

SYLLABUS
ACCT70631
Partnerships, Passive Activities &
Tax Shelters
Fall 2021

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Office: 255 MCOB
Office hours: TTH 10:30 am - Noon
and by appointment

Meeting Time: TTH 3:00 pm – 4:15 pm MCOB 122

Course Materials:

Required: Internal Revenue Code and Regulations.

Recommended: *The Logic of Subchapter K: A Conceptual Guide to the Taxation of Partnerships (6th edition)*, Laura E. Cunningham and Noel B. Cunningham (West Academic Publishing) ISBN: 978-1-64242-979-4 (softcover), ISBN: 978-1-68467-921-8 (e book).

Please note that I have negotiated a discount for the purchase of the textbook. You can receive a discount by creating an account and purchasing the book directly from the publisher using the link below:
<http://www.westacademic.com/>

You will receive a 15% discount and free ground shipping off the print version and the e book. The discount promo code is: **HESTUDENT**.

E-Reserves: Links to articles and other class material are provided on Canvas.

Course Content and Objectives:

This course provides the student with an introduction to the complexities of Subchapter K of the Internal Revenue Code and an overview of issues relating to the federal income taxation of partners and partnerships. This course will focus on a variety of activities and concepts including problems associated with the formation, operation, and dissolution of the partnership, the sale of partnership interests, and distributions of assets. Other topics include the tax definition of a partnership, income allocation problems, and liability basis rules. In addition, segments of the course focus on passive activities and loss limitations.

Upon completion of this course students will be expected to:

- Analyze the tax consequences of forming a new partnership, including the recognition of gain or loss at the partner and partnership level and the computation of basis
- Determine the effect of the partnership operations and liabilities on the partners' bases in their partnership interests

- Compute partnership taxable income (loss) and identify specific separately stated items
- Determine the Qualified Business Income (QBI) deduction
- Explain various allocation techniques that can be used on various items that apply to partners
- Determine the tax consequences of various transactions between a partner and a partnership
- Create tax minimization planning strategies that can be used when the partnership is used as the entity of choice
- Determine the tax consequences of current and liquidating distributions
- Analyze the tax consequences of a sale of a partnership interest for both the seller and the purchaser
- Recognize the termination of a partnership and summarize the tax consequences of the termination to the partners
- Identify and analyze the income tax consequences of passive activity income, losses and credits

Grading:

Grades will be determined based on total points earned. I expect the mean grade to be approximately 3.3 to 3.6 in accordance with College and departmental guidelines. The point distribution will be approximately:

Exam 1	120 pts.	24%
Exam 2	120 pts.	24%
Exam 3	100 pts.	20%
Group Assignment	75 pts.	15%
Homework Assignments	50 pts.	10%
Participation & Professionalism	<u>25 pts.</u>	<u>5%</u>
Total	<u>500 pts.</u>	<u>100%</u>

Course Organization & Administration:

The University of Notre Dame is committed to social justice. As a community, we share that commitment and strive to maintain a positive learning environment based on open communication, mutual respect, and non-discrimination. In this class we will not discriminate on the basis of race, sex, age, economic class, disability, veteran status, religion, sexual orientation, color or national origin. Any suggestions as to how to further such a positive and open environment will be appreciated and given serious consideration.

Exams: There are will be three exams. The exams may consist of multiple choice and true false questions, problems and quantitative analyses. Exams will be given at the dates, times and locations provided in the course calendar. It is course policy that students must document sufficient official Notre Dame Approval before taking an exam at an alternative time for full credit. If a student misses an entire exam without the aforementioned approval, it will be my discretion to decide whether to give the exam at a later time on the exam date. In such cases, the exam may be subject to a penalty of 25% of the total exam points. Students failing to take an exam may receive a failing grade for the semester.

Group Project – Students will prepare Form 1065 United States Partnership Tax Return, including all relevant forms and schedules. Students will work in pre-assigned teams to complete the assignment. The completed return must be uploaded to Canvas 11:59 pm on the due date. Only one team member should submit the completed return. Late work is not accepted and there are no extensions.

Homework: Certain problems will be assigned as individual homework problems, and must be uploaded to Canvas. Cooperation with other students, including team members, is **not** allowed on these individual homework problems. Late homework will be accepted, however, a 25% penalty may be

assessed for each day the assignment is delinquent. Please note, however, that homework assignments may be reviewed and discussed in class and you will be expected to respond to questions if called on. At the end of the semester, your total points for each assignment will be divided by the total points possible to determine the percentage that will be applied to the 50 point total.

Participation: The course is organized around two 75-minute sessions per week. Regular attendance and class participation are expected. Students are expected to come to class to experience a collaborative learning experience. Student's participation in class (and other assigned activities) is an essential element of the learning experience. The value of the course lies in preparing for, listening to, and participating in the class discussion. Participation in class and a positive attitude are critical for earning participation credit. During the semester, in addition to regular textbook problems, there may be cases and articles that students will be asked to read and participate in the class discussion of such. This will provide an excellent opportunity for students to earn participation points.

Students receive participation points primarily from answering question I pose to the class. Students will be graded based on the *quality* (primary) and *quantity* (secondary) of their contributions. Students who receive high participation grades in this component are well prepared, volunteer rather than wait to be called on, make meaningful comments, and demonstrate logical and insightful thinking. Students that receive low participation grades come to class unprepared, arrive late, come and go during class, use cell phones, use computers in activities unrelated to the course, make few comments of any kind, do not respond when called upon, or miss class.

Professionalism: You should treat class time as you would a business meeting. Arrive on time, don't leave early. Engage and participate in the "meeting" (i.e., class discussion). If an unusual circumstance requires that you leave class early, please inform me beforehand. Adhere to the policies and rules outlined in this syllabus. ALWAYS be respectful at all times. Everyone should feel safe to ask questions, test ideas, and different approaches to problem solving. Please treat others in the way that you would expect to be treated. When working in groups, be respectful of your group mates. Be supportive of them and enlist their support. Communicate timely and in a clear and concise manner with me and classmates.

Cell phones must be set to "off" or "silent" during class. The use of cell phones during class is *strictly* prohibited. Cell phones must be stowed out of sight during exams. The use of laptops/IPads/tablets will be allowed during class only for e-books or to access the slides or other course material.

Canvas: I will use the campus Canvas system to provide the syllabus and class schedule, PowerPoint slides, assigned problem solutions, case studies, and other material related to the course.

To the extent possible, I will follow the daily class schedule of assignments. Please note that this is an overall planning tool and actual timing of the course may vary from the schedule. The schedule may be altered (add, delete, change timing, etc.) in order to enhance student learning opportunity or for other reasons.

The Academic Code of Honor:

**“As a member of the Notre Dame community,
I will not participate in or tolerate academic dishonesty”.**

Expectations with regard to Academic Integrity follow:

Students will not give or receive aid on **exams**. This includes, but is not limited to, viewing the exams of others, sharing answers with others, using books or notes while taking the exam, and use of cell phones or programmable calculators in unauthorized usage. It also includes discussing the exam in order to help those who are taking it later.

For **case assignments involving groups**, groups must work **completely independently** of other individuals, or groups. Each member of a group has an obligation to ensure that the workload is shared by all members for each assignment. Students are expected to avoid **plagiarism, including