2,099.4 billion of total income (loss) minus total deductions available for allocation to partners, a 17.9% (or $458.6 billion) decrease relative to 2022. Of the $2,099.4 billion available for allocation to partners, almost all (99.2% or $2,082.6 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 more than a decade, partners defined as partnerships surpassed both corporations and individuals as the top income (loss) recipients. Partnerships passed $635.5 billion through to partners classified as partnerships for 2023, a $382.9-billion decrease from the $1,018.4 billion passed through for 2022. In addition, partnerships passed $547.4 billion through to partners classified as individuals and $583.1 billion through to partners classified as corporations (Figure J).

Since the North American Industry Classification System (NAICS) data were first reported in 1998, partnerships in the Finance and insurance sector have had the largest share of allocations, except in 2002. The trend continued for 2023, when this sector reported 63.5% 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)

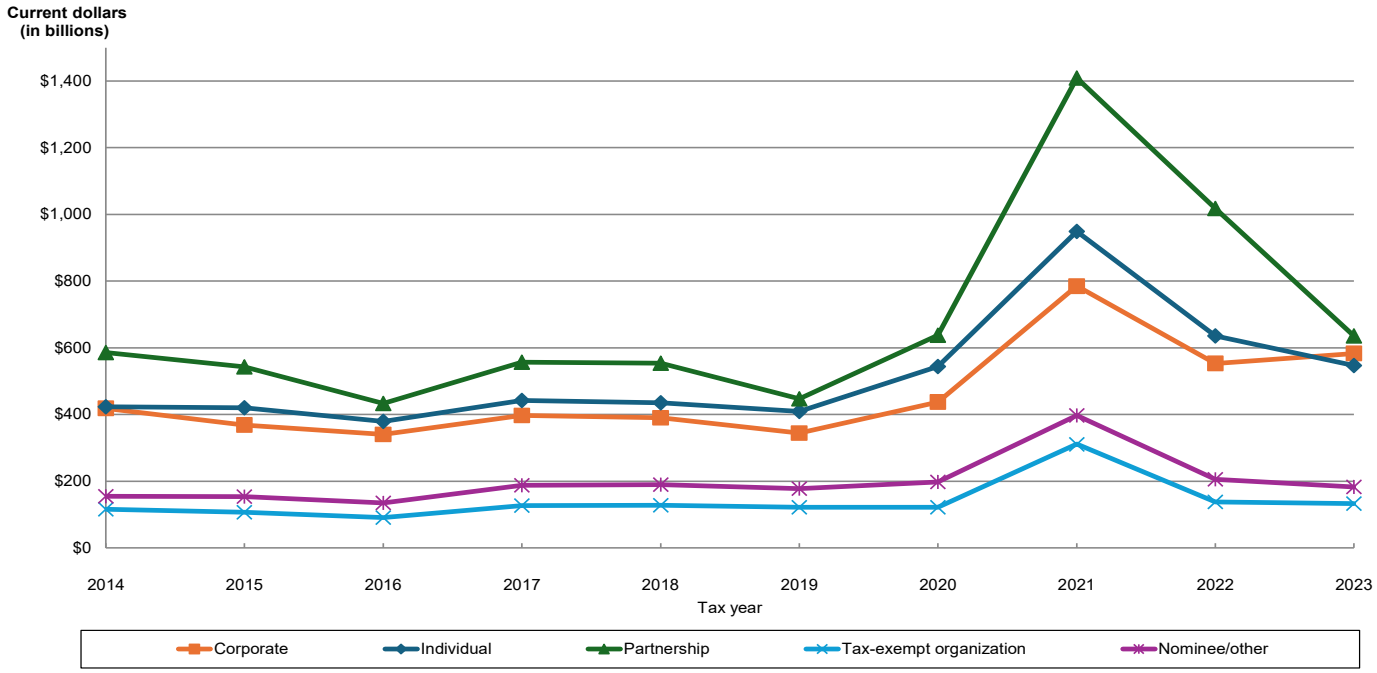
For all industries, net rental real estate income (loss) decreased from −$66.9 billion to −$100.6 billion between 2022 and 2023 (Figure K). TY 2023 was the fifth consecutive year partnerships reported a loss for net rental real estate income (loss). The loss was the result of an increase in total expenditures ($64.4 billion) that surpassed an increase in total rents ($60.4 billion) (Table 4). Also contributing to the decline was a drop in pass-through net rental real estate income (loss) (from −$57.0 billion in 2022 to −$81.4 billion in 2023). The Real estate and rental and leasing sector reported the largest decrease, from −$41.1 billion to −$71.3 billion. Overall, seven sectors reported decreases for 2023.

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

Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships 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 2023, the partnerships that filed a Schedule M-3 reported $2,470.4 billion in reconciled income (loss) per income statement, $816.2 billion in temporary differences, $39.6 billion in permanent differences, and $1,692.2 billion in reconciled income (loss) per tax return.[7]

Figure J

Partnership Returns: Income (Loss) Allocations, by Type of Partner, Tax Years 2014–2023



Source: IRS, Statistics of Income Division, Partnerships April 2025

[7] 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 2023 Instructions for Schedule M-3 (Form 1065).

