



## Instructions for Form 8865

### Return of U.S. Persons With Respect to Certain Foreign Partnerships

Section references are to the Internal Revenue Code unless otherwise noted.

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## General Instructions

### Purpose of Form

Use Form 8865 to report the information required under section 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interests).

### Who Must File

A U.S. person qualifying under one or more of the Categories of Filers (see below) must complete and file Form 8865. These instructions and the Filer Categories—Required Information chart on page 2 explain the information, statements, and schedules required for each category of filer. If you qualify under more than one category for a particular foreign partnership, you must submit all the items required for each category under which you qualify.

**Example.** If you qualify as a Category 2 and a Category 3 filer, you must submit all the schedules required of Category 2 filers (page 1 of Form 8865, Schedules A, A-2, N, and K-1) plus any additional schedules that Category 3 filers are required to submit (Schedules A-1 and O).

Complete a separate Form 8865 and the applicable schedules for each foreign partnership.

File the 2004 Form 8865 with your income tax return for your tax year beginning in 2004.

### Categories of Filers

**Category 1 filer.** A Category 1 filer is a U.S. person who controlled the foreign partnership at any time during the partnership's tax year. Control of a partnership is ownership of more than a 50% interest in the partnership. See the definition of 50% interest on page 4. There may be more than one Category 1 filer for a partnership for a particular partnership tax year.

**Category 2 filer.** A Category 2 filer is a U.S. person who at any time during the tax year of the foreign partnership owned a 10% or greater interest in the partnership while the partnership was controlled by U.S. persons each owning at least 10% interests. However, if the foreign partnership had a Category 1 filer at any time during that tax year, no

### What's New

The instructions for Schedules K and K-1 have been revised to reflect extensive changes to these schedules. See *General Reporting Information* on page 14 for new Schedule K-1 reporting requirements.

Filer Categories – Required Information	Category 1	Category 2	Category 3	Category 4
Identifying information—(page 1 of Form 8865)	✓	✓	✓	✓
Schedule A—Constructive Ownership of Partnership Interest	✓	✓	✓	✓
Schedule A-1—Certain Partners of Foreign Partnership	✓		✓	
Schedule A-2—Affiliation Schedule	✓	✓	✓	✓
Schedule B—Income Statement—Trade or Business Income	✓			
Schedule D—Capital Gains and Losses	✓			
Schedule K—Partners’ Distributive Share Items	✓			
Schedule L—Balance Sheets per Books	✓			
Schedule M—Balance Sheets for Interest Allocation	✓			
Schedule M-1—Reconciliation of Income (Loss) per Books With Income (Loss) per Return	✓			
Schedule M-2—Analysis of Partners’ Capital Accounts	✓			
Schedule N—Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities	✓	✓		
Schedule K-1—Partner’s Share of Income, Deductions, Credits, etc. (direct partners only)	✓	✓		
Schedule O—Transfer of Property to a Foreign Partnership			✓	
Schedule P—Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership				✓

person will be considered a Category 2 filer. See the definition of a 10% interest on page 4.

**Category 3 filer.** A Category 3 filer is a U.S. person who contributed property during that person’s tax year to a foreign partnership in exchange for an interest in the partnership (a section 721 transfer), if that person either:

1. Owned directly or constructively at least a 10% interest in the foreign partnership immediately after the contribution, or
2. The value of the property contributed (when added to the value of any other property contributed to the partnership by such person, or any related person, during the 12-month period ending on the date of transfer) exceeds \$100,000.

If a domestic partnership contributes property to a foreign partnership, the domestic partnership’s partners are considered to have transferred a proportionate share of the contributed property to the foreign partnership. However, if the domestic partnership files Form 8865 and properly reports all the required information with respect to the contribution, its partners will not be required to report the transfer.

Category 3 also includes a U.S. person that previously transferred appreciated property to the partnership and was required to report that transfer under section 6038B, if the foreign partnership disposed of such property while the U.S. person remained a direct or indirect partner in the partnership.

**Category 4 filer.** A Category 4 filer is a U.S. person that had a reportable event under section 6046A during that person’s tax year. There are three categories of reportable events under section 6046A: acquisitions, dispositions, and changes in proportional interests.

**Acquisitions.** A U.S. person that acquires a foreign partnership interest has a reportable event if:

- The person did not own a 10% or greater direct interest in the partnership and as a result of the acquisition the person owns a 10% or greater direct interest in the partnership (for example, from 9% to 10%). For purposes of this rule, an acquisition includes an increase in a person’s direct proportional interest (see definition of change in proportional interest on page 4); or
- Compared to the person’s direct interest when the person last had a reportable event, after the acquisition the person’s direct interest has increased by at least a 10% interest (for example, from 11% to 21%).

**Dispositions.** A U.S. person that disposes of a foreign partnership interest has a reportable event if:

- The person owned a 10% or greater direct interest in the partnership before the disposition and as a result of the disposition the person owns less than a 10% direct interest (for example, from 10% to 8%). For purposes of this rule, a disposition includes a decrease in a person’s direct proportional interest; or
- Compared to the person’s direct interest when the person last had a reportable event, after the disposition the person’s direct interest has decreased by at least a 10% interest (for example, from 21% to 11%).

**Changes in proportional interests.**

A U.S. person has a reportable event if compared to the person’s direct proportional interest the last time the person had a reportable event, the person’s direct proportional interest has increased or decreased by at least the equivalent of a 10% interest in the partnership.

**Special rule for a partnership interest owned on December 31, 1999.** If the U.S. person owned at least a 10%

direct interest in the foreign partnership on December 31, 1999, then comparisons should be made to the person’s direct interest on December 31, 1999. Once the person has a reportable event after December 31, 1999, future comparisons should be made by reference to the last reportable event.

**Exceptions to Filing**

**Multiple Category 1 filers.** If during the tax year of the partnership more than one U.S. person qualifies as a Category 1 filer, only one of these Category 1 partners is required to file Form 8865. A U.S. person with a controlling interest in the losses or deductions of the partnership is not permitted to be the filer of Form 8865 if another U.S. person has a controlling interest in capital or profits; only the latter may file the return. The U.S. person that files the Form 8865 must complete Item E on page 1.

The single Form 8865 to be filed must contain all of the information that would be required if each Category 1 filer filed a separate Form 8865. Specifically, a separate Schedule N and Schedule K-1 must be attached to the Form 8865 for each Category 1 filer. Also, Items B, C, and D on page 1 and Schedule A on page 2 of Form 8865 must be completed for each Category 1 filer not filing the form. Attach a separate statement listing this information to the single Form 8865.

A Category 1 filer not filing Form 8865 must attach a statement entitled “Controlled Foreign Partnership Reporting” to that person’s income tax return.

The statement must include the following information:

- A statement that the person qualified as a Category 1 filer, but is not submitting Form 8865 under the multiple Category 1 filers exception.
- The name, address, and identifying number (if any) of the foreign partnership

of which the person qualified as a Category 1 filer.

- A statement that the filing requirement has been or will be satisfied.
- The name and address of the person filing Form 8865 for this partnership.
- The Internal Revenue Service Center where the Form 8865 must be filed.



*A U.S. person who qualifies for this exception to the Category 1 filing requirement would still have to file a separate Form 8865 if that person is also subject to the filing requirements of Category 3 or 4. This separate Form 8865 would include all the information required for a Category 3 or 4 filer in addition to the Controlled Foreign Partnership Reporting statement.*

**Constructive owners.** See the definition of constructive ownership on page 4. A Category 1 or 2 filer that does not own a direct interest in the partnership and that is required to file this form solely because of constructive ownership from a U.S. person(s) is not required to file Form 8865 if:

1. Form 8865 is filed by the U.S. person(s) through which the indirect partner constructively owns an interest in the foreign partnership,
2. The U.S. person through which the indirect partner constructively owns an interest in the foreign partnership is also a constructive owner and meets all the requirements of this constructive ownership filing exception, or
3. Form 8865 is filed for the foreign partnership by another Category 1 filer under the multiple Category 1 filers exception.

To qualify for the constructive ownership filing exception, the indirect partner must file with its income tax return a statement entitled "Controlled Foreign Partnership Reporting."

This statement must contain the following information:

1. A statement that the indirect partner was required to file Form 8865, but is not doing so under the constructive owners exception;
2. The names and addresses of the U.S. persons whose interests the indirect partner constructively owns; and
3. The name and address of the foreign partnership for which the indirect partner would have had to have filed Form 8865, but for this exception.

**Members of an affiliated group of corporations filing a consolidated return.** If one or more members of an affiliated group of corporations filing a consolidated return qualify as Category 1 or 2 filers for a particular foreign partnership, the common parent corporation may file one Form 8865 on behalf of all of the members of the group required to report. Except for group members who also qualify under the constructive owners exception, the Form 8865 must contain all the information that would have been required to be submitted

if each group member filed its own Form 8865.

**Exception for certain trusts.** Trusts relating to state and local government employee retirement plans are not required to file Form 8865.

**Exception for certain Category 4 filers.** If you qualify as a Category 3 and 4 filer because you contributed property to a foreign partnership in exchange for a 10% or greater interest in that partnership, you are not required to report this transaction under both Category 3 and 4 filing requirements. If you properly report the contribution of property under the Category 3 rules, you are not required to report it as a Category 4 filer. However, the acquisition will count as a reportable event to determine if a later change in your partnership interest qualifies as a reportable event under Category 4.

**Example.** Partner A does not own an interest in FPS, a foreign partnership. Partner A transfers property to FPS in exchange for a 15% direct interest. Partner A qualifies as a Category 3 filer because he transferred property to a foreign partnership and owned at least a 10% interest in FPS immediately after the contribution. Partner A is also a Category 4 filer because he did not own a 10% or greater direct interest in FPS and as a result of the acquisition now owns a 10% or greater direct interest in FPS. If Partner A properly reports the contribution on Form 8865 as a Category 3 filer, Partner A is not required to report his acquisition of the 15% interest in FPS as a Category 4 filer.

### Relief for Category 1 and 2 Filers When the Foreign Partnership Files Form 1065 or Form 1065-B

If a foreign partnership files Form 1065, U.S. Return of Partnership Income, or Form 1065-B, U.S. Return of Income for Electing Large Partnerships, for its tax year, Category 1 and 2 filers may use a copy of the completed Form 1065 or 1065-B schedules in place of the equivalent schedules of Form 8865.

If you file Form 8865 with an electronically filed income tax return, see the electronic filing publications identified in the instructions for your income tax return for more information.

The following Form 1065/1065-B schedules are equivalent to the following Form 8865 schedules:

Forms 1065/ 1065-B	Form 8865
Page 1 (Parts I and II of Form 1065-B)	Schedule B
Schedule D	Schedule D
Schedule K	Schedule K
Schedule L	Schedule L
Schedule M-1	Schedule M-1
Schedule M-2	Schedule M-2
Schedule K-1	Schedule K-1

**Example.** Partner A is a Category 1 filer with respect to FPS, a foreign partnership during the 2004 tax year. FPS completes and files a Form 1065 for its 2004 tax year. Instead of completing Schedules B, D, K, L, M-1, M-2, and K-1 of Form 8865, Partner A may attach to its Form 8865 page 1 of Form 1065 and Form 1065 Schedules D, K, L, M-1, M-2, and K-1 (including the Schedules K-1 for Partner A and all other U.S. persons owning 10% or greater direct interests in FPS). Partner A must complete the following items and schedules on Form 8865:

- The first page,
- Schedule A,
- Schedule A-1,
- Schedule A-2,
- Schedule M, and
- Schedule N.

**Example.** Partner A is a Category 2 filer with respect to FPS, a foreign partnership. If FPS completes and files a Form 1065 for its 2004 tax year, Partner A may file with Form 8865 the Schedule K-1 (Form 1065) that it receives from the partnership instead of Schedule K-1 (Form 8865). Partner A must complete the following items and schedules on Form 8865:

- The first page,
- Schedule A,
- Schedule A-2, and
- Schedule N.

### When To File

Attach Form 8865 to your income tax return (or, if applicable, partnership or exempt organization return) and file both by the due date (including extensions) for that return. If you do not have to file an income tax return, you must file Form 8865 separately with the IRS at the time and place you would be required to file an income tax return (or, if applicable, a partnership or exempt organization return). See below for penalties that may apply if you do not file Form 8865 on time.

### Definitions

**Partnership.** A partnership is the relationship between two or more persons who join to carry on a trade or business, with each person contributing money, property, labor, or skill and each expecting to share in the profits and losses of the business whether or not a formal partnership agreement is made.

The term "partnership" includes a limited partnership, syndicate, group, pool, joint venture, or other unincorporated organization, through or by which any business, financial operation, or venture is carried on, that is not, within the meaning of the regulations under section 7701, a corporation, trust, estate, or sole proprietorship.

A joint undertaking merely to share expenses is not a partnership. Mere co-ownership of property that is maintained and leased or rented is not a partnership. However, if the co-owners

provide services to the tenants, a partnership exists.

**Foreign partnership.** A foreign partnership is a partnership that is not created or organized in the United States or under the law of the United States or of any state.

**50% interest.** A 50% interest in a partnership is an interest equal to:

- 50% of the capital,
- 50% of the profits, or
- 50% of the deductions or losses.

For purposes of determining a 50% interest, the constructive ownership rules described below apply.

**10% interest.** A 10% interest in a partnership is an interest equal to:

- 10% of the capital,
- 10% of the profits, or
- 10% of the deductions or losses.

For purposes of determining a 10% interest, the constructive ownership rules described below apply.

**Constructive ownership.** For purposes of determining an interest in a partnership, the constructive ownership rules of section 267(c) (excluding section 267(c)(3)) apply, taking into account that such rules refer to corporations and not to partnerships. Generally, an interest owned directly or indirectly by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its owners, partners or beneficiaries.

Also, 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 a nonresident alien individual under the family attribution rules only if the person to whom the interest is attributed owns a direct or indirect interest in the foreign partnership under section 267(c)(1) or (5).

**U.S. person.** A U.S. person is a citizen or resident of the United States, a domestic partnership, a domestic corporation, and any estate or trust that is not foreign.

**Control of a corporation.** Control of a corporation is ownership of stock possessing more than 50% of the total combined voting power, or more than 50% of the total value of shares of all classes of stock of the corporation. For rules concerning indirect ownership and attribution, see Regulations section 1.6038-2(c).

**Change in a proportional interest.** A partner's proportional interest in a foreign partnership can change as a result of changes in other partners' interests, for example, when another partner withdraws from the partnership. A partner's proportional interest can also change, for example, by operation of the partnership agreement (for example, if the partnership agreement provides that a partner's interest in profits will change on a set date or when the partnership has earned a

specified amount of profits, then the partner's proportional interest changes when the set date or specified amount of profits is reached).

## Penalties

**Failure to timely submit all information required of Category 1 and 2 filers.**

- A \$10,000 penalty is imposed for each tax year of each foreign partnership for failure to furnish the required information within the time prescribed. If the information is not filed within 90 days after the IRS has mailed a notice of the failure to the U.S. person, an additional \$10,000 penalty (per foreign partnership) is charged for each 30-day period, or fraction thereof, during which the failure continues after the 90-day period has expired. The additional penalty is limited to a maximum of \$50,000 for each failure.
- Any person who fails to furnish all of the information required within the time prescribed, will be subject to a reduction of 10% of the foreign taxes available for credit under sections 901, 902, and 960. If the failure continues 90 days or more after the date the IRS mails notice of the failure, an additional 5% reduction is made for each 3-month period, or fraction thereof, during which the failure continues after the 90-day period has expired. See section 6038(c)(2) for limits on the amount of this penalty.
- Criminal penalties under sections 7203, 7206, and 7207 may apply for failure to file or for filing false or fraudulent information.

Additionally, any person that files under the constructive owners exception may be subject to these penalties if all the requirements of the exception are not met. Any person required to file Form 8865 who does not file under the multiple Category 1 filers exception, may be subject to the above penalties if the other person does not file a correctly completed form and schedules. See *Exceptions to Filing* on page 2.

**Failure to file information required of Category 3 filers.** Any person that fails to properly report a contribution to a foreign partnership that is required to be reported under section 6038B and the regulations under that section is subject to a penalty equal to 10% of the fair market value (FMV) of the property at the time of the contribution. This penalty is subject to a \$100,000 limit, unless the failure is due to intentional disregard. In addition, the transferor must recognize gain on the contribution as if the contributed property had been sold for its FMV.

**Failure to file information required of Category 4 filers.** Any person who fails to properly report all the information requested by section 6046A is subject to a \$10,000 penalty. If the failure continues for more than 90 days after the IRS mails notice of the failure, an additional \$10,000 penalty will apply for each 30-day period (or fraction thereof) during which the

failure continues after the 90-day period has expired. The additional penalty shall not exceed \$50,000.

**Treaty-based return positions.** File Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), to report a return position that a treaty of the United States (such as an income tax treaty, an estate and gift tax treaty, or a friendship, commerce, and navigation treaty):

- Overrides or modifies any provision of the Internal Revenue Code and
- Causes (or potentially causes) a reduction of any tax incurred at any time.

Failure to make such a report may result in a \$1,000 penalty (\$10,000 in the case of a C corporation). See section 6712.

## Corrections to Form 8865

If you file a Form 8865 you later determine is incomplete or incorrect, file a corrected Form 8865 with an amended tax return following the instructions for the return with which you originally filed Form 8865. Write "corrected" at the top of the form and attach a statement identifying and explaining the changes.

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## Specific Instructions

**Important:** All information must be in English. All amounts must be stated in U.S. dollars.

If the information required in a given section exceeds the space provided within that section, attach separate sheets to provide the remaining information, using the same size and format as the printed forms.

**Fill in all applicable lines and schedules.**

All categories of filers must complete all items on page 1, with three exceptions. Complete Item E only if, in addition to filing the form on your own behalf, you are reporting information about other Category 1 filers under the multiple Category 1 filing exception, or you are reporting information about members of your affiliated group of corporations under the consolidated return exception. Only Category 1 and 2 filers are required to complete Item G6. See *Exceptions to Filing* on page 2. Answer Items G8 and G9 only if you are a Category 1 filer.

## Tax Year

Enter in the space below the title of Form 8865 the tax year of the foreign partnership that ended with or within the tax year of the person filing this form. Category 1 or 2 filers must report information for the tax year of the foreign partnership that ends with or within their tax years. A Category 3 or 4 filer must report on Schedules O or P, respectively, transactions that occurred during that filer's tax year (rather than during the partnership's tax year).

## Identifying Numbers and Addresses

Enter the identifying number of the person filing this return. Use an employer identification number (EIN) to identify partnerships, corporations, and estates or trusts. For individuals, use a social security number (SSN) or individual taxpayer identification number (ITIN).

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the U.S. person has a P.O. box, show the box number instead.

**Foreign address.** Enter the information in the following order: city, province or state, and country. Follow the country's practice for entering the postal code, if any. Do not abbreviate the country name.

## Item A—Category of Filer

Check the box for each category that describes the person filing the form. If more than one category applies, check all boxes that apply. See *Categories of Filers* beginning on page 1.

## Item C

Enter the filer's share of nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other liabilities. Nonrecourse liabilities are those liabilities of the partnership for which no partner bears the economic risk of loss. The extent to which a partner bears the economic risk is determined under the rules of Regulations section 1.752-2.

"Qualified nonrecourse financing" generally includes financing:

- For which no one is personally liable for repayment,
- That is borrowed for use in an activity of holding real property, and
- That is borrowed from a qualified person (defined in section 49(a)(1)(D)(iv)) or is lent or guaranteed by a federal, state, or local government.

See section 465(b)(6) for more information on qualified nonrecourse financing.

## Item D—Identification of Common Parent

If the person filing the form is a member of a consolidated group, but not the parent, list the name, address, and EIN of the filer's common parent.

## Item E

**Information about certain partners.** If you are reporting information about other persons under the multiple Category 1 filers exception, or are reporting information about members of your affiliated group of corporations under the consolidated return exception (see *Exceptions to Filing* on page 2), identify each such person in Item E. List their names, addresses, and identifying numbers. Also, indicate whether each person is a Category 1 filer or Category 2 filer, and whether such person constructively owned an interest in the foreign partnership during the tax year of

the partnership listed at the top of page 1 of Form 8865. See *Constructive ownership* on page 4.

## Item F1

For the foreign partnership's address, enter the city, province or state, and the foreign country in that order. Follow the foreign country's practice in placing the postal code in the address. Do not abbreviate the country name. If the partnership receives its mail in care of a third party (such as an accountant or attorney), enter "C/O" followed by the third-party's name and street address or P.O. box.

## Item F6—Principal Business Activity Code

**If the foreign partnership filed Form 1065 or 1065-B.** Enter the business code shown in Item C of the Form 1065 or 1065-B filed by the partnership.

**If the foreign partnership did not file Form 1065 or 1065-B.** Enter the applicable business code from the list beginning on page 29. If the information necessary to apply the total receipts test is not available, pick a principal business activity code using the information you have about the partnership.

## Item F8a—Functional Currency

Enter the foreign partnership's functional currency. See sections 985 through 989 and the regulations thereunder. If the partnership had more than one qualified business unit (QBU), attach a statement identifying each QBU, its country of operation, and its functional currency. See Regulations section 1.989(a)-1(b) for the definition of a QBU.

**Hyperinflationary exception.** A partnership that has a hyperinflationary currency as its functional currency is subject to special rules set forth in Regulations section 1.985-3. Under these rules, a partnership must use the U.S. dollar as its functional currency.

## Item F8b—Exchange Rate

When translating functional currency to U.S. dollars, you must use the method specified in sections 985 through 989 and the regulations thereunder. But, regardless of the specific method required, all exchange rates must be reported using a "divide-by convention" rounded to at least 4 places. That is, the exchange rate must be reported in terms of the amount by which the functional currency amount must be divided in order to reflect an equivalent amount of U.S. dollars. As such, the exchange rate must be reported as the units of foreign currency that equal one U.S. dollar, rounded to at least 4 places. Do not report the exchange rate as the number of U.S. dollars that equal one unit of foreign currency.

**Note.** You must round the result to more than 4 places if failure to do so would materially distort the exchange rate or the equivalent amount of U.S. dollars.

## Item G2

If the foreign partnership was required to file Form 1065 or Form 1065-B for the partnership's tax year listed at the top of page 1 (Form 8865), check the applicable box and enter the IRS Service Center where the form was or will be filed. Also, check the applicable box(es) if the foreign partnership was required to file Form 8804, Annual Return for Partnership Withholding Tax (Section 1446), or Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons (for the calendar year ending with or within the foreign partnership's tax year).

## Item G6

**Note.** Only Category 1 and 2 filers are required to complete Item G6.

Enter the number of Forms 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, attached to Form 8865. A disregarded entity is an entity that is disregarded as an entity separate from its owner under Regulations section 301.7701-3. The partnership is the tax owner of the foreign disregarded entity if it owns the assets and liabilities of the foreign disregarded entity for purposes of U.S. income tax law.

If the foreign partnership is the tax owner of a foreign disregarded entity and you are a Category 1 or 2 filer of Form 8865, complete and attach Form 8858 to Form 8865. For more information, see the instructions for Form 8858.

## Item G8—Separate Units

**Note.** Only Category 1 filers are required to answer Item G8.

Indicate whether the partnership owned any interest in a separate unit. In general, a separate unit is:

1. A foreign branch that is owned either directly by a domestic corporation or indirectly by a domestic corporation through ownership of a partnership or trust interest,
2. An interest in a partnership, or
3. An interest in a trust.

See Regulations section 1.1503-2(c)(3) and (4) for more information on separate units. Attach a statement identifying each separate unit and its country of operation.

## Item G9

**Note.** Only Category 1 filers are required to answer Item G9.

Answer "Yes" to Item G9 if the partnership meets both of the requirements shown on the form. Total receipts is defined as the sum of gross receipts or sales (Schedule B, line 1a); all other income reported on Schedule B (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.

## Signature

**Filer.** Do not sign Form 8865 if you are filing it as an attachment to your income tax return. Sign the return only if you are filing Form 8865 separately because you are not required to file a U.S. income tax return. See *When To File* on page 3 for more information.

**Paid preparer.** Do not sign Form 8865 or complete the paid preparer section at the bottom of the form if Form 8865 is filed as an attachment to an income tax return. Sign Form 8865 and complete the paid preparer section only if Form 8865 is filed separately.

