Syllabus

Required Texts:

- Internal Revenue Code and Treasury Regulations thereunder

Goals:

This course will address federal income tax aspects of conducting business and investment activities through entities treated as partnerships for tax purposes. Every tax lawyer should know the basic rules of partnership tax, and the main goal of the course will be to help students develop an understanding of those basic rules, including rules enacted in December 2017. Because detailed regulations play such a significant role in the tax treatment of partnerships, a second goal will be to increase students’ facility in reading, interpreting and applying regulations. A third goal will be to familiarize students with accounting rules relating to capital accounting, on which the partnership tax rules heavily rely.

The specific topics to be addressed are listed below with an indication of how the topics will align with our 14-class term.

**CLASS 1: INTRODUCTION AND CHOICE OF ENTITY**

A. Introduction to partnership tax
B. Aggregate versus entity concepts; special rules based on partner characteristics
C. What is a business entity?
D. Why choose a tax partnership?

**CLASSES 1 AND 2: PARTNERSHIP FORMATION**

A. Basic tax treatment of partners and partnership when a partnership is formed
B. Partnership balance sheet
1. Introduction to tax capital accounts
2. Relationship of inside basis to outside basis
3. Relationship of tax capital accounts, liabilities and inside basis

CLASS 2: PARTNERSHIP OPERATIONS
A. Choice of taxable year and accounting method
B. Taxing partnership operations
   1. Basic tax treatment of partners and partnerships on operations
   2. H.R 1—partnership business income and losses allocable to individuals (new sections 199A and 461(l))
   3. H.R. 1—limits on deductions for interest paid by partnerships (new section 163(j))

CLASS 3: MAINTAINING CAPITAL ACCOUNTS
A. Basic accounting concepts that underlie key partnership tax provisions

CLASSES 3 AND 4: ALLOCATIONS UNDER SECTION 704(b)
A. How partners share partnership income and deductions
B. History
C. Orrisch & basic test for economic effect
D. Alternative test for economic effect and QIOs
E. Substantiality
F. Targeted allocations

CLASS 5: ALLOCATION OF NONRECOGNITION DEDUCTIONS
A. How partners share deductions attributable to property acquired with nonrecourse debt
B. Background, including Tufts
C. Definitions
D. Illustrations

CLASSES 6 AND 7: PROPERTY CONTRIBUTIONS; SECTION 704(c) ALLOCATIONS
A. Tax treatment when a partner contributes property to a partnership
B. Non-depreciable property
C. Depreciable property
D. Revaluations (briefly)

CLASSES 7 AND 8: PARTNERSHIP LIABILITIES
A. How partnership liabilities affect partners
B. How partners share partnership liabilities
C. Limitations on losses in general (briefly)
D. Recourse liabilities
E. Nonrecourse liabilities

**CLASSES 8 AND 9: COMPENSATION FOR PARTNER SERVICES**

A. Guaranteed payments by partnership to partner for services versus distributive share
B. Partnership interest issued by partnership to partner for services
C. H.R. 1—new section 1061 (carried interest)

**CLASS 9 AND 10: SALES OF PARTNERSHIP INTERESTS**

A. Tax consequences to the seller
B. Tax consequences to the buyer
C. Optional basis adjustments
D. Shifting partnership interests

**CLASSES 10 AND 11: PRO RATA DISTRIBUTIONS**

A. Pro rata current distributions of cash or property to partners
B. Pro rata liquidating distributions of cash or property to partners

**CLASS 11: OPTIONAL BASIS ADJUSTMENTS ON DISTRIBUTIONS**

A. Optional section 734 adjustment
B. Sale of distributed property (briefly)

**CLASS 12: DISPROPORTIONATE DISTRIBUTIONS**

A. The evil
B. The cure

**CLASS 13: RETIREMENT AND DEATH OF PARTNERS**

A. Retirement
B. Death

**CLASS 14: DISGUISED SALES OF PROPERTY**

A. Regulations under section 707(a)(2)(B)
B. Sections 704(c)(1)(B) and 737
C. Leveraged partnerships (briefly)