

# Mastering Partnership Taxation

**Carolina Academic Press Mastering Series**

RUSSELL L. WEAVER, SERIES EDITOR

**Mastering Administrative Law**

William R. Andersen

**Mastering Appellate Advocacy and Process**

Donna C. Looper, George W. Kuney

**Mastering Bankruptcy**

George W. Kuney

**Mastering Civil Procedure 2e**

David Charles Hricik

**Mastering Constitutional Law**

John C. Knechtle, Christopher J. Roederer

**Mastering Contract Law**

Irma S. Russell, Barbara K. Bucholtz

**Mastering Corporate Tax**

Reginald Mombrun, Gail Levin Richmond, Felicia Branch

**Mastering Corporations and Other Business Entities**

Lee Harris

**Mastering Criminal Law**

Ellen S. Podgor, Peter J. Henning, Neil P. Cohen

**Mastering Criminal Procedure, Volume 1: The Investigative Stage**

Peter J. Henning, Andrew Taslitz, Margaret L. Paris,

Cynthia E. Jones, Ellen S. Podgor

**Mastering Criminal Procedure, Volume 2: The Adjudicatory Stage**

Peter J. Henning, Andrew Taslitz, Margaret L. Paris,

Cynthia E. Jones, Ellen S. Podgor

**Mastering Elder Law**

Ralph C. Brashier

**Mastering Employment Discrimination Law**

Paul M. Secunda, Jeffrey M. Hirsch

**Mastering Evidence**

Ronald W. Eades

- Mastering Family Law**  
Janet Leach Richards
- Mastering Intellectual Property**  
George W. Kuney, Donna C. Looper
- Mastering Legal Analysis and Communication**  
David T. Ritchie
- Mastering Legal Analysis and Drafting**  
George W. Kuney, Donna C. Looper
- Mastering Negotiable Instruments (UCC Articles 3 and 4)  
and Other Payment Systems**  
Michael D. Floyd
- Mastering Partnership Taxation**  
Stuart Lazar
- Mastering Products Liability**  
Ronald W. Eades
- Mastering Professional Responsibility**  
Grace M. Giesel
- Mastering Property Law**  
Darryl C. Wilson, Cynthia H. DeBose
- Mastering Secured Transactions (UCC Article 9)**  
Richard H. Nowka
- Mastering Statutory Interpretation**  
Linda D. Jellum
- Mastering Tort Law**  
Russell L. Weaver, Edward C. Martin, Andrew R. Klein,  
Paul J. Zwier II, Ronald W. Eades, John H. Bauman
- Mastering Trademark and Unfair Competition Law**  
Lars S. Smith, Llewellyn Joseph Gibbons



# Mastering Partnership Taxation

**Stuart Lazar**

ASSOCIATE PROFESSOR  
SUNY BUFFALO LAW SCHOOL

CAROLINA ACADEMIC PRESS  
Durham, North Carolina

Copyright © 2013  
Stuart Lazar  
All Rights Reserved.

**Library of Congress Cataloging in Publication Data**

Lazar, Stuart.

Mastering partnership taxation / Stuart Lazar.

p. cm.

Includes bibliographical references and index.

ISBN 978-1-59460-865-0 (alk. paper)

1. Partnership--Taxation--United States. I. Title.

KF6452.L39 2012

343.7306'62--dc23

2012039163

Carolina Academic Press  
700 Kent Street  
Durham, NC 27701  
Telephone (919) 489-7486  
Fax (919) 493-5668  
[www.cap-press.com](http://www.cap-press.com)

Printed in the United States of America

# Contents

Table of Statutes	xv
Table of Regulations	xxi
Table of Cases	xxix
Table of Administrative Authorities	xxxii
Table of Secondary Sources	xxxiii
Series Editor's Foreword	xxxv
Preface	xxxvii
Acknowledgment	xxxix
<b>Chapter 1 • An Overview of Subchapter K</b>	<b>3</b>
Roadmap	3
A. Introduction	3
B. Types of Business Entities	5
1. Sole Proprietorships	6
2. C Corporations	6
3. Partnerships	7
4. S Corporations	9
C. Limited Liabilities Companies	9
D. Choice of Entity Considerations	11
E. Entity Classification	14
F. An Introduction to Partnership Taxation	16
1. Computing and Reporting Partnership Income	16
2. Partnership Contributions	18
3. Partnership Distributions	19
4. Sales or Exchanges of Partnership Interests	20
5. Partner-Partnership Transactions	20
6. Partnership Terminations	21
G. Electing Out of Subchapter K	22
H. Partnership Anti-Abuse Regulations	23
Checkpoints	26

---

<b>Chapter 2 • Partnership Formation</b>	27
Roadmap	27
A. An Introduction to Partnership Formations	27
B. Overview of the Partnership Nonrecognition Provisions	29
1. Section 721: Nonrecognition of Gain or Loss	29
2. Section 722 and Section 723: Substituted Basis	30
3. Section 1223: Partner and Partnership Holding Periods	32
C. Contributions of Encumbered Property	33
D. Character of Gain or Loss on Contributed Property	35
1. Unrealized Receivables	36
2. Inventory Items	36
3. Capital Loss Property	36
E. Contributions to an Investment Partnership	37
F. Organization and Syndication Expenses	38
1. General Rule	38
2. Election to Deduct Organization Expenses	39
3. Making the Election	40
4. Comparison to Start-Up Expenditures	40
Checkpoints	43
<b>Chapter 3 • Receipt of a Partnership Interest for Services</b>	45
Roadmap	45
A. Introduction	45
B. Capital Interests	46
1. Consequences to Service Partners	46
2. Consequences to Partnership	49
3. Valuation of a Capital Interest	51
C. Profits Interests	53
1. Consequences to Service Partner	53
2. Consequences to Partnership	56
D. Proposed Regulations	56
1. Consequences to Service Partner	57
2. Consequences to Partnership	59
Checkpoints	60
<b>Chapter 4 • Partnership Operations</b>	61
Roadmap	61
A. Introduction to Partnership Accounting	61
B. Computation of Partnership Taxable Income	63
1. Partnership Computations	63



---

2. Characterization of Partnership Income	65
3. Partnership Tax Elections	65
C. Partnership Taxable Year	66
1. Introduction to Calculating the Partnership Taxable Year	66
2. Majority Interest Taxable Year	67
3. Principal Partner Taxable Year	68
4. Least Aggregate Deferral Taxable Year	68
5. Changes in a Partnership's Required Taxable Year	69
6. Adopting a Business Taxable Year	70
7. Electing a Taxable Year Other Than a Required Tax Year or a Business Tax Year	71
D. Accounting Method	72
E. Effect of Operations on Partners' Outside Basis	76
1. Initial Outside Basis	77
2. Adjustments to Outside Basis	78
3. Alternative Method For Determining Basis	81
F. Loss Limitation Rules	82
1. Section 704(d)	83
2. Section 465	85
3. Section 469	87
Checkpoints	94
<b>Chapter 5 • Partnership Allocations</b>	<b>95</b>
Roadmap	95
A. Introduction to Partnership Allocations	95
B. The Partnership Agreement	97
C. Section 704(b)	98
1. Substantial Economic Effect	99
2. Economic Effect	99
a. Capital Account Maintenance	100
b. Liquidation Requirement	106
c. Deficit Restoration Obligation	107
d. The Alternate Test for Economic Effect	108
e. Economic Equivalence Test	110
3. Economic Effect Must Be Substantial	111
a. Shifting Allocations	111
b. Transitory Allocations	113
c. Overall Tax Effects Test	114
4. Partners' Interest in the Partnership	115
D. Allocations of Nonrecourse Deductions	116