## Schedule A—Constructive Ownership of Partnership Interest

All filers must complete Schedule A. Check box a if the person filing the return owns a direct interest in the foreign partnership. Check box b if the person filing the return constructively owns an interest in the foreign partnership. See *Constructive ownership* on page 4.

Category 1 and 2 filers must list the persons (U.S. and foreign) whose interests in the foreign partnership they constructively owned during the partnership tax year.

Category 3 and 4 filers must list the persons (U.S. and foreign) whose interests in the foreign partnership they constructively owned during the filer's tax year that the reportable transfer or "reportable event" occurred.

## Schedule A-1—Certain Partners of Foreign Partnership

All Category 1 and certain Category 3 filers must complete Schedule A-1. Any person already listed on Schedule A is not required to be listed again on Schedule A-1.

**Category 1 filers.** Category 1 filers must list all U.S. persons who owned at least a 10% direct interest in the foreign partnership during the partnership's tax year listed at the top of page 1 of Form 8865.

**Category 3 filers.** Category 3 filers must list:

- each U.S. person that owned a 10% or greater direct interest in the foreign partnership during the Category 3 filer's tax year, and
- any other person related to the Category 3 filer that was a direct partner in the foreign partnership during that tax year.

See Regulations section 1.6038B-2(i)(4) for the definition of a related person.

**Exception.** Category 3 filers who only transferred cash and did not own a 10% or greater interest in the transferee

partnership after the transfer are not required to complete Schedule A-1.

## Schedule A-2—Affiliation Schedule

All filers must complete Schedule A-2. List on Schedule A-2 all partnerships (foreign or domestic) in which the foreign partnership owned a direct interest, or a 10% indirect interest (under the rules of section 267(c)(1) and (5)) during the partnership tax year listed at the top of page 1, Form 8865. Only Category 1 filers must complete the ordinary income or loss column. In that column, report the foreign partnership's share of ordinary income (even if not received) or loss from partnerships in which the foreign partnership owns a direct interest. The total amount of ordinary income or loss from each partnership must also be included on line 4 of Schedule B.

## Schedule B—Income Statement—Trade or Business Income

**Important:** You do not need to complete Schedule B if you have attached a copy of page 1 from Form 1065, or Parts I and II of Form 1065-B.

All Category 1 filers must complete Schedule B.

### Income



*Report only trade or business activity income on lines 1a through 8. Do not report rental activity income or portfolio income on these lines. Rental activity income and portfolio income are reported on Schedules K and K-1. Rental real estate activities are also reported on Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation.*

**Tax-exempt income.** Do not include any tax-exempt income on lines 1a through 8. A partner in a partnership that receives any tax-exempt income other than interest, or holds any property or engages in any activity that produces tax-exempt income reports the amount of this income on line 18b of Schedules K and in box 18 of Schedule K-1 using code B.

Report tax-exempt interest income, including exempt-interest dividends received by the partnership as a shareholder in a mutual fund or other regulated investment company, on line 18a of Schedules K and in box 18 of Schedule K-1 using code A.

See *Deductions* on page 8 for information on how to report expenses related to tax-exempt income.

**Cancelled debt exclusion.** If the partnership has had debt discharged resulting from a title 11 bankruptcy proceeding or while insolvent, see Form 982, Reduction of Tax Attributes Due to

Discharge of Indebtedness, and Pub. 908, Bankruptcy Tax Guide.

## Line 1a—Gross Receipts or Sales

Enter the gross receipts or sales from all trade or business operations (except those that must be reported on lines 4 through 7). For example, do not include gross receipts from farming on this line. Instead, show the net profit (loss) from farming on line 5. Also, do not include rental activity income or portfolio income on line 1a; report them on Schedule K.

In general, advance payments are reported in the year of receipt. To report income from long-term contracts, see section 460. For special rules for reporting certain advance payments for goods and long-term contracts, see Regulations section 1.451-5. For permissible methods for reporting advance payments for services and most goods by an accrual method partnership, see Rev. Proc. 2004-34, 2004-22 I.R.B. 991.

**Installment sales.** Generally, the installment method cannot be used for dealer dispositions of property. A "dealer disposition" is any disposition of personal property by a person who regularly sells or otherwise disposes of personal property of the same type on the installment plan or any disposition of real property held for sale to customers in the ordinary course of the taxpayer's trade or business. The disposition of property used or produced in a farming business is not included as a dealer disposition. See section 453(l) for details and exceptions.

Enter on line 1a the gross profit on collections from installment sales for any of the following:

- Dealer dispositions of property before March 1, 1986.
- Dispositions of property used or produced in the trade or business of farming.
- Certain dispositions of timeshares and residential lots reported under the installment method.

Attach a statement showing the following information for the current and the 3 preceding tax years:

- Gross sales.
- Cost of goods sold.
- Gross profits.
- Percentage of gross profits to gross sales.
- Amount collected.
- Gross profit on amount collected.

## Line 2—Cost of Goods Sold


Generally, inventories are required at the beginning and end of each tax year if the production, purchase, or sale of merchandise is an income-producing factor. See Regulations section 1.471-1.

However, if the partnership is a qualifying taxpayer or a qualifying small business taxpayer, it may account for inventoriable items in the same manner as materials and supplies that are not incidental (unless its business is a tax shelter (as defined in section 448(d)(3))).

**Cost of Goods Sold Worksheet**

**Form 8865**  
(keep for your records)

**Line 6—Net Gain (Loss) From Form 4797**

 *Include only ordinary gains or losses from the sale, exchange, or involuntary conversion of assets used in a trade or business activity. Ordinary gains or losses from the sale, exchange, or involuntary conversion of rental activity assets are reported separately on line 19 of Form 8825 or line 3 of Schedule K and in box 3, Schedule K-1, generally as a part of the net income (loss) from the rental activity.*

1. Inventory at beginning of year . . . . .	1. _____
2. Purchases . . . . .	2. _____
3. Other costs of labor . . . . .	3. _____
4. Other costs . . . . .	4. _____
5. <b>Total</b> . . . . .	5. _____
6. Inventory at end of year . . . . .	6. _____
7. <b>Cost of goods sold.</b> Subtract line 6 from line 5. Enter the result here and on Schedule B, line 2, page 2 . . . . .	7. _____

A qualifying taxpayer is a taxpayer that, for each prior tax year ending after December 16, 1998, has average annual gross receipts of \$1 million or less for the 3-tax-year period ending with that prior tax year. See Rev. Proc. 2001-10, 2001-2 I.R.B. 272 for details.

A qualifying small business taxpayer is a taxpayer (a) that, for each prior tax year ending on or after December 31, 2000, has average annual gross receipts of \$10 million or less for the 3-tax-year period ending with that prior tax year and (b) whose principal business activity is not an ineligible activity. See Rev. Proc. 2002-28, 2002-18 I.R.B. 815 for details.

Under this accounting method, inventory costs for raw materials purchased for use in producing finished goods or merchandise purchased for resale are deductible in the year the finished goods or merchandise are sold (but not before the year the partnership paid for the raw materials or merchandise, if it is also using the cash method). For additional guidance on this method of accounting for inventoriable items, see Pub. 538.

**Cost of Goods Sold Worksheet Instructions.** All filers not using the cash method of accounting should see Section 263A uniform capitalization rules on page 8 before completing the worksheet.

**Line 2—Purchases.** Reduce purchases by any items withdrawn for personal use. The cost of these items is shown on line 19b of Schedule K and in box 19 Schedule K-1 (code B) as distributions to partners.

**Line 4—Other Costs.** Enter on line 4 any costs paid or incurred during the tax year not entered on lines 2 and 3.

**Line 4—Ordinary Income (Loss) From Other Partnerships, Estates, and Trusts**

Enter the ordinary income (loss) shown on Schedule K-1 (Form 1065) or Schedule K-1 of Form 1041, or other ordinary income (loss) from a foreign partnership, estate, or trust. Show the partnership's, estate's, or trust's name, address, and EIN on a separate statement attached to this return. If the amount entered is from more than one source, identify the amount from each source.

Do not include portfolio income or rental activity income (loss) from other

partnerships, estates, or trusts on this line. Instead, report these amounts on the applicable lines of Schedules K and K-1, or on line 20a of Form 8825 if the amount is from a rental real estate activity.

Ordinary income or loss from another partnership that is a publicly traded partnership is not reported on this line. Instead, report the amount separately on line 11 of Schedules K and in box 11, Schedule K-1 using code F.

Treat shares of other items separately reported on Schedule K-1 issued by the other entity as if the items were realized or incurred by this partnership.

If there is a loss from another partnership, the amount of the loss that may be claimed is subject to the at-risk and basis limitations as appropriate.

If the tax year of your partnership does not coincide with the tax year of the other partnership, estate, or trust, include the ordinary income (loss) from the other entity in the tax year in which the other entity's tax year ends.

**Line 5—Net Farm Profit (Loss)**

Enter the partnership's net farm profit (loss) from Schedule F (Form 1040), Profit or Loss From Farming. Attach Schedule F to Form 8865. Do not include on this line any farm profit (loss) from other partnerships. Report those amounts on line 4. In figuring the net farm profit or loss, do not include any section 179 expense deduction; this amount must be separately stated.

Also report the partnership's fishing income on this line.

For information concerning the method of accounting for a farming partnership with a corporate partner and for other tax information on farms, see Pub. 225, Farmer's Tax Guide.

**Note.** Farm partnerships that are not required to use an accrual method should not capitalize the expenses of raising any plant with a preproductive period of more than 2 years. Instead, state them separately on an attachment to Schedule K, line 13e, and in Schedule K-1, box 13, using code O. See Regulations section 1.263A-4 for more information.

A partnership that is a partner in another partnership must include on Form 4797, Sales of Business Property, its share of ordinary gains (losses) from sales, exchanges, or involuntary conversions (other than casualties or thefts) of the other partnership's trade or business assets.

Partnerships should not use Form 4797 to report the sale or other disposition of property if a section 179 expense deduction was previously passed through to any of its partners for that property. Instead, report it in box 20 of Schedule K-1 using code F. See the instructions for Schedule K, line 20c, for details.

**Line 7—Other Income (Loss)**

Enter on line 7 trade or business income (loss) that is not included on lines 1a through 6. List the type and amount of income on an attached statement. Examples of such income include:

1. Interest income derived in the ordinary course of the partnership's trade or business, such as interest charged on receivable balances.
2. Recoveries of bad debts deducted in prior years under the specific charge-off method.
3. Taxable income from insurance proceeds.
4. The credit figured on Form 6478, Credit for Alcohol Used as Fuel.
5. The amount of credit figured on Form 8864, Biodiesel Fuels Credit.
6. All section 481 income adjustments resulting from changes in accounting methods. Show the computation of the section 481 adjustments on an attached statement.
7. The amount of any deduction previously taken under section 179A that is subject to recapture. See Chapter 12 in Pub. 535, Business Expenses, for details, including how to figure the recapture.
8. The recapture amount for section 280F if the business use of listed property drops to 50% or less. To figure the recapture amount, complete Part IV of Form 4797.

Do not include items requiring separate computations that must be reported on Schedules K and K-1. See the instructions for Schedules K and K-1 later in these instructions for more information.

Do not report portfolio or rental activity income (loss) on this line.

## Deductions



*Report only trade or business activity deductions on lines 9 through 21.*

Do not report the following expenses on lines 9 through 21:

- Rental activity expenses. Report these expenses on Form 8825 or line 3b of Schedule K.
- Deductions allocable to portfolio income. Report these deductions on line 13b of Schedule K and in box 13, Schedule K-1 using code G, H, or J.
- Nondeductible expenses (for example, expenses connected with the production of tax-exempt income). Report nondeductible expenses on line 18c of Schedule K and in box 18, Schedule K-1 using code C.
- Qualified expenditures to which an election under section 59(e) may apply. The instructions for line 13d of Schedule K explain how to report these amounts.
- Items that require separate computations by the partners. Examples include expenses incurred for the production of income not in a trade or business, charitable contributions, foreign taxes paid, intangible drilling and development costs, soil and water conservation expenditures, amortizable basis of reforestation expenditures, and exploration expenditures. The distributive shares of these expenses are reported separately on Schedule K-1.

## Limitations on Deductions

**Section 263A uniform capitalization rules.** The uniform capitalization rules (Unicap) of section 263A require partnerships to capitalize, or include in inventory, certain costs incurred in connection with:

- The production of real and tangible personal property held in inventory or held for sale in the ordinary course of business.
- Real property or personal property (tangible and intangible) acquired for resale.
- The production of real property and tangible personal property by a partnership for use in its trade or business or in an activity engaged in for profit.

The costs required to be capitalized under section 263A are not deductible until the property to which the costs relate is sold, used, or otherwise disposed of by the partnership.

**Exceptions.** Section 263A does not apply to:

- Inventoriable items accounted for in the same manner as materials and supplies that are not incidental.
- Personal property acquired for resale if the partnership's average annual gross receipts for the 3 prior tax years were \$10 million or less.
- Timber.

- Most property produced under a long-term contract.
- Certain property produced in a farming business. See the *note* at the end of the instructions for line 5.

Report the following costs separately for purposes of determinations under section 59(e):

- Research and experimental costs under section 174.
- Intangible drilling costs for oil, gas, and geothermal property.
- Mining exploration and development costs.

**Tangible personal property.** Produced by a partnership includes a film, sound recording, videotape, book, or similar property.

**Indirect costs.** Partnerships subject to the Unicap rules are required to capitalize not only direct costs but an allocable part of most indirect costs (including taxes) that benefit the assets produced or acquired for resale, or that are incurred by reason of the performance of production or resale activities.

For inventory, some of the indirect costs that must be capitalized are:

- Administration expenses.
  - Taxes.
  - Depreciation.
  - Insurance.
  - Compensation paid to officers attributable to services.
  - Rework labor.
  - Contributions to pension, stock bonus, and certain profit-sharing, annuity, or deferred compensation plans.
- Regulations section 1.263A-1(e)(3) specifies other indirect costs that relate to production or resale activities that must be capitalized and those that may be currently deductible.

**Interest expense** paid or incurred during the production period of designated property must be capitalized and is governed by special rules. For more details, see Regulations sections 1.263A-8 through 1.263A-15.

For more details on the uniform capitalization rules, see Regulations sections 1.263A-1 through 1.263A-3.

**Transactions between related taxpayers.** Generally, an accrual basis partnership may deduct business expenses and interest owed to a related party (including any partner) only in the tax year of the partnership that includes the day on which the payment is includible in the income of the related party. See section 267 for details.

**Business start-up and organizational costs.** Business start-up and organizational costs must be capitalized unless the partnership elected to deduct or amortize them. For costs paid or incurred before October 23, 2004, the costs must be capitalized unless the partnership elected to amortize them over a period of 60 months or more. For costs paid or incurred after October 22, 2004,

the following rules apply separately to each category of costs.

- The partnership can elect to deduct up to \$5,000 of such costs for the year the partnership begins business operations.
- The \$5,000 deduction is reduced (but not below zero) by the amount the total costs exceed \$50,000. If the total costs are \$55,000 or more, the deduction is reduced to zero.
- If the election is made, any costs that are not deductible must be amortized ratably over a 180-month period beginning with the month the partnership begins business operations.

For more details on the election for business start-up costs, see section 195. To make the election, attach the statement required by Regulations section 1.195-1(b). For more details on the election for organizational costs, see section 248. Report the deductible amount of these costs and any amortization on line 20. For amortization that begins during the tax year, complete and attach Form 4562.

**Syndication costs.** Costs for issuing and marketing interests in the partnership, such as commissions, professional fees, and printing costs, must be capitalized. They cannot be depreciated or amortized. See the instructions for line 10 for the treatment of syndication fees paid to a partner.

**Reducing certain expenses for which credits are allowable.** For each of the following credits, reduce the otherwise allowable deductions for expenses used to figure the credit, by the amount of the current year credit.

1. The work opportunity credit.
2. The welfare-to-work credit.
3. The credit for increasing research activities.
4. The enhanced oil recovery credit.
5. The disabled access credit.
6. The empowerment zone and renewal community employment credit.
7. The Indian employment credit.
8. The credit for employer social security and Medicare taxes paid on certain employee tips.
9. The orphan drug credit.
10. Credit for small employer pension plan startup costs.
11. Credit for employer-provided childcare facilities and services.
12. The New York Liberty Zone business employee credit.
13. The low sulfur diesel fuel production credit.

Figure each current year credit before figuring the deduction for expenses on which the credit is based.

**Film and television production expenses.** The partnership can elect to deduct certain costs of qualified film and television productions that begin after October 22, 2004. For details, see section 181.



## Line 9—Salaries and Wages

Enter the salaries and wages paid or incurred for the tax year, reduced by the current year credits claimed on: Form 5884, Work Opportunity Credit, Form 8861, Welfare-to-Work Credit, Form 8844, Empowerment Zone and Renewal Community Employment Credit, Form 8845, Indian Employment Credit, and Form 8884, New York Liberty Zone Business Employee Credit. See the instructions for these forms for more information.

Do not include salaries and wages reported elsewhere on the return, such as amounts included in cost of goods sold, elective contributions to a section 401(k) cash or deferred arrangement, or amounts contributed under a salary reduction SEP (Simplified Employee Pension) agreement or a SIMPLE IRA plan.

## Line 10—Guaranteed Payments to Partners

Deduct payments or credits to a partner for services or for the use of capital if the payments or credits are determined without regard to partnership income and are allocable to a trade or business activity. Also include on line 10 amounts paid during the tax year for insurance that constitutes medical care for a partner, a partner's spouse, or a partner's dependents.

Do not include any payments and credits that should be capitalized. For example, although payments or credits to a partner for services rendered in organizing or syndicating a partnership may be guaranteed payments, they are not deductible on line 10. They are capital expenditures. Report them separately on Schedule K, line 4 and on Schedule K-1, box 4.

Do not include distributive shares of partnership profits on line 10.

Report the guaranteed payments to the appropriate partners on Schedule K-1, box 4.

## Line 11—Repairs and Maintenance

Enter the costs of incidental repairs and maintenance that do not add to the value of the property or appreciably prolong its life, but only to the extent that such costs relate to a trade or business activity and are not claimed elsewhere on the return.

The cost of new buildings, machinery, or permanent improvements that increase the value of the property are not deductible. They are capitalized, then depreciated or amortized, and reported on line 16 or line 20.

## Line 12—Bad Debts

Enter the total debts that became worthless in whole or in part during the year, but only to the extent such debts relate to a trade or business activity. Report deductible nonbusiness bad debts as a short-term capital loss on Schedule D (Form 8865).



*Cash method partnerships cannot take a bad debt deduction unless the amount was previously included in income.*

## Line 13—Rent

Enter rent paid on business property used in a trade or business activity. Do not deduct rent for a dwelling unit used by any partner for personal use.

If the partnership rented or leased a vehicle, enter the total annual rent or lease expense paid or incurred in the trade or business activities of the partnership. Also complete Part V of Form 4562, Depreciation and Amortization. If the partnership leased a vehicle for a term of 30 days or more, the deduction for vehicle lease expense may have to be reduced by an amount called the inclusion amount. You may have an inclusion amount if:

The lease term began:	And the vehicle's fair market value on the first day of the lease exceeded:
After 12/31/03 but before 1/1/05 . . . . .	\$17,500
After 12/31/02 but before 1/1/04 . . . . .	\$18,000
After 12/31/98 but before 1/1/03 . . . . .	\$15,500
After 12/31/96 but before 1/1/99 . . . . .	\$15,800
After 12/31/94 but before 1/1/97 . . . . .	\$15,500

If the lease term began before January 1, 1995, see Pub. 463, Travel, Entertainment, Gift, and Car Expenses, to find out if the partnership has an inclusion amount. The inclusion amount for lease terms beginning in 2005 will be published in the Internal Revenue Bulletin in early 2005.

See Pub. 463 for how to figure inclusion amounts for all years noted above.

**Note.** For 2004, the fair market value for trucks and vans is \$18,000 and for electric cars, it is \$53,000.

## Line 14—Taxes and Licenses

Enter taxes and licenses paid or incurred in the trade or business activities of the partnership if not reflected in cost of goods sold. Federal import duties and Federal excise and stamp taxes are deductible only if paid or incurred in carrying on the trade or business of the partnership.

Do not deduct the following taxes on line 14.

- Taxes not imposed on the partnership.
- Federal income taxes or taxes reported elsewhere on the return.
- Section 901 foreign taxes. Report these taxes separately on Schedule K, line 16I and Schedule K-1, box 16, codes L and M.
- Taxes allocable to a rental activity. Taxes allocable to a rental real estate activity are reported on Form 8825. Taxes allocable to a rental activity other than a rental real estate activity are reported on line 3b of Schedule K.

- Taxes allocable to portfolio income. These taxes are reported on line 13b of Schedule K and in box 13, Schedule K-1 using code G.
- Taxes paid or incurred for the production or collection of income, or for the management, conservation, or maintenance of property held to produce income. Report these taxes separately on line 13e of Schedule K and in box 13, Schedule K-1 using code T.

See section 263A(a) for rules on capitalization of allocable costs (including taxes) for any property.

- Taxes, including state or local sales taxes, that are paid or incurred in connection with an acquisition or disposition of property (these taxes must be treated as a part of the cost of the acquired property or, in the case of a disposition, as a reduction in the amount realized on the disposition).
- Taxes assessed against local benefits that increase the value of the property assessed (such as for paving, etc.).

See section 164(d) for apportionment of taxes on real property between seller and purchaser.

## Line 15—Interest

Include only interest incurred in the trade or business activities of the partnership that is not claimed elsewhere on the return.

Do not deduct interest expense on debt required to be allocated to the production of designated property. Designated property includes real property, personal property that has a class life of 20 years or more, and other tangible property requiring more than 2 years (1 year in the case of property with a cost of more than \$1 million) to produce or construct. Interest that is allocable to designated property produced by a partnership for its own use or for sale must be capitalized.

In addition, a partnership must also capitalize any interest on debt that is allocable to an asset used to produce designated property. A partner may be required to capitalize interest that was incurred by the partner for the partnership's production expenditures. Similarly, a partner may have to capitalize interest that was incurred by the partnership for the partner's own production expenditures. The information required by the partner to properly capitalize interest for this purpose must be provided by the partnership in an attachment for box 20 of Schedule K-1, using code L. See section 263A(f) and Regulations sections 1.263A-8 through 1.263A-15.

Do not include interest expense on debt used to purchase rental property or debt used in a rental activity. Interest allocable to a rental real estate activity is reported on Form 8825 and is used in arriving at net income (loss) from rental real estate activities on line 2 of Schedule K and in box 2 of Schedule K-1. Interest allocable to a rental activity other than a

rental real estate activity is included on line 3b of Schedule K and is used in arriving at net income (loss) from a rental activity (other than a rental real estate activity). This net amount is reported on line 3c of Schedule K and in box 3 of Schedule K-1.

Do not include interest expense on debt used to buy property held for investment. Do not include interest expense that is clearly and directly allocable to interest, dividend, royalty, or annuity income not derived in the ordinary course of a trade or business. Interest paid or incurred on debt used to purchase or carry investment property is reported on line 13c of Schedule K and in box 13 of Schedule K-1 using code I. See the instructions for line 13c of Schedule K and Form 4952, Investment Interest Expense Deduction, for more information on investment property.

Do not include interest on debt proceeds allocated to distributions made to partners during the tax year. Instead, report such interest on line 13e of Schedule K and in box 13 of Schedule K-1 using code T. To determine the amount to allocate to distributions to partners, see Notice 89-35, 1989-1 C.B. 675.

Temporary Regulations section 1.163-8T gives rules for allocating interest expense among activities so that the limitations on passive activity losses, investment interest, and personal interest can be properly figured. Generally, interest expense is allocated in the same manner that debt is allocated. Debt is allocated by tracing disbursements of the debt proceeds to specific expenditures, as provided in the regulations.

Interest paid by a partnership to a partner for the use of capital should be entered on line 10 as guaranteed payments.

Prepaid interest is deducted over the period to which the prepayment applies.

**Note.** Additional limitations on interest deductions apply when the partnership is a policyholder or beneficiary with respect to a life insurance, endowment, or annuity contract issued after June 8, 1997. For details, see section 264. Attach a statement showing the computation of the deduction disallowed under section 264.

### Line 16—Depreciation

On line 16a, enter only the depreciation claimed on assets used in a trade or business activity. Enter on line 16b the depreciation reported elsewhere on the return that is attributable to assets used in trade or business activities. See the Instructions for Form 4562 or Pub. 946, How To Depreciate Property, to figure the amount of depreciation to enter on this line.

