



Wolters Kluwer

Preparing Form 1065: Part 1

Course Instructions

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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.

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Course Description

Form 1065 is critical for partnerships as it is used to help partners determine their own tax filings. It's not, necessarily, a form that is required to pay taxes because partnerships are not taxed at the partnership level. Or, are they? Beginning with the 2018 tax year, there is a possibility the IRS could audit a partnership and assess tax as "imputed underpayments." The Centralized Partnership Audit Regime (CPAR) has changed the landscape for tax professionals and stepped up the due diligence and work necessary to file Form 1065 properly. Careful work on the 1065 could even make sure your partnership clients are not subject to some of the more surprising and harsher elements of the CPAR. In the first part of a two-part Form 1065 self-study program, experienced tax practitioner and instructor Greg White, CPA, will walk you through the necessary concepts you must understand to file Form 1065. This program discusses how partnerships are treated by the IRS, what is necessary to file Form 1065, and the basic concepts of partnership and partner taxation that apply to passthrough entities including partnerships and LLCs.

Learning Objectives

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

- Describe the taxation of partnerships and LLCs
- Recognize and apply the various sections of Form 1065
- Explain the Centralized Partnership Audit Regime
- Describe how to properly designate a partnership representative
- Differentiate correct statements regarding the trends in the type of entity from 1995 to 2017
- Identify requirements with respect to the election to be treated as a qualified joint venture
- Recognize advantages and disadvantages of filing Form 1065
- Identify what you should first do if there is no majority interest tax year when picking a taxable year for a partnership
- Recognize the requirements for a late filing penalty waived for reasonable cause
- Describe correct statements with respect to late filing penalties
- Identify the 2018 audit rate for partnerships based on the IRS Data Books
- Differentiate examples of an election made by partners instead of a partnership
- Identify a type of other expense included on Line 20 of Form 1065
- Recognize which type of arose after the 1980s energy and real estate meltdowns
- Describe correct statements regarding Section 754 step-ups
- Recognize a common adjustment deducted to arrive at ATI when computing the business interest expense
- Identify advantages to not filing Form 1065
- Identify the most important factor in determining whether an arrangement constitutes

- a partnership
- Recognize types of partners are allowed to sign Form 1065
 - Recognize types of partnerships making an election on Form 8832 to be taxed as partnerships
 - Differentiate which types of partners are allowed to sign Form 1065
 - Identify one of the four requirements that must be met for easier reporting
 - Describe partnership rules and how they apply to various scenarios

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

None.

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

- **Abatement:** The ending, reduction, or lessening of something.
- **Alternative Depreciation System:** A method that allows taxpayers to calculate the depreciation amount the IRS allows them to take on certain business assets.
- **Cash Method:** Method of recording accounting transactions for revenue and expenses only when the corresponding cash is received, or payments are made.
- **Carried Interest:** A share of any profits that the general partners of private equity and hedge funds receive as compensation, regardless of whether they contributed any initial funds.
- **Centralized Partnership Audit Re:** Replaced the partnership audit rules of the Tax Equity and Fiscal Responsibility Act of 1982 and is effective for partnership tax years beginning after Dec. 31, 2017. The BBA presents a profound shift not only for the partnerships themselves, but also for many C corporations, tax-exempt entities, S corporations and trusts that are partners in partnerships. The rules are designed to shift the burden for actually assessing tax after a partnership-level adjustment from the IRS to the partnership and partners.
- **Disregarded Entity:** Refers to a business entity with one owner that is not recognized for tax purposes as an entity separate from its owner.
- **Foreign-Derived Intangible Income:** Income related to the sale and provision of goods and services to foreign entities or for a foreign use.
- **Form 1065:** An information return used to report the income, gains, losses, deductions, credits, etc., from the operation of a partnership.
- **General Partner:** A member of a business partnership who has unlimited liability for debts incurred by the business.
- **Imputed Underpayment:** When the IRS audits a partnership under CPAR, the IRS may assess a partnership level “imputed underpayment,” at the top available tax rate (individual or corporate) in effect at the time of the net audit adjustments. The tax may be paid at the partnership level with certain adjustments.
- **Limited Liability Company: (LLC)** A corporate structure whereby the members of the company are not personally liable for the company's debts or liabilities.
- **Limited Partnership:** Exists when two or more partners unite to conduct a business in which one or more of the partners is liable only to the extent of the amount of money that partner has invested.
- **Limited Partner:** A partner in a company or venture whose liability towards its debts is legally limited to the extent of their investment.
- **Partnerships:** A type of business organization in which two or more individuals pool money, skills, and other resources, and share profit and loss in accordance with terms of the partnership agreement.
- **Partnership Representative:** Party selected to represent partnership before IRS and take tax actions on behalf of partnership.
- **Qualified Business Income:** Ordinary, non-investment income of the business.
- **Qualified Business Income Deduct: (QBID)** Provides for a qualified business income deduction of up to 20% of qualified business income, applied at the individual level, and subject to certain limitations.
- **Qualified Joint Venture:** A joint venture that conducts a trade or business where (1) the only members of the joint venture are a married couple who file a joint return, (2)

both spouses materially participate in the trade or business, and (3) both spouses elect not to be treated as a partnership.

- **Qualified Opportunity Funds:** An investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and utilizes the investor's gains from a prior investment for funding the Opportunity Fund.
- **Rental Income:** The amount of money collected by a landlord from a tenant or group of tenants for using a particular space.
- **S Corporation:** A closely held corporation (or, in some cases, a limited liability company (LLC) or a partnership) that makes a valid election to be taxed under Subchapter S of Chapter 1 of the Internal Revenue Code.
- **Section 179 Depreciation:** Section 179 of the United States Internal Revenue Code allows a taxpayer to elect to deduct the cost of certain types of property on their income taxes as an expense, rather than requiring the cost of the property to be capitalized and depreciated.
- **Self-Employment Tax:** The imposed tax that a small business owner must pay to the federal government to fund Medicare and Social Security.
- **Supreme Court:** The highest court in the federal judiciary of the United States of America.
- **Tax Cuts and Jobs Act:** A congressional revenue act originally introduced in Congress that amended the Internal Revenue Code of 1986. Major elements of the changes include reducing tax rates for businesses and individuals; a personal tax simplification by increasing the standard deduction and family tax credits but eliminating personal exemptions and making it less beneficial to itemize deductions.
- **Tax Shelter:** A place to legally store assets so that current or future tax liabilities are minimized.
- **Technical Termination:** Occurs when 50% of the total interest in capital and profits is sold or exchanged within a 12-month period of time.