1. Introduction	116
2. Partnership Minimum Gain and a Partner's Share of Partnership Minimum Gain	119
3. Nonrecourse Distributions	122
4. Minimum Gain Chargeback	122
E. Allocations with Respect to Contributed Property	125
1. Introduction	125
2. Traditional Method	128
3. Traditional Method with Curative Allocations	131
4. Remedial Allocation Method	134
5. Revaluations of Partnership Property	137
6. Transfers of a Partnership Interest and Limitations on Built-In Losses	138
7. Special Rules	139
a. Disposing of Section 704(c) Property in a Nonrecognition Transaction	139
b. Disposing of Section 704(c) Property in an Installment Sale	140
c. Small Disparities	140
d. Aggregation of Section 704(c) Properties	140
F. Allocations of Partnership Liabilities	141
1. Introduction to Partnership Liabilities	141
2. Liability Defined	143
3. Recourse and Nonrecourse Liabilities Defined	143
4. Partner's Share of Partnership Liabilities	145
a. Allocating Recourse Liabilities	145
b. Allocating Nonrecourse Liabilities	147
G. Family Partnerships	150
Checkpoints	154
<b>Chapter 6 • Partner-Partnership Transactions</b>	155
Roadmap	155
A. Payments for Services and the Use of Property	156
1. Determining Whether a Partner Acts as a Partner	157
2. Guaranteed Payments	161
3. Comparison of Partnership-Partner Transactions	166
B. Sales and Exchanges of Property between Partners and Partnerships	168
1. Disguised Sales	168
a. Disguised Sales of Property	170
b. Disguised Sales of Partnership Interests	176

---

2. Gain or Loss on Sales or Exchanges between Related Persons	176
a. Loss Limitations on Related Party Sales	177
b. Recharacterizing Gain on Sales to Related Purchasers	178
Checkpoints	179
<b>Chapter 7 • Sales and Exchanges of Partnership Interests</b>	<b>181</b>
Roadmap	181
A. Consequences to the Selling Partner	182
1. Computing Gain or Loss	183
a. Amount Realized	183
b. Adjusted Basis	185
2. Character of Gain or Loss	189
a. The Look-Through Rule of Section 751(a)	191
b. The Capital Gains Look-Through Rule of Section 1(h)	195
c. Holding Period	197
3. Installment Sales of Partnership Interests	202
B. Consequences to the Purchasing Partner	203
1. Determining the Purchasing Partner's Outside Basis	203
2. Determining the Partnership's Inside Basis	204
a. Introduction to the Section 743(b) Adjustment	205
b. Calculating the Overall Section 743(b) Adjustment	206
c. Allocating the Section 743(b) Adjustment	209
d. Effect of Section 743(b) Adjustment on Partnership Operations	211
e. Reporting Requirements	213
3. Effect on Purchaser's Capital Account	214
Checkpoints	215
<b>Chapter 8 • Operating Distributions</b>	<b>217</b>
Roadmap	217
A. General Rules	219
1. Distributions of Money	219
2. Distributions of Property	222
3. Distributions of Marketable Securities	226
4. Subsequent Sales of Distributed Property	230
B. Disproportionate Distributions	232
1. General Principles of Section 751(b)	232
2. Section 751(b) Property	235
3. The Hypothetical Exchange	237

4. Application of Section 751(b) to a Section 752(b) Deemed Distribution	241
5. Reporting Requirements	242
C. Mixing Bowl Transactions	242
1. Distributions of Contributed Property to Another Partner: Section 704(c)(1)(B)	244
2. Distributions of Other Property to a Contributing Partner: Section 737	247
3. Overlap between Section 704(c)(1)(B) and Section 737	249
D. Consequences to the Distributing Partnership	250
1. General Rule of Nonrecognition	250
2. Basis of Partnership Property	250
a. Introduction to the Section 734(b) Adjustment	250
b. Calculating the Overall Section 734(b) Adjustment	252
c. Allocating the Section 734(b) Adjustment	253
d. Effect of Section 734(b) Adjustment on Partnership Operations	256
e. Reporting Requirements	257
3. Capital Account Maintenance	257
Checkpoints	259
<b>Chapter 9 • Liquidating Distributions and Partnership Terminations</b>	261
Roadmap	261
A. Liquidation of a Partner's Interest	262
1. An Introduction to Section 736	262
2. Classifying Payments under Section 736(a) or Section 736(b)	263
3. Allocation of Section 736 Payments	265
4. Taxing Section 736(a) Payments	267
5. Taxing Section 736(b) Payments	268
a. Recognition of Gain or Loss	268
b. Basis in Distributed Properties	271
c. Disproportionate Liquidating Distributions	273
d. Anti-Mixing Bowl Provisions	275
6. Consequences to the Distributing Partnership	275
a. General Rule of Nonrecognition	275
b. Basis of Partnership Property	276
c. Capital Account Maintenance	279
B. Partnership Terminations	280
1. Voluntary Liquidations	281
2. Involuntary Liquidations	284

---

C. Partnership Conversions	287
1. Partnership to Partnership	288
2. Partnership to Corporation	290
3. Partnership to Sole Proprietorship	292
D. Partnership Mergers, Consolidations, and Divisions	294
1. Partnership Mergers and Consolidations	294
a. General Rules	294
b. Form of Partnership Merger	296
c. Effect of Partnership Liabilities	298
d. Buy-Out Rule	299
e. Anti-Mixing Bowl Provisions	299
2. Partnership Divisions	301
a. General Rules	301
b. Form of Partnership Division	303
c. Tax Consequences Resulting from Partnership Divisions	304
E. Closing of the Partnership Taxable Year	305
1. Partnership Terminations	305
2. Termination of a Partner's Interest	306
Checkpoints	307
<b>Mastering Partnership Taxation Master Checklist</b>	<b>309</b>
About the Author	317
Index	319



# Table of Statutes

<b>Internal Revenue Code</b>	263, 21, 41, 163, 165–167, 179, 268
1(h), 183, 189–191, 195–196, 201, 210	267(c), 167, 177
1(h)(1)(B), 191	267(d), 177
1(h)(1)(C), 191	351, 30, 231
1(h)(1)(D), 196	351(a), 30
1(h)(1)(E), 195	351(b), 30, 34
1(h)(4), 195	351(d)(1), 30
1(h)(5), 195	351(e), 37
1(h)(5)(B), 195–197	356(a), 34
1(h)(6), 196	357(c), 292
1(h)(9), 195, 201	444, 67, 69, 71, 72
61, 18, 20, 30, 52, 150, 162, 165, 167,	448, 73–75
83, 18, 45, 47–50, 55–57, 59, 60, 77,	448(a)(3), 74, 75
310	448(c)(1), 74
83(a), 47, 77	453(a), 202
83(b), 45, 48–50, 55–57, 59, 60, 310	453(b)(2), 202
83(b)(2), 48	453(c), 202
83(c)(1), 47	453(d), 202
83(h), 49, 50, 56, 59	453(g), 179
108, 66	453(i)(2), 202
162, 21, 41, 50, 59, 163, 165–167,	453(k)(2), 203
179, 268, 276	453A(e)(2), 202
162(e), 50	461(h)(2), 73
163(e)(5), 25	461(i)(3), 74
165, 40, 42, 165	465, 17, 82, 84–87, 94
195, 40–42, 167	465(a), 83, 85, 87
195(a), 42	465(b)(1), 86
195(b), 42	465(b)(2), 86
195(b)(2), 42	465(b)(6), 86, 146
195(c), 40	465(c)(1), 85
224, 63, 64	465(c)(3), 85
	465(d), 85

- 465(e), 289  
 465(e)(1)(A), 87  
 465(e)(1)(B), 87  
 469, 13, 17, 82–84, 87, 90–94, 165  
 469(a), 90  
 469(a)(2), 90  
 469(b), 90, 93  
 469(c)(1), 90  
 469(c)(2), 90  
 469(c)(7), 93  
 469(c)(7)(B), 93  
 469(d)(1), 90  
 469(g), 90  
 469(g)(1)(A), 93  
 469(h)(1), 91  
 469(h)(2), 92  
 469(i), 93  
 471(a), 73  
 702, 21, 62, 64, 268  
 702(a), 17, 64, 162  
 702(a)(1), 65  
 702(a)(4), 65  
 702(a)(7), 64  
 702(b), 17, 35, 65, 268  
 703(a), 17, 62, 63  
 703(a)(1), 62, 64  
 703(a)(2), 62, 63  
 703(b), 65, 66  
 704, 21, 95, 125, 154, 299  
 704(a), 17, 95, 97, 154  
 704(b), 17, 59, 96, 98, 116, 125, 127,  
     130, 134, 138, 148, 150, 157, 160,  
     167, 212  
 704(c), 17, 96, 98, 125–133, 135–141,  
     192, 196, 197, 205–208, 211, 213,  
     244–249, 272, 275, 287, 299–301,  
     305  
 704(c)(1), 126  
 704(c)(1)(A), 32, 125, 126, 138, 149,  
     244, 247, 275, 299  
 704(c)(1)(B), 18, 21, 169, 218, 219,  
     243–249, 260, 275, 282, 286, 287,  
     294, 299–301, 305  
 704(c)(1)(B)(i), 245  
 704(c)(1)(B)(ii), 245  
 704(c)(1)(B)(iii), 245  
 704(c)(1)(C), 139  
 704(c)(1)(C)(i), 139  
 704(c)(1)(C)(ii), 139  
 704(c)(2), 126, 246  
 704(d), 31, 62, 63, 77, 82–87, 94,  
     141, 148, 162  
 704(e), 97, 129, 138, 140, 141,  
     150–153, 245, 299, 305  
 704(e)(1), 151, 152, 305  
 704(e)(2), 152, 153  
 704(e)(3), 141, 153  
 705 78, 79, 186  
 705(a), 62, 79, 80, 82, 185  
 705(a)(1), 62, 79, 178, 218, 220  
 705(a)(1)(A), 79, 84  
 705(a)(1)(B), 79, 178  
 705(a)(2), 62, 80, 83, 177  
 705(a)(2)(A), 79, 83  
 705(a)(2)(B), 79  
 705(b), 81  
 706, 17, 185  
 706(a), 63, 66, 186  
 706(b), 67, 70, 286, 303  
 706(b)(1)(B), 67  
 706(b)(1)(B)(i), 67  
 706(b)(1)(C), 70  
 706(b)(2), 68  
 706(b)(2)(ii), 68  
 706(b)(2)(iii), 68  
 706(b)(3), 68, 165  
 706(b)(4), 67