Complete and attach Form 4562 only if the partnership placed property in service during the tax year or claims depreciation on any car or other listed property.

Do not include any section 179 expense on this line. Instead, report it in box 12 of Schedule K-1.

### Line 17—Depletion

If the partnership claims a deduction for timber depletion, complete and attach Form T, Forest Activities Schedule.



*Do not deduct depletion for oil and gas properties. The partner figures depletion on oil and gas properties. See the instructions for Schedule K, line 20c, "Information needed to figure depletion-oil and gas (code N)," for information on oil and gas depletion that must be supplied to the partners by the partnership.*

### Line 18—Retirement Plans, etc.

Do not deduct payments for partners to retirement or deferred compensation plans including IRAs, qualified plans, and simplified employee pension (SEP) and SIMPLE IRA plans on this line. These amounts are reported on Schedule K-1, box 13, using code R, and are deducted by the partners on their own returns.

Enter the deductible contributions, not claimed elsewhere on the return, made for its common-law employees under a qualified pension, profit-sharing, annuity, or SEP or SIMPLE IRA plan, and under any other deferred compensation plan.

If the partnership contributes to an individual retirement arrangement (IRA) for employees, include the contribution in salaries and wages on Schedule B, line 9, or Schedule B, line 2, and not on line 18.

### Line 19—Employee Benefit Programs

Enter the partnership's contributions to employee benefit programs not claimed elsewhere on the return (for example, insurance, health, and welfare programs) that are not part of a pension, profit-sharing, etc., plan included on line 18.

Do not include amounts paid during the tax year for insurance that constitutes medical care for a partner, a partner's spouse, or a partner's dependents. Instead, include these amounts on line 10 as guaranteed payments. Also, report these amounts on Schedule K, lines 4 and 13e, and on Schedule K-1, box 4 and box 13, code L for a partner on whose behalf the amounts were paid.

### Line 20—Other Deductions

Enter the total allowable trade or business deductions that are not deductible elsewhere on Schedule B of Form 8865. Attach a statement listing, by type and amount, each deduction included on this line. Examples of other deductions include.

- Amortization (except as noted below)—see the Instructions for Form 4562 for more information. Complete and attach Form 4562 if the partnership is claiming amortization of costs that began during the tax year.
- Insurance premiums.

- Legal and professional fees.
- Supplies used and consumed in the business.
- Utilities.
- Certain business start-up expenditures and organizational expenditures that the partnership has elected to amortize or deduct. See *Limitations on Deductions* beginning on page 8 for more details.

Also, see *Special Rules* below for limits on certain other deductions.

Do not deduct on line 20.

- Items that must be reported separately on Schedules K and K-1.
  - Qualified expenditures to which an election under section 59(e) may apply. See the instructions for Schedule K, line 13d, on page 18 for details on treatment of these items.
  - Reforestation expenditures. If the partnership made an election to deduct a portion of its reforestation expenditures, report on Schedule K and K-1 the reforestation expense deduction for expenditures paid or incurred after October 22, 2004, and the amortizable basis of expenditures paid or incurred before October 23, 2004. See the instructions for *Reforestation expense deduction (code S)* on page 19 and *Amortization of reforestation costs (code O)* on page 25. Deduct on line 20 only the amortization of reforestation expenditures paid or incurred after October 22, 2004. Amortize only the portion of such expenditures in excess of the separately-stated reforestation expense deduction.
  - Fines or penalties paid to a government for violating any law. Report these expenses on Schedule K, line 18c.
  - Expenses allocable to tax-exempt income. Report these expenses on Schedule K, line 18c.
  - Net operating losses. Only individuals and corporations may claim a net operating loss deduction.
  - Amounts paid or incurred to participate or intervene in any political campaign on behalf of a candidate for public office, or to influence the general public regarding legislative matters, elections, or referendums. Report these expenses on Schedule K, line 18c.
  - Expenses paid or incurred to influence Federal or state legislation, or to influence the actions or positions of certain Federal executive branch officials. However, certain in-house lobbying expenditures that do not exceed \$2,000 are deductible. See section 162(e) for more details.
- ### Special Rules
- Commercial revitalization deduction.** If the partnership constructs, purchases, or substantially rehabilitates a qualified building in a renewal community it may qualify for a deduction of either:
- 50% of qualified capital expenditures in the year the building is placed in service, or
  - Amortization of 100% of the qualified capital expenditures over a 120-month period beginning with the month the building is placed in service.

If the partnership elected to amortize these expenditures, complete and attach Form 4562. To qualify, the building must be nonresidential (as defined in section 168(e)(2)) and placed in service by the partnership. The partnership must be the original user of the building unless it is substantially rehabilitated. The amount of the qualified expenditures cannot exceed the lesser of \$10 million, or the amount allocated to the building by the commercial revitalization agency of the state in which the building is located. Any remaining expenditures are depreciated over the regular depreciation recovery period. See Pub. 954, Tax Incentives for Distressed Communities, and section 1400I for details.

**Rental real estate.** Do not report this deduction on line 20 if the building is placed in service as rental real estate. Instead, report the commercial revitalization deduction for rental real estate in box 13 of Schedule K-1 using code P.

**Travel, meals, and entertainment.** Subject to limitations and restrictions discussed below, a partnership can deduct ordinary and necessary travel, meals, and entertainment expenses paid or incurred in its trade or business. Also, special rules apply to deductions for gifts, skybox rentals, luxury water travel, convention expenses, and entertainment tickets. See section 274 and Pub. 463 for more details.

**Travel.** The partnership cannot deduct travel expenses of any individual accompanying a partner or partnership employee, including a spouse or dependent of the partner or employee, unless:

- That individual is an employee of the partnership, and
- His or her travel is for a bona fide business purpose that would otherwise be deductible by that individual.

**Meals and entertainment.** Generally, the partnership can deduct only 50% of the amount otherwise allowable for meals and entertainment expenses paid or incurred in its trade or business. In addition (subject to exceptions under section 274(k)(2)):

- Meals must not be lavish or extravagant,
- A bona fide business discussion must occur during, immediately before, or immediately after the meal, and
- A partner or employee of the partnership must be present at the meal.

See section 274(n)(3) for a special rule that applies to expenses for meals consumed by individuals subject to the hours of service limits of the Department of Transportation.

**Membership dues.** The partnership may deduct amounts paid or incurred for membership dues in civic or public service organizations, professional organizations (such as bar and medical associations), business leagues, trade associations, chambers of commerce,

boards of trade, and real estate boards. However, no deduction is allowed if a principal purpose of the organization is to entertain, or provide entertainment facilities for, members or their guests. In addition, the partnership may not deduct membership dues in any club organized for business, pleasure, recreation, or other social purpose. This includes country clubs, golf and athletic clubs, airline and hotel clubs, and clubs operated to provide meals under conditions favorable to business discussion.

**Entertainment facilities.** The partnership cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) used for an activity usually considered entertainment, amusement, or recreation.

Generally, the partnership may be able to deduct otherwise nondeductible meals, travel, and entertainment expenses if the amounts are treated as compensation to the recipient and reported on Form W-2 for an employee or on Form 1099-MISC for an independent contractor.

### Extraterritorial Income Exclusion

Generally, extraterritorial income can be excluded to the extent of qualifying foreign trade income. However, the extraterritorial income exclusion is reduced by 20% for transactions after 2004, unless made under a binding contract with an unrelated person in effect on September 17, 2003, and at all times thereafter. For details and to figure the amount of the exclusion, see Form 8873, Extraterritorial Income Exclusion, and its separate instructions. Report the extraterritorial income exclusion as follows.

1. If the partnership met the foreign economic process requirements explained in the Instructions for Form 8873, report the exclusion as a nonseparately stated item on whichever of the following lines apply to that activity.

- Form 8865, Schedule B, line 20;
- Form 8825, line 15; or
- Form 8865, Schedule K, line 3b.

In addition, report as an item of information on Schedule K-1, box 16, using code O, the partner's distributive share of foreign trading gross receipts from Form 8873, line 15.

2. If the foreign trading gross receipts of the partnership for the tax year are \$5 million or less and the partnership did not meet the foreign economic process requirements, do not report the extraterritorial income exclusion as a nonseparately stated item on its return.

Instead, report the following separately stated items to the partners on Schedule K-1, box 16.

- Foreign trading gross receipts (code O). Report the partner's distributive share of foreign trading gross receipts from line 15 of Form 8873 in box 16 using code O.
- Extraterritorial income exclusion (code P). Report the partner's distributive share of the extraterritorial income exclusion

from Form 8873 in box 16 using code P and identify on an attached statement the activity to which the exclusion relates. If more than one Form 8873 is required (for example, separate forms for transactions eligible for the 80% and 100% exclusions), combine the exclusions from lines 52a and 52b and report a single exclusion amount in box 16.

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## Schedule D—Capital Gains and Losses

**Important:** You do not need to complete Schedule D if you have attached to Form 8865 a copy of the Schedule D from Form 1065 or Form 1065-B.

All Category 1 filers must complete Schedule D to report sales or exchanges of capital assets, capital gain distributions, and nonbusiness bad debts.

### Purpose of Schedule

Use Schedule D (Form 8865) to report sales or exchanges of capital assets, capital gain distributions, and nonbusiness bad debts. Do not report on Schedule D capital gains (losses) specially allocated to any partner.

Enter capital gains (losses) specially allocated to the partnership as a partner in other partnerships and from estates and trusts on Schedule D, line 4 or 9, whichever applies. Enter capital gains (losses) of the partnership that are specially allocated to partners directly on line 8, 9a, or 11 of Schedule K.

**Note.** For more information, see Pub. 544, Sales and Other Dispositions of Assets.

### Other Forms You May Have To File

Use Form 4797 to report.

- Sales or exchanges of property used in a trade or business.
- Sales or exchanges of depreciable or amortizable property.
- Sales or other dispositions of securities or commodities held in connection with a trading business, if the partnership made a mark-to-market election.
- Involuntary conversions (other than from casualties or thefts).
- The disposition of noncapital assets (other than inventory or property held primarily for sale to customers in the ordinary course of a trade or business).

Use Form 4684, Casualties and Thefts, to report involuntary conversions of property due to casualty or theft.

Use Form 6781, Gains and Losses From Section 1256 Contracts and Straddles, to report gains and losses from section 1256 contracts and straddles. If there are limited partners, see section 1256(e)(4) for the limitation on losses from hedging transactions.

Use Form 8824, Like-Kind Exchanges, if the partnership made one or more like-kind exchanges. A "like-kind exchange" occurs when business or

investment property is exchanged for property of a like kind.

## What Are Capital Assets?

Each item of property the partnership held (whether or not connected with its trade or business) is a capital asset except:

- Stock in trade or other property included in inventory or held mainly for sale to customers.
- Accounts or notes receivable acquired in the ordinary course of the trade or business for services rendered, or from the sale of stock in trade or other property held mainly for sale to customers.
- Depreciable or real property used in the trade or business, even if it is fully depreciated.
- Certain copyrights; literary, musical, or artistic compositions; letters or memoranda; or similar property. See section 1221(a)(3).
- U.S. Government publications, including the Congressional Record, that the partnership received from the Government, other than by purchase at the normal sales price, or that the partnership got from another taxpayer who had received it in a similar way, if the partnership's basis is determined by reference to the previous owner's basis.
- Certain commodities derivative financial instruments held by a dealer. See section 1221(a)(6).
- Certain hedging transactions entered into in the normal course of the trade or business. See section 1221(a)(7).
- Supplies regularly used in the trade or business.

## Items for Special Treatment

- Transactions by a securities dealer. See section 1236.
- Bonds and other debt instruments. See Pub. 550, Investment Income and Expenses.
- Certain real estate subdivided for sale that may be considered a capital asset. See section 1237.
- Gain on the sale of depreciable property to a more than 50%-owned entity, or to a trust in which the partnership is a beneficiary, is treated as ordinary gain. See Pub. 544.
- Liquidating distributions from a corporation. See Pub. 550 for details.
- Gain on the sale or exchange of stock in certain foreign corporations. See section 1248.
- Gain or loss on options to buy or sell, including closing transactions. See Pub. 550 for details.
- Gain or loss from a short sale of property. See Pub. 550 for details.
- Transfer of property to a political organization if the fair market value of the property exceeds the partnership's adjusted basis in such property. See section 84.
- Any loss on the disposition of converted wetland or highly erodible cropland that is first used for farming after March 1, 1986, is reported as a long-term capital loss on Schedule D. Gain on such a disposition is reported as ordinary

income on Form 4797. See section 1257 for details.

- Transfer of partnership assets and liabilities to a newly formed corporation in exchange for all of its stock. See Rev. Rul. 84-111, 1984-2 C.B. 88.
- Disposition of foreign investment in a U.S. real property interest. See section 897.
- Any loss from a sale or exchange of property between the partnership and certain related persons is not allowed, except for distributions in a complete liquidation of a corporation. See section 267 and 707(b) for details.
- Any loss from securities that are capital assets that become worthless during the year is treated as a loss from the sale or exchange of a capital asset on the last day of the tax year.
- Nonrecognition of gain on sale of stock to an employee stock ownership plan (ESOP) or an eligible cooperative. See section 1042 and Temporary Regulations section 1.1042-1T for rules under which the partnership may elect not to recognize gain from the sale of certain stock to an ESOP or an eligible cooperative.
- A nonbusiness bad debt must be treated as a short-term capital loss and can be deducted only in the year the debt becomes totally worthless. For each bad debt, enter the name of the debtor and "statement attached" in column (a) of line 1 and the amount of the bad debt as a loss in column (f). Also, attach a statement of facts to support each bad debt deduction.
- Any loss from a wash sale of stock or securities (including contracts or options to acquire or sell stock or securities) cannot be deducted unless the partnership is a dealer in stock or securities and the loss was sustained in a transaction made in the ordinary course of the partnership's trade or business. A wash sale occurs if the partnership acquires (by purchase or exchange), or has a contract or option to acquire, substantially identical stock or securities within 30 days before or after the date of the sale or exchange. See section 1091 for more information.
- If the partnership sold property at a gain and it will receive a payment in a tax year after the year of sale, it generally must report the sale on the installment method unless it includes the full amount of the gain in its income in the year of sale. However, the installment method may not be used to report sales of stock or securities traded on an established securities market. Use Form 6252, Installment Sale Income, to report the sale on the installment method. Also use Form 6252 to report any payment received during the tax year from a sale made in an earlier year that was reported on the installment method.
- Certain constructive ownership transactions. Gain in excess of the gain that would have been recognized if the partnership had held a financial asset directly during the term of a derivative

contract must be treated as ordinary income. See section 1260 for details.

- Gain from the sale of collectibles. Report any collectibles gain or loss (28% rate gain or loss) included on lines 6 through 10 on line 9b of Schedule K (and the partner's share in box 9b of Schedule K-1). A collectibles gain or loss is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

**Collectibles** include works of art, rugs, antiques, metals (such as gold, silver, and platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also include gain (but not loss) from the sale or exchange of an interest in a partnership or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also attach the statement required under Regulations section 1.1(h)-1(e).

- Exclusion of Gain from the sale or exchange of District of Columbia Enterprise Zone (DC Zone) assets. If the partnership sold or exchanged a DC Zone asset that it held for more than 5 years, it may be able to exclude the qualified capital gain. However, certain types of gain are not excludible, such as unrecaptured section 1250 gain. DC Zone capital assets include stock in a corporation that was a DC Zone business and an interest in a partnership that was a DC Zone business. Report the sale or exchange of property used in the partnership's trade or business that qualify as DC Zone assets on Form 4797. See the Instructions for Schedule D (Form 1065) for details.

## Special Rules for Traders in Securities

**Traders in securities** are engaged in the business of buying and selling securities for their own account. To be engaged in business as a trader in securities:

- The partnership must seek to profit from daily market movements in the prices of securities and not from dividends, interest, or capital appreciation.
  - The partnership's trading activity must be substantial.
  - The partnership must carry on the activity with continuity and regularity.
- The following facts and circumstances should be considered in determining if a partnership's activity is a business:
- Typical holding periods for securities bought and sold.
  - The frequency and dollar amount of the partnership's trades during the year.
  - The extent to which the partners pursue the activity to produce income for a livelihood.
  - The amount of time devoted to the activity.

Like an investor, a trader must report each sale of securities (taking into account commissions and any other costs of acquiring or disposing of the securities)

on Schedule D or on an attached statement containing all the same information for each sale in a similar format. However, if a trader used the mark-to-market accounting method (see section 475 and its regulations for details), each transaction is reported in Part II of Form 4797 instead of Schedule D. Regardless of whether a trader reports its gains and losses on Schedule D or Form 4797, the gain or loss from the disposition of securities is not taken into account when figuring net earnings from self-employment on Schedules K or K-1. See section 1402(i) for an exception that applies to section 1256 contracts.

The limitation on investment interest expense that applies to investors does not apply to interest paid or incurred in a trading business. A trader reports interest expense and other expenses (excluding commissions and other costs of acquiring or disposing of securities) from a trading business on Schedule B of Form 8865.

A trader also may hold securities for investment. The rules for investors generally will apply to those securities. Allocate interest and other expenses between the partnership's trading business and its investment securities. Investment interest expense is reported on line 13c of Schedule K and in box 13 of Schedule K-1 using code I.

### Constructive Sale Treatment for Certain Appreciated Positions

Generally, a partnership recognizes gain (but not loss) on the date it enters into a constructive sale of any appreciated position in stock, a partnership interest, or certain debt instruments as if the position were disposed of at fair market value on that date.

A partnership is treated as making a constructive sale of an appreciated position when it (or a related person, in some cases) does one of the following:

- Enters into a short sale of the same or substantially identical property (that is, a "short sale against the box").
- Enters into an offsetting notional principal contract relating to the same or substantially identical property.
- Enters into a futures or forward contract to deliver the same or substantially identical property.
- Acquires the same or substantially identical property (if the appreciated position is a short sale, offsetting notional principal contract or a futures or forward contract).

**Exception.** Generally, constructive sale treatment does not apply if:

- The partnership closed the transaction before the end of the 30th day after the end of the year in which it was entered into,
- The partnership held the appreciated position to which the transaction relates throughout the 60-day period starting on the date the transaction was closed, and
- At no time during the 60-day period was the partnership's risk of loss reduced by holding certain other positions.

For details and other exceptions to these rules, see Pub. 550.

### Gain From Qualified Stock



*Separately state on Form 8865, Schedule K, line 11 (and not on Schedule D) any gain that would qualify for the section 1045 rollover at the partner level instead of the partnership level (because a partner was entitled to purchase replacement stock) and any gain on qualified stock that could qualify for the partial exclusion under section 1202.*

To be qualified small business stock, the stock must meet all of the following tests:

- It must be stock in a C corporation (that is, not S corporation stock).
- It must have been originally issued after August 10, 1993.
- As of the date the stock was issued, the corporation was a qualified small business. A qualified small business is a domestic C corporation with total gross assets of \$50 million or less **a**) at all times after August 9, 1993, and before the stock was issued, and **b**) immediately after the stock was issued. Gross assets include those of any predecessor of the corporation. All corporations that are members of the same parent-subsidiary controlled group are treated as one corporation.
- The partnership must have acquired the stock at its original issue (either directly or through an underwriter), either in exchange for money or other property or as pay for services (other than as an underwriter) to the corporation. In certain cases, the partnership may meet the test if it acquired the stock from another person who met this test (such as by gift or at death) or through a conversion or exchange of qualified business stock by the holder.
- During substantially all of the time the partnership held the stock:
  1. The corporation was a C corporation,
  2. At least 80% of the value of the corporation's assets was used in the active conduct of one or more qualified businesses (defined below), and
  3. The corporation was not a foreign corporation, domestic international sales corporation (DISC), former DISC, corporation that has made (or that has a subsidiary that has made) a section 936 election, regulated investment company (RIC), real estate investment trust (REIT), real estate mortgage investment conduit (REMIC), financial asset securitization investment trust (FASIT), or cooperative.

**Note.** A specialized small business investment company (SSBIC) is treated as having met test 2 above.

A **qualified business** is any business other than the following.

- One involving services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting,

athletics, financial services, or brokerage services.

- One whose principal asset is the reputation or skill of one or more employees.
- Any banking, insurance, financing, leasing, investing, or similar business.
- Any farming business (including the raising or harvesting of trees).
- Any business involving the production of products for which percentage depletion can be claimed.
- Any business of operating a hotel, motel, restaurant, or similar business.

### Specific Instructions (Schedule D)

#### Columns (b) and (c)—Date Acquired and Date Sold

Use the trade dates for date acquired and date sold for stocks and bonds traded on an exchange, or over-the-counter market. The acquisition date for an asset the partnership held on January 1, 2001, for which it made an election to recognize any gain on a deemed sale, is the date of the deemed sale and reacquisition.

#### Column (d)—Sales Price

Enter in this column either the gross sales price or the net sales price from the sale. On sales of stocks and bonds, report the gross amount as reported to the partnership by the partnership's broker on Form 1099-B, Proceeds From Broker and Barter Exchange Transactions, or similar statement. However, if the broker advised the partnership that gross proceeds (gross sales price) less commissions and option premiums were reported to the IRS, enter that net amount in column (d).

#### Column (e)—Cost or Other Basis

In general, the cost or other basis is the cost of the property plus purchase commissions and improvements and minus depreciation, amortization, and depletion. If the partnership got the property in a tax-free exchange, involuntary conversion, or wash sale of stock, it may not be able to use the actual cash cost as the basis. If the partnership does not use cash cost, attach an explanation of the basis.

If the partnership sold stock, adjust the basis by subtracting all the stock-related nontaxable distributions received before the sale. This includes nontaxable distributions from utility company stock and mutual funds. Also adjust the basis for any stock splits or stock dividends.

If the partnership elected to recognize gain on an asset held on January 1, 2001, the basis in the asset is its closing market price or fair market value, whichever applies, on the date of the deemed sale and reacquisition, whether the deemed sale resulted in a gain or an unallowed loss.

If a charitable contribution deduction is passed through to a partner because of a bargain sale of property to a charitable organization, the adjusted basis for

determining gain from the sale is an amount that has the same ratio to the adjusted basis as the amount realized has to the fair market value.

See section 852(f) for the treatment of certain load charges incurred in acquiring stock in a mutual fund with a reinvestment right.

If the gross sales price is reported in column (d), increase the cost or other basis by any expense of sale, such as broker's fees, commissions, or option premiums, before making an entry in column (e).

For more details, see Pub. 551, Basis of Assets.

### Column (f)—Gain or (Loss)

Make a separate entry in this column for each transaction reported on lines 1 and 6 and any other line(s) that applies to the partnership. For lines 1 and 6, subtract the amount in column (e) from the amount in column (d). Enter negative amounts in parentheses.

### Lines 4 and 9—Capital Gains and Losses From Other Partnerships, Estates, and Trusts

See the Schedule K-1 or other information supplied to you by the other partnership, estate, or trust.

### Line 10—Capital Gain Distributions

On line 10, column (f), report the total amount of (a) capital gain distributions and (b) the partnership's share of undistributed capital gains from a RIC or REIT. Report the partnership's share of taxes paid on undistributed capital gains by a RIC or REIT on a statement attached to Form 8865 for Schedule K, line 15f (and the partner's share in box 15 of Schedule K-1 using code I). Report any 28% rate gain or (loss) on line 9b of Schedule K and in box 9b of Schedule K-1.

## General Instructions for Schedules K and K-1—Partners' Distributive Share Items

**Important:** You do not need to complete Schedules K or K-1 if you have attached to Form 8865 a copy of the Schedules K or K-1 from Form 1065 or Form 1065-B.

### Schedule K

Schedule K is a summary schedule of all of the partners' shares of the partnership income, credits, deductions, etc. Only Category 1 filers must complete Schedule K.

### Schedule K-1

Schedule K-1 is used to report a specific partner's share of the partnership income, deductions, credits, etc.

All Category 1 and 2 filers must complete Schedule K-1 for any direct interest they hold in the partnership. A

Category 1 or 2 filer that does not own a direct interest is not required to complete Schedule K-1.

Category 1 filers must also complete Schedule K-1 for each U.S. person that directly owns a 10% or greater direct interest in the partnership.

Provide the partner's beginning and year-end percentage interest in partnership profits, capital, deductions, or losses. These percentages should include any interest constructively owned by the filer.

