

Basis/Distributions for Pass-Through Entities: An IRS Hot Spot

With the advent of the electronic matching of K-1 information with items on partners' and S corporation shareholders' returns, the IRS is scrutinizing the basis that owners have in these entities, and the transactions in which the computation of basis is required, more closely than ever. This course addresses the rules that are used to determine basis for partnerships and S corporations, and puts the computation of basis in the contexts that often come under scrutiny – loss limitations, distributions, and sales of an interest, among others. Learn the crucial rules for computing the adjusted basis and the tax treatment of distributions of pass-through entities such as partnerships and S corporations. Focus on the computation of the basis and the at-risk amount for these entities. Become familiar with the correct allocation of liabilities among partners, the types and amounts of income that can result from distributions and sales of interests, and the basis of assets distributed from pass-through entities.

OBJECTIVES

Upon completion of this course, participants will be able to:

- Compute the basis of a partnership interest or S corporation stockholding
- Determine the amount and the character of income or loss the partner or shareholder should recognize because of distributions of property or money
- Apply the basis, at-risk, and passive activity loss limitations to pass-through losses from partnerships, LLCs, and S corporations
- Evaluate the tax treatment of sales of either partnership interests or S corporation stock
- Adjust the basis of partnership or LLC property following certain distributions and transfers of interests in the entity

HIGHLIGHTS

- Structuring cash and property distributions to avoid unexpected tax consequences
- Adjusting basis in partnership assets to save future taxes
- Measuring the gain or loss on the sale of an interest in a partnership or S corporation
- Minimizing recognition of ordinary income on sale of an interest
- Maximizing the amount of the pass-through losses deductible by the partner/shareholder

WHO WILL BENEFIT

- Tax practitioners who advise clients concerning issues related to the computation of pass-through entity basis, loss limitations, sales of interests, and distributions

LEVEL

Advanced

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