- 706(b)(4)(A), 67  
 706(b)(4)(B), 67, 70  
 706(c)(1), 51, 281, 295  
 706(c)(2), 306  
 706(c)(2)(A), 185, 186, 269  
 706(c)(2)(B), 186  
 706(d), 17, 186  
 706(d)(1), 51  
 707(a), 20, 157, 159, 161, 166–169,  
 176  
 707(a)(1), 156, 162, 168  
 707(a)(2), 161, 206  
 707(a)(2)(A), 159–161  
 707(a)(2)(B), 18, 21, 160, 168–174,  
 176, 226, 242, 249  
 707(b), 165, 168, 176, 179, 298  
 707(b)(1), 21, 177–178  
 707(b)(1)(A), 177  
 707(b)(1)(B), 177  
 707(b)(2), 178  
 707(b)(3), 177  
 707(c), 20, 57, 157, 161–166  
 708, 21, 284, 288, 294, 304  
 708(a)(2)(A), 290  
 708(b), 165, 262, 280  
 708(b)(1), 21  
 708(b)(1)(A), 40, 280, 286, 292–294  
 708(b)(1)(B), 280, 284–287, 290  
 708(b)(2)(A), 294  
 709(a), 38  
 709(b), 38–40  
 709(b)(1)(A), 39  
 709(b)(1)(B), 39  
 721, 18, 28–33, 35, 37, 52–54, 59,  
 138, 156, 169, 174, 175, 242, 288,  
 289, 297, 298, 300, 305  
 721(a), 18, 29–30, 32, 37, 54, 125,  
 169, 243–244, 288  
 721(b), 29, 31, 37  
 722, 18, 29–32, 34, 35, 62, 77–80,  
 103, 125, 139, 141, 172, 185, 231,  
 244, 288  
 723, 18, 29–32, 103, 125, 138, 139,  
 172, 244, 286, 297, 298  
 724, 36, 65  
 724(a), 19, 36, 37  
 724(b), 19, 37, 65  
 724(c), 19, 37  
 724(d)(1), 36  
 724(d)(2), 36  
 731, 21, 62, 76, 156, 169, 170, 174,  
 184, 219, 220, 227, 232, 234, 237,  
 238, 242–244, 247–252, 268–271,  
 275, 282, 297–299, 304  
 731(a), 18, 19, 34, 35, 76, 141, 228,  
 232, 242–244, 278, 298  
 731(a)(1), 35, 141, 148, 149, 169,  
 218–222, 226, 227, 229, 232, 241,  
 251, 252, 269, 276, 285, 286, 289,  
 291, 298, 304  
 731(a)(2), 19, 252, 269, 271, 277  
 731(c), 226–229  
 731(c)(1), 227, 269  
 731(c)(2), 226, 227  
 731(c)(3)(A), 229  
 731(c)(3)(A)(i), 229  
 731(c)(3)(A)(ii), 229  
 731(c)(3)(A)(iii), 229  
 731(c)(4), 228, 229  
 731(c)(4)(A), 228, 229  
 731(c)(4)(B), 228, 229  
 731(c)(5), 228, 229  
 731(c)(6), 227  
 732, 21, 76, 141, 218, 224, 225,  
 228–230, 238, 239, 244–249, 268,  
 269  
 732(a), 19, 276  
 732(a)(1), 222, 225, 229, 246

- 732(a)(2), 222–224, 231, 252–254  
732(b), 19, 224, 243, 252, 271, 272, 277, 278, 285, 286, 293, 297  
732(c), 19, 222–224, 255, 271–273, 279  
732(c)(1)(A)(i), 223, 271  
732(c)(1)(A)(ii), 223, 271  
732(c)(1)(B)(i), 224, 272  
732(c)(1)(B)(ii), 224  
732(c)(2), 272  
732(c)(3), 271, 272  
732(c)(3)(A), 224  
732(c)(3)(B), 224  
732(d), 225, 226, 242, 260, 272, 273  
733, 35, 62, 76–78, 80, 141, 218–223, 228, 229, 232, 234, 237, 238, 249, 288, 289, 298  
733(1), 219  
733(2), 222, 223  
734(a), 219, 250, 276–279  
734(b), 213, 217, 219, 250–257, 273, 276–279  
734(b)(1), 252, 277  
734(b)(1)(A), 252, 255  
734(b)(1)(B), 252, 253, 256  
734(b)(2), 252  
734(b)(2)(A), 277, 278  
734(b)(2)(B), 278–279  
734(c), 251–253  
734(d)(1), 251  
734(e), 251  
735, 218, 231, 234, 282, 297  
735(a), 19, 231  
735(a)(1), 231  
735(a)(2), 231  
735(b), 19, 230, 293, 297, 298  
735(c)(2), 231  
736, 262–270, 272, 274–276, 281, 282, 307  
736(a), 234, 262–270, 272, 274–276, 281, 282, 307  
736(a)(2), 234, 263, 264, 267–269, 274, 276  
736(b), 234, 263–270, 274, 276, 282  
736(b)(2), 234, 263–265, 267, 269, 274  
736(b)(2)(B), 234, 263–265, 267, 269, 274  
736(b)(3), 264, 265  
737, 18, 21, 93, 218, 227, 243, 244, 247–249, 260, 270, 275, 276, 282, 286, 287, 294, 299, 300, 305  
737(a), 18, 21, 244, 247–249, 260, 270, 275, 276, 287, 300, 305  
737(b), 18, 21, 218, 243, 244, 247, 249, 270, 275, 282, 286, 287, 294, 300, 305  
737(c)(1), 18, 21, 218, 243, 244, 247–249, 275, 282, 286, 287, 294, 300, 305  
737(c)(2), 248, 249  
737(d)(1), 249  
737(d)(2), 249  
741, 19, 20, 31, 35, 141, 181–183, 189–192, 196, 197, 199–203, 210, 288, 293  
742, 62, 77–79, 181, 185, 203, 204, 206, 208, 215  
743(a), 181, 182, 204–207, 209–215, 224–226, 242, 250, 253, 256, 273  
743(b), 181, 205–215, 224–226, 242, 250, 251, 253, 254, 256, 264, 265, 273  
743(c), 205, 206, 209, 242, 254  
743(d), 205, 207, 211, 225, 242  
743(e), 205  
743(f), 205