Complete boxes 1 through 20 for any direct interest that the partner owns in the partnership.

**Example.** Partner A owns a 45% direct interest in foreign partnership (FPS). Partner A also owns 100% of the stock of a domestic corporation (DC), which owns a 10% direct interest in FPS. Therefore, Partner A is considered to own a 55% interest in FPS and is thus a Category 1 filer. When Partner A completes Schedule K-1 for itself, Partner A must report the distributive share of items allocated to Partner A's direct interest of 45% but not any items allocated to DC's 10% interest. When Partner A completes Schedule K-1 for DC (which Partner A must do because DC owns a direct 10% interest), Partner A must report on DC's Schedule K-1 only items allocated to DC's direct 10% interest.

Although the partnership is not subject to income tax, the partners are liable for tax on their shares of the partnership income, whether or not distributed, and must include their share of such items on their tax returns.

Allocations of income, gains, losses, deductions, or credits among the partners generally should be made according to the partnership agreement. See section 704 and the regulations thereunder.

## Specific Instructions (Schedules K and K-1, Except as Noted)

**Note.** Generally, Schedules K and K-1 on Form 8865 and Form 1065 are the same. If more guidance is needed to complete Schedules K and K-1 of Form 8865, refer to the Form 1065 instructions.

### General Reporting Information

On each Schedule K-1, enter the information about the partnership and the partner in Parts I and II of the schedule (Items A through F). In Part III, enter the partner's pro rata share of each item of income, deduction, and credit and any other information the partner needs to prepare the partner's tax return.

**Codes.** In box 11 and boxes 13 through 20, identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on the back of Schedule K-1 and in these instructions.

**Attached statements.** Enter an asterisk (\*) after the code, if any, in the column to the left of the dollar amount entry space for each item for which you have attached a statement providing additional information. For those informational items that cannot be reported as a single dollar amount, enter the code and asterisk in the left column and write "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

More than one attached statement can be placed on the same sheet of paper and should be identified in alphanumeric order by box number followed by the letter code (if any). For example: "Box 20, Code N—Information Needed to Figure Depletion—Oil and Gas" (followed by the information the partner needs).

**Too few entry spaces on Schedule K-1?** If there are more coded items than the number of spaces in box 11 or boxes 13 through 20, do not enter a code or dollar amount in the last entry space of the box. In the last entry space, enter an asterisk in the left column and enter "STMT" in the entry space to the right. Report the additional items on an attached statement and provide the box number, the code, description, and dollar amount or information for each additional item. For example: "Box 15, Code J—Work Opportunity Credit—\$1,000."

### Special Allocations

An item is specially allocated if it is allocated to a partner in a ratio different from the ratio for sharing income or loss generally.

Report specially allocated ordinary gain (loss) on Schedule K, line 11. Report other specially allocated items on the applicable boxes of the partner's Schedule K-1, with the total amount on the applicable line of Schedule K.

**Example.** A partnership has a long-term capital gain that is specifically allocated to a partner and a net long-term capital gain reported on line 11 of Schedule D that must be reported on line 9a of Schedule K. Because specially allocated gains or losses are not reported on Schedule D, the partnership must report both the net long-term capital gain from Schedule D and the specially allocated gain on line 9a of Schedule K. Box 9a of the Schedule K-1 for the partner must include both the specially allocated gain and the partner's distributive share of the net long-term capital gain from Schedule D.

### Income (Loss)

#### Line 1—Ordinary Business Income (Loss)

Enter the amount from Schedule B, line 22. Enter the income (loss) without reference to:

- the basis of the partners' interests in the partnership,
- the partners' at-risk limitations, or
- the passive activity limitations.

These limitations, if applicable, are determined at the partner level.

Line 1 should not include rental activity income (loss) or portfolio income (loss).

**Schedule K-1.** Enter the partner's distributive share of ordinary business income (loss) in box 1 of Schedule K-1. If the partnership has more than one trade or business activity, identify on an attachment to Schedule K-1 the amount from each separate activity.

### Line 2— Net Rental Real Estate Income (Loss)

Enter the net income (loss) from rental real estate activities of the partnership from Form 8825. Attach this form to Form 8865.

**Schedule K-1.** Enter the partner's distributive share of net rental real estate income (loss) in box 2 of Schedule K-1. If the partnership has more than one rental real estate activity, identify on an attachment to Schedule K-1 the amount attributable to each activity.

### Line 3— Other Net Rental Income (Loss)

On Schedule K, line 3a, enter gross income from rental activities other than those reported on Form 8825. See Pub. 925, *Passive Activity and At-Risk Rules*, for a definition of rental activities. Include on line 3a the gain (loss) from line 17 of Form 4797 that is attributable to the sale, exchange, or involuntary conversion of an asset used in a rental activity other than a rental real estate activity.

On line 3b of Schedule K, enter the deductible expenses of the activity. Attach a statement identifying these expenses.

Enter the net income (loss) on line 3c of Schedule K.

**Schedule K-1.** Enter the partner's distributive share of net income (loss) from rental activities other than rental real estate activities in box 3 of Schedule K-1. If the partnership has more than one rental activity reported in box 3, identify on an attachment to Schedule K-1 the amount from each activity.

### Lines 4— Guaranteed Payments to Partners

Guaranteed payments to partners include:

- Payments for salaries, health insurance, and interest deducted by the partnership and reported on Schedule B, line 10; Form 8825; or on Schedule K, line 3b; and
- Payments the partnership must capitalize. See the Instructions for Schedule B, line 10, on page 9.

Generally, amounts reported on line 4 are not considered to be related to a passive activity. For example, guaranteed payments for personal services paid to a partner would not be passive activity income. Likewise, interest paid to any partner is not passive activity income.

**Schedule K-1.** Enter the partner's guaranteed payments in box 4 of Schedule K-1.

### Portfolio Income

Do not reduce portfolio income by deductions allocable to it. Interest expense allocable to portfolio income is generally investment interest expense and is reported on line 13c of Schedule K. Report the partner's distributive share of interest expense allocable to portfolio income in box 13 of Schedule K-1 using code I.

### Line 5— Interest Income

Enter only taxable interest on this line. Taxable interest is interest from all sources except interest exempt from tax and interest on tax-free covenant bonds.

**Schedule K-1.** Enter the partner's distributive share of interest income in box 5 of Schedule K-1.

### Lines 6a— Ordinary Dividends

Enter only taxable ordinary dividends on line 6a, including any qualified dividends reported on line 6b.

**Schedule K-1.** Enter the partner's distributive share of ordinary dividends in box 6a of Schedule K-1.

### Line 6b— Qualified dividends

Enter on line 6b all qualified dividends. Except as provided below, qualified dividends are dividends received from domestic corporations and qualified foreign corporations.

**Exceptions.** The following dividends are not qualified dividends.

- Dividends the partnership received on any share of stock held for less than 61 days during the 121-day period that began 60 days before the ex-dividend date. When determining the number of days the partnership held the stock, it cannot count certain days during which the partnership's risk of loss was diminished. See Pub. 550 for more details. The ex-dividend date is the first date following the declaration of a dividend on which the purchaser of a stock is not entitled to receive the next dividend payment. When counting the number of days the partnership held the stock, include the day the partnership disposed of the stock but not the day the partnership acquired it.
- Dividends attributable to periods totaling more than 366 days that the partnership received on any share of preferred stock held for less than 91 days during the 181-day period that began 90 days before the ex-dividend date. When determining the number of days the partnership held the stock, do not count certain days during which the partnership's risk of loss was diminished. See Pub. 550 for more details. Preferred dividends attributable to periods totaling less than 367 days are subject to the 61-day holding period rule above.
- Dividends that relate to payments that the partnership is obligated to make with

respect to short sales or positions in substantially similar or related property.

- Dividends paid by a regulated investment company that are not treated as qualified dividend income under section 854.
- Dividends paid by a real estate investment trust that are not treated as qualified dividend income under section 857(c).

**Qualified foreign corporation.** A foreign corporation is a qualified foreign corporation if it is:

1. Incorporated in a possession of the United States or
2. Eligible for benefits of a comprehensive income tax treaty with the United States that the Secretary determines is satisfactory for this purpose and that includes an exchange of information program. See Notice 2003-69, 2003-42 I.R.B. 851 for details.

If the foreign corporation does not meet either 1 or 2, then it may be treated as a qualified foreign corporation for any dividend paid by the corporation if the stock associated with the dividend paid is readily tradable on an established securities market in the United States.

However, qualified dividends do not include dividends paid by foreign entities that, in either the taxable year of the distribution or the preceding taxable year, were:

- A foreign investment company (defined in section 1246(b)),
- A passive foreign investment company (defined in section 1297), or
- A foreign personal holding company (defined in section 552).

See Notice 2004-71, 2004-45 I.R.B. 793 for more details.

**Schedule K-1.** Enter the partner's distributive share of qualified dividends in box 6b of Schedule K-1.

### Line 7— Royalties

Enter the royalties received by the partnership.

**Schedule K-1.** Enter the partner's distributive share of royalties in box 7 of Schedule K-1.

### Lines 8— Net Short-Term Capital Gain (Loss)

Enter on line 8 the net short-term capital gain (loss) from line 5 of Schedule D.

**Schedule K-1.** Enter the partner's distributive share of net short-term capital gain (loss) in box 8 of Schedule K-1.

### Lines 9a— Net Long-Term Capital Gain (Loss)

Enter on line 9a the net long-term capital gain (loss) that is portfolio income (loss) from line 11 of Schedule D. See *Special Allocations* above.

**Schedule K-1.** Enter the partner's distributive share of net long-term capital gain (loss) in box 9a of Schedule K-1.



If any gain or loss from line 5 or 11 of Schedule D is from the disposition of nondepreciable personal property used in a trade or business, it may not be treated as portfolio income. Report such gain or loss on line 11 of Schedules K and box 11 of K-1 using code F.

### Line 9b— Collectibles (28%) Gain (Loss)

Figure the amount attributable to collectibles from the amount reported on Schedule D, line 11. A collectibles gain (loss) is any long-term gain or deductible long-term loss from the sale or exchange of a collectible that is a capital asset.

Collectibles include works of art, rugs, antiques, metal (such as gold, silver, platinum bullion), gems, stamps, coins, alcoholic beverages, and certain other tangible property.

Also, include gain (but not loss) from the sale or exchange of an interest in a partnership or trust held for more than 1 year and attributable to unrealized appreciation of collectibles. For details, see Regulations section 1.1(h)-1. Also, attach the statement required under Regulations section 1.1(h)-1(e).

**Schedule K-1.** Report the partner's distributive share of the collectibles (28%) gain (loss) in box 9b of Schedule K-1.

### Line 9c— Unrecaptured section 1250 gain

The three types of unrecaptured section 1250 gain must be reported separately on an attached statement to Form 8865.

**From the sale or exchange of the partnership's business assets.** Figure this amount for each section 1250 property in Part III of Form 4797 (except property for which gain is reported using the installment method on Form 6252) for which you had an entry in Part I of Form 4797. For each property, subtract line 26g of Form 4797 from the smaller of line 22 or line 24. Figure the total of these amounts for all section 1250 properties. Generally, the result is the partnership's unrecaptured section 1250 gain. However, if the partnership is reporting gain on the installment method for a section 1250 property held more than 1 year, see the next paragraph to figure the unrecaptured section 1250 gain on that property for this tax year.

The total unrecaptured section 1250 gain for an installment sale of section 1250 property held more than 1 year is figured in a manner similar to that used in the preceding paragraph. However, the total unrecaptured section 1250 gain must be allocated to the installment payments received from the sale. To do so, the partnership generally must treat the gain allocable to each installment payment as unrecaptured section 1250 gain until all such gain has been used in full.

Figure the unrecaptured section 1250 gain for installment payments received during the tax year as the smaller of (a) the amount from line 26 or line 37 of Form

6252 (whichever applies) or (b) the total unrecaptured section 1250 gain for the sale reduced by all gain reported in prior years (excluding section 1250 ordinary income recapture).



However, if the partnership chose not to treat all of the gain from payments received after May 6, 1997, and before August 24, 1999, as unrecaptured section 1250 gain, use only the amount the partnership chose to treat as unrecaptured section 1250 gain for those payments to reduce the total unrecaptured section 1250 gain remaining to be reported for the sale.

**From the sale or exchange of an interest in a partnership.** Also report as a separate amount any gain from the sale or exchange of an interest in a partnership attributable to unrecaptured section 1250 gain. See Regulations section 1.1(h)-1 and attach a statement required under Regulations section 1.1(h)-1(e).

**From an estate, trust, RIC, or REIT.** If the partnership received a Schedule K-1 or Form 1099-DIV from an estate, a trust, a real estate investment trust (REIT), or a regulated investment company (RIC) reporting "unrecaptured section 1250 gain," do not add it to the partnership's own unrecaptured section 1250 gain. Instead, report it as a separate amount. For example, if the partnership received a Form 1099-DIV from a REIT with unrecaptured section 1250 gain, report it as "Unrecaptured section 1250 gain from a REIT."

**Schedule K-1.** Report the partner's distributive share of unrecaptured section 1250 gain from the sale or exchange of the partnership's business assets in box 9c of Schedule K-1. If reporting unrecaptured section 1250 gain from an estate, trust, REIT, RIC, or from the partnership's sale or exchange of an interest in another partnership (as explained above), enter "STMT" in box 9c and an asterisk (\*) in the left column of the box and attach a statement that separately identifies the amount of unrecaptured section 1250 from:

- The sale or exchange of the partnership's business assets.
- The sale or exchange of an interest in another partnership.
- An estate, trust, REIT, or RIC.

### Line 10— Net Section 1231 Gain (Loss)

Enter on line 10 the net section 1231 gain (loss) from Form 4797, line 7, column (g). Do not include net gains or losses from involuntary conversions due to casualties or theft on this line. Instead, report them on line 11 of Schedule K (box 11 of Schedule K-1 using code B). See the instructions for line 11 on how to report net gain from involuntary conversions.

**Schedule K-1.** Report the partner's distributive share of net section 1231 gain (loss) in box 10 of Schedule K-1. If the partnership has more than one rental, trade, or business activity, identify on an

attachment to Schedule K-1 the amount of section 1231 gain (loss) from each separate activity.

### Line 11— Other Income (Loss)

Use line 11 to report other items of income, gain, or loss not included on lines 1 through 10. Attach a statement to Form 8865 that separately identifies each type and amount of income for each of the following six categories. The codes needed for Schedule K-1 reporting are provided for each category.

**Other portfolio income (loss) (code A).** Portfolio income not reported on lines 5 through 10.

Report and identify other portfolio income or loss on an attachment for line 11.

For example, income reported to the partnership from a real estate mortgage investment conduit (REMIC), in which the partnership is a residual interest holder, would be reported on an attachment for line 11. Taxable income (net loss) from the REMIC (line 1b of Schedule Q (Form 1066)). "Excess inclusion" (line 2c of Schedule Q (Form 1066)). Section 212 expenses (line 3b of Schedule Q (Form 1066)). Do not report these section 212 expense deductions related to portfolio income on Schedules K and K-1.

**Involuntary conversions (code B).** Net gain (loss) from involuntary conversions due to casualty or theft. The amount for this line is shown on Form 4684, line 38a, 38b, or 39.

If there was a gain (loss) from a casualty or theft to property not used in a trade or business or for income-producing purposes, do not complete Form 4684 for this type of casualty or theft. Instead, the partner will complete his or her own Form 4684.

**1256 contracts and straddles (code C).** Any net gain or loss from section 1256 contracts from Form 6781, Gains and Losses From Section 1256 Contracts and Straddles.

**Mining exploration costs recapture (code D).** Provide the information partners will need to recapture certain mining exploration expenditures. See Regulations section 1.617-3

**Cancellation of debt (code E).** If cancellation of debt is reported to the partnership on Form 1099-C, report the partner's distributive share in box 11 using code E.

**Note.** Include the amount of income the partnership must recognize for a transfer of a partnership interest, after October 21, 2004, in satisfaction of a partnership debt when the debt relieved exceeds the FMV of the partnership interest. See section 108(e)(8) for more information.

**Other income (loss) (code F).** Include any other type of income, such as:

- Recoveries of tax benefit items (section 111).
- Gambling gains and losses subject to the limitations in section 165(d).



• Gains from the disposition of an interest in oil, gas, geothermal, or other mineral properties. Report the following information on an attached statement to Schedule K-1.

**(a)** Description of the property,

**(b)** The partner's share of the amount realized on the sale, exchange, or involuntary conversion of each property (fair market value of the property for any other disposition, such as a distribution),

**(c)** The partner's share of the partnership's adjusted basis in the property (except for oil or gas properties), and

**(d)** Total intangible drilling costs, development costs, and mining exploration costs (section 59(e) expenditures) passed through to the partner for the property.

See Regulation section 1.1254-5 for more information.

• Gains from the disposition of farm recapture property (see Form 4797) and other items to which section 1252 applies.

• Any income, gain, or loss to the partnership under section 751(b).

• Specially allocated ordinary gain (loss).

• Gain from the sale or exchange of qualified small business stock that is eligible for the partial exclusion under section 1202. The section 1202 exclusion applies only to qualified small business stock held by the partnership for more than 5 years. Corporate partners are not eligible for the section 1202 exclusion. Additional limitations apply at the partner level. Report the partner's share of section 1202 gain on Schedule K-1. The partner will determine if he or she qualifies for the section 1202 exclusion. Report on an attachment to Schedule K-1 for each sale or exchange: the name of the corporation that issued the stock, the partner's share of the partnership's adjusted basis and sales price of the stock, and the dates the stock was bought and sold.

• Gain eligible for section 1045 rollover (replacement stock purchased by the partnership). Include only gain from the sale or exchange of qualified small business stock (as defined in the instructions for Schedule D) that was deferred by the partnership under section 1045 and reported on Schedule D. See the instructions for Schedule D for more details. Corporate partners are not eligible for the section 1045 rollover. Additional limitations apply at the partner level. Report the partner's share of the gain eligible for section 1045 rollover on Schedule K-1. The partner will determine if he or she qualifies for the rollover.

Report on an attachment to Schedule K-1 for each sale or exchange the name of the corporation that issued the stock, the partner's share of the partnership's adjusted basis and sales price of the stock, and the dates the stock was bought and sold.

• Gain eligible for section 1045 rollover (replacement stock not purchased by the partnership). Include only gain from the sale or exchange of qualified small

business stock the partnership held for more than 6 months but that was not deferred by the partnership under section 1045. A partner (other than a corporation) may be eligible to defer his or her distributive share of this gain under section 1045 if the partner purchases other qualified small business stock during the 60-day period that began on the date the stock was sold by the partnership. Additional limitations apply at the partner level. Report the following on an attachment to Schedule K-1 for each sale or exchange: the name of the corporation that issued the stock, the partner's share of the partnership's adjusted basis and sales price of the stock, and the dates the stock was bought and sold.

**Schedule K-1.** Enter the partner's distributive share of the six other income categories listed above in box 11 of Schedule K-1. Enter the applicable code A, B, C, D, E, or F (as shown above).

If you are reporting the partner's distributive share of only one type of income under code F, enter the code with an asterisk (F\*) and the dollar amount in the entry space in box 11 and attach a statement that shows "Box 11, code F," and the type of income. If you are reporting multiple types of income under code F, enter the code with an asterisk (F\*) and enter "STMT" in the entry space in box 11 and attach a statement that shows Box 11, Code F, and the dollar amount of each type of income.

If the partnership has more than one trade or business or rental activity (for codes B through F), identify on an attachment to Schedule K-1 the amount from each separate activity.

## Deductions

### Line 12— Section 179 Deduction

The partnership can elect to expense part of the cost of certain property the partnership purchased this year for use in its trade or business or certain rental activities. See Pub. 946 for a definition of what kind of property qualifies for the section 179 expense deduction and the Instructions for Form 4562 for limitations on the amount of the section 179 expense deduction.

Complete Part I of Form 4562 to figure the partnership's section 179 expense deduction. The partnership does not claim the deduction itself but instead passes it through to the partners. Attach Form 4562 to Form 8865 and show the total section 179 expense deduction on Schedule K, line 12.

If the partnership is an enterprise zone business, also report on an attachment to Schedules K and K-1, the cost of section 179 property placed in service during the year that is qualified zone property.

See the instructions for line 20c of Schedule K for information on how to report a disposition of property if there was a section 179 expense deduction passed through to a partner and for the

recapture rules if the business use of the property dropped to 50% or less.

**Schedule K-1.** Report the partner's distributive share of the section 179 expense deduction in box 12 of Schedule K-1. Do not complete box 12 of Schedule K-1 for any partner that is an estate or trust; estates and trusts are not eligible for the section 179 expense deduction.

If the partnership has more than one rental, trade, or business activity, identify on an attachment to Schedule K-1 the amount of section 179 deduction from each separate activity.

## Line 13a— Contributions

Enter the total amount of charitable contributions made by the partnership during its tax year. Attach a statement to Form 8865 that separately identifies the partnership's contribution for each of the following six categories. See *Limits on Deductions* in Pub. 526, Charitable Contributions, for information on adjusted gross income (AGI) limitations on deductions for charitable contributions. The codes needed for Schedule K-1 reporting are provided for each category.

**Cash contributions (50%) (code A).** Enter the amount of cash contributions subject to the 50% AGI limitation.

**Cash contributions (30%) (code B).** Enter the amount of cash contributions subject to the 30% AGI limitation.

**Noncash contributions (50%) (code C).** Enter the amount of noncash contributions subject to the 50% AGI limitation.

**Noncash contributions (30%) (code D).** Enter the amount of noncash contributions subject to the 30% AGI limitation.

**Capital gain property to a 50% organization (30%) (code E).** Enter the amount of capital gain property contributions subject to the 30% AGI limitation.

**Capital gain property (20%) (code F).** Enter the amount of capital gain property contributions subject to the 20% AGI limitation.

**Contributions of property.** See *Contributions of Property* in Pub. 526 for information on noncash contributions and contributions of capital gain property. If the deduction claimed for noncash contributions exceeds \$500, complete Form 8283, Noncash Charitable Contributions, and attach it to Form 8865.

If the partnership made a qualified conservation contribution, include the FMV of the underlying property (before and after the donation) and describe the conservation purpose furthered by the donation.

**Contributions for relief of tsunami victims.** You may treat cash contributions made in January 2005 for the relief of victims in areas affected by the December 26, 2004, Indian Ocean tsunami as if you had made them on December 31, 2004. These contributions

must otherwise qualify as deductible contributions.

**Nondeductible contributions.** Certain contributions made to an organization conducting lobbying activities are not deductible. See section 170(f)(9) for more details.

**Schedule K-1.** Report the partner's distributive share of charitable contributions in box 13 of Schedule K-1 using codes A through F for each of the six contribution categories shown above. Attach a copy of Form 8283 filed with Form 8865 to the Schedule K-1 if the deduction for any item or group of similar items of contributed property exceeds \$5,000, even if the amount allocated to any partner is \$5,000 or less.

### Line 13b— Deductions Related to Portfolio Income

Enter on line 13b the deductions clearly and directly allocable to portfolio income (other than interest expense and section 212 expenses from a REMIC).

Attach a statement that separately identifies the deduction related to portfolio income for each of the following categories. The codes needed for Schedule K-1 reporting are provided for each category.

**Deductions—royalty income (code J).** Enter the deductions related to royalty income.

**Deductions—portfolio income (2% floor) (code G).** Enter the deductions related to portfolio income that are subject to the 2% of AGI floor (see the instructions for Schedule A (Form 1040)).

**Deductions—portfolio (other) (code H).** Enter the amount of any other deductions related to portfolio income.

No deduction is allowable under section 212 for expenses allocable to a convention, seminar, or similar meeting. Because these expenses are not deductible by partners, these expenses are not reported on line 13b of Schedule K. The expenses are nondeductible and are reported as such on line 18c of Schedule K and in box 18 of Schedule K-1 using code C.

**Schedule K-1.** In box 13, report the partner's distributive share of deductions related to portfolio income that are reported on line 13b of Schedule K using codes J (for deductions related to royalty income), G (for deductions related to portfolio income and subject to the 2% of AGI floor), or H (for other deductions related to portfolio income).

### Line 13c— Investment Interest Expense

Include on this line the interest properly allocable to debt on property held for investment purposes. Property held for investment includes property that produces income (unless derived in the ordinary course of a trade or business) from interest, dividends, annuities, or royalties; and gains from the disposition

of property that produces those types of income or is held for investment.

