CONSIDERATIONS PRELIMINARY TO SELECTING THE PARTNERSHIP FORM OF OWNERSHIP

Accounting 551T - Lecture 1
Manolakas: Chapters 1, 2 and 3
Robert A. Scharlach

Classification of Entities

- Corporation must be taxed as a corporation

- Sole proprietorships and partnerships are subject to the check-the-box regulations

Classification of Entities

- One owner
  - Treated as sole proprietorship if section not made
  - Treated as corporation if election made
Classification of Limited Liability Company

- An LLC is not a corporation
- An LLC is subject to the check-the-box rules

Tenancy in Common

- Co-ownership by itself
- Expense sharing agreement
- Actively and jointly pursuing a business activity

Classification as a Partnership

- Employment relationships
- Creditor-debtor relationships
- Lessor-lessee relationships
Selection of Taxable Year

- When is income taxable to partner?
- Business purpose rule
- Required year

Selection of Taxable Year

- Majority interest required year
- Principal partner required year
- Least aggregate deferral required year

Change in Required Year

- Majority interest changes
- Principal partners change
- Least aggregate deferral changes
Selection of Taxable Year

- Natural business year

Accounting Methods for Partnerships

- What methods are there?

Tax Issues Relating to Partnership Formation

- Partnership Interest received for contribution of property
- Is gain or loss recognized?
Tax Issues Relating to Partnership Formation

- What is basis of partner’s partnership interest?
- What is basis of assets to the partnership?

Tax Issues Relating to Partnership Formation

- Holding period issues

Tax Issues Relating to Partnership Formation

- Depreciation methods
Tax Issues Relating to Partnership Formation

- Contributions of encumbered property