- 751, 20, 36, 181, 183, 189–196, 199–204, 210, 218–220, 223, 231–242, 249, 264, 268–274, 276, 282, 283, 293
- 751(a), 20, 36, 181, 183, 189–196, 199–204, 219, 220, 231–237, 239–242, 249, 268–274, 276, 282, 283, 293
- 751(b), 20, 191, 218–220, 232–242, 249, 268–270, 273, 274, 276, 282, 283
- 751(b)(1)(A)(ii), 234–236
- 751(b)(2)(A), 234, 235, 239, 268
- 751(b)(2)(B), 233–235, 237, 239, 240, 249, 268, 274, 282
- 751(b)(3), 235–239, 242, 249, 269
- 751(c), 20, 36, 191–195, 200, 202, 203, 219, 223, 231–236, 249, 264, 269, 271, 272, 274, 282, 283
- 751(c)(1), 36, 191–195, 203, 219, 231, 235, 236, 269, 271, 274
- 751(c)(2), 36, 193, 194, 202, 203, 234–236, 249, 274
- 751(d), 36, 194, 201, 204, 223, 231, 236, 249, 273
- 751(d)(1), 36, 194, 231, 236
- 751(d)(2), 36, 194, 236, 249
- 751(d)(3), 36, 194, 236, 249
- 752, 18, 34, 35, 62, 78, 80, 85, 86, 103, 141–143, 145, 147, 149, 170, 174, 175, 182–185, 188, 189, 203, 221, 223, 241, 242, 252, 288, 289, 298, 299, 304, 305, 307
- 752(a), 18, 34, 35, 62, 78, 80, 85, 86, 103, 141, 142, 145, 170, 174, 175, 182–185, 188, 189, 203, 221, 223, 241, 242, 252, 288, 289, 298, 299, 304, 307
- 752(b), 18, 34, 35, 62, 78, 80, 141, 174, 182, 184, 221, 223, 241, 242, 252, 288, 298, 299, 304
- 752(d), 182–184, 203, 221
- 754, 32, 139, 182, 205, 207, 208, 213, 219, 225, 250–255, 260, 273, 276–279, 287
- 755, 206, 209, 252, 253, 276, 278
- 755(a)(1), 209
- 761, 7
- 761(a), 22, 289
- 761(c), 98, 265
- 761(d), 261
- 894, 16
- 1001, 168–169, 183, 184, 190, 192, 288
- 1001(a), 27, 31, 76
- 1001(b), 27, 182, 183
- 1001(c), 28, 168
- 1011, 28
- 1011(b), 184
- 1012, 28, 77, 181, 182, 185, 203, 206
- 1014, 77, 78, 181, 185, 206
- 1015, 77, 78, 181, 185
- 1016, 28
- 1031, 289
- 1031(a)(1), 140
- 1031(a)(2), 289
- 1031(a)(2)(D), 289
- 1031(b), 34, 140
- 1032, 59
- 1221(a)(1), 36
- 1222, 184
- 1222(1), 190
- 1222(2), 190
- 1222(3), 190
- 1222(4), 190
- 1223, 32, 198
- 1223(1), 29, 32, 33, 197, 286, 297

1223(2), 29, 32, 33, 297	7519, 67, 72
1223(9), 198	7519(a)(2), 72
1231, 32, 36, 64, 194, 197, 209, 236	7519(b)(1), 72
1239, 178, 179	7519(b)(2), 72
1250, 189, 190, 195, 196, 201, 215, 313	7519(c)(1), 72
1402(a)(13), 165	7701(a)(43), 31
2701, 153	7701(a)(44), 31
2704, 153	
6031, 16	<b>Uniform Partnership Act</b>
	6(a), 7

# Table of Regulations

Treasury Regulations	
1.1(h)-1, 195	1.471-1, 73
1.1(h)-1(a), 189, 195	1.701-2, 23
1.1(h)-1(a)(3)(ii), 195	1.701-2(a), 24
1.1(h)-1(b), 201	1.701-2(b), 24
1.1(h)-1(b)(2), 195	1.701-2(c), 24
1.1(h)-1(c), 196, 201	1.701-2(e), 26
1.1(h)-1(f), Ex. 1, 191, 196	1.701-2(e)(1), 25
1.1(h)-1(f), Ex. 5, 201	1.701-2(e)(2), 25
1.61-1(a), 45	1.701-2(f), 25
1.61-2(d), 45	1.701-2(f), Ex. 1, 25
1.61-6(a), 187	1.701-2(f), Ex. 2, 25
1.83-1(a)(1), 47	1.701-2(f), Ex. 3, 26
1.83-2(a), 48	1.702-1(a)(8)(ii), 64
1.83-2(b), 48	1.703-1(b)(2), 66
1.83-2(e), 48	1.704-1(b)(1)(i), 98, 115
1.83-2(f), 48	1.704-1(b)(2)(i), 99, 111
1.83-6(a)(4), 50	1.704-1(b)(2)(ii)(a), 99, 100
1.195-1(b), 42	1.704-1(b)(2)(ii)(b), 99, 107, 146
1.351-1(c)(1), 37	1.704-1(b)(2)(ii)(b)(1), 99, 257, 279
1.351-1(c)(5), 37	1.704-1(b)(2)(ii)(b)(2), 99, 106, 257, 279
1.446-1(c)(1)(i), 73	1.704-1(b)(2)(ii)(b)(3), 100, 107, 280
1.446-1(c)(1)(ii)(A), 73	1.704-1(b)(2)(ii)(c), 107, 109
1.446-1(c)(2)(i), 73	1.704-1(b)(2)(ii)(d), 100, 108, 109
1.451-1(a), 73	1.704-1(b)(2)(ii)(d)(1), 108
1.451-2(a), 73	1.704-1(b)(2)(ii)(d)(3), 108
1.461-1(a)(1), 73	1.704-1(b)(2)(ii)(d)(4), 108
1.469-2(e)(2)(ii)(A), 165	1.704-1(b)(2)(ii)(d)(5), 108
1.469-4(c)(1), 90	1.704-1(b)(2)(ii)(d)(6), 108
1.469-4(c)(2), 90	1.704-1(b)(2)(ii)(f), 110
1.469-4(e)(1), 91	1.704-1(b)(2)(ii)(g), 106, 107
1.469-4(e)(2), 91	1.704-1(b)(2)(ii)(i), 100, 110

- 
- |  |   |
|--|---|
| 1.704-1(b)(2)(iii), 111                                      | 1.704-1(b)(4)(vi), 110                          |
| 1.704-1(b)(2)(iii)(a), 99, 115                               | 1.704-1(b)(5), Ex. 4(i), 116                    |
| 1.704-1(b)(2)(iii)(b), 112                                   | 1.704-1(b)(5), Ex. 4(ii), 110                   |
| 1.704-1(b)(2)(iii)(b)(2), 112                                | 1.704-1(b)(5), Ex. 5(i), 115                    |
| 1.704-1(b)(2)(iii)(c), 113, 114                              | 1.704-1(b)(5), Ex. 10(i), 113                   |
| 1.704-1(b)(2)(iv), 100, 279, 280, 286                        | 1.704-1(b)(5), Ex. 10(ii), 114                  |
| 1.704-1(b)(2)(iv)(a), 100                                    | 1.704-1(d)(1), 83                               |
| 1.704-1(b)(2)(iv)(b), 100, 125, 219                          | 1.704-1(d)(2), 83                               |
| 1.704-1(b)(2)(iv)(b)(1), 101                                 | 1.704-1(e)(1)(i), 150                           |
| 1.704-1(b)(2)(iv)(b)(2), 101                                 | 1.704-1(e)(1)(iv), 151                          |
| 1.704-1(b)(2)(iv)(b)(3), 102, 103                            | 1.704-1(e)(1)(v), 151                           |
| 1.704-1(b)(2)(iv)(b)(4), 101, 257,<br>258, 279               | 1.704-1(e)(3)(i)(b), 152                        |
| 1.704-1(b)(2)(iv)(b)(5), 101, 257, 279                       | 1.704-1(e)(3)(i)(c), 152                        |
| 1.704-1(b)(2)(iv)(b)(6), 102, 103                            | 1.704-1(e)(4)(ii), 153                          |
| 1.704-1(b)(2)(iv)(b)(7), 102, 103                            | 1.704-2(b)(1), 116–118                          |
| 1.704-1(b)(2)(iv)(c), 101, 107                               | 1.704-2(c), 120, 121                            |
| 1.704-1(b)(2)(iv)(d)(1), 101–103                             | 1.704-2(d)(1), 120, 147                         |
| 1.704-1(b)(2)(iv)(d)(2), 101–103                             | 1.704-2(d)(3), 147                              |
| 1.704-1(b)(2)(iv)(d)(3), 103                                 | 1.704-2(e), 118                                 |
| 1.704-1(b)(2)(iv)(e)(1), 101, 102,<br>257–259, 279           | 1.704-2(f)(1), 120, 122                         |
| 1.704-1(b)(2)(iv)(e)(2), 101, 102,<br>257–259, 279           | 1.704-2(f)(2), 123                              |
| 1.704-1(b)(2)(iv)(f), 105–107, 126,<br>137, 219, 259, 280    | 1.704-2(f)(3), 123                              |
| 1.704-1(b)(2)(iv)(f)(1), 105–107,<br>126, 137, 219, 259, 280 | 1.704-2(f)(4), 124                              |
| 1.704-1(b)(2)(iv)(f)(2), 105–107,<br>126, 137, 219, 259, 280 | 1.704-2(f)(6), 122                              |
| 1.704-1(b)(2)(iv)(f)(3), 106                                 | 1.704-2(f)(7), Ex. 1, 124                       |
| 1.704-1(b)(2)(iv)(f)(4), 106, 137                            | 1.704-2(f)(7), Ex. 2, 123                       |
| 1.704-1(b)(2)(iv)(f)(5), 105, 126                            | 1.704-2(g), 121                                 |
| 1.704-1(b)(2)(iv)(g)(1), 103                                 | 1.704-2(g)(1), 121, 148                         |
| 1.704-1(b)(2)(iv)(h), 101                                    | 1.704-2(g)(2), 122                              |
| 1.704-1(b)(2)(iv)(l), 214, 286                               | 1.704-2(h)(1), 122                              |
| 1.704-1(b)(2)(iv)(m)(2), 215                                 | 1.704-2(h)(2), 122                              |
| 1.704-1(b)(3)(i), 115  | 1.704-2(h)(3), 122                              |
| 1.704-1(b)(3)(ii), 115                                       | 1.704-2(j)(1), 121                              |
| 1.704-1(b)(3)(iii), 116                                      | 1.704-2(m), Ex. 1, 119, 124                     |
|  | 1.704-3, 126–129, 131–135, 137–141,<br>213, 287 |
|  | 1.704-3(a)(2), 126–128, 134, 287                |
|  | 1.704-3(a)(3)(i), 287                           |
|  | 1.704-3(a)(6), 126, 137                         |
|  | 1.704-3(a)(6)(i), 128                           |

