Partnership Taxation  
Professor Noël Cunningham  

Fall 2017  

Syllabus  

Required Texts:  

Internal Revenue Code and Regulations  

Learning Outcomes:  

In this course we will explore the law applicable to the federal taxation of partnerships. The principal goal of the course is to acquaint the students with the substantive law that all tax lawyers should know in dealing with the taxation of entities designated as partnerships by the tax code. In contrast with the basic federal income tax course, partnership tax is governed primarily by a detailed set of regulations. For this reason, a second goal of this course is to increase the students’ facility in reading, interpreting and applying regulations. Finally a basic understanding of the accounting rules relating to capital accounting is essential to a student’s understanding of partnership taxation. Therefore a third goal of this course is for the students to acquire a working knowledge of these rules.  

CHAPTER ONE: INTRODUCTION AND CHOICE OF ENTITY – One Class  

A. What is a “business entity”?  
B. Choice of Entity  

CHAPTER TWO: FUNDAMENTALS OF PARTNERSHIP FORMATION – Two Classes  

A. Tax Consequences of Forming a Partnership  
B. Examination of Balance Sheet  
   1. Introduction to Tax Capital Accounts  
   2. Relationship of Inside Basis to Outside Basis  
   3. Relationship of Balance in Tax Capital Account, Liabilities and Inside Basis
CHAPTER THREE:  PARTNERSHIP OPERATIONS -- THE BASICS – One Class

A. Choice of Taxable Year and Accounting Method (Briefly)
B. Taxing Partnership Operations

CHAPTER FOUR:  MAINTAINING CAPITAL ACCOUNTS – One Class

CHAPTER FIVE:  SUBSTANTIAL ECONOMIC EFFECT: § 704(b) – Three Classes

A. History
B. Orrisch & Basic Test for Economic Effect
C. Alternative Test for Economic Effect & QIOs
D. Substantiality
E. Targeted Allocations

CHAPTER SIX: ALLOCATION OF NONRECOUSE DEDUCTIONS – Two Classes

A. Background, including Tufts
B. Definitions
C. Illustrations

CHAPTER SEVEN:  SECTION 704(c) ALLOCATIONS – Three Classes

A. Non-Depreciable Property
B. Depreciable Property
C. Revaluations (Briefly)

CHAPTER EIGHT: ALLOCATION OF PARTNERSHIP LIABILITIES – One & ½ Classes

A. Limitations on Losses In General (Briefly)
B. Recourse Liabilities
C. Nonrecourse Liabilities

CHAPTER NINE: TRANSACTIONS (OTHER THAN SALES) BETWEEN A PARTNER AND ITS PARTNERS – Two Classes

A. Guaranteed Payments and Distributive Shares
B. Partnership Interest In Exchange For Services
CHAPTER TEN: SALES OF PARTNERSHIP INTERESTS – Two Classes

A. Tax Consequences to the Seller
B. Tax Consequences to the Buyer
C. Shifting Partnership Interests

CHAPTER ELEVEN: DISTRIBUTIONS: THE BASICS – Two Classes

A. Pro Rata Current Distributions
B. Pro Rata Liquidating Distributions

CHAPTER TWELVE: OPTIONAL BASIS ADJUSTMENT—One & ½ Classes

A. Optional § 734 Adjustment
B. Sale of Distributed Property (Briefly)

CHAPTER THIRTEEN: DISPROPORTIONATE DISTRIBUTIONS – Two Classes

A. The Evil
B. The Cure

CHAPTER FOURTEEN: RETIREMENT AND DEATH OF PARTNERS – Two Classes

A. Retirement
B. Death

CHAPTER FIFTEEN: DISGUISED SALES – Two Classes

A. Regulations under § 707(a)(2)(B)
B. Sections 704(c)(1)(B) & 737
C. Leveraged Partnerships (Briefly)