Investment interest expense does not include interest expense allocable to a passive activity.

Investment income and investment expenses other than interest are reported on lines 20a and 20b respectively. This information is needed by partners to determine the investment interest expense limitation (see Form 4952, Investment Interest Expense Deduction, for details).

**Schedule K-1.** Report the partner's distributive share of investment interest expense in box 13 of Schedule K-1 using code I.

### Line 13d— Section 59(e)(2) Expenditures

Generally, section 59(e) allows the partners to make an election to deduct the partner's distributive share of the partnership's qualified expenditures ratably over 10 years (3 years for circulation expenditures), beginning with the tax year in which the expenditures were made (or for intangible drilling and development costs, over the 60-month period beginning with the month in which such costs were paid or incurred).

The term "qualified expenditures" includes only the following types of expenditures paid or incurred during the tax year:

- Circulation expenditures.
- Research and experimental expenditures.
- Intangible drilling and development costs.
- Mining exploration and development costs.

Because the partners are generally allowed to make this election, do not deduct these amounts or include them as AMT items on Schedule K-1. Instead, attach a statement to Schedule K-1 providing the information the partners need to figure their separate deductions.

Identify on line 13d(1) the type of expenditures claimed on line 13d(2). Enter on line 13d(2) the qualified expenditures paid or incurred during the tax year to which an election under section 59(e) may apply. Enter this amount for all partners whether or not any partner makes an election under section 59(e). If the expenditures are for intangible drilling and development costs, enter the month in which the expenditures were paid or incurred (after the type of expenditures on line 13d(1). If there is more than one type of expenditure included in the total shown on line 13d(2) (or intangible drilling and development costs were paid or incurred for more than 1 month), report this information separately for each type of expenditure (or month) on an attachment to Schedules K and K-1.

**Schedule K-1.** Report the partner's distributive share of section 59(e) expenditures in box 13 of Schedule K-1

using code K. On an attached statement, identify (a) the type of expenditure, (b) the property for which the expenditures are paid or incurred, and (c) for oil and gas properties only, the month in which intangible drilling costs and development costs were paid or incurred. If there is more than one type of expenditure or the expenditures are for more than one property, provide the partner's distributive share of the amounts (and the months paid or incurred for oil and gas properties) for each type of expenditure separately for each property.

### Line 13e— Other Deductions

Use line 13e to report deductions not included on lines 12, 13a, 13b, 13c, 13d(2), 16l(1), and 16l(2). On an attachment, identify the type and amount of each deduction for the following nine categories. The codes needed for Schedule K-1 reporting are provided for each category.

**Amounts paid for medical insurance (code L).** Enter amounts paid during the tax year for insurance coverage that constitutes medical care for a partner (including that partner's spouse and dependents).

**Education assistance benefits (code M).** Enter amounts paid during the tax year for educational assistance benefits paid to a partner.

**Dependent care benefits (code N).** Enter amounts paid during the tax year for dependent care benefits paid on behalf of a partner.

**Preproductive period expenses (code O).** If the partnership is required to use an accrual method of accounting under section 447 or 448(a)(3), it must capitalize these expenses. If the partnership is permitted to use the cash method, enter the amount of preproductive period expenses that qualify under Regulations section 1.263A-4(d). An election not to capitalize these expenses must be made at the partner level. See *Uniform Capitalization Rules* in Pub. 225, *Farmer's Tax Guide*.

**Commercial revitalization deduction from rental real estate activities (code P).** Enter the commercial revitalization deduction on line 13e only if it is for a rental real estate activity. If the deduction is for a nonrental building, it is deducted on line 20 of Schedule B. See the instructions for Schedule B, line 20 for more information.

**Penalty on early withdrawal of savings (code Q).** Enter the amount of any penalty on early withdrawal of savings not reported on line 13b because the partnership withdrew funds from its time savings deposit before its maturity.

**Pensions and IRAs (code R).** Enter the payments for a partner to an IRA, qualified plan, simplified employee pension (SEP) or a SIMPLE IRA plan. If a qualified plan is a defined benefit plan, a partner's distributive share of payments is determined in the same manner as his or her distributive share of partnership

taxable income. For a defined benefit plan, attach to Schedule K-1 a statement showing the amount of benefit accrued for the tax year.

**Reforestation expense deduction (code S).** The partnership can elect to deduct a limited amount of its reforestation expenditures paid or incurred after October 22, 2004. The amount the partnership may elect to deduct is limited to \$10,000 for each qualified timber property. See section 194(c) for a definition of reforestation expenditures and qualified timber property. Provide a description of the qualified timber property on an attached statement to Form 8865 and Schedule K-1. If the partnership elected to deduct amounts for more than one qualified timber property, provide a description and the amount for each property on the statement. If the partnership made this election, amortize over 84 months any amount not deducted. See the instructions for line 20 on page 10.

**Other deductions (code T).** Include any other deduction, such as:

- Amounts paid by the partnership that would be allowed as itemized deductions on any of the partners' income tax returns if they were paid directly by a partner for the same purpose. However, do not enter expenses related to portfolio income or investment interest expense reported on line 13c of Schedule K on this line.
- Soil and water conservation expenditures (section 175).
- Contributions to a capital construction fund.
- Interest expense allocated to debt-financed distributions. See Notice

89-35 or Pub. 535, chapter 5, for more information.

- Interest paid or accrued on debt properly allocable to the general partner's share of a working interest in any oil or gas property (if the partner's liability is not limited).

**Schedule K-1.** Enter the partner's distributive share of the nine deduction categories listed above in box 13 of Schedule K-1. Enter the applicable code L, M, N, O, P, Q, R, S, or T (as shown above). If you are reporting the partner's distributive share of only one type of deduction under code T, enter the code with an asterisk (T\*) and the dollar amount in the entry space in box 13 and attach a statement that shows box 13, code T, and type of deduction. If you are reporting multiple types of deduction under code T, enter the code with an asterisk (T\*) and enter "STMT" in the dollar amount entry space in box 13 and attach a statement that shows box 13, code T, and the type and dollar amount of the deductions. If the partnership has more than one trade or business activity, identify on an attachment to Schedule K-1 the amount for each separate activity.

### Self-Employment

**Note.** If the partnership is an options dealer or a commodities dealer, see section 1402(i) before completing lines 14a, 14b, and 14c, to determine the amount of any adjustment that may have to be made to the amounts shown on the Worksheet for Figuring Net Earnings (Loss) From Self-Employment below. If the partnership is engaged solely in the operation of a group investment program, earnings from the operation are not

self-employment earnings for either general or limited partners.

**General partners.** General partners' net earnings (loss) from self-employment do not include:

- Dividends on any shares of stock and interest on any bonds, debentures, notes, etc., unless the dividends or interest are received in the course of a trade or business, such as a dealer in stocks or securities or interest on notes or accounts receivable.
- Rentals from real estate, except rentals of real estate held for sale to customers in the course of a trade or business as a real estate dealer, or payments for rooms or space when significant services are provided.
- Royalty income, except royalty income received in the course of a trade or business.

See the instructions for Schedule SE (Form 1040), Self-Employment Tax, for more information.

**Limited partners.** Generally, a limited partner's share of partnership income (loss) is not included in net earnings (loss) from self-employment. Limited partners treat as self-employment earnings only guaranteed payments for services they actually rendered to, or on behalf of, the partnership to the extent that those payments are payment for those services.

### Line 14a— Net Earnings (Loss) From Self-Employment

**Schedule K.** Enter on line 14a the amount from line 5 of the worksheet.

**Schedule K-1.** Enter in box 14 of Schedule K-1 the partner's share of the

## Worksheet for Figuring Net Earnings (Loss) From Self-Employment

<b>1a</b> Ordinary business income (loss) (Schedule K, line 1) . . . . .	<b>1a</b>			
<b>b</b> Net income (loss) from certain rental real estate activities (see instructions) . . . . .	<b>1b</b>			
<b>c</b> Other net rental income (loss)(Schedule K, line 3c) . . . . .	<b>1c</b>			
<b>d</b> Net loss from Form 4797, Part II, line 17, included on line 1a above. Enter as a positive amount . . . . .	<b>1d</b>			
<b>e</b> Combine lines 1a through 1d . . . . .	<b>1e</b>			
<b>2</b> Net gain from Form 4797, Part II, line 17, included on line 1a above . . . . .	<b>2</b>			
<b>3a</b> Subtract line 2 from line 1e. If line 1e is a loss, increase the loss on line 1e by the amount on line 2 . . . . .	<b>3a</b>			
<b>b</b> Part of line 3a allocated to limited partners, estates, trusts, corporations, exempt organizations, and IRAs . . . . .	<b>3b</b>			
<b>c</b> Subtract line 3b from line 3a. If line 3a is a loss, reduce the loss on line 3a by the amount on line 3b. Include an individual general partner's share in box 14 of Schedule K-1, using code A . . . . .				<b>3c</b>
<b>4a</b> Guaranteed payments to partners (Schedule K, line 4) derived from a trade or business as defined in section 1402(c) (see instructions) . . . . .	<b>4a</b>			
<b>b</b> Part of line 4a allocated to individual limited partners for <b>other than</b> services and to estates, trusts, corporations, exempt organizations, and IRAs . . . . .	<b>4b</b>			
<b>c</b> Subtract line 4b from line 4a. Include an individual general partner's share and an individual limited partner's share in box 14 of Schedule K-1, using code A . . . . .				<b>4c</b>
<b>5</b> Net earnings (loss) from self-employment. Combine lines 3c and 4c. Enter here and on Schedule K, line 14a . . . . .				<b>5</b>

amount shown on line 5 of the worksheet and any individual limited partner's share of the amount shown on line 4c of the worksheet, using code A. Do not complete this line for any partner that is an estate, trust, corporation, exempt organization, or IRA.

### Line 14b— Gross Farming or Fishing Income

Enter on line 14b the partnership's gross farming or fishing income from self-employment. Individual partners need this amount to figure net earnings from self-employment under the farm optional method in Section B, Part II of Schedule SE (Form 1040). Enter the partner's share in box 14 of Schedule K-1, using code B.

### Line 14c— Gross Nonfarm Income

Enter on line 14c the partnership's gross nonfarm income from self-employment. Individual partners need this amount to figure net earnings from self-employment under the nonfarm optional method in Section B, Part II of Schedule SE (Form 1040). Enter the partner's share in box 14 of Schedule K-1, using code C.

## Worksheet Instructions

**Line 1b.** Include any part of the net income (loss) from rental real estate activities from Schedule K, line 2, that is from:

1. Rentals of real estate held for sale to customers in the course of a trade or business as a real estate dealer, or
2. Rentals for which services were rendered to the occupants (other than services usually or customarily rendered for the rental of space for occupancy only). The supplying of maid service is such a service. The furnishing of heat and light, the cleaning of public entrances, exits, stairways and lobbies, trash collection, etc., are not considered services rendered to the occupants.

**Lines 3b and 4b.** Allocate the amounts on these lines in the same way line 22 of Schedule B is allocated to these particular partners.

**Line 4a.** Include on line 4a any guaranteed payments to partners reported on Schedule K, line 4, and Schedule K-1, box 4, and derived from a trade or business as defined in section 1402(c). Also include other ordinary business income and expense items (other than expense items subject to separate limitations at the partner level) reported on Schedules K and K-1 that are used to figure self-employment earnings under section 1402.

## Credits and Credit Recapture

### Low-Income Housing Credit

Section 42 provides a credit that can be claimed by owners of low-income residential rental buildings. If the partners are eligible to take the low-income housing credit, complete and attach Form 8586, Low-Income Housing Credit; Form

8609, Low-Income Housing Credit Allocation Certification; and Schedule A (Form 8609), Annual Statement.

If part or all of the credit reported on line 15a or 15b is attributable to additions to qualified basis of property placed in service before 1990, report on an attachment to Schedules K and K-1 the amount of the credit on each line that is attributable to property placed in service **(a)** before 1990 and **(b)** after 1989.

### Line 15a— Low-Income Housing Credit (Section 42(j)(5))

Report on line 15a the total low-income housing credit for property with respect to which a partnership is to be treated, under section 42(j)(5), as the taxpayer to which the low-income housing credit was allowed. Report any other low-income housing credit on line 15b.

**Schedule K-1.** Report in box 15 of Schedule K-1 the partner's distributive share of the low income-housing credit reported on line 15a of Schedule K, using code A. If the partnership has credits from more than one rental activity, identify on an attachment to Schedule K-1 the amount for each separate activity.

### Line 15b— Low-Income Housing Credit (Other)

Report on line 15b any low-income housing credit not reported on line 15a.

**Schedule K-1.** Report in box 15 of Schedule K-1 the partner's distributive share of the low-income housing credit reported on line 15b of Schedule K, using code B. If the partnership has credits from more than one rental activity, identify on an attachment to Schedule K-1 the amount for each separate activity.

### Line 15c— Qualified Rehabilitation Expenditures (Rental Real Estate)

Enter on line 15c the total qualified rehabilitation expenditures related to rental real estate activities of the partnership. Also complete the applicable lines of Form 3468, Investment Credit, that apply to qualified rehabilitation expenditures for property related to rental real estate activities of the partnership for which income or loss is reported on line 2 of Schedule K. See Form 3468 for details on qualified rehabilitation expenditures. Attach Form 3468.

**Schedule K-1.** Report the partner's distributive share of qualified rehabilitation expenditures related to rental real estate activities in box 15 of Schedule K-1 using, code C. Attach a statement to Schedule K-1 that separately identifies the partner's share of expenditures from pre-1936 buildings and from certified historic structures (lines 1b and 1c of Form 3468, respectively). If the partnership has expenditures from more than one rental real estate activity, identify on an attachment to Schedule K-1 the amount for each separate activity.



*Qualified rehabilitation expenditures for property not related to rental real estate activities must be reported on line 15f, "Other credits and credit recapture."*

### Line 15d— Other Rental Real Estate Credits

Enter on line 15d any other credit (other than credits reported on lines 15a through 15c) related to rental real estate activities. On the dotted line to the left of the entry space for line 15d, identify the type of credit. If there is more than one type of credit, attach a statement that identifies the type and amount for each credit.

**Schedule K-1.** If you are reporting the partner's distributive share of only one type of rental real estate credit under code G, enter the code with an asterisk (G\*) and the dollar amount in the entry space in box 15 and attach a statement that shows box 15, code G, and type of credit. If you are reporting multiple types of rental real estate credit under code G, enter the code with an asterisk (G\*) and enter "STMT" in the entry space in box 15 and attach a statement that shows box 15, code G, and the type and dollar amount of the credits. If the partnership has credits from more than one rental real estate activity, identify on the attached statement the amount of each type of credit for each separate activity.

### Line 15e— Other Rental Credits

Enter on line 15e any other credit (other than credits reported on lines 15a through 15d) related to rental activities. On the dotted line to the left of the entry space for line 15e, identify the type of credit. If there is more than one type of credit, attach a statement that identifies the type and amount for each credit.

**Schedule K-1.** If you are reporting the partner's distributive share of only one type of rental credit under code H, enter the code with an asterisk (H\*) and the dollar amount in the entry space in box 15 and attach a statement that shows box 15, code H, and type of credit. If you are reporting multiple types of rental credit under code H, enter the code with an asterisk (H\*) and enter "STMT" in the entry space in box 15 and attach a statement that shows box 15, code H, and the type and dollar amount of the credits. If the partnership has credits from more than one rental activity, identify on the attached statement the amount of each type of credit for each separate activity.

### Line 15f— Other Credits and Credit Recapture

Enter on line 15f any other credit, except credits or expenditures shown or listed for lines 15a through 15e. Do not include any credit recapture amounts on line 15f but provide credit recapture information on an attached statement to Schedule K-1 as explained below. On the dotted line to the left of the entry space for line 15f, identify the type of credit. If there is more than one type of credit or if there are any

credits subject to recapture, attach a statement to Form 8865 that separately identifies each type and amount of credit and credit recapture information for the following categories. The codes needed for box 15 of Schedule K-1 reporting are provided for each category.

**Qualified rehabilitation expenditures (other than rental real estate) (code D).**

Enter total qualified rehabilitation expenditures from activities other than rental real estate activities. Complete line 1 of Form 3468, Investment Credit, for property not related to rental real estate activities of the partnership for which income or loss is reported on line 1 of Schedule K. See Form 3468 for details on qualified rehabilitation expenditures.

**Note.** Report qualified rehabilitation expenditures related to rental real estate activities on line 15c.

**Schedule K-1.** Report the partner's distributive share of qualified rehabilitation expenditures related to other than rental real estate activities in box 15 of Schedule K-1, using code D. Attach a statement to Schedule K-1 that separately identifies the partner's share of expenditures from pre-1936 buildings and from certified historic structures (lines 1b and 1c of Form 3468, respectively). If the partnership has expenditures from more than one activity, identify on a statement attached to Schedule K-1 the amount for each separate activity.

**Basis of energy property (code E).**

Enter the basis of energy property placed in service during the tax year that qualifies for the energy credit. See the instructions for Form 3468 for details. Complete line 2 of Form 3468; attach Form 3468 to Form 8865.

**Qualified timber property (code F).**

Enter the amortizable basis of timber property acquired before October 23, 2004, that qualifies for the reforestation credit. See the instructions for Form 3468 for details.

**Undistributed capital gains credit (code I).**

This credit represents taxes paid on undistributed capital gains by a regulated investment company (RIC) or a real estate investment trust (REIT). As a shareholder of a RIC or REIT, the partnership will receive notice of the amount of tax paid on undistributed capital gains on Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains.

**Work opportunity credit (code J).**

Complete Form 5884 to determine the amount of the credit.

**Welfare-to-work credit (code K).**

Complete Form 8861 to determine the amount of the credit.

**Disabled access credit (code L).**

Complete Form 8826 to determine the amount of the credit.

**Empowerment zone and renewal community employment credit (code M).**

Complete Form 8844 to determine the amount of the credit.

**New York Liberty Zone business employee credit (code N).**

Complete Form 8884 to determine the amount of the credit.

**New markets credit (code O).**

Complete Form 8874 to determine the amount of the credit.

**Credit for employer social security and Medicare taxes (code P).**

Complete Form 8846 to determine the amount of the credit.

**Backup withholding (code Q).**

This credit is for backup withholding on dividends, interest, and other types of income of the partnership.

**Recapture of low-income housing credit (codes R and S).**

If recapture of part or all of the low-income housing credit is required because (a) prior year qualified basis of a building decreased or (b) the partnership disposed of a building or part of its interest in a building, see Form 8611, Recapture of Low-Income Housing Credit. The instructions for Form 8611 indicate when Form 8611 is completed and what information is provided to partners when recapture is required. Complete lines 1 through 7 of Form 8611 to determine the amount of credit to recapture. Use code R on Schedule K-1 to report recapture of the low-income housing credit from section 42(j)(5) partnership. Use code S to report recapture of other low-income housing credit. See the instructions for lines 15a and 15b above for more information.

**Note.** If a partner's ownership interest in a building decreased because of a transaction at the partner level, attach a statement to Schedule K-1 providing the necessary information to the partner to enable the partner to figure the recapture.



*If the partnership filed Form 8693, Low-Income Housing Credit Disposition Bond, to avoid recapture of the low-income housing credit, no entry should be made on Schedule K-1.*

See Form 8586, Form 8611, and section 42 for more information.

**Recapture of investment credit (code T).**

Complete and attach Form 4255, Recapture of Investment Credit, when investment credit property is disposed of, or it no longer qualifies for the credit, before the end of its estimated useful life. State the type of property at the top of Form 4255, and complete lines 2, 4, and 5, whether or not any partner is subject to recapture of the credit.

Attach to Schedule K-1 a separate statement providing the information reported on Form 4255, but list only the partner's distributive share of the cost of the property subject to recapture. Also, indicate the lines of Form 4255 on which the partners should report these amounts.

The partnership itself is liable for investment credit recapture in certain cases.

**Other credits (code U).** Attach a statement that identifies the type and

amount of any other credits not shown above, such as:

- Nonconventional source fuel credit. The credit is figured at the partnership level and then is apportioned to the partners based on their distributive shares of partnership income attributable to sales of qualified fuels. Attach a separate statement to the return to show the computation of the credit. See section 29 for more information.
- Qualified electric vehicle credit. Complete Form 8834 to determine the amount of the credit and attach it to the return.
- Unused credits from cooperatives.
- Credit for increasing research activities. Complete Form 6765 to determine the amount of the credit.
- Enhanced oil recovery credit. Complete Form 8830 to determine the amount of the credit.
- Renewable electricity and refined coal production credit. Complete Form 8835 to determine the amount of the credit. Attach a statement to Schedule K-1 showing separately the amount of the credit from Section A and from Section B of Form 8835. Attach Form 8835 to Form 8865.
- Indian employment credit. Complete Form 8845 to determine the amount of the credit.
- Orphan drug credit. Complete Form 8820 to determine the amount of the credit.
- Credit for contributions to selected community development corporations. Complete Form 8847 to determine the amount of the credit.
- Credit for small employer pension plan start-up costs. Complete Form 8881 to determine the amount of the credit.
- Credit for employer-provided childcare facilities and services. Complete Form 8882 to determine the amount of the credit.
- Biodiesel fuels credit. Complete Form 8864 to determine the amount of the credit. The credit must be included in income on line 7 of Schedule B.
- Low sulfur diesel fuel production credit. Complete Form 8896 to determine the amount of the credit.
- General credits from an electing large partnership.
- Credit for alcohol used as fuel (Form 6478). This credit is apportioned to persons who were partners on the last day of the partnership's tax year. The credit must be included in income on line 7 of Schedule B. If this credit includes the small ethanol producer credit, identify on a statement attached to each Schedule K-1 (a) the amount of the small producer credit included in the total credit allocated to the partner, (b) the number of gallons of qualified ethanol fuel production allocated to the partner, and (c) the partner's share in gallons of the partnership's productive capacity for alcohol.

**Recapture of other credits (code V).**

On an attached statement to Schedule K-1, provide any information partners will

need to report recapture of credits (other than recapture of low-income housing credit and investment credit reported on Schedule K-1, using codes R, S, and T). Examples of credit recapture information reported using code V include:

- Any information needed by a partner to compute recapture of the qualified electric vehicle credit. See Pub. 535 for more information.
- Any information needed by a partner to compute recapture of the new markets credit. See Form 8874 for details on recapture.
- Any information needed by a partner to compute recapture of the Indian employment credit. Generally, if the partnership terminates a qualified employee less than 1 year after the date of initial employment, any Indian employment credit allowed for a prior tax year by reason of wages paid or incurred to that employee must be recaptured. For details, see section 45A(d).
- Any information needed by a partner to compute recapture of the credit for employer-provided childcare facilities and services. See section 45F(d) for details on recapture.

**Schedule K-1.** If you are reporting the partner's distributive share of only one type of credit under code U, enter the code with an asterisk (U\*) and the dollar amount in the entry space in box 15 and attach a statement that shows "box 15, code U," and type of credit. If you are reporting multiple types of credit under code U, enter the code with an asterisk (U\*) and enter "STMT" in the entry space in box 15 and attach a statement that shows "box 15, code U," and the type and dollar amount of the credits. If the partnership has credits from more than one activity, identify on an attached statement to Schedule K-1 the amount of each type of credit for each separate activity.

## Foreign Transactions

Lines 16a through 16m must be completed if the partnership has foreign income, deductions, or losses or has paid or accrued foreign taxes.

The codes A through N for box 16 of Schedule K-1 correspond with the line numbers 16a through 16m. Codes O, P, and Q for box 16 are reported on line 20c of Schedule K. On Schedule K-1 for the items coded C, E, J, L, M, and N, enter the code followed by an asterisk and the partner's distributive share of the dollar amount. Attach a statement to Schedule K-1 for these coded items providing the information described below. If the partnership had income from, or paid or accrued taxes to, more than one country or U.S. possession, see the requirement for an attached statement in the instruction for line 16a below. See Pub. 514, Foreign Tax Credit for Individuals, and the Instructions for Form 1116, for more information.

## Line 16a— Name of Country or U.S. Possession

Enter the name of the foreign country or U.S. possession from which the partnership had income or to which the partnership paid or accrued taxes. If the partnership had income from, or paid or accrued taxes to, more than one foreign country or U.S. possession, enter "See attached" and attach a statement for each country for lines 16a through 16m (codes A through N of Schedule K-1). On Schedule K-1, if there is more than one country enter code A followed by an asterisk (A\*), enter "STMT," and attach a statement to Schedule K-1 for each country for the information and amounts coded A through N and code Q.