- 
- 1.704-3(a)(7), 138, 139  
1.704-3(a)(8)(i), 129, 139  
1.704-3(a)(8)(ii), 140  
1.704-3(a)(10), 128, 131  
1.704-3(b)(1), 128, 129  
1.704-3(b)(2), Ex. 2, 131  
1.704-3(c)(1), 131  
1.704-3(c)(3)(i), 132  
1.704-3(c)(3)(ii), 132  
1.704-3(c)(3)(iii)(A), 132  
1.704-3(c)(3)(iii)(B), 133  
1.704-3(c)(4), Ex. 1, 133  
1.704-3(c)(4), Ex. 2, 134  
1.704-3(d)(1), 134  
1.704-3(d)(2), 135  
1.704-3(d)(3), 135  
1.704-3(d)(4)(i), 135  
1.704-3(d)(4)(ii), 135  
1.704-3(d)(7), Ex. 1, 137  
1.704-3(e)(1)(i)(B), 140  
1.704-3(e)(1)(i)(C), 140  
1.704-3(e)(1)(ii), 140  
1.704-3(e)(2), 141  
1.704-3(e)(3), 141  
1.704-4(a)(4)(ii), 287  
1.704-4(c), 246  
1.704-4(c)(3), 287  
1.704-4(c)(4), 305  
1.704-4(d)(1), 246  
1.704-4(d)(3), 246  
1.704-4(d)(4), 246  
1.704-4(f)(1), 246  
1.704-4(f)(2), Ex. 1, 247  
1.704-4(f)(2), Ex. 2, 247  
1.705-1(a), 220  
1.705-1(a)(1), 78, 185, 186  
1.705-1(b), 81, 82  
1.705-1(b), Ex. 1, 82  
1.705-1(b), Ex. 3, 82  
1.706-1(a), 66, 162  
1.706-1(a)(2), 66  
1.706-1(b)(2)(i)(C), 68  
1.706-1(b)(3)(i), 68  
1.706-1(b)(3)(iii), 70  
1.706-1(b)(5), 67  
1.706-1(b)(6), 67  
1.706-1(b)(8)(i)(C), 70  
1.706-1(c)(2)(i), 269, 306  
1.706-1(c)(2)(ii), 186, 306, 307  
1.707-1(a), 156–158  
1.707-1(c), 21, 162–165, 177, 268,  
276  
1.707-1(c), Ex. 2, 164–165  
1.707-1(c), Ex. 3, 162  
1.707-1(c), Ex. 4, 162  
1.707-3(a)(2), 172  
1.707-3(b)(1), 170  
1.707-3(b)(2), 171  
1.707-3(c), 170  
1.707-3(c)(2), 171  
1.707-3(d), 171  
1.707-3(f), Ex. 1, 171  
1.707-3(f), Ex. 3, 171  
1.707-4(a)(1), 173  
1.707-4(a)(2), 173  
1.707-4(a)(3), 173  
1.707-4(a)(3)(i), 173  
1.707-4(a)(3)(ii), 173  
1.707-4(b)(1), 172  
1.707-4(b)(2), 172  
1.707-5(a)(1), 174, 175  
1.707-5(a)(2)(i), 175  
1.707-5(a)(2)(ii), 175  
1.707-5(a)(5), 175  
1.707-5(a)(6), 175  
1.707-5(a)(6)(i)(A), 174  
1.707-5(a)(6)(i)(C), 174  
1.707-5(a)(6)(i)(D), 174

- 1.707-5(a)(6)(ii), 175  
 1.707-5(a)(7), 175  
 1.707-5(b), 176  
 1.707-5(f), Ex. 1, 175  
 1.707-8(a), 171  
 1.708-1(b)(1), 281  
 1.708-1(b)(1)(i), 282  
 1.708-1(b)(2), 284, 285  
 1.708-1(b)(3), 21  
 1.708-1(b)(3)(i), 21, 306  
 1.708-1(b)(3)(ii), 287, 306  
 1.708-1(b)(4), 22, 286  
 1.708-1(b)(5), 287  
 1.708-1(c)(1), 294, 305  
 1.708-1(c)(2), 295  
 1.708-1(c)(3), 290, 296  
 1.708-1(c)(3)(i), 281, 296  
 1.708-1(c)(3)(ii), 296  
 1.708-1(c)(4), 299  
 1.708-1(c)(5), Ex. 1, 295  
 1.708-1(c)(5), Ex. 2, 295-296  
 1.708-1(c)(5), Ex. 3, 297  
 1.708-1(c)(5), Ex. 4, 297  
 1.708-1(d)(1), 301  
 1.708-1(d)(2)(i), 302  
 1.708-1(d)(2)(ii), 302  
 1.708-1(d)(3)(i), 303  
 1.708-1(d)(3)(i)(A), 303  
 1.708-1(d)(3)(i)(B), 304  
 1.708-1(d)(3)(ii), 303  
 1.708-1(d)(3)(ii)(A), 304  
 1.708-1(d)(3)(ii)(B), 304  
 1.708-1(d)(4)(i), 302  
 1.708-1(d)(5), Ex. 1, 302-303  
 1.708-1(d)(5), Ex. 2, 303  
 1.708-1(d)(5), Ex. 3, 303  
 1.709-1(b)(2), 39, 40  
 1.709-1(b)(3), 39, 40  
 1.709-1(b)(4), Ex. 1, 39  
 1.709-1(b)(4), Ex. 2, 39  
 1.709-1(b)(4), Ex. 3, 39  
 1.709-1(b)(4), Ex. 4, 39-40  
 1.709-2(a), 38  
 1.709-2(b), 38  
 1.721-1(a), 169, 243  
 1.721-1(b), 18, 51  
 1.721-1(b)(1), 30, 53  
 1.722-1, 34, 35, 81  
 1.731-1(a)(1)(ii), 220  
 1.731-1(a)(2), 269, 270  
 1.731-1(a)(3), 220  
 1.731-1(b), 219, 275  
 1.731-1(c)(3), 169, 243, 285  
 1.731-2(d)(1)(ii), 229  
 1.731-2(d)(2), 230  
 1.731-2(f)(1)(i), 229  
 1.731-2(j), Ex. 1, 227-229  
 1.731-2(j), Ex. 2, 228  
 1.731-2(j), Ex. 5, 229  
 1.732-1(a), Ex. 2, 222  
 1.732-1(d)(1)(vi), 273  
 1.732-1(d)(2)(i), 226  
 1.732-1(d)(2)(ii), 226  
 1.732-1(d)(3), 225  
 1.732-1(d)(4), 226, 273  
 1.732-1(d)(5), 226  
 1.734-1(d), 257  
 1.734-1(e)(1), 256  
 1.734-1(e)(2), 256  
 1.735-1(b), 230, 231  
 1.736-1(a)(1)(i), 262, 281  
 1.736-1(a)(2), 263, 268  
 1.736-1(a)(3), 263, 265  
 1.736-1(a)(3)(i), 267, 276  
 1.736-1(a)(3)(ii), 268, 276  
 1.736-1(a)(4), 267, 268, 276  
 1.736-1(a)(5), 268, 269  
 1.736-1(b)(1), 264, 274



