

# Partnership taxation

Finance



PARTNERSHIP TAXATION: Federal Taxation of Partnerships I (a). What are the tax consequences to A, B & C and the partnership from these contributions?

Include in your response:

Any income/loss recognition by partners and partnership

What each partners outside basis will be and

What the partnerships inside basis will be in each asset

Answers

A, B, C are of equal partnership in ABC. A Pays \$50, 000 cash, B pays equipment with a basis of \$15, 000 and a FMV of \$30, 000 and C pays land with a basis of \$25, 000 and a FMV of \$35, 000. Soon after contributions, Balance Sheet would display the following with an assumption that ABC has zero liabilities at the time it is formed:

All Assets basis 90, 000 dollars and it shows the contributed assets in the partnerships ownership. This is inside basis of ABC partnerships. All Assets Value add up to 115, 000 dollars and this signifies partnership assets book value.

The entire Basis is 90, 000 dollars and this signifies the tax capital accounts of partners outside basis of contributed properties. Entire book capital adds up to \$115, 000 and this denotes that the book capital account of partners. Book capital accounts mirror partners' equal rights and contributions to every liquidation distributions (Larson, 2013)

Increases

Every partner external basis will be

A-\$20000

B-\$5000

C-\$10000

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Entire partners' external basis is \$35000

Partners inside basis in every asset

Cash-\$20000

Inventory-\$5000

Office furniture-\$10000

(b). what are A, B and C's holding periods in their partnership interests?

Answer

A: B: C= 20: 5: 10

That means that the holding period should be according to the way they share their interest.

Therefore, the holding periods for A, B and C will be 4, 1 and 2 respectively.

2. Which of the items must be separately stated by the partnership?

Answer

Tax exempted interest

Dividend income

Gain from the sale of equipment-sec 1231 gain

3-False as payment is not only made for prior year but for other years a sum of 500 dollars or less must be made.

4-True as It is a cost related to the investment.

5-True As a single owned organization is majorly a sole proprietorship and can only be classified to be a different entity from the owner or can be taxed as an association.

6-False As is it is always due by April 15th provided the k1 form is submitted by march 15th

Reference

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Joni, Larson (2013). Partnership Taxation: An Application Approach. Carolina Academic Press, 2013 - Law - 454 pages