## Line 16b— Gross Income From All Sources

Enter the partnership's gross income from all sources (both U.S. and foreign source).

## Line 16c— Gross Income Sourced at Partner Level

Enter the total gross income of the partnership that is required to be sourced at the partner level. This includes income from the sale of most personal property other than inventory, depreciable property, and certain intangible property. See Pub. 514 and section 865 for details. Attach a statement showing the following information:

- The amount of this gross income (without regard to its source) in each category identified in the instructions for lines 16d, 16e, and 16f including each of the listed categories.
- Specifically identify gains on the sale of personal property other than inventory, depreciable property, and certain intangible property on which a foreign tax of 10% or more was paid or accrued. Also, list losses on the sale of such property if the foreign country would have imposed a 10% or higher tax had the sale resulted in a gain. See *Sales or exchanges of certain personal property* in Pub. 514, and section 865.
- Specify foreign source capital gains or losses within each separate limitation category. Also, separately identify foreign source gains or losses within each separate limitation category that are collectibles (28%) gains and losses or unrecaptured section 1250 gain.

## Lines 16d-16f. Foreign Gross Income Sourced at Partnership Level

Separately report gross income from sources outside the United States by category of income as follows. See Pub. 514 for information on the categories of income.

**Line 16d.** Enter the passive foreign source income.

**Line 16e.** Attach a statement showing the amount of foreign source income included in each of the following listed categories of income:

- Financial services income;
- High withholding tax interest;
- Shipping income;
- Dividends from a domestic international sales corporation (DISC) or a former DISC;
- Distributions from a foreign sales corporation (FSC) or a former FSC;
- Section 901(j) income; and
- Certain income re-sourced by treaty.

**Line 16f.** Enter the general limitation foreign source income. Include all foreign gross income sourced at the partnership level that is not reported on lines 16d and 16e.

## Lines 16g-16h— Deductions Allocated and Apportioned at Partner Level

**Line 16g— Interest expense.** Enter on line 16g the partnership's total interest expense (including interest equivalents under Temporary Regulations section 1.861-9T(b)). Do not include interest directly allocable, under Temporary Regulations section 1.861-10T, to income from a specific property. This type of interest is allocated and apportioned at the partnership level and is included on lines 16i through 16k.

**Line 16h— Other.** On line 16h, enter the total of all other deductions or losses that are required to be allocated at the partner level. For example, include on line 16h research and experimental expenditures (see Regulations section 1.861-17(f)).

## Lines 16i-16k— Deductions Allocated and Apportioned at Partnership Level to Foreign Source Income

Separately report partnership deductions that are apportioned at the partnership level to each of the listed foreign categories of income as follows. See Pub. 514 for more information.

**Line 16i.** Passive foreign source income.

**Line 16j.** Attach a statement showing the amount of foreign source deductions allocated and apportioned at the partnership level to each of the following listed categories:

- Financial services income;
- High withholding tax interest;
- Shipping income;
- Dividends from a domestic international sales corporation (DISC) or a former DISC;
- Distributions from a foreign sales corporation (FSC) or a former FSC;
- Section 901(j) income; and
- Certain income re-sourced by treaty.

**Line 16k.** General limitation foreign source income (all other foreign source income).

## Line 16l— Total Foreign Taxes Paid or Accrued

Enter in U.S. dollars the total foreign taxes (described in section 901 or section 903) that were paid or accrued by the partnership (according to its method of accounting for such taxes). Enter the amount paid on line 16l(1) or enter the

amount accrued on line 16l(2). Translate these amounts into U.S. dollars by using the applicable exchange rate (see Pub. 514).

**Line 16l(1). Foreign taxes paid.** If the partnership uses the cash method of accounting, enter foreign taxes paid during the tax year on line 16l(1). Report the partner's distributive share in box 16 of Schedule K-1 using code L.

**Line 16l(2). Foreign taxes accrued.** If the partnership uses the accrual method of accounting, enter foreign taxes accrued on line 16l(2). Report the partner's distributive share in box 16 of Schedule K-1 using code M.

A partnership reporting foreign taxes using the cash method can make an irrevocable election to report these taxes using the accrual method for the year of the election and all future years. Make this election by reporting all foreign taxes using the accrual method on line 16l(2). (See Regulations section 1.905-1).

Attach a statement reporting the following information:

1. The total amount of foreign taxes (including foreign taxes on income sourced at the partner level) relating to each category of income (see instructions for lines 16d through 16f).

2. The dates on which the taxes were paid or accrued, the exchange rates used, and the amounts in both foreign currency and U.S. dollars, for:

- Taxes withheld at source on interest.
- Taxes withheld at source on dividends.
- Taxes withheld at source on rents and royalties.
- Other foreign taxes paid or accrued.

### Line 16m— Reduction in Taxes Available for Credit

Enter the total reductions in taxes available for credit.

Attach a statement showing the reductions for:

- Taxes on foreign mineral income (section 901(e)).
- Taxes on foreign oil and gas extraction income (section 907(a)).
- Taxes attributable to boycott operations (section 908).
- Failure to timely file (or furnish all of the information required on) Forms 5471 and 8865.
- Any other items (specify).

### Alternative Minimum Tax (AMT) Items

Lines 17a through 17f must be completed for all partners except certain small corporations exempt from AMT under section 55(e).

Enter items of income and deductions that are adjustments or tax preference items for the AMT. See Form 6251, Alternative Minimum Tax—Individuals; Form 4626, Alternative Minimum Tax—Corporations; or Schedule I of Form 1041, U.S. Income Tax Return for Estates

and Trusts, to determine the amounts to enter and for other information.

Do not include as a tax preference item any qualified expenditures to which an election under section 59(e) may apply. Instead, report these expenditures on line 13d(2). Because these expenditures are subject to an election by a partner, the partnership cannot figure the amount of any tax preference related to them. Instead, the partnership must pass through to the partner in box 13, code K, of Schedule K-1 the information needed to figure the deduction.

**Schedule K-1.** Report the partner's distributive share of amounts reported on lines 17a through 17f (concerning alternative minimum tax items) in box 17 of Schedule K-1 using codes A through F, respectively. If the partnership is reporting items of income or deduction for oil, gas, and geothermal properties, you may be required to identify these items on a statement attached to Schedule K-1 (see the instructions for lines 17d and 17e below for details). Also see the requirement for an attached statement in the instructions for line 17f.

### Line 17a— Post-1986 Depreciation Adjustment

Figure the adjustment for line 17a based only on tangible property placed in service after 1986 (and tangible property placed in service after July 31, 1986, and before 1987 for which the partnership elected to use the general depreciation system). Do not make an adjustment for motion picture films, videotapes, sound recordings, certain public utility property (as defined in section 168(i)(10)), property depreciated under the unit-of-production method (or any other method not expressed in a term of years), qualified Indian reservation property, property eligible for a special depreciation allowance, qualified revitalization expenditures, or the 179 expense deduction.

For property placed in service before 1999, refigure depreciation for the AMT as follows (using the same convention used for the regular tax):

- For section 1250 property (generally, residential rental and nonresidential real property), use the straight line method over 40 years.
- For tangible property (other than section 1250 property) depreciated using the straight line method for the regular tax, use the straight line method over the property's class life. Use 12 years if the property has no class life.
- For any other tangible property, use the 150% declining balance method, switching to the straight line method the first tax year it gives a larger deduction, over the property's AMT class life. Use 12 years if the property has no class life.

**Note.** See the Table of Class Lives and Recovery Periods in Appendix B of Pub. 946.

For property placed in service after 1998, refigure depreciation for the AMT

only for property depreciated for the regular tax using the 200% declining balance method. For the AMT, use the 150% declining balance method, and the same convention and recovery period used for the regular tax, switching to the straight line method the first tax year it gives a larger deduction.

Figure the adjustment by subtracting the AMT deduction for depreciation from the regular tax deduction and enter the result on line 17a. If the AMT deduction is more than the regular tax deduction, enter the difference as a negative amount. Depreciation capitalized to inventory must also be refigured using the AMT rules. Include on this line the current year adjustment to income, if any, resulting from the difference.

### Line 17b— Adjusted Gain or Loss

If the partnership disposed of any tangible property placed in service after 1986 (or after July 31, 1986, if an election was made to use the General Depreciation System), or if it disposed of a certified pollution control facility placed in service after 1986, refigure the gain or loss from the disposition using the adjusted basis for the AMT. The property's adjusted basis for the AMT is its cost or other basis minus all depreciation or amortization deductions allowed or allowable for the AMT during the current tax year and previous tax years.

Enter on this line the difference between the regular tax gain (or loss) and the AMT gain (or loss). Enter the difference as a negative amount if:

- The AMT gain is less than the regular tax gain,
- The AMT loss is more than the regular tax loss, or
- There is an AMT loss and a regular tax gain.

If any part of the adjustment is allocable to net short-term capital gain (loss), net long-term capital gain (loss), or net section 1231 gain (loss), attach a statement that identifies the amount of the adjustment allocable to each type of gain or loss. For a net long-term capital gain (loss), also identify the amount of the adjustment that is 28% rate gain (loss). For a net section 1231 gain (loss), also identify the amount of adjustment that is unrecaptured section 1250 gain.

### Line 17c— Depletion (Other Than Oil and Gas)

Do not include any depletion on oil and gas wells. The partners must figure their depletion deductions and preference items separately under section 613A.

Refigure the depletion deduction under section 611 for mines, wells (other than oil and gas wells), and other natural deposits for the AMT. Percentage depletion is limited to 50% of the taxable income from the property as figured under section 613(a), using only income and deductions allowed for the AMT. Also, the deduction is limited to the property's adjusted basis at the end of the year, as

refigured for the AMT. Figure this limit separately for each property. When refiguring the property's adjusted basis, take into account any AMT adjustments made this year or in previous years that affect basis (other than the current year's depletion).

Enter the difference between the regular tax and the AMT deduction. If the AMT deduction is greater, enter the difference as a negative amount.

### **Oil, Gas, and Geothermal Properties – Gross Income and Deductions**

Enter only the income and deductions for oil, gas, and geothermal properties that are used to figure the partnership's ordinary business income or loss (line 22 of Schedule B). If there are items of income or deduction for oil, gas, and geothermal properties included in the amounts required to be passed through separately to the partners on Schedule K-1 (items not reported on line 1 of Schedule K-1), attach a statement identifying these amounts.

Figure the amount for lines 17d and 17e separately for oil and gas properties that are not geothermal deposits and for all properties that are geothermal deposits.

Attach a statement that shows the separate amounts that are included in the computation on lines 17d and 17e.

### **Line 17d— Oil, Gas, and Geothermal Properties – Gross Income**

Enter the aggregate amount of gross income (within the meaning of section 613(a)) from all oil, gas, and geothermal properties that was received or accrued during the tax year and included on Schedule B.

### **Line 17e— Oil, Gas, and Geothermal Properties – Deductions**

Enter the amount of any deductions allowed for the AMT that are allocable to oil, gas, and geothermal properties.

### **Line 17f— Other AMT Items**

Attach a statement to each required Form 8865 and Schedule K-1 that shows the partner's share of other items not shown on lines 17a through 17e that are adjustments or tax preference items, or that the partner needs to complete Form 6251, Form 4626, or Schedule I of Form 1041. See these forms and their instructions to determine the amount to enter.

Other adjustments and tax preference items or information the partner needs include:

- Accelerated depreciation of real property under pre-1987 rules.
- Accelerated depreciation of leased personal property under pre-1987 rules.
- Long-term contracts entered into after February 28, 1986. Except for certain home construction contracts, the taxable

income from these contracts must be figured using the percentage of completion method of accounting for the AMT.

- Losses from tax shelter farm activities. No loss from any tax shelter farm activity is allowed for the AMT.
- Any information needed by certain corporate partners to compute the adjusted current earnings (ACE) adjustment.

**Schedule K-1.** If you are reporting the partner's distributive share of only one type of AMT item under code F, enter the code with an asterisk (F\*) and the dollar amount in the entry space in box 17 and attach a statement that shows the type of AMT item. If you are reporting multiple types of AMT items under code F, enter the code with an asterisk (F\*) and enter "STMT" in the entry space in box 17 and attach a statement that shows the dollar amount of each type of AMT item.

### **Tax-Exempt Income and Nondeductible Expenses**

#### **Line 18a— Tax-Exempt Interest Income**

On line 18a enter all tax-exempt interest income, including any exempt-interest dividends received from a mutual fund or other regulated investment company.

#### **Line 18b— Other Tax-Exempt Income**

Enter on line 18b all income of the partnership exempt from tax other than tax-exempt interest (for example, life insurance proceeds).

#### **Line 18c— Nondeductible Expenses**

Enter on line 18c nondeductible expenses paid or incurred by the partnership. Do not include separately stated deductions shown elsewhere on Schedules K and K-1, capital expenditures, or items for which the deduction is deferred to a later tax year.

**Schedule K-1.** Report the partner's distributive share of amounts reported on lines 18a, 18b, and 18c (concerning items affecting partner's basis) in box 18 of Schedule K-1 using codes A through C, respectively.

### **Distributions**

#### **Line 19a— Distributions of Cash and Marketable Securities**

Enter on line 19a the total distributions to the partner(s) of cash and marketable securities that are treated as money under section 731(c)(1). Generally, marketable securities are valued at FMV on the date of distribution. However, the value of marketable securities does not include the distributee partner's share of the gain on the securities distributed to that partner. See section 731(c)(3)(B) for details.

If the amount on line 19a includes marketable securities treated as money, state separately on an attachment to

Schedules K and K-1: **(a)** the partnership's adjusted basis of those securities immediately before the distribution and **(b)** the FMV of those securities on the date of distribution (excluding the distributee partner's share of the gain on the securities distributed to that partner).

#### **Line 19b— Distributions of Other Property**

Enter on line 19b the total distributions to the partner(s) of property not included on line 19a. In computing the amount of the distribution, use the adjusted basis of the property to the partnership immediately before the distribution. Attach a statement showing the adjusted basis and FMV of each property distributed.

**Schedule K-1.** Report in box 19 the partner's distributive share of the amount on line 19a using code A and the amount on line 19b using code B. Attach a statement to Schedule K-1 that provides the information required in the instructions for lines 19a and 19b.

### **Other Information**

#### **Lines 20a and 20b— Investment Income and Expenses**

Enter on line 20a the investment income included on lines 5, 6a, 7, and 11 of Schedule K. Do not include other portfolio gains or losses on this line.

Enter on line 20b the investment expense included on line 13b of Schedule K.

Investment income includes gross income from property held for investment, the excess of net gain attributable to the disposition of property held for investment over net capital gain from the disposition of property held for investment, and any net capital gain from the disposition of property held for investment that the partner elects to include in investment income under section 163(d)(4)(B)(iii). Generally, investment income and investment expenses are not treated as income or expenses from a passive activity. See Regulations section 1.469-2(f)(10) for exceptions.

Property subject to a net lease is not treated as investment property because it is subject to the passive loss rules. Do not reduce investment income by losses from passive activities.

Investment expenses are deductible expenses (other than interest) directly connected with the production of investment income. See the Instructions for Form 4952 for more information.

**Schedule K-1.** Report the partner's distributive share of amounts reported on lines 20a and 20b (investment income and expenses) in box 20 of Schedule K-1 using codes A through B, respectively.

If there are other items of investment income or expense included in the amounts that are required to be passed through separately to the partners on Schedule K-1, such as net short-term



capital gain or loss, net long-term capital gain or loss, and other portfolio gains or losses, give the partner a statement identifying these amounts.

### Line 20c— Other Items and Amounts

Report the following information on a statement attached to Form 8865. On Schedule K-1 enter the appropriate code in box 20 for each information item followed by an asterisk in the left-hand column of the entry space (for example, C\*). In the right-hand column, enter "STMT". The codes are provided below for each information category.

#### Fuel tax credit information (code C).

Report the number of gallons of each fuel sold or used during the tax year for a nontaxable use qualifying for the credit for taxes paid on fuels, type of use, and the applicable credit per gallon. See Form 4136, Credit for Federal Tax Paid on Fuels, for details.

#### Look-back interest—completed

**long-term contracts (code D).** For closely held partnerships (as defined in section 460(b)(4)), state the information a partner needs to figure the partner's distributive share of any interest due or to be refunded under the look-back method of section 460(b)(2) on certain long-term contracts that are accounted for under either the percentage of completion-capitalized cost method or the percentage of completion method. Also attach the information specified in the instructions for Form 8697, Part II, lines 1 and 3, for each tax year in which such a long-term contract is completed.

#### Look-back interest—income forecast method (code E).

If the partnership is a closely held partnership (as defined in section 460(b)(4)), and it depreciated certain property placed in service after September 13, 1995, under the income forecast method, it must attach to Form 8865 the information specified in the instructions for Form 8866, line 2, for the 3rd and 10th tax years beginning after the tax year the property was placed in service. It must also report the line 2 amounts to its partners. See the instructions for Form 8866 for more details.

#### Dispositions of property with section 179 deductions (code F).

Gain or loss on the sale, exchange, or other disposition of property for which a section 179 expense deduction was passed through to partners. The partnership must provide all the following information with respect to such dispositions (see the instructions for Schedule B, line 6).

- Description of the property.
- Date the property was acquired and placed in service.
- Date of the sale or other disposition of the property.
- The partner's distributive share of the gross sales price or amount realized.
- The partner's distributive share of the cost or other basis plus the expense of

sale (reduced as explained in the instructions for Form 4797, line 21).

- The partner's distributive share of the depreciation allowed or allowable, determined as described in the instructions for Form 4797, line 22, but excluding the section 179 expense deduction.
- The partner's distributive share of the section 179 expense deduction (if any) passed through for the property and the partnership's tax year(s) in which the amount was passed through.
- An indication if the disposition is from a casualty or theft.
- If this is an installment sale made during the partnership's tax year, any information the partner needs to complete Form 6252, Installment Sale Income. The partnership also must separately report the partner's distributive share of all payments received for the property in the following tax years. (Installment payments received for installments made in prior tax years should be reported in the same manner used in prior tax years.)

#### Recapture of section 179 deduction (code G).

This amount represents recapture of section 179 expense deduction if business use of the property dropped to 50 percent or less. If the business use of any property (placed in service after 1986) for which a section 179 expense deduction was passed through to partners dropped to 50% or less (for a reason other than disposition), the partnership must provide all the following information.

- The partner's distributive share of the original basis and depreciation allowed or allowable (not including the section 179 expense deduction).
- The partner's distributive share of the section 179 expense deduction (if any) passed through for the property and the partnership's tax year(s) in which the amount was passed through.

#### Special basis adjustment (code H).

If the partnership holds oil and gas properties that are depleted at the partner level under section 613A(c)(7)(D) and is notified of a transfer of an interest in the partnership, it must attach a statement to the transferee partner's Schedule K-1 that identifies any section 743(b) basis adjustments to property, other than depletable oil and gas property, allocable to the partner.

#### Section 453(l)(3) information (code I).

Any information a partner needs to figure the interest due under section 453(l)(3). If the partnership elected to report the disposition of certain timeshares and residential lots on the installment method, the partner's tax liability must be increased by the partner's distributive share of the interest on tax attributable to the installment payments received during the tax year.

#### Section 453A(c) information (code J).

Any information a partner needs to figure interest due under section 453A(c). If an obligation arising from the disposition of property to which section 453A applies is

outstanding at the close of the year, the partner's tax liability must be increased by the tax due under section 453A(c) on the partner's distributive share of the tax deferred under the installment method.

#### Section 1260(b) information (code K).

Any information needed by a partner to figure the interest due under section 1260(b). If the partnership had gain from certain constructive ownership transactions, the partner's tax liability must be increased by the partner's distributive share of interest due on any deferral of gain recognition. See section 1260(b) for details, including how to figure the interest.

#### Interest allocable to production

**expenditures (code L).** Supply any information a partner needs to properly capitalize interest as required by section 263A(f). See Regulations sections 1.263A-8 through 1.263A-15 for more information.

#### CCF nonqualified withdrawal (code M).

Report nonqualified withdrawals by the partnership from a capital construction fund.

#### Information needed to figure

**depletion—oil and gas (code N).** Report the partner's share of gross income from each property, share of production for the tax year, etc., needed to figure the partner's depletion deduction for oil and gas wells. The partnership should also allocate to the partner a proportionate share of the adjusted basis of each partnership oil or gas property. The allocation of the basis of each property is made as specified in section 613A(c)(7)(D).

The partnership cannot deduct depletion on oil and gas wells. The partner must determine the allowable amount to report on his or her return. See Chapter 10 in Pub. 535 for more information.

#### Amortization of reforestation costs

**(code O).** Amortization of reforestation expenditures. Report the amortizable basis of reforestation expenditures paid or incurred before October 23, 2004, for which the partnership elected amortization and the tax year the amortization began for the current tax year and the 7 preceding tax years. The amortizable basis cannot exceed \$10,000 for each of those tax years.

#### Unrelated business taxable income

**(code P).** Report any information a partner that is a tax-exempt organization may need to figure its share of unrelated business taxable income under section 512(a)(1) (excluding any modifications required by paragraphs (8) through (15) of section 512(b)). Partners are required to notify the partnership of their tax-exempt status. See Form 990-T, Exempt Organization Business Income Tax Return, for more information.

**Other information (code Q).** Report to the partner:

- Any information or statements a partner needs to comply with section 6111

(registration of tax shelters), section 6662(d)(2)(B)(ii) (regarding adequate disclosure of items that may cause an understatement of income tax), and the list keeping requirements of Regulations section 301.6112-1. See Form 8264 and Notice 2004-80, 2004-50 I.R.B. 963.

- Any information a partner that is a publicly traded partnership may need to determine if it meets the 90% qualifying income test of section 7704(c)(2). Partners are required to notify the partnership of their status as a publicly traded partnership.
- If the partnership participates in a transaction that must be disclosed on Form 8886, its partners also may be required to file Form 8886 for the transaction. Attach a statement to Schedule K-1 providing the information a partner needs to file Form 8886 for the transaction. See Form 8886 for more information.
- Any other information a partner may need to file his or her return that is not shown elsewhere on Schedule K-1. For example, if one of the partners is a pension plan, that partner may need special information to properly file its tax return.

### Other Foreign Transactions (Box 16 of Schedule K-1, Codes O, P, and Q)



*Do not report these amounts in box 20 of Schedule K-1. Instead, report them in box 16 as explained below.*

- **Foreign trading gross receipts (code O).** Report the partner's distributive share of foreign trading gross receipts from line 15 of Form 8873 using code O. See *Extraterritorial Income Exclusion* on page 11.
- **Extraterritorial income exclusion (code P).** If the partnership is not permitted to deduct the extraterritorial income exclusion as a non-separately stated item, attach a statement to Schedule K-1 showing the partner's distributive share of the extraterritorial income exclusion reported on lines 52a and 52b of Form 8873. Also identify the activity to which the exclusion is related.
- **Other foreign transactions (code Q).** Enter in box 16 of Schedule K-1 any other foreign transaction information the partners need to prepare their tax returns using code Q.

## Schedule L—Balance Sheets per Books

**Important:** You do not need to complete Schedule L if you have attached to Form 8865 a copy of the Schedule L from Form 1065 or Form 1065-B.

The balance sheets should agree with the partnership's books and records. Attach a statement explaining any differences.

Only Category 1 filers are required to complete Schedule L.

If you answered "Yes" to Item G9 on page 1 of Form 8865, you do not have to complete Schedule L.

Schedule L requires balance sheets prepared and translated into U.S. dollars in accordance with U.S. generally accepted accounting principles (GAAP).

**Exception.** If the partnership or any qualified business unit of the partnership uses the dollar approximate separate transactions method (DASTM), Schedule L should reflect the tax balance sheets prepared and translated into U.S. dollars according to Regulations section 1.985-3(d).

## Schedule M—Balance Sheets for Interest Allocation

All Category 1 filers must complete Schedule M. Schedule M should reflect the book values of the partnership's assets, as described in Temporary Regulations sections 1.861-9T(g)(2) and 1.861-12T. Assets should be characterized as U.S. assets or foreign assets in one or more separate limitation categories as provided in Temporary Regulations sections 1.861-9T(g)(3) and 1.861-12T. The balance sheets should be prepared in U.S. dollars under Temporary Regulations section 1.861-9T(g)(2)(ii).