- 
- 1.736-1(b)(2), 264  
1.736-1(b)(3), 265  
1.736-1(b)(5), 266  
1.736-1(b)(5)(ii), 267  
1.736-1(b)(6), 270  
1.737-1(c)(1), 247  
1.737-1(c)(2)(iv), 249  
1.737-1(d), 248  
1.737-2(a), 287  
1.737-2(b)(1), 300  
1.737-2(b)(2), 305  
1.737-2(b)(3), 300  
1.737-3(a), 248  
1.737-3(c)(1), 248  
1.741-1(a), 20, 182, 190, 192, 201  
1.742-1, 185, 206  
1.743-1(d)(1), 207  
1.743-1(d)(1)(ii), 207  
1.743-1(d)(1)(iii), 207  
1.743-1(d)(3), Ex. 2, 207  
1.743-1(f), 213  
1.743-1(g)(1)(i), 224  
1.743-1(g)(2)(i), 225  
1.743-1(g)(2)(ii), 225  
1.743-1(j)(1), 211  
1.743-1(j)(2), 212  
1.743-1(j)(3)(i), 213  
1.743-1(j)(4)(i)(A), 212  
1.743-1(j)(4)(i)(B)(1), 212  
1.743-1(j)(4)(ii)(A), 212, 256  
1.743-1(j)(4)(ii)(B), 212, 256  
1.743-1(k)(1)(i), 214  
1.743-1(k)(2), 214  
1.743-1(k)(2)(i), 214  
1.743-1(k)(2)(ii), 214  
1.743-1(k)(3), 214  
1.743-1(k)(4), 214  
1.743-1(k)(5), 214  
1.751-1(a)(1), 191, 192  
1.751-1(a)(2), 190, 192, 201  
1.751-1(a)(3), 194, 242  
1.751-1(b)(1)(i), 232, 237, 276  
1.751-1(b)(1)(ii), 233, 234  
1.751-1(b)(1)(iii), 234, 238  
1.751-1(b)(2)(ii), 238  
1.751-1(b)(2)(iii), 237, 238  
1.751-1(b)(3)(ii), 238  
1.751-1(b)(3)(iii), 237, 238  
1.751-1(b)(4)(ii), 268, 274  
1.751-1(b)(5), 242  
1.751-1(c)(4), 193, 194  
1.751-1(c)(4), 194, 236  
1.751-1(d)(1), 236  
1.751-1(d)(2)(ii), 236  
1.751-1(g), 190, 192, 238  
1.752-1(a)(1), 143  
1.752-1(a)(2), 147  
1.752-1(a)(4), 35, 143  
1.752-1(a)(4)(i), 143  
1.752-1(a)(4)(ii), 143  
1.752-1(a)(4)(iii), 143  
1.752-1(b), 34, 145  
1.752-1(c), 34, 183  
1.752-1(d)(1), 142  
1.752-1(d)(2), 142  
1.752-1(e), 142  
1.752-1(f), 35, 80, 142, 223, 298, 304  
1.752-1(g), Ex. 2, 299  
1.752-1(i), 144  
1.752-2(a), 145  
1.752-2(b)(1), 144, 145  
1.752-2(b)(3), 144  
1.752-2(b)(4), 144, 146  
1.752-2(b)(5), 144, 145  
1.752-2(d)(1), 146  
1.752-2(f), Ex. 1, 147  
1.752-3(a), 147, 175  
1.752-3(a)(1), 147

- 
- |                                   |                          |
|-----------------------------------|--------------------------|
| 1.752-3(a)(2), 147–149            | 1.1001-2, 184            |
| 1.752-3(a)(3), 147, 149, 150, 175 | 1.1001-2(a)(1), 182–183  |
| 1.752-3(c), Ex. 2, 150            | 1.1001-2(a)(4)(iii), 183 |
| 1.752-3(c), Ex. 3, 150            | 1.1001-2(a)(4)(v), 183   |
| 1.752-7(b)(3), 143                | 1.1001-2(c), Ex. 4, 184  |
| 1.754-1(a), 213                   | 1.1002-1(c), 28          |
| 1.754-1(b), 213                   | 1.1031(a)-1(a)(1), 289   |
| 1.754-1(c), 213                   | 1.1223-3(a), 198         |
| 1.755-1(a), 209                   | 1.1223-3(b)(1), 33, 198  |
| 1.755-1(a)(1), 209, 210, 253      | 1.1223-3(b)(2), 198, 199 |
| 1.755-1(a)(2), 209                | 1.1223-3(b)(3), 199      |
| 1.755-1(a)(3), 209                | 1.1223-3(b)(4), 199      |
| 1.755-1(a)(4), 209                | 1.1223-3(c), 201         |
| 1.755-1(a)(5), 209                | 1.1223-3(c)(1), 200      |
| 1.755-1(b), 253                   | 1.1223-3(c)(2)(i), 200   |
| 1.755-1(b)(1)(i), 210             | 1.1223-3(c)(2)(ii), 200  |
| 1.755-1(b)(1)(ii), 210            | 1.1402(a)-1(b), 165      |
| 1.755-1(b)(2), 210                | 1.6031-1(e)(2), 17       |
| 1.755-1(b)(2)(ii), Ex. 1, 211     | 15A.453-1(c), 270        |
| 1.755-1(b)(3)(i)(A), 210          | 20.2031-1(b), 51         |
| 1.755-1(b)(3)(i)(B), 210          | 20.2031-3, 51            |
| 1.755-1(b)(3)(ii)(A), 210         | 301.7701-1(a), 280       |
| 1.755-1(b)(3)(ii)(B), 210         | 301.7701-1(a)(1), 15     |
| 1.755-1(c), 253, 254              | 301.7701-3(f)(2), 292    |
| 1.755-1(c)(1)(i), 254, 278, 279   | 301.7701-3(g)(1)(i), 292 |
| 1.755-1(c)(1)(ii), 254, 279       | 301.7701-3(g)(3)(i), 292 |
| 1.755-1(c)(2)(i), 254             |                          |
| 1.755-1(c)(4), 225, 254           |                          |
| 1.761-1(c), 98                    |                          |
| 1.761-1(d), 217                   |                          |
| 1.761-2(a)(1), 22                 |                          |
| 1.761-2(a)(2), 22                 |                          |
| 1.761-2(a)(3), 23                 |                          |
| 1.761-2(b)(1), 23                 |                          |
| 1.761-2(b)(2)(i), 23              |                          |
| 1.761-2(b)(2)(ii), 23             |                          |
| 1.761-2(b)(3), 23                 |                          |
| 1.894-1(d), 16                    |                          |
| 1.1001-1(e), 183                  |                          |
- 
- |  |                                      |
|--|--------------------------------------|
|  | <b>Proposed Treasury Regulations</b> |
|  | 1.83-3(e), 57                        |
|  | 1.83-3(l)(1), 57                     |
|  | 1.465-66(a), 87                      |
|  | 1.704-1(b)(4)(xii)(a), 59            |
|  | 1.704-1(b)(4)(xii)(b), 59            |
|  | 1.704-4(c)(4)(ii), 300               |
|  | 1.704-4(c)(4)(ii)(E), 301            |
|  | 1.704-4(c)(4)(ii)(F), Ex. 1, 301     |
|  | 1.706-4(a), 187                      |
|  | 1.707-1(c), 57                       |
|  | 1.721-1(b)(2), 59                    |

