

Schedule B. Other Information

Question 1

Check box 1f for any other type of entity and state the type.

Questions 3 and 4

Maximum percentage owned in partnership profit, loss, or capital. For the purposes of Schedule B, questions 3 and 4, the term “maximum percentage owned” means the highest percentage of interest in a partnership’s profit, loss, or capital as of the end of the partnership’s tax year, as determined under the partnership agreement, when taking into account the constructive ownership rules below. If the partnership agreement does not express the partner’s share of profit, loss, and capital as fixed percentages, use a reasonable method in arriving at the percentage items for the purposes of completing questions 3 and 4. Such method must be consistent with the partnership agreement. The method used to compute a percentage share of profit, loss, and capital must be applied consistently from year to year. Maintain records to support the determination of the share of profits, share of losses, and share of capital.

Constructive ownership of the partnership. For purposes of question 3, in determining an ownership interest in the profit, loss, or capital of the partnership, the constructive ownership rules of section 267(c) (excluding sections 267(c)(3)) apply to ownership of interests in the partnership as well as corporate stock. An interest in the partnership which is owned directly or indirectly by or for another entity (corporation, partnership, estate, or trust) is considered to be owned proportionately by the owners (shareholders, partners, or beneficiaries) of the owning entity.

Also, under section 267(c), an individual is considered to own an interest owned directly or indirectly by or for his or her family. The family of an individual includes only that individual’s spouse, brothers, sisters, ancestors, and lineal descendants. An interest will be attributed from an individual under the family attribution rules only if the person to whom the interest is attributed owns a direct interest in the partnership or an indirect interest under section 267(c)(1), (2), or (5). However, for purposes of these instructions, an individual will not be considered to own, under section 267(c)(2), an interest in the partnership owned, directly or indirectly, by a family member of the individual unless the individual also owns an interest in the partnership either directly or indirectly through a corporation, partnership, or trust.

Constructive ownership examples for questions 3 and 4 follow the instructions for question 4b. For the purposes of questions 3 and 4, add an owner’s direct percentage ownership and indirect percentage ownership in an entity to determine if the owner owns, directly or indirectly, 50% or more of the entity.

Question 3a. List each corporation, partnership, or trust owning, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership at the end of the tax year. Indicate the name, EIN, type of entity (corporation, partnership, or trust), country of organization, and the maximum of the percentage interests owned, directly or indirectly, in the profit, loss, or capital of the partnership. For an affiliated group filing a consolidated tax return, list the parent corporation rather than the subsidiary members. List the entity owner of a disregarded entity rather than the disregarded entity. If the owner of a disregarded entity is an individual rather than an entity, list the individual under question 3b.

Question 3b. List each individual or estate owning, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership at the end of the tax year. Indicate the name, TIN, country of citizenship (for an estate, the citizenship of the decedent), and the maximum of the percentage interests owned, directly or indirectly, in the profit, loss, or capital of the partnership.

Constructive ownership of other entities by the partnership. For purposes of determining the partnership’s constructive ownership of other entities, the constructive ownership rules of section 267(c) (excluding section 267(c)(3)) apply to ownership of interests in partnerships and trusts as well as corporate stock. Generally, if an entity (a corporation, partnership, or trust) is owned, directly or indirectly, by or for another entity (corporation, partnership, estate, or trust), the owned entity is considered to be owned proportionally by or for the owners (shareholders, partners, or beneficiaries) of the owning entity.

Question 4a. List each corporation in which the partnership, at the end of the tax year, owns, directly, 20% or more, or owns, directly or indirectly, 50% or more of the total voting power of all classes of stock entitled to vote. Indicate the name, EIN, country of incorporation, and the percentage interest owned, directly or indirectly, in the total voting power. List the parent corporation of an affiliated group filing a consolidated tax return rather than the subsidiary members except for subsidiary members in which an interest is owned, directly or indirectly, independent of the interest owned, directly or indirectly, in the parent corporation. If a corporation is owned through a disregarded entity, list the information for the corporation rather than the disregarded entity.

