

Table of Contents

Overview of Partnerships	1
General Partnership	2
Limited Partnership	2
Limited Liability Partnership	3
Limited Liability Company	3
Identifying the Type	3
Importance of the Type of Partnership	5
Basis	5
Liabilities	8
Self-employment Tax	18
Passive Activity Rules	20
Overview of Partnerships Review Questions	25
Overview of Partnerships Review Answers	29
Profit, Loss, and Capital	33
Tax Basis Capital Accounts	34
Book Basis Capital Accounts	37
Allocations of Profit and Loss	40
Section 704(c)	41
Agreement's Impact on the Allocations	57
Substantial Economic Effect	60
Economic Effect	61
Substantiality Test	65
Partner's Interest in Partnership (PIP)	72
Making Proper PIP Allocations	74
Guaranteed Payments	79
Payments to Corporations	84
Rentals	85
Fringe Benefits	86
Profit, Loss, and Capital Review Questions	93
Profit, Loss, and Capital Review Answers	95
Section 754	99
Purpose of §754	100
Optional Basis Adjustments	102
Section 754 Review Questions	137
Section 754 Review Answers	141
Other Issues	145
Mandatory Adjustments	145
Disguised Sales	146
Two-year Presumption	150
Liabilities	153
Disguised Sales of Partnership Interests	156

Disclosure Requirements	156
Tiered Partnership Losses	157
Basis	158
At-risk	160
Passive	162
Change in Partners	162
Sale	163
Gift	168
Redemption	170
Death of a Partner	177
Multi-member LLC Change to Single-member LLC	178
Allocation of Profit and Loss	194
Hot Assets	201
Disproportionate Distributions	204
Other Issues Review Questions	209
Other Issues Review Answers	213
Appendix	217
Index	221