---

1.737-2(b)(1)(ii), 300

1.737-2(b)(1)(ii)(E), 301

1.761-1(b), 59

**Temporary Treasury Regulations**

1.163-8T, 122

1.469-5T(a), 91

1.469-5T(e), 92



# Table of Cases

- Armstrong v. Phinney, 394 F.2d 661 (5th Cir. 1968), 157, 158
- Baker Commodities, Inc. v. Commissioner, 415 F.2d 519 (9th Cir. 1969), 281
- Cagle v. Commissioner, 63 T.C. 86 (1974), aff'd, 539 F.2d 409 (5th Cir. 1976), 162, 163
- Campbell v. Commissioner, 59 T.C.M. 236 (1990), reversed, 943 F.2d 815 (8th Cir. 1991), 54
- Commissioner v. Doak, 234 F.2d 704 (4th Cir. 1956), 157
- Commissioner v. Moran, 236 F.2d 595 (8th Cir. 1956), 157
- Commissioner v. Robinson, 273 F.2d 503 (3rd Cir. 1959), 157
- Commissioner v. Tower, 327 U.S. 280 (1946), 151
- Commissioner v. Tufts, 461 U.S. 300 (1983), 117, 118, 151
- Communications Satellite Corp. v. United States, 625 F.2d 997 (Ct. Cl. 1980), 169, 243
- Cowden v. Commissioner, 289 F.2d 20 (5th Cir. 1961), 102
- Crane v. Commissioner, 331 U.S. 1 (1947), 117, 183
- Culbertson v. Commissioner, 337 U.S. 733 (1949), 151
- Diamond v. Commissioner, 56 T.C. 530 (1970), aff'd, 492 F.2d 286 (7th Cir. 1974), 54
- Flint v. Stone Tracy Co., 202 U.S. 107 (1911), 6
- Foxman v. Commissioner, 41 T.C. 535 (1964), aff'd, 352 F.2d 466 (3d Cir. 1965), 281
- Fuchs v. Commissioner, 80 T.C. 506 (1983), 280
- Gregg v. United States, 186 F. Supp. 2d. 1123 (D. Or. 2000), 93
- Hale v. Commissioner, 24 T.C.M. 1497 (1965), 53
- Harkness v. Commissioner. 193 F.2d 655 (9th Cir. 1951), 151
- Hatch v. Commissioner, 198 F.2d 26 (9th Cir. 1952), 191
- Helvering v. Horst, 311 U.S. 112 (1940), 150
- Hensel Phelps Constr. Co. v. Commissioner, 74 T.C. 939 (1980), aff'd, 703 F.2d 485 (10th Cir. 1983), 53
- Johnston v. Commissioner, T.C. Memo 1995-140 (1995), 52-53
- Jupiter Corp. v. United States, 2 Cl. Ct. 61 (1983), 169, 243
- Kenroy Inc. v Commissioner, 47 T.C.M. 1749 (1984), 54
- Larson v. Commissioner, T.C. Memo 1988-387 (1988), 53

- Lucas v. Earl, 281 U.S. 111 (1930), 150, 152
- Lusthaus v. Commissioner, 327 U.S. 293 (1946), 151
- McCauslen v. Commissioner, 45 T.C. 588 (1966), 293
- Madorin v. Commissioner, 84 T.C. 667 (1985), 285
- National Oil Co. v. Commissioner, 52 T.C.M. 1223 (1986), 54
- O'Brien v. Commissioner, 77 T.C. 113 (1981), 184
- Otey v. Commissioner, 70 T.C. 312 (1978), *aff'd. per curiam*, 634 F.2d 1046 (6th Cir. 1980), 169, 243
- Pacheco v. United States, 912 F.2d 297 (9th Cir. 1990), 54
- Pratt v. Commissioner, 64 T.C. 203 (1975), *aff'd*, 550 F.2d 1023 (5th Cir. 1977), 158, 164
- Raphan v. United States, 3 Cl. Ct. 427 (1983), 142
- Robinson v. Commissioner, 88-1 U.S.T.C. 9120 (1988), 285
- St. John v. United States, 84-1 U.S.T.C. 9158 (CD Ill. 1983), 54
- Swiren v. Commissioner, 183 F.2d 656 (7th Cir. 1950), *cert. denied*, 340 U.S. 912 (1951), 191
- United States v. Frazell, 355 F.2d 487 (5th Cir. 1964), 30
- United States v. Kintner, 216 F.2d 418 (9th Cir. 1954), 14
- United States v. Stafford, 727 F.2d 1043 (11th Cir. 1984), 30
- Yourman v. United States, 277 F. Supp. 818 (S.D. Calif. 1967), 282

# Table of Administrative Authorities

- Chief Counsel Advice**  
Chief Counsel Advice 200722027  
(Jun. 1, 2007), 203
- General Counsel Memorandum**  
General Counsel Memorandum  
36,346 (Jul. 25, 1977), 54  
General Counsel Memorandum  
36,702 (Apr. 12, 1976), 165  
General Counsel Memorandum  
37,540 (May 18, 1978), 290, 291  
General Counsel Memorandum  
38,133 (Oct. 10, 1979), 165  
General Counsel Memorandum  
38,144 (Oct. 23, 1979), 291
- IRS Announcements**  
Announcement 94-87, 1994-27 I.R.B.  
124, 26  
Announcement 2009-4, 2009-8 I.R.B.  
597, 176
- IRS Publications**  
Publication 925 (2011), 91
- Notices**  
Notice 2005-15, 2005-1 C.B. 527, 300  
Notice 2005-32, 2005-1 C.B. 895, 257  
Notice 2005-43, 2005-1 C.B. 1221, 56
- Notice of Proposed Rulemaking**  
PS-163-84, 56 Fed. Reg. 19,055-02  
(Apr. 25, 1991), 170
- PS-2-95, 61 Fed. Reg. 28-01, 1996-1  
C.B. 853 (Jan 2, 1996), 228  
PS-5-96, 61 Fed. Reg. 21985-01,  
1996-1 C.B. 877 (May 13, 1996),  
287  
REG-149513-03, 69 Fed. Reg. 68838,  
2004-2 C.B. 1009 (Nov. 26, 2004),  
176  
REG-105346-03, 70 Fed. Reg. 29675,  
2005-1 C.B. 1244 (May 24, 2005),  
56  
REG-143397-05, 72 Fed. Reg. 46,932-  
01, 2007-41 I.R.B. 790 (Aug. 22,  
2007), 300
- Private Letter Rulings**  
Priv. Ltr. Rul. 9029019 (Apr. 19,  
1990), 289  
Priv. Ltr. Rul. 9448026 (Aug. 31,  
1994), 289  
Priv. Ltr. Rul. 9507014 (Nov. 15,  
1995), 289  
Priv. Ltr. Rul. 8228094 (Apr. 16,  
1982), 285  
Priv. Ltr. Rul. 9504025 (Jan. 27, 1995),  
38  
Priv. Ltr. Rul. 200006008 (Sept. 30,  
1999), 38
- Revenue Procedures**  
Rev. Proc. 93-27, 1993-2 C.B. 43, 46,  
47, 53, 55-58