Question 4b. List each partnership in which the partnership, at the end of the tax year, owns, directly, an interest of 20% or more, or owns, directly or indirectly, an interest of 50% or more in the profit, loss, or capital of the partnership. List each trust in which the partnership, at the end of the tax year, owns, directly, an interest of 20% or more, or owns, directly or indirectly, an interest of 50% or more in the trust beneficial interest. For each partnership or trust listed, indicate the name, EIN, type of entity (partnership or trust), and country of origin. If the listed entity is a partnership, enter in column (v) the maximum of

percentage interests owned, directly or indirectly, in the profit, loss, or capital of the partnership at the end of the partnership’s tax year. If the entity is a trust, enter in column (v) the percentage of the partnership’s beneficial interest in the trust owned, directly or indirectly, at the end of the tax year. List a partnership or trust owned through a disregarded entity rather than the disregarded entity.

Example 1. Corporation A owns, directly, an interest of 50% in the profit, loss, or capital of Partnership B. A also owns, directly, an interest of 15% in the profit, loss, or capital of Partnership C. Partnership B owns, directly, an interest of 70% in the profit, loss, or capital of Partnership C. Corporation A owns, indirectly, through Partnership B, an interest of 35% (50% of 70%) in the profit, loss, or capital of Partnership C. Corporation A owns, directly or indirectly, an interest of 50% in the profit, loss, or capital of Partnership C, 15% directly and 35% indirectly.

Partnership B reports in its answer to question 3a that its profit, loss, or capital is owned, directly, 50% by Corporation A. Partnership C reports in its answer to question 3a that its profit, loss, or capital is owned, directly or indirectly, 50% by Corporation A, and is owned, directly, 70% by Partnership B. Partnership B reports in its answer to question 4b that it owns, directly, 70% of the profit, loss, or capital of Partnership C.

Example 2. A owns, directly, 50% of the profit, loss, or capital of Partnership X. B, the daughter of A, does not own, directly, any interest in X and does not own, indirectly, any interest in X through any entity (corporation, partnership, trust, or estate). Because family attribution rules apply only when an individual (in this example, B) owns a direct interest in the partnership or an indirect interest through another entity, A’s interest in Partnership X is not attributable to B. Therefore, for the purposes of question 3b, the 50% interest of A in X is not attributed to B. When Partnership X completes its Form 1065, it will identify A in question 3b, which includes entering “50%” in column (iv). Partnership X will not identify B in question 3b.

Example 3. A owns, directly, 50% of the profit, loss, or capital of Partnership X. B, the daughter of A, does not own, directly, any interest in X, but does own, indirectly, a 10% interest in X through Trust T, of which she is the sole beneficiary. No other family member of A or B owns, directly, any interest in X nor does any other family member own, indirectly, any interest in X through any entity. Neither A nor B owns any other interest in X through any entity. For the purposes of question 3b, the 50% interest of A in X is attributed to B because B has indirect ownership of X through another entity (in this example, T). Similarly, the 10% interest of B in X is attributed to A. When Partnership X completes its Form 1065, it will identify both A and B in question 3b. In column (iv), the maximum percentage owned will be reported as “60%”. This is because A owns, directly or indirectly, 60% of the profit, loss, or capital of X, 50% directly and 10% indirectly through B, and B owns, directly or indirectly, 60% of the profit,

loss, or capital of X, 50% indirectly through A and 10% indirectly through T.

Question 5

Generally, the tax treatment of partnership items is determined at the partnership level in a consolidated audit proceeding under sections 6221 through 6234, rather than in separate proceedings with individual partners. Small partnerships are not subject to the rules for consolidated audit proceedings. "Small partnerships" are defined as any partnership having 10 or fewer partners each of whom is an individual (other than a nonresident alien), a C corporation, or an estate of a deceased partner. The small partnership exception to the consolidated audit procedures does not apply if any partner during the tax year is a partnership, estate, trust, S corporation, nominee, or disregarded entity.