Figure K

Partnership Returns: Net Rental Real Estate Income (Loss), by Selected Industrial Group, Tax Years 2022 and 2023

[Money amounts are in thousands of dollars]

Industrial group	2022	2023	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
All industries	**-66,872,253**	**-100,622,375**	**-33,750,122**	**-50.5**
Finance and Insurance	-19,856,841	-24,134,610	-4,277,769	-21.5
Real estate and rental and leasing	-41,087,034	-71,306,812	-30,219,778	-73.6
Real estate	-41,656,605	-71,411,624	-29,755,019	-71.4
Lessors of residential buildings and dwellings and cooperative housing	-72,360,322	-69,496,370	2,863,952	4.0
Lessors of nonresidential buildings (except miniwarehouses)	55,387,865	48,634,472	-6,753,393	-12.2
Lessors of miniwarehouses and self-storage units	5,277,971	3,857,094	-1,420,877	-26.9
Lessors of other real estate property	1,882,012	335,198	-1,546,814	-82.2
Other real estate activities	-31,844,132	-54,742,018	-22,897,886	-71.9

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

Source: IRS, Statistics of Income Division, Partnerships, April 2025

More Than 94% of All Partnerships Filed Their Tax Returns Electronically

In 1986, the IRS first offered partnerships the option of using electronic media to file their Form 1065, U.S. Return of Partnership Income 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 4.4 million partnerships (95.8%) filed electronically for 2023, a 2.7% increase from 2022. These partnerships represented 29.7 million partners for 2023, a 6.4% increase from the 27.9 million partners for 2022. In addition, for 2023, returns filed electronically represented 98.1% of all partners, 98.0% of total assets, and 98.0% of total income (loss) minus deductions.

Data Sources and Limitations

IRS Statistics of Income (SOI) based the statistics for TY 2023 on a stratified probability sample of 46,202 returns selected from a population of 5,034,995 partnerships. TY 2023 covers returns processed by the IRS during Calendar Year 2024. 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 1,147 sampled returns were either out of scope (due to inactivity) or were duplications of other returns in the sample. This resulted in a final sample of 45,055 returns and an estimated overall active population of 4,575,280 partnerships.

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 L presents the coefficients of variation for certain money amounts for selected industrial sectors. The more reliable the estimate, the smaller the coefficient of variation.

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 $250,000, had total assets of less than $1,000,000, filed and provided Schedules K-1 timely, and was not required to file Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships. 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 (*ELF*) *partnerships*—Certain partnerships with more than 100 partners were required to file their returns electronically. Beginning January 1, 2024, partnerships were also required to file Form 1065 and related forms and schedules electronically if they file 10 or more returns of any type during the tax year, including information, income tax, employment

Figure L
Partnership Returns: Coefficients of Variation for Selected Items by Industrial Sector, Tax Year 2023

[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	0.64	0.1	0.26	0.27
Agriculture, forestry, fishing, and hunting	9.11	5.06	5.13	5.04
Mining	18.77	1.91	2.06	2.25
Utilities	31.41	2.57	1.68	1.69
Construction	6.77	3.15	1.86	1.86
Manufacturing	12.85	1.1	0.82	0.83
Wholesale trade	11.66	1.71	0.89	0.89
Retail trade	8.4	1.82	1.42	1.42
Transportation and warehousing	12.79	1.49	1.8	1.86
Information	15.32	0.78	1.14	1.24
Finance and insurance	4.12	0.23	1.39	1.5
Real estate and rental and leasing	1.26	0.56	2.81	2.75
Professional, scientific, and technical services	6.67	1.63	1.27	1.35
Management of companies	12.71	1.57	3.81	3.84
Administrative and support and waste management and remediation services	11.85	4.16	3.3	3.34
Educational services	24.16	12.95	10	10.39
Health care and social assistance	6.41	2.72	1.73	1.79
Arts, entertainment, and recreation	12.28	3.39	3.67	3.86
Accommodation and food services	6.97	3.11	2.38	2.38
Other services	11.11	7.01	5.65	5.57
Nature of business not allocable*	n/a	n/a	n/a	n/a

Item [1]	Coefficients of variation (continued)
	(5)
Number of partnerships	0.64
Number of partners	2.09
Total assets	0.1
Total income	0.26
Business receipts	0.25
Total deductions	0.27
Cost of goods sold	0.37
Interest paid	0.9
Taxes and licenses	0.73
Depreciation	1.27
Ordinary business income	0.71
Ordinary business loss	1.45
Interest income	0.73
Dividend income	1.15
Royalty income	3.98
Net long-term capital gain (loss)	1.74
Net rental real estate income	1.89
Net rental real estate loss	1.74
Other net rental income	10.69
Other net rental loss	7.01
Investment interest expense	0.9
Total net income (loss)	0.94
Total income (loss) minus total deductions available for allocation	1.27
Total receipts	0.23

[1] All items in this figure can be found in Table 1 except for: Total receipts (Table 7).

*For 2023, there were no returns classified as Nature of business not allocable.

Source: IRS, Statistics of Income Division, Partnerships, April 2025.

tax, and excise tax returns (with certain exceptions). 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 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 based on 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 Schedule K, Partners' Distributive Share Items, but it 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 Form 1065, U.S. Partnership Return of Income. 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.

Limited liability partnerships (*domestic*)—An LLP is formed under a state limited liability partnership law. Limited liability partnerships file Form 1065, U.S. Partnership Return of Income. 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.

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 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 service
- 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 5, line 11)
- Gross rents from rental real estate
- Net gain from the disposition of property from rental real estate activities
- 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, Form 1065, U.S. Partnership Return of Income, 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 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 6, 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
- Other income (Form 1065, page 5, 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 Website

For additional partnership tabular data, see the Partnership section on the IRS's Tax Stats web page 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.

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 con-fidentiality 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.

Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky are economists with the Partnership and Special Projects Section. This article was prepared under the direction of Aaron Barnes, Acting Chief.