- Rev. Proc. 2001-43, 2001-2 C.B. 191, 55-57
- Rev. Proc. 2002-38, 2002-1 C.B. 1037, 74
- Rev. Proc. 2006-46, 2006-2 C.B. 859, 70-71
- Revenue Rulings**
- Rev. Rul. 55-30, 1955-1 C.B. 430, 157
- Rev. Rul. 57-68, 1957-1 C.B. 207, 282
- Rev. Rul. 57-200, 1957-1 C.B. 205, 243
- Rev. Rul. 59-60, 1959-1 C.B. 237, 51
- Rev. Rul. 67-65, 1967-1 C.B. 168, 293
- Rev. Rul. 68-79, 1968-1 C.B. 310, 230
- Rev. Rul. 68-289, 1968-1 C.B. 314, 296
- Rev. Rul. 69-184, 1969-1 C.B. 256, 165
- Rev. Rul. 70-239, 1970-1 C.B. 74, 290
- Rev. Rul. 74-607, 1974-2 C.B. 149, 73
- Rev. Rul. 75-154, 1975-1 C.B. 186, 282
- Rev. Rul. 75-194, 1975-1 C.B. 80, 184, 285
- Rev. Rul. 75-214, 1975-1 C.B. 185, 163
- Rev. Rul. 75-423, 1975-2 C.B. 260, 285
- Rev. Rul. 76-483, 1976-2 C.B. 131, 202
- Rev. Rul. 77-254, 1977-2 C.B. 63, 41
- Rev. Rul. 77-412, 1977-2 C.B. 223, 282
- Rev. Rul. 77-458, 1977-2 C.B. 220, 296
- Rev. Rul. 79-205, 1979-2 C.B. 255, 223
- Rev. Rul. 80-234, 1980-2 C.B. 203, 162
- Rev. Rul. 81-300, 1981-2 C.B. 143, 158, 161, 164
- Rev. Rul. 81-301, 1981-2 C.B. 144, 158, 161
- Rev. Rul. 84-52, 1984-1 C.B. 157, 187, 288-289
- Rev. Rul. 84-53, 1984-1 C.B. 159, 187-188
- Rev. Rul. 84-102, 1984-2 C.B. 119, 241-242
- Rev. Rul. 84-111, 1984-2 C.B. 88, 291
- Rev. Rul. 87-9, 1987-1 C.B. 133, 38
- Rev. Rul. 87-57, 1987-2 C.B. 117, 71
- Rev. Rul. 89-108, 1989-2 C.B. 100, 202-203
- Rev. Rul. 90-17, 1990-1 C.B. 119, 296
- Rev. Rul. 92-15, 1992-1 C.B. 215, 285
- Rev. Rul. 93-80, 1993-2 C.B. 239, 184
- Rev. Rul. 94-4, 1994-1 C.B. 195, 221
- Rev. Rul. 95-37, 1995-1 C. B. 130, 289
- Rev. Rul. 95-55, 1995-2 C.B. 313, 289
- Rev. Rul. 96-10, 1996-1 C.B. 138, 177
- Rev. Rul. 97-38, 1997-2 C.B. 69, 109
- Rev. Rul. 99-6, 1999-1 C.B. 432, 293
- Rev. Rul. 99-23, 1999-1 C.B. 998, 41
- Rev. Rul. 99-43, 1999-2 C.B. 506, 112
- Rev. Rul. 2004-43, 2004-2 C.B. 842, 300
- Rev. Rul. 2004-59, 2004-1 C.B. 1050, 292, 296
- Rev. Rul. 2005-10, 2005-1 C.B. 492, 300



# Table of Secondary Sources

## Conference Reports

Conf. Rep. No. 2543, 83d Cong., 2d Sess. 61 (1954), 286

## House Reports

H.R. Rep. No. 1337, 83d Cong., 2d Sess. 65 (1954), 4

H.R. Rep. No. 1337, 83d Cong., 2d Sess. 67 (1954), 157

H.R. Rep. No. 1337, 83d Cong., 2d Sess. 70 (1954), 205

H.R. Rep. No. 1515, 94th Cong., 2d Sess. 421 (1976), 163

H.R. Rep. No. 1278, 96th Cong., 2d Sess. 9 (1980), 41

H.R. Rep. No. 247, 101st Cong., 1st Sess. 406 (1989), 245

H.R. Rep. No. 1018, 102d Cong., 2d Sess. 428 (1992), 247

H.R. Rep. No. 111, 103d Cong. 1st Sess. 345 (1993), 264

H.R. Rep. No. 826, 103d Cong., 2d Sess. 188 (1994), 228

## Public Laws

Pub. L. No. 98-369, 98th Cong., 2d Sess. (Jul. 18, 1984), 142

## Senate Reports

S. Rep. No. 781, 82d Cong, 1st Sess. 38, 39 (1951), 151

S. Rep. No. 1622, 83d Cong., 2d Sess. 89 (1954), 4

S. Rep. No. 1622, 83d Cong., 2d Sess. 94 (1954), 165

S. Rep. No. 1622, 83d Cong., 2d Sess. 95 (1954), 217

S. Rep. No. 1622, 83d Cong., 2d Sess. 98-99 (1954), 192

S. Rep. No. 938, 94th Cong., 2d Sess. 93 (1976), 163

S. Rep. No. 1036, 96th Cong., 2d Sess. 10 (1980), 41

S. Rep. No. 1036, 96th Cong., 2d Sess. 11 (1980), 42

S. Rep. No. 313, 99th Cong., 2d Sess. 726-727 (1986), 93

S. Rep. No. 313, 99th Cong., 2d Sess. 737 (1986), 93

## Staff of the Joint Committee on Taxation Reports

Tax Shelters: Prepaid Interest, JCS-31-75 (Sept. 16, 1975), 75-76

General Explanation of the Revenue Provisions of the Deficit Reduction Act of 1984, 142, 159, 170, 171, 173, 174

General Explanation of the Tax Reform Act of 1986, JCS-10-87 (May 4, 1984), 87-89, 92

---

Review of Selected Entity Classification and Partnership Tax Issues, JCS-6-97 (Apr. 8, 1997), 10-11, 167-168	T.D. 8439, 57 Fed. Reg. 44,974, 1992-2 C.B. 126 (Sept. 30, 1992), 170, 175
Selected Issues Relating to Choice of Business Entity, JCX-20-12 (Mar. 5, 2012), 5, 11	T.D. 8588, 60 Fed. Reg. 23, 1995-7 I.R.B. 5 (Jan. 3, 1995), 25
	T.D. 8717, 62 Fed. Reg. 25498, 1997-1 C.B. 125 (May 9, 1997), 285
	T.D. 8902, 65 Fed. Reg. 57,092, 2000-2 C.B. 323 (Sept. 21, 2000), 198-199
<b>Treasury Decisions</b>	
T.D. 8237, 53 Fed. Reg. 53,140, 1989-1 C.B. 180 (Dec. 30, 1988), 147	

# Series Editor's Foreword

The Carolina Academic Press Mastering Series is designed to provide you with a tool that will enable you to easily and efficiently “master” the substance and content of law school courses. Throughout the series, the focus is on quality writing that makes legal concepts understandable. As a result, the series is designed to be easy to read and is not unduly cluttered with footnotes or cites to secondary sources.

In order to facilitate student mastery of topics, the Mastering Series includes a number of pedagogical features designed to improve learning and retention. At the beginning of each chapter, you will find a “Roadmap” that tells you about the chapter and provides you with a sense of the material that you will cover. A “Checkpoint” at the end of each chapter encourages you to stop and review the key concepts, reiterating what you have learned. Throughout the book, key terms are explained and emphasized. Finally, a “Master Checklist” at the end of each book reinforces what you have learned and helps you identify any areas that need review or further study.

We hope that you will enjoy studying with, and learning from, the Mastering Series.

Russell L. Weaver  
Professor of Law & Distinguished University Scholar  
University of Louisville, Louis D. Brandeis School of Law



# Preface

Subchapter K is short, measuring just thirty-six provisions as of the date that this book was published. However, despite its brevity, partnership tax law is difficult to understand. The flexibility provided by Subchapter K in allowing partners to structure their economic arrangements as they see fit is counterbalanced by the complexity required to ensure that the tax consequences of those economic arrangements are reflected properly on the tax returns of the partners. With flexibility comes the potential for abuse, and Subchapter K attempts to prevent that abuse.

This book takes the “cradle to grave” approach in explaining partnership tax law. It guides students through the entire life cycle of a partnership, beginning with partnership formations and ending with partnership liquidations and partnership mergers. The book combines an analysis of the Internal Revenue Code and the Treasury Regulations with numerous examples to allow students to see how those provisions are applied. In addition, the book attempts to explain the rationale for some of the complexity found in Subchapter K by reviewing the historical underpinnings for these statutory provisions. In this way, *Mastering Partnership Taxation* is a valuable aid for the student taking an introductory partnership tax class and for the advanced student or practitioner looking for a refresher or quick study in this area of tax law.

This author is thankful to the authors of the numerous great textbooks, treatises, and supplementary materials already on the market. My own study of partnership tax, career as an attorney, and teaching experience would have been significantly diminished had others not paved the way. I hope that this book (and future editions) adds to this body of work, and provides you with significant benefit as you work your way through Subchapter K.

Stuart Lazar  
December 2012



# Acknowledgment

This first edition of *Mastering Partnership Taxation* is dedicated to G. Scott Nebergall. Scott, a friend and former partner of mine at Edwards & Angell, LLP who specialized in partnership taxation, passed away in January 2012 while I was writing the initial draft of this book. Scott's death serves as a reminder that partners are more than just people with whom we share allocations of profits and losses.

Scott, you will be missed.