Small partnerships can elect to be subject to the rules for consolidated audit proceedings by attaching Form 8893, Election of Partnership Level Tax Treatment to the partnership return for the first tax year for which the election is to be effective. This election must be signed by all persons who were partners of the partnership at any time during the partnership's taxable year. Once made, the election may not be revoked without IRS consent (see Form 8894, Request to Revoke Partnership Level Tax Treatment Election). See section 6231(a)(1)(B) and Form 8893 for more information.



The partnership does not make this election when it answers "Yes" to question 5 or when it designates a Tax Matters Partner on Form 1065. The election must be made separately by filing Form 8893, Election of Partnership Level Tax Treatment.

Question 6

Answer "Yes" if the partnership meets all four of the requirements shown on the form. Total receipts is defined as the sum of gross receipts or sales (page 1, line 1a); all other income (page 1, lines 4 through 7); income reported on Schedule K, lines 3a, 5, 6a, and 7; income or net gain reported on Schedule K, lines 8, 9a, 10, and 11; and income or net gain reported on Form 8825, lines 2, 19, and 20a. Total assets is defined as the amount that would be reported in item F on page 1 of Form 1065.

Question 7

Answer "Yes" if interests in the partnership are traded on an established securities market or are readily tradable on a secondary market (or its substantial equivalent).

Question 9

Answer "Yes" if the partnership filed, or is required to file, a return under section 6111 to provide information on any reportable transaction by a material advisor. Use Form 8918, Material Advisor Disclosure Statement, to provide the information. For more information, see the Instructions to Form 8918.

Question 10. Foreign Accounts

Answer "Yes" if either 1 or 2 below applies to the partnership. Otherwise, check the "No" box.

1. At any time during calendar year 2008, the partnership had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country (see Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts); and
 - The combined value of the accounts was more than \$10,000 at any time during the calendar year; and
 - The accounts were not with a U.S. military banking facility operated by a U.S. financial institution.
2. The partnership owns more than 50% of the stock in any corporation that would answer the question "Yes" based on item 1 above.

If the "Yes" box is checked for the question:

- Enter the name of the foreign country or countries. Attach a separate sheet if more space is needed.
- File Form TD F 90-22.1 by June 30, 2009, with the Department of the Treasury at the address shown on the form. Because Form TD F 90-22.1 is not a tax form, do not file it with Form 1065. You can order Form TD F 90-22.1 by calling 1-800-TAX-FORM (1-800-829-3676) or you can download it from the IRS website at www.irs.gov.

Question 11

The partnership may be required to file Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, if:

- It directly or indirectly transferred property or money to a foreign trust. For this purpose, any U.S. person who created a foreign trust is considered a transferor.
- It is treated as the owner of any part of the assets of a foreign trust under the grantor trust rules.
- It received a distribution from a foreign trust.

For more information, see the Instructions for Form 3520.

Note. An owner of a foreign trust must ensure that the trust files an annual information return on Form 3520-A, Annual Information Return of Foreign Trust with a U.S. Owner.

Questions 12a, 12b, and 12c

Note. You must check "Yes" or "No" for each question.

Question 12a. Answer "Yes" if the partnership is making, or has made (and has not revoked) a section 754 election. For information about the election, see item 4 under *Elections Made by the Partnership*, on page 9.

Question 12b. Answer "Yes" if the partnership made an optional basis adjustment under section 743(b) or 734(b) for the tax year. If the partnership has made a section 754 election (and it has not been revoked) and either of the following transactions occur, the partnership must

make a basis adjustment under section 734(b) or 743(b).