**Exception.** If the partnership or any qualified business unit of the partnership uses DASTM, Schedule M should reflect the tax balance sheet prepared in U.S. dollars under Regulations section 1.985-3(d). See Temporary Regulations section 1.861-9T(g)(2)(ii)(A)(2) for more information on DASTM.

**Line 2.** Enter the partnership's foreign assets according to the following income limitation categories:

- Passive income category.
- Listed categories (attach a statement classifying foreign assets by the categories listed in the instructions for line 16e on page 22).
- General limitation income category.

See the instructions for line 16 of Schedule K and section 904(d) for more information.

## Schedule M-1—Reconciliation of Income (Loss) per Books With Income (Loss) per Return

**Important:** You do not need to complete Schedule M-1 if you have attached to Form 8865 a copy of the Schedule M-1 from Form 1065 or Form 1065-B.

Only Category 1 filers are required to complete Schedule M-1. If you answered "Yes" to Item G9 on page 1 of Form 8865, you do not have to complete Schedule M-1.

**Line 2.** Report on this line income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11 not recorded on the partnership's books this year. Describe each such item of income. Attach a statement if necessary.

**Line 3—Guaranteed payments.** Include guaranteed payments shown on Schedule K, line 4 (other than amounts paid for insurance that constitutes medical care for a partner, a partner's spouse, and a partner's dependents).

## Line 4b—Travel and Entertainment

Include on this line:

- Meal and entertainment expenses not deductible under section 274(n).
- Expenses for the use of an entertainment facility.
- The part of business gifts over \$25.
- Expenses of an individual allocable to conventions on cruise ships over \$2,000.
- Employee achievement awards over \$400. See exceptions at section 274(j)(2)(B).
- The part of the cost of entertainment tickets that exceeds face value (also subject to 50% disallowance).
- The part of the cost of skyboxes that exceeds the face value of nonluxury box seat tickets.
- The part of the cost of luxury water travel not allowed under section 274(m).
- Expenses for travel as a form of education.
- Nondeductible club dues.
- Other nondeductible travel and entertainment expenses.

## Schedule M-2—Analysis of Partners' Capital Accounts

**Important:** You do not need to complete Schedule M-2 if you have attached to Form 8865 a copy of the Schedule M-2 from Form 1065 or Form 1065-B.

Only Category 1 filers are required to complete Schedule M-2. If you answered "Yes" to Item G9 on page 1 of Form 8865, you do not have to complete Schedule M-2.

Show what caused the changes in the direct partners' capital accounts during the partnership's tax year as reflected on the partnership's books and records. All items must be reported in U.S. dollars.

Though not required to, you may use the rules in Regulations section 1.704-1(b)(2)(iv) to determine the partners' capital accounts in Schedule M-2. If the beginning and ending capital accounts reported under these rules differ from the amounts reported on Schedule L, attach a statement reconciling any differences.

**Line 2—Capital contributed during year.** Include on line 2a the amount of money contributed and on line 2b the amount of property contributed by the

partner to the partnership as reflected on the partnership's books and records.

**Line 3—Net income (loss) per books.** Enter on line 3 the partnership's net income (loss) shown on the partnership's books, from Schedule M-1, line 1.

**Line 6—Distributions.**

**Line 6a—Cash.** Enter the amount of money distributed to the partner by the partnership.

**Line 6b—Property.** Enter the amount of property distributed to the partner by the partnership as reflected on the partnership's books and records. Include withdrawals from inventory for the personal use of a partner.

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## Schedule N—Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities

All Category 1 filers must complete Schedule N and report all transactions of the foreign partnership during the tax year of the partnership listed on the top of page 1 of Form 8865. A Category 1 filer filing a Form 8865 for other Category 1 filers under the multiple Category 1 filers exception must complete a Schedule N for itself and a separate Schedule N for each Category 1 filer not filing Form 8865.

Category 2 filers are required to complete columns (a), (b), and (c) of Schedule N. Category 2 filers do not have to complete column (d).

**Column (a).** Use column (a) to report transactions between the foreign partnership and the person filing the Form 8865.

**Column (d).** Use column (d) to report transactions between the foreign partnership and any U.S. person with a 10% or more direct interest in the foreign partnership. If such person also qualifies under column (b), do not report transactions between the foreign partnership and that person under column (d). Report the transactions only under column (b).

**Lines 6 and 16.** Enter distributions received from other partnerships and distributions from the foreign partnership for which this form is being completed.

**Lines 20 and 21.** Enter the largest outstanding balances during the year of gross amounts borrowed from, and gross amounts lent to, the related parties described in columns (a) through (d). Do not enter aggregate cash flows, year-end loan balances, average balances, or net balances. Do not include open account balances resulting from sales and purchases reported under other items listed on Schedule N that arise and are collected in full in the ordinary course of business.

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## Schedule O—Transfer of Property to a Foreign Partnership

**Note.** Category 3 filers must complete Schedule O.

### Part I—Transfers Reportable Under Section 6038B

Part I is used to report the transfer of property to a foreign partnership. Provide the information required in columns (a) through (g) with respect to each contribution of property to the foreign partnership that must be reported. If you contributed property with a FMV greater than its tax basis (appreciated property), or intangible property, provide the information required in columns (a) through (g) separately with respect to each item of property transferred (except to the extent you are allowed to aggregate the property under Regulations section 1.704-3(e)(2), (3), and (4)). Provide a general description of each item of property in the *Supplemental Information Required To Be Reported* section. For all other property contributed, aggregate by the categories listed in Part I.

**Column (a).** Enter the date of the transfer. If the transfer was composed of a series of transactions over multiple dates, enter the date the transfer was completed.

**Column (b).** Enter the number of items of property transferred.

**Column (c).** Enter the FMV of the property contributed (measured as of the date of the transfer).

**Column (d).** Enter your adjusted basis in the property contributed on the date of the transfer. See sections 1011 through 1016 for more information on the determination of adjusted basis.

**Column (e).** If you contributed appreciated property, enter the method (traditional, traditional with curative allocations, or remedial) used by the partnership to make section 704(c) allocations with respect to each item of property. See Regulations section 1.704-3(b), (c), and (d) for more information on these allocation methods.

**Column (f).** Enter the amount of gain, if any, recognized on the transfer. See sections 721(b) and 904(f)(3).

**Column (g).** Enter your percentage interest in the partnership immediately after the transfer. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages.

**Supplemental information required to be reported.** Enter any information from Part I that is required to be reported in greater detail. Identify the applicable column number next to the information entered in this section. In addition, if you contributed property to a foreign

partnership as part of a wider transaction, briefly describe the entire transaction.

### Part II—Dispositions Reportable Under Section 6038B

Use Part II to report certain dispositions by a foreign partnership. If you were required to report a transfer of appreciated property to the partnership, and the partnership disposes of the property while you are still a direct or constructive partner, you must report that disposition in Part II. If the partnership disposes of the property in a nonrecognition transaction and receives in exchange substituted basis property, report the subsequent disposition of the substituted basis property in the same manner as provided for the contributed property. See section 7701(a)(42) for the definition of substituted basis property and Regulations section 1.704-3(a)(8) for more information.

**Column (a).** Provide a brief description of the property disposed of by the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for appreciated property contributed by you, enter "See Attached." Attach a schedule providing brief descriptions of both the property contributed by you to the partnership and the substituted basis property received by the partnership in exchange for that property.

**Column (b).** Enter the date that you transferred this property to the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for property previously contributed by you, enter "See Attached." Attach a statement showing both the date you transferred the appreciated property to the partnership and the date the partnership exchanged the property for substituted basis property in a nonrecognition transaction. See Regulations section 1.6038B-2.

**Column (c).** Enter the date that the partnership disposed of the property.

**Column (d).** Briefly describe how the partnership disposed of the property (for example, by sale or exchange).

**Column (e).** Enter the amount of gain, if any, recognized by the partnership on the disposition of property.

**Column (f).** Enter the amount of depreciation recapture, if any, recognized by the partnership on the disposition of property. See Regulations section 1.1245-1(e) and 1.1250-1(f).

**Column (g).** Enter the amount of gain from column (e) allocated to you.

**Column (h).** Enter the amount of depreciation recapture from column (f) allocated to you. See Regulations sections 1.1245-1(e) and 1.1250-1(f). If you recognize any section 1254 recapture on the partnership's disposition of natural resource recapture property, enter "See

Attached" and attach a schedule calculating the amount of recapture. See Regulations section 1.1254-5.

### Part III—Gain Recognition Under Section 904(f)(3) or (f)(5)(F)

If gain recognition was required with respect to any transfer reported in Part I under section 904(f)(3) and (f)(5)(F), attach a schedule identifying the transfer and the amount of gain recognized.

## Schedule P—Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership

Use Schedule P to report the acquisition, disposition, and change of interest in a foreign partnership.

*Every Category 4 filer must complete Schedule P.*

### Part I—Acquisitions

Part I is completed by Category 4 filers required to report an acquisition of an interest in a foreign partnership. See *Categories of Filers* beginning on page 1 for more details about which types of acquisitions must be reported.

**Column (a).** If you acquired the interest in the foreign partnership by purchase, gift, inheritance, or in a distribution from a trust, estate, partnership, or corporation, enter the name, address, and identifying number (if any), of the person from whom you acquired the interest.

**Column (b).** Enter the date of the acquisition. If the acquisition was composed of a series of transactions over multiple dates, enter the date the acquisition was completed.

**Column (c).** Enter the FMV of the interest you acquired in the partnership (measured as of the date of acquisition).

**Column (d).** Enter your basis in the acquired partnership interest (measured

as of the date of acquisition). See sections 722 and 742.

**Columns (e) and (f).** Enter your total direct percentage interest in the partnership both before and immediately after the acquisition. To the extent your direct percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

### Part II—Dispositions

This section is completed by U.S. persons who are Category 4 filers because they disposed of an interest in a foreign partnership. See *Categories of Filers* beginning on page 1 for more details about what types of dispositions must be reported. For each disposition reported in Part II, indicate in Part IV whether a statement is required by Regulations section 1.751-1(a)(3) to be filed with respect to the disposition.

**Column (a).** Unless you disposed of the interest by withdrawing, in whole or in part, from the partnership, enter the name, address, and identifying number (if any) of the person to whom you transferred the interest in the foreign partnership.

**Column (b).** Enter the date of the disposition. If the disposition was composed of a series of transactions over multiple dates, enter the date the disposition was completed.

**Column (c).** Enter the FMV of the interest you disposed of in the partnership (measured as of the date of disposition). If you recognized gain or loss on the disposition, state the amount of gain or loss in Part IV. See section 741.

**Column (d).** Enter your adjusted basis in the partnership interest disposed of immediately before the disposition. See section 705.

**Columns (e) and (f).** Enter your total direct percentage interest in the

partnership both before and immediately after the disposition. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

### Part III—Change in Proportional Interest

This section is completed by U.S. persons who are Category 4 filers because their direct proportional interest in the foreign partnership changed. See *Category of Filers* beginning on page 1 for more details about which changes in proportional interest must be reported.

**Column (a).** Briefly describe the event that caused your interest in the partnership to change (for example, the admission of a new partner).

**Column (b).** Enter the date of the change. If the change resulted from a series of transactions over multiple dates, enter the date the change was completed.

**Column (c).** Enter the FMV of your interest in the partnership immediately before the change.

**Column (d).** Enter your basis in your partnership interest immediately before the change.

**Columns (e) and (f).** Enter your direct percentage interest in the partnership both before and immediately after the change. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter "See Below" and state the different percentages in Part IV.

### Part IV—Supplemental Information Required To Be Reported

Enter any information asked for in Part I, Part II, or Part III that must be reported in detail. Identify the applicable part number and column next to the information entered in Part IV.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Sections 6038, 6038B, and 6046A require you to provide this information. Section 6109 requires you to provide your identifying number (SSN, EIN, or PTIN). We need this information to ensure that you are complying with the revenue laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form and related schedule will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing, copying, assembling and sending the form to the IRS
8865	89 hr., 21 min.	23 hr., 16 min.	36 hr., 26 min.
Schedule K-1 (Form 8865)	10 hr., 31 min.	35 min.	48 min.
Schedule O (Form 8865)	12 hr., 12 min.	2 hr., 22 min.	2 hr., 41 min.
Schedule P (Form 8865)	5 hr., 15 min.	35 min.	42 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form and related schedules simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed. If you do not have to file a tax return, see the instructions for the return you would be required to file.

## Codes for Principal Business Activity and Principal Product or Service

This list of Principal Business Activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. These Principal Business Activity Codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the business derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (Schedule B, line 1a); all other income reported on Schedule B, 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. If the business

purchases raw materials and supplies them to a subcontractor to produce the finished product, but retains title to the product, the business is considered a manufacturer and must use one of the manufacturing codes (311110–339900).

Once the Principal Business Activity is determined, enter the six-digit code from the list below on page 1, Item F6. Also enter a brief description of the business activity in Item F7.

<p><b>Code</b></p> <p><b>Agriculture, Forestry, Fishing and Hunting</b></p> <p><b>Crop Production</b></p> <p>111100 Oilseed &amp; Grain Farming</p> <p>111210 Vegetable &amp; Melon Farming (including potatoes &amp; yams)</p> <p>111300 Fruit &amp; Tree Nut Farming</p> <p>111400 Greenhouse, Nursery, &amp; Floriculture Production</p> <p>111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet &amp; all other crop farming)</p> <p><b>Animal Production</b></p> <p>112111 Beef Cattle Ranching &amp; Farming</p> <p>112112 Cattle Feedlots</p> <p>112120 Dairy Cattle &amp; Milk Production</p> <p>112210 Hog &amp; Pig Farming</p> <p>112300 Poultry &amp; Egg Production</p> <p>112400 Sheep &amp; Goat Farming</p> <p>112510 Animal Aquaculture (including shellfish &amp; finfish farms &amp; hatcheries)</p> <p>112900 Other Animal Production</p> <p><b>Forestry and Logging</b></p> <p>113110 Timber Tract Operations</p> <p>113210 Forest Nurseries &amp; Gathering of Forest Products</p> <p>113310 Logging</p> <p><b>Fishing, Hunting and Trapping</b></p> <p>114110 Fishing</p> <p>114210 Hunting &amp; Trapping</p> <p><b>Support Activities for Agriculture and Forestry</b></p> <p>115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, &amp; cultivating)</p> <p>115210 Support Activities for Animal Production</p> <p>115310 Support Activities For Forestry</p>	<p><b>Code</b></p> <p><b>Heavy and Civil Engineering Construction</b></p> <p>237100 Utility System Construction</p> <p>237210 Land Subdivision</p> <p>237310 Highway, Street, &amp; Bridge Construction</p> <p>237990 Other Heavy &amp; Civil Engineering Construction</p> <p><b>Specialty Trade Contractors</b></p> <p>238100 Foundation, Structure, &amp; Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, &amp; siding)</p> <p>238210 Electrical Contractors</p> <p>238220 Plumbing, Heating, &amp; Air-Conditioning Contractors</p> <p>238290 Other Building Equipment Contractors</p> <p>238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, &amp; finish carpentry)</p> <p>238900 Other Specialty Trade Contractors (including site preparation)</p>	<p><b>Code</b></p> <p>316210 Footwear Mfg (including rubber &amp; plastics)</p> <p>316990 Other Leather &amp; Allied Product Mfg</p> <p><b>Wood Product Manufacturing</b></p> <p>321110 Sawmills &amp; Wood Preservation</p> <p>321210 Veneer, Plywood, &amp; Engineered Wood Product Mfg</p> <p>321900 Other Wood Product Mfg</p> <p><b>Paper Manufacturing</b></p> <p>322100 Pulp, Paper, &amp; Paperboard Mills</p> <p>322200 Converted Paper Product Mfg</p> <p><b>Printing and Related Support Activities</b></p> <p>323100 Printing &amp; Related Support Activities</p> <p><b>Petroleum and Coal Products Manufacturing</b></p> <p>324110 Petroleum Refineries (including integrated)</p> <p>324120 Asphalt Paving, Roofing, &amp; Saturated Materials Mfg</p> <p>324190 Other Petroleum &amp; Coal Products Mfg</p> <p><b>Chemical Manufacturing</b></p> <p>325100 Basic Chemical Mfg</p> <p>325200 Resin, Synthetic Rubber, &amp; Artificial &amp; Synthetic Fibers &amp; Filaments Mfg</p> <p>325300 Pesticide, Fertilizer, &amp; Other Agricultural Chemical Mfg</p> <p>325410 Pharmaceutical &amp; Medicine Mfg</p> <p>325500 Paint, Coating, &amp; Adhesive Mfg</p> <p>325600 Soap, Cleaning Compound, &amp; Toilet Preparation Mfg</p> <p>325900 Other Chemical Product &amp; Preparation Mfg</p>	<p><b>Code</b></p> <p>332300 Architectural &amp; Structural Metals Mfg</p> <p>332400 Boiler, Tank, &amp; Shipping Container Mfg</p> <p>332510 Hardware Mfg</p> <p>332610 Spring &amp; Wire Product Mfg</p> <p>332700 Machine Shops; Turned Product; &amp; Screw, Nut, &amp; Bolt Mfg</p> <p>332810 Coating, Engraving, Heat Treating, &amp; Allied Activities</p> <p>332900 Other Fabricated Metal Product Mfg</p> <p><b>Machinery Manufacturing</b></p> <p>333100 Agriculture, Construction, &amp; Mining Machinery Mfg</p> <p>333200 Industrial Machinery Mfg</p> <p>333310 Commercial &amp; Service Industry Machinery Mfg</p> <p>333410 Ventilation, Heating, Air-Conditioning, &amp; Commercial Refrigeration Equipment Mfg</p> <p>333510 Metalworking Machinery Mfg</p> <p>333610 Engine, Turbine &amp; Power Transmission Equipment Mfg</p> <p>333900 Other General Purpose Machinery Mfg</p>
<p><b>Mining</b></p> <p>211110 Oil &amp; Gas Extraction</p> <p>212110 Coal Mining</p> <p>212200 Metal Ore Mining</p> <p>212310 Stone Mining &amp; Quarrying</p> <p>212320 Sand, Gravel, Clay, &amp; Ceramic &amp; Refractory Minerals Mining &amp; Quarrying</p> <p>212390 Other Nonmetallic Mineral Mining &amp; Quarrying</p> <p>213110 Support Activities for Mining</p>	<p><b>Manufacturing</b></p> <p><b>Food Manufacturing</b></p> <p>311110 Animal Food Mfg</p> <p>311200 Grain &amp; Oilseed Milling</p> <p>311300 Sugar &amp; Confectionery Product Mfg</p> <p>311400 Fruit &amp; Vegetable Preserving &amp; Specialty Food Mfg</p> <p>311500 Dairy Product Mfg</p> <p>311610 Animal Slaughtering and Processing</p> <p>311710 Seafood Product Preparation &amp; Packaging</p> <p>311800 Bakeries &amp; Tortilla Mfg</p> <p>311900 Other Food Mfg (including coffee, tea, flavorings &amp; seasonings)</p> <p><b>Beverage and Tobacco Product Manufacturing</b></p> <p>312110 Soft Drink &amp; Ice Mfg</p> <p>312120 Breweries</p> <p>312130 Wineries</p> <p>312140 Distilleries</p> <p>312200 Tobacco Manufacturing</p> <p><b>Textile Mills and Textile Product Mills</b></p> <p>313000 Textile Mills</p> <p>314000 Textile Product Mills</p> <p><b>Apparel Manufacturing</b></p> <p>315100 Apparel Knitting Mills</p> <p>315210 Cut &amp; Sew Apparel Contractors</p> <p>315220 Men's &amp; Boys' Cut &amp; Sew Apparel Mfg</p> <p>315230 Women's &amp; Girls' Cut &amp; Sew Apparel Mfg</p> <p>315290 Other Cut &amp; Sew Apparel Mfg</p> <p>315990 Apparel Accessories &amp; Other Apparel Mfg</p>	<p><b>Plastics and Rubber Products Manufacturing</b></p> <p>326100 Plastics Product Mfg</p> <p>326200 Rubber Product Mfg</p> <p><b>Nonmetallic Mineral Product Manufacturing</b></p> <p>327100 Clay Product &amp; Refractory Mfg</p> <p>327210 Glass &amp; Glass Product Mfg</p> <p>327300 Cement &amp; Concrete Product Mfg</p> <p>327400 Lime &amp; Gypsum Product Mfg</p> <p>327900 Other Nonmetallic Mineral Product Mfg</p> <p><b>Primary Metal Manufacturing</b></p> <p>331110 Iron &amp; Steel Mills &amp; Ferroalloy Mfg</p> <p>331200 Steel Product Mfg from Purchased Steel</p> <p>331310 Alumina &amp; Aluminum Production &amp; Processing</p> <p>331400 Nonferrous Metal (except Aluminum) Production &amp; Processing</p> <p>331500 Foundries</p> <p><b>Fabricated Metal Product Manufacturing</b></p> <p>332110 Forging &amp; Stamping</p> <p>332210 Cutlery &amp; Handtool Mfg</p>	<p>334110 Computer &amp; Peripheral Equipment Mfg</p> <p>334200 Communications Equipment Mfg</p> <p>334310 Audio &amp; Video Equipment Mfg</p> <p>334410 Semiconductor &amp; Other Electronic Component Mfg</p> <p>334500 Navigational, Measuring, Electromedical, &amp; Control Instruments Mfg</p> <p>334610 Manufacturing &amp; Reproducing Magnetic &amp; Optical Media</p> <p><b>Electrical Equipment, Appliance, and Component Manufacturing</b></p> <p>335100 Electric Lighting Equipment Mfg</p> <p>335200 Household Appliance Mfg</p> <p>335310 Electrical Equipment Mfg</p> <p>335900 Other Electrical Equipment &amp; Component Mfg</p>
<p><b>Utilities</b></p> <p>221100 Electric Power Generation, Transmission &amp; Distribution</p> <p>221210 Natural Gas Distribution</p> <p>221300 Water, Sewage &amp; Other Systems</p>	<p><b>Leather and Allied Product Manufacturing</b></p> <p>316110 Leather &amp; Hide Tanning &amp; Finishing</p>	<p>332100 Foundries</p> <p><b>Fabricated Metal Product Manufacturing</b></p> <p>332110 Forging &amp; Stamping</p> <p>332210 Cutlery &amp; Handtool Mfg</p>	<p>334610 Manufacturing &amp; Reproducing Magnetic &amp; Optical Media</p> <p><b>Transportation Equipment Manufacturing</b></p> <p>336100 Motor Vehicle Mfg</p> <p>336210 Motor Vehicle Body &amp; Trailer Mfg</p> <p>336300 Motor Vehicle Parts Mfg</p> <p>336410 Aerospace Product &amp; Parts Mfg</p> <p>336510 Railroad Rolling Stock Mfg</p> <p>336610 Ship &amp; Boat Building</p> <p>336990 Other Transportation Equipment Mfg</p> <p><b>Furniture and Related Product Manufacturing</b></p> <p>337000 Furniture &amp; Related Product Manufacturing</p>
<p><b>Construction</b></p> <p><b>Construction of Buildings</b></p> <p>236110 Residential Building Construction</p> <p>236200 Nonresidential Building Construction</p>			<p>337000 Furniture &amp; Related Product Manufacturing</p> <p><b>Miscellaneous Manufacturing</b></p> <p>339110 Medical Equipment &amp; Supplies Mfg</p> <p>339900 Other Miscellaneous Manufacturing</p>

