



Wolters Kluwer

# Basic Partnership Taxation Course Instructions

Author: James Hamill

Copyright © 2019 CCH CPELink



**NASBA - Sponsor number: 103021**

Wolters Kluwer, CCH is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State Boards of Accountancy have the final authority on the acceptance of individual course for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: [www.nasbaregistry.org](http://www.nasbaregistry.org).

## Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

**Overview of Topics / Table of Contents:** In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

**Definition of Key Terms / Glossary:** You'll find key terms defined for this program in the course information on the following page(s).

**Index / Key Word Search:** You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

**Review Questions:** Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

**Final Exam:** The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

**Course Evaluation:** Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

## About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

**Publication Date:** November 2019

### Course Description

The fastest growing tax reporting entity is the LLC taxed as a partnership. Tax practitioners now see partnership tax vehicles used by any type of taxpayer, including large corporations. The flexibility of partnership taxation has much to do with their use, but the distinctions between the “aggregate” and the “entity” approaches create significant uncertainty in many transactions.

This session is “Part I” of a two-part program on partnership taxation. This session will review many of the basic provisions of subchapter K and will help prepare both staff and management for dealing with more complex partnership tax concepts.

In this four-hour course, nationally recognized tax expert and instructor James Hamill, CPA, Ph.D., will explain the taxation of partnerships by use of commonly encountered transactions. The session will generally follow a “life cycle” approach, beginning with a review of what it means to be a partnership for tax purposes, the consequences of formation, and ending with the effects of distributions on both the partnership and the partners.

### Learning Objectives

Upon successful completion of this course, participants should be able to:

- Determine the consequences of forming a partnership
- Identify key tax reporting issues
- Describe how to select an accounting period
- Identify how to articulate allocations of profit and loss
- Describe share of liabilities
- Recognize how to explain the rules affecting partnership distributions
- Describe the aggregate approach
- Identify how material participation applies
- Recognize what's included for a partner's at-risk basis
- Identify results of liquidating distributions
- Describe tax effect of a distribution in various client scenarios
- Recognize and apply Section 734 Adjustments
- Identify UBIA for Section 199A
- Recognize how recourse debt is presented
- Describe how 704(b) capital is recorded
- Differentiate true statements regarding nonrecourse deductions

### NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

**Course Level**

Basic. Program knowledge level most beneficial to CPAs new to a skill or an attribute. These individuals are often at the staff or entry level in organizations, although such programs may also benefit a seasoned professional with limited exposure to the area.

**Prerequisites**

Experience with Partnership Tax Returns

**Advance Preparation**

None.

**Course Expiration**

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

## Key Terms

- **Aggregate approach:** views the partnership as reference to several partners acting as co-owners of a single business interest. Under the aggregate approach, the partnership as a separate entity is disregarded and each partner is viewed as directly owning an undivided interest in the partnership's assets operations.
- **At-risk:** the partner's cash and property investment in the partnership combined with any amount that the partner has borrowed and is personally liable.
- **Economic effect:** for an allocation to have economic effect it must be consistent with the underlying economic arrangement of the partnership. The partner must bear the economic benefit, or burden, of the allocation.
- **Entity approach:** views the partnership as a separate and distinct entity against which tax liabilities can be assessed and to which each partner has a piece of ownership.
- **Interim closing method:** allocating its items among the partners in accord with their respective partnership interests during each segment of the tax year.
- **Liquidating distribution:** property received in complete liquidation of a partner's interest.
- **Material participation:** a set of criteria used to determine if a partner actively participated in an activity. If the criteria is not met, the activity is considered a source of passive income.
- **Nonliquidating distribution:** distributions of property when the partner is not liquidating his or her interest in the partnership.
- **Nonrecourse liabilities:** liabilities of the partnership for which no partner or related person bears the economic risk of loss.
- **Recourse liabilities:** liabilities where any partner bears a risk of economic loss with respect to the liability. Economic risk of loss is present only if any partner or any person related to a partner would be obligated to make a payment to the creditor or a partnership contribution upon a constructive liquidation of the partnership under certain hypothetical circumstances.
- **Section 754 election:** an election to adjust the basis of partnership property when property is distributed or when a partnership interest is transferred.
- **Separately stated items:** all of the items reported in a partnership tax return that are not included in the ordinary income of the entity.