Section 743(b) basis adjustment. A section 743(b) basis adjustment is required if there is a transfer of an interest in the partnership by a sale or exchange, or in the death of a partner. See question 12c if the partnership has a substantial built-in loss immediately after such a transfer. The basis adjustment affects only the transferee's basis in partnership property. The partnership must attach a statement to the return for the tax year in which the transfer occurred. The statement must include:

- The name of the transferee partner,
- The EIN or SSN of the transferee partner,
- The computation of the adjustment, and
- The identity of the partnership properties to which the adjustment has been allocated.

For details, see section 743 and Regulations section 1.743-1. For details on allocating the basis adjustment to partnership properties, see section 755 and Regulations section 1.755-1.

Section 734(b) basis adjustment. A section 734(b) basis adjustment is required if there is a distribution of property to a partner, whether or not in liquidation of the partner's entire interest in the partnership. See question 12c if there is a substantial built-in loss with respect to the distribution. The basis adjustment affects each partner's basis in the partnership property. The partnership must attach a statement to the return for the tax year in which the distribution occurred. The statement must include:

- The computation of the adjustment,
 - The class of property distributed (ordinary income property or capital gain property), and
 - The partnership properties to which the adjustment has been allocated.
- For details, see section 734 and Regulations section 1.734-1. For details on allocating the basis adjustment to partnership properties, see section 755 and Regulations section 1.755-1.

Question 12c. Answer "Yes" if the partnership had to make a basis reduction under section 743(b) or section 734(b) because a built-in loss (as defined in section 743(d)) or substantial basis reduction (as defined in section 734(d)) is greater than \$250,000. Section 743(d)(1) provides that, for purposes of section 743, a partnership has a substantial built-in loss with respect to a transfer of a partnership interest if the partnership's adjusted basis in the partnership's property exceeds by more than \$250,000 the fair market value of the property. Under section 734(d), there is a substantial basis reduction if a downward adjustment of more than \$250,000 would be made to the basis of partnership assets if a section 754 election was in effect at the time of the distribution.

Section 743(b) basis adjustment. For a section 743(b) basis adjustments, attach a statement that includes:

- Name of the transferee partner,
- EIN or SSN of the transferee partner,
- Computation of the adjustment, and
- Identity of the partnership properties to which the adjustment has been allocated.

Section 734(b) basis adjustment. For a section 734(b) basis adjustment, attach a statement that includes:

- The computation of the adjustment,
- The class of property distributed (ordinary income property or capital gain property), and
- The partnership properties to which the adjustment has been allocated.

Question 14

For purposes of question 14, an “undivided interest in partnership property” means property that was owned by the partnership either directly or through a disregarded entity and which was distributed to partners as fractional ownership interests. A tenancy in common interest is a type of undivided ownership interest in property which provides each owner the right to transfer property to a third party without destroying the tenancy in common. Partners may agree to partition property held as tenants in

common or may seek a court order to partition the property (usually dividing the property into fractional interests in accordance with each partner’s ownership interest in the partnership.)

Example. Partnership P is a partnership which files Form 1065. Partnership P holds title to land held for investment. Partnership P converts its title to the land to fractional interests in the name of the partners and distributes such interests to its partners. Partnership P must answer “Yes” to question 14.

Question 15

Enter the number of Form(s) 8858 that are attached to the return. Form 8858 (and its schedules) are used by certain U.S. persons (including domestic partnerships) that own a foreign disregarded entity (FDE) directly, (or, in certain cases, indirectly or constructively)

to satisfy the reporting requirements of sections 6011, 6012, 6031, 6038, and the related regulations. See Form 8858 (and its separate instructions) for information on completing the form.

Question 16. Foreign Partners

Answer “Yes” if the partnership had any foreign partners (for purposes of section 1446) at any time during the tax year. Otherwise, answer “No.”

If the partnership had gross income effectively connected with a trade or business in the United States and foreign partners, it may be required to withhold tax under section 1446 on income allocable to foreign partners (without regard to distributions) and file Form 8805. See Regulations sections 1.1446-1 through 7, for more information.