**Codes for Principal Business Activity and Principal Product or Service (continued)**

<p><i>Code</i></p> <p><b>Wholesale Trade</b> <b>Merchant Wholesalers, Durable Goods</b></p> <p>423100 Motor Vehicle &amp; Motor Vehicle Parts &amp; Supplies</p> <p>423200 Furniture &amp; Home Furnishings</p> <p>423300 Lumber &amp; Other Construction Materials</p> <p>423400 Professional &amp; Commercial Equipment &amp; Supplies</p> <p>423500 Metal &amp; Mineral (except Petroleum)</p> <p>423600 Electrical &amp; Electronic Goods</p> <p>423700 Hardware, &amp; Plumbing &amp; Heating Equipment &amp; Supplies</p> <p>423800 Machinery, Equipment, &amp; Supplies</p> <p>423910 Sporting &amp; Recreational Goods &amp; Supplies</p> <p>423920 Toy &amp; Hobby Goods &amp; Supplies</p> <p>423930 Recyclable Materials</p> <p>423940 Jewelry, Watch, Precious Stone, &amp; Precious Metals</p> <p>423990 Other Miscellaneous Durable Goods</p> <p><b>Merchant Wholesalers, Nondurable Goods</b></p> <p>424100 Paper &amp; Paper Products</p> <p>424210 Drugs &amp; Druggists' Sundries</p> <p>424300 Apparel, Piece Goods, &amp; Notions</p> <p>424400 Grocery &amp; Related Products</p> <p>424500 Farm Product Raw Materials</p> <p>424600 Chemical &amp; Allied Products</p> <p>424700 Petroleum &amp; Petroleum Products</p> <p>424800 Beer, Wine, &amp; Distilled Alcoholic Beverages</p> <p>424910 Farm Supplies</p> <p>424920 Book, Periodical, &amp; Newspapers</p> <p>424930 Flower, Nursery Stock, &amp; Florists' Supplies</p> <p>424940 Tobacco &amp; Tobacco Products</p> <p>424950 Paint, Varnish, &amp; Supplies</p> <p>424990 Other Miscellaneous Nondurable Goods</p> <p><b>Wholesale Electronic Markets and Agents and Brokers</b></p> <p>425110 Business to Business Electronic Markets</p> <p>425120 Wholesale Trade Agents &amp; Brokers</p>	<p><i>Code</i></p> <p><b>Building Material and Garden Equipment and Supplies Dealers</b></p> <p>444110 Home Centers</p> <p>444120 Paint &amp; Wallpaper Stores</p> <p>444130 Hardware Stores</p> <p>444190 Other Building Material Dealers</p> <p>444200 Lawn &amp; Garden Equipment &amp; Supplies Stores</p> <p><b>Food and Beverage Stores</b></p> <p>445110 Supermarkets and Other Grocery (except Convenience) Stores</p> <p>445120 Convenience Stores</p> <p>445210 Meat Markets</p> <p>445220 Fish &amp; Seafood Markets</p> <p>445230 Fruit &amp; Vegetable Markets</p> <p>445291 Baked Goods Stores</p> <p>445292 Confectionery &amp; Nut Stores</p> <p>445299 All Other Specialty Food Stores</p> <p>445310 Beer, Wine, &amp; Liquor Stores</p> <p><b>Health and Personal Care Stores</b></p> <p>446110 Pharmacies &amp; Drug Stores</p> <p>446120 Cosmetics, Beauty Supplies, &amp; Perfume Stores</p> <p>446130 Optical Goods Stores</p> <p>446190 Other Health &amp; Personal Care Stores</p> <p><b>Gasoline Stations</b></p> <p>447100 Gasoline Stations (including convenience stores with gas)</p> <p><b>Clothing and Clothing Accessories Stores</b></p> <p>448110 Men's Clothing Stores</p> <p>448120 Women's Clothing Stores</p> <p>448130 Children's &amp; Infants' Clothing Stores</p> <p>448140 Family Clothing Stores</p> <p>448150 Clothing Accessories Stores</p> <p>448190 Other Clothing Stores</p> <p>448210 Shoe Stores</p> <p>448310 Jewelry Stores</p> <p>448320 Luggage &amp; Leather Goods Stores</p> <p><b>Sporting Goods, Hobby, Book, and Music Stores</b></p> <p>451110 Sporting Goods Stores</p> <p>451120 Hobby, Toy, &amp; Game Stores</p> <p>451130 Sewing, Needlework, &amp; Piece Goods Stores</p> <p>451140 Musical Instrument &amp; Supplies Stores</p> <p>451211 Book Stores</p> <p>451212 News Dealers &amp; Newsstands</p> <p>451220 Prerecorded Tape, Compact Disc, &amp; Record Stores</p> <p><b>General Merchandise Stores</b></p> <p>452110 Department Stores</p> <p>452900 Other General Merchandise Stores</p> <p><b>Miscellaneous Store Retailers</b></p> <p>453110 Florists</p> <p>453210 Office Supplies &amp; Stationery Stores</p> <p>453220 Gift, Novelty, &amp; Souvenir Stores</p> <p>453310 Used Merchandise Stores</p> <p>453910 Pet &amp; Pet Supplies Stores</p> <p>453920 Art Dealers</p> <p>453930 Manufactured (Mobile) Home Dealers</p> <p>453990 All Other Miscellaneous Store Retailers (including tobacco, candle, &amp; trophy shops)</p> <p><b>Nonstore Retailers</b></p> <p>454110 Electronic Shopping &amp; Mail-Order Houses</p> <p>454210 Vending Machine Operators</p> <p>454311 Heating Oil Dealers</p> <p>454312 Liquefied Petroleum Gas (Bottled Gas) Dealers</p> <p>454319 Other Fuel Dealers</p>	<p><i>Code</i></p> <p>454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, &amp; coffee-break service providers)</p> <p><b>Transportation and Warehousing</b></p> <p><b>Air, Rail, and Water Transportation</b></p> <p>481000 Air Transportation</p> <p>482110 Rail Transportation</p> <p>483000 Water Transportation</p> <p><b>Truck Transportation</b></p> <p>484110 General Freight Trucking, Local</p> <p>484120 General Freight Trucking, Long-distance</p> <p>484200 Specialized Freight Trucking</p> <p><b>Transit and Ground Passenger Transportation</b></p> <p>485110 Urban Transit Systems</p> <p>485210 Interurban &amp; Rural Bus Transportation</p> <p>485310 Taxi Service</p> <p>485320 Limousine Service</p> <p>485410 School &amp; Employee Bus Transportation</p> <p>485510 Charter Bus Industry</p> <p>485990 Other Transit &amp; Ground Passenger Transportation</p> <p><b>Pipeline Transportation</b></p> <p>486000 Pipeline Transportation</p> <p><b>Scenic &amp; Sightseeing Transportation</b></p> <p>487000 Scenic &amp; Sightseeing Transportation</p> <p><b>Support Activities for Transportation</b></p> <p>488100 Support Activities for Air Transportation</p> <p>488210 Support Activities for Rail Transportation</p> <p>488300 Support Activities for Water Transportation</p> <p>488410 Motor Vehicle Towing</p> <p>488490 Other Support Activities for Road Transportation</p> <p>488510 Freight Transportation Arrangement</p> <p>488990 Other Support Activities for Transportation</p> <p><b>Couriers and Messengers</b></p> <p>492110 Couriers</p> <p>492210 Local Messengers &amp; Local Delivery</p> <p><b>Warehousing and Storage</b></p> <p>493100 Warehousing &amp; Storage (except lessors of miniwarehouses &amp; self-storage units)</p>	<p><i>Code</i></p> <p><b>Internet Publishing and Broadcasting</b></p> <p>516110 Internet Publishing &amp; Broadcasting</p> <p><b>Telecommunications</b></p> <p>517000 Telecommunications (including paging, cellular, satellite, cable &amp; other program distribution, resellers, &amp; other telecommunications)</p> <p><b>Internet Service Providers, Web Search Portals, and Data Processing Services</b></p> <p>518111 Internet Service Providers</p> <p>518112 Web Search Portals</p> <p>518210 Data Processing, Hosting, &amp; Related Services</p> <p><b>Other Information Services</b></p> <p>519100 Other Information Services (including news syndicates &amp; libraries)</p>
<p><b>Retail Trade</b> <b>Motor Vehicle and Parts Dealers</b></p> <p>441110 New Car Dealers</p> <p>441120 Used Car Dealers</p> <p>441210 Recreational Vehicle Dealers</p> <p>441221 Motorcycle Dealers</p> <p>441222 Boat Dealers</p> <p>441229 All Other Motor Vehicle Dealers</p> <p>441300 Automotive Parts, Accessories, &amp; Tire Stores</p> <p><b>Furniture and Home Furnishings Stores</b></p> <p>442110 Furniture Stores</p> <p>442210 Floor Covering Stores</p> <p>442291 Window Treatment Stores</p> <p>442299 All Other Home Furnishings Stores</p> <p><b>Electronics and Appliance Stores</b></p> <p>443111 Household Appliance Stores</p> <p>443112 Radio, Television, &amp; Other Electronics Stores</p> <p>443120 Computer &amp; Software Stores</p> <p>443130 Camera &amp; Photographic Supplies Stores</p>	<p><b>Building Material and Garden Equipment and Supplies Dealers</b></p> <p>444110 Home Centers</p> <p>444120 Paint &amp; Wallpaper Stores</p> <p>444130 Hardware Stores</p> <p>444190 Other Building Material Dealers</p> <p>444200 Lawn &amp; Garden Equipment &amp; Supplies Stores</p> <p><b>Food and Beverage Stores</b></p> <p>445110 Supermarkets and Other Grocery (except Convenience) Stores</p> <p>445120 Convenience Stores</p> <p>445210 Meat Markets</p> <p>445220 Fish &amp; Seafood Markets</p> <p>445230 Fruit &amp; Vegetable Markets</p> <p>445291 Baked Goods Stores</p> <p>445292 Confectionery &amp; Nut Stores</p> <p>445299 All Other Specialty Food Stores</p> <p>445310 Beer, Wine, &amp; Liquor Stores</p> <p><b>Health and Personal Care Stores</b></p> <p>446110 Pharmacies &amp; Drug Stores</p> <p>446120 Cosmetics, Beauty Supplies, &amp; Perfume Stores</p> <p>446130 Optical Goods Stores</p> <p>446190 Other Health &amp; Personal Care Stores</p> <p><b>Gasoline Stations</b></p> <p>447100 Gasoline Stations (including convenience stores with gas)</p> <p><b>Clothing and Clothing Accessories Stores</b></p> <p>448110 Men's Clothing Stores</p> <p>448120 Women's Clothing Stores</p> <p>448130 Children's &amp; Infants' Clothing Stores</p> <p>448140 Family Clothing Stores</p> <p>448150 Clothing Accessories Stores</p> <p>448190 Other Clothing Stores</p> <p>448210 Shoe Stores</p> <p>448310 Jewelry Stores</p> <p>448320 Luggage &amp; Leather Goods Stores</p> <p><b>Sporting Goods, Hobby, Book, and Music Stores</b></p> <p>451110 Sporting Goods Stores</p> <p>451120 Hobby, Toy, &amp; Game Stores</p> <p>451130 Sewing, Needlework, &amp; Piece Goods Stores</p> <p>451140 Musical Instrument &amp; Supplies Stores</p> <p>451211 Book Stores</p> <p>451212 News Dealers &amp; Newsstands</p> <p>451220 Prerecorded Tape, Compact Disc, &amp; Record Stores</p> <p><b>General Merchandise Stores</b></p> <p>452110 Department Stores</p> <p>452900 Other General Merchandise Stores</p> <p><b>Miscellaneous Store Retailers</b></p> <p>453110 Florists</p> <p>453210 Office Supplies &amp; Stationery Stores</p> <p>453220 Gift, Novelty, &amp; Souvenir Stores</p> <p>453310 Used Merchandise Stores</p> <p>453910 Pet &amp; Pet Supplies Stores</p> <p>453920 Art Dealers</p> <p>453930 Manufactured (Mobile) Home Dealers</p> <p>453990 All Other Miscellaneous Store Retailers (including tobacco, candle, &amp; trophy shops)</p> <p><b>Nonstore Retailers</b></p> <p>454110 Electronic Shopping &amp; Mail-Order Houses</p> <p>454210 Vending Machine Operators</p> <p>454311 Heating Oil Dealers</p> <p>454312 Liquefied Petroleum Gas (Bottled Gas) Dealers</p> <p>454319 Other Fuel Dealers</p>	<p><b>Transportation and Warehousing</b></p> <p><b>Air, Rail, and Water Transportation</b></p> <p>481000 Air Transportation</p> <p>482110 Rail Transportation</p> <p>483000 Water Transportation</p> <p><b>Truck Transportation</b></p> <p>484110 General Freight Trucking, Local</p> <p>484120 General Freight Trucking, Long-distance</p> <p>484200 Specialized Freight Trucking</p> <p><b>Transit and Ground Passenger Transportation</b></p> <p>485110 Urban Transit Systems</p> <p>485210 Interurban &amp; Rural Bus Transportation</p> <p>485310 Taxi Service</p> <p>485320 Limousine Service</p> <p>485410 School &amp; Employee Bus Transportation</p> <p>485510 Charter Bus Industry</p> <p>485990 Other Transit &amp; Ground Passenger Transportation</p> <p><b>Pipeline Transportation</b></p> <p>486000 Pipeline Transportation</p> <p><b>Scenic &amp; Sightseeing Transportation</b></p> <p>487000 Scenic &amp; Sightseeing Transportation</p> <p><b>Support Activities for Transportation</b></p> <p>488100 Support Activities for Air Transportation</p> <p>488210 Support Activities for Rail Transportation</p> <p>488300 Support Activities for Water Transportation</p> <p>488410 Motor Vehicle Towing</p> <p>488490 Other Support Activities for Road Transportation</p> <p>488510 Freight Transportation Arrangement</p> <p>488990 Other Support Activities for Transportation</p> <p><b>Couriers and Messengers</b></p> <p>492110 Couriers</p> <p>492210 Local Messengers &amp; Local Delivery</p> <p><b>Warehousing and Storage</b></p> <p>493100 Warehousing &amp; Storage (except lessors of miniwarehouses &amp; self-storage units)</p> <p><b>Information</b> <b>Publishing Industries (except Internet)</b></p> <p>511110 Newspaper Publishers</p> <p>511120 Periodical Publishers</p> <p>511130 Book Publishers</p> <p>511140 Directory &amp; Mailing List Publishers</p> <p>511190 Other Publishers</p> <p>511210 Software Publishers</p> <p><b>Motion Picture and Sound Recording Industries</b></p> <p>512100 Motion Picture &amp; Video Industries (except video rental)</p> <p>512200 Sound Recording Industries</p> <p><b>Broadcasting (except Internet)</b></p> <p>515100 Radio &amp; Television Broadcasting</p> <p>515210 Cable &amp; Other Subscription Programming</p>	<p><b>Internet Publishing and Broadcasting</b></p> <p>516110 Internet Publishing &amp; Broadcasting</p> <p><b>Telecommunications</b></p> <p>517000 Telecommunications (including paging, cellular, satellite, cable &amp; other program distribution, resellers, &amp; other telecommunications)</p> <p><b>Internet Service Providers, Web Search Portals, and Data Processing Services</b></p> <p>518111 Internet Service Providers</p> <p>518112 Web Search Portals</p> <p>518210 Data Processing, Hosting, &amp; Related Services</p> <p><b>Other Information Services</b></p> <p>519100 Other Information Services (including news syndicates &amp; libraries)</p> <p><b>Finance and Insurance</b> <b>Depository Credit Intermediation</b></p> <p>522110 Commercial Banking</p> <p>522120 Savings Institutions</p> <p>522130 Credit Unions</p> <p>522190 Other Depository Credit Intermediation</p> <p><b>Nondepository Credit Intermediation</b></p> <p>522210 Credit Card Issuing</p> <p>522220 Sales Financing</p> <p>522291 Consumer Lending</p> <p>522292 Real Estate Credit (including mortgage bankers &amp; originators)</p> <p>522293 International Trade Financing</p> <p>522294 Secondary Market Financing</p> <p>522298 All Other Nondepository Credit Intermediation</p> <p><b>Activities Related to Credit Intermediation</b></p> <p>522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, &amp; money transmitting)</p> <p><b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b></p> <p>523110 Investment Banking &amp; Securities Dealing</p> <p>523120 Securities Brokerage</p> <p>523130 Commodity Contracts Dealing</p> <p>523140 Commodity Contracts Brokerage</p> <p>523210 Securities &amp; Commodity Exchanges</p> <p>523900 Other Financial Investment Activities (including portfolio management &amp; investment advice)</p> <p><b>Insurance Carriers and Related Activities</b></p> <p>524140 Direct Life, Health, &amp; Medical Insurance &amp; Reinsurance Carriers</p> <p>524150 Direct Insurance &amp; Reinsurance (except Life, Health &amp; Medical) Carriers</p> <p>524210 Insurance Agencies &amp; Brokerages</p> <p>524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)</p> <p><b>Funds, Trusts, and Other Financial Vehicles</b></p> <p>525100 Insurance &amp; Employee Benefit Funds</p> <p>525910 Open-End Investment Funds (Form 1120-RIC)</p> <p>525920 Trusts, Estates, &amp; Agency Accounts</p>

**Codes for Principal Business Activity and Principal Product or Service (continued)**

<p><i>Code</i></p> <p>525930 Real Estate Investment Trusts (Form 1120-REIT)</p> <p>525990 Other Financial Vehicles (including closed-end investment funds)</p> <p>"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under <b>Management of Companies (Holding Companies)</b> below.</p>	<p><i>Code</i></p> <p>541512 Computer Systems Design Services</p> <p>541513 Computer Facilities Management Services</p> <p>541519 Other Computer Related Services</p> <p><b>Other Professional, Scientific, and Technical Services</b></p> <p>541600 Management, Scientific, &amp; Technical Consulting Services</p> <p>541700 Scientific Research &amp; Development Services</p> <p>541800 Advertising &amp; Related Services</p> <p>541910 Marketing Research &amp; Public Opinion Polling</p> <p>541920 Photographic Services</p> <p>541930 Translation &amp; Interpretation Services</p> <p>541940 Veterinary Services</p> <p>541990 All Other Professional, Scientific, &amp; Technical Services</p>	<p><i>Code</i></p> <p>621112 Offices of Physicians, Mental Health Specialists</p> <p>621210 Offices of Dentists</p> <p><b>Offices of Other Health Practitioners</b></p> <p>621310 Offices of Chiropractors</p> <p>621320 Offices of Optometrists</p> <p>621330 Offices of Mental Health Practitioners (except Physicians)</p> <p>621340 Offices of Physical, Occupational &amp; Speech Therapists, &amp; Audiologists</p> <p>621391 Offices of Podiatrists</p> <p>621399 Offices of All Other Miscellaneous Health Practitioners</p>	<p><i>Code</i></p> <p><b>Accommodation and Food Services</b></p> <p><b>Accommodation</b></p> <p>721110 Hotels (except Casino Hotels) &amp; Motels</p> <p>721120 Casino Hotels</p> <p>721191 Bed &amp; Breakfast Inns</p> <p>721199 All Other Traveler Accommodation</p> <p>721210 RV (Recreational Vehicle) Parks &amp; Recreational Camps</p> <p>721310 Rooming &amp; Boarding Houses</p> <p><b>Food Services and Drinking Places</b></p> <p>722110 Full-Service Restaurants</p> <p>722210 Limited-Service Eating Places</p> <p>722300 Special Food Services (including food service contractors &amp; caterers)</p> <p>722410 Drinking Places (Alcoholic Beverages)</p>
<p><b>Real Estate and Rental and Leasing</b></p> <p><b>Real Estate</b></p> <p>531110 Lessors of Residential Buildings &amp; Dwellings</p> <p>531114 Cooperative Housing</p> <p>531120 Lessors of Nonresidential Buildings (except Miniwarehouses)</p> <p>531130 Lessors of Miniwarehouses &amp; Self-Storage Units</p> <p>531190 Lessors of Other Real Estate Property</p> <p>531210 Offices of Real Estate Agents &amp; Brokers</p> <p>531310 Real Estate Property Managers</p> <p>531320 Offices of Real Estate Appraisers</p> <p>531390 Other Activities Related to Real Estate</p>	<p><b>Management of Companies (Holding Companies)</b></p> <p>551111 Offices of Bank Holding Companies</p> <p>551112 Offices of Other Holding Companies</p>	<p><b>Outpatient Care Centers</b></p> <p>621410 Family Planning Centers</p> <p>621420 Outpatient Mental Health &amp; Substance Abuse Centers</p> <p>621491 HMO Medical Centers</p> <p>621492 Kidney Dialysis Centers</p> <p>621493 Freestanding Ambulatory Surgical &amp; Emergency Centers</p> <p>621498 All Other Outpatient Care Centers</p> <p><b>Medical and Diagnostic Laboratories</b></p> <p>621510 Medical &amp; Diagnostic Laboratories</p>	<p><b>Other Services</b></p> <p><b>Repair and Maintenance</b></p> <p>811110 Automotive Mechanical &amp; Electrical Repair &amp; Maintenance</p> <p>811120 Automotive Body, Paint, Interior, &amp; Glass Repair</p> <p>811190 Other Automotive Repair &amp; Maintenance (including oil change &amp; lubrication shops &amp; car washes)</p> <p>811210 Electronic &amp; Precision Equipment Repair &amp; Maintenance</p> <p>811310 Commercial &amp; Industrial Machinery &amp; Equipment (except Automotive &amp; Electronic) Repair &amp; Maintenance</p> <p>811410 Home &amp; Garden Equipment &amp; Appliance Repair &amp; Maintenance</p> <p>811420 Reupholstery &amp; Furniture Repair</p> <p>811430 Footwear &amp; Leather Goods Repair</p> <p>811490 Other Personal &amp; Household Goods Repair &amp; Maintenance</p>
<p><b>Rental and Leasing Services</b></p> <p>532100 Automotive Equipment Rental &amp; Leasing</p> <p>532210 Consumer Electronics &amp; Appliances Rental</p> <p>532220 Formal Wear &amp; Costume Rental</p> <p>532230 Video Tape &amp; Disc Rental</p> <p>532290 Other Consumer Goods Rental</p> <p>532310 General Rental Centers</p> <p>532400 Commercial &amp; Industrial Machinery &amp; Equipment Rental &amp; Leasing</p> <p><b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b></p> <p>533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)</p>	<p><b>Administrative and Support and Waste Management and Remediation Services</b></p> <p><b>Administrative and Support Services</b></p> <p>561110 Office Administrative Services</p> <p>561210 Facilities Support Services</p> <p>561300 Employment Services</p> <p>561410 Document Preparation Services</p> <p>561420 Telephone Call Centers</p> <p>561430 Business Service Centers (including private mail centers &amp; copy shops)</p> <p>561440 Collection Agencies</p> <p>561450 Credit Bureaus</p> <p>561490 Other Business Support Services (including repossession services, court reporting, &amp; stenotype services)</p> <p>561500 Travel Arrangement &amp; Reservation Services</p> <p>561600 Investigation &amp; Security Services</p> <p>561710 Exterminating &amp; Pest Control Services</p> <p>561720 Janitorial Services</p> <p>561730 Landscaping Services</p> <p>561740 Carpet &amp; Upholstery Cleaning Services</p> <p>561790 Other Services to Buildings &amp; Dwellings</p> <p>561900 Other Support Services (including packaging &amp; labeling services, &amp; convention &amp; trade show organizers)</p> <p><b>Waste Management and Remediation Services</b></p> <p>562000 Waste Management &amp; Remediation Services</p>	<p><b>Home Health Care Services</b></p> <p>621610 Home Health Care Services</p> <p><b>Other Ambulatory Health Care Services</b></p> <p>621900 Other Ambulatory Health Care Services (including ambulance services &amp; blood &amp; organ banks)</p> <p><b>Hospitals</b></p> <p>622000 Hospitals</p> <p><b>Nursing and Residential Care Facilities</b></p> <p>623000 Nursing &amp; Residential Care Facilities</p> <p><b>Social Assistance</b></p> <p>624100 Individual &amp; Family Services</p> <p>624200 Community Food &amp; Housing, &amp; Emergency &amp; Other Relief Services</p> <p>624310 Vocational Rehabilitation Services</p> <p>624410 Child Day Care Services</p>	<p><b>Personal and Laundry Services</b></p> <p>812111 Barber Shops</p> <p>812112 Beauty Salons</p> <p>812113 Nail Salons</p> <p>812190 Other Personal Care Services (including diet &amp; weight reducing centers)</p> <p>812210 Funeral Homes &amp; Funeral Services</p> <p>812220 Cemeteries &amp; Crematories</p> <p>812310 Coin-Operated Laundries &amp; Drycleaners</p> <p>812320 Drycleaning &amp; Laundry Services (except Coin-Operated)</p> <p>812330 Linen &amp; Uniform Supply</p> <p>812910 Pet Care (except Veterinary) Services</p> <p>812920 Photofinishing</p> <p>812930 Parking Lots &amp; Garages</p> <p>812990 All Other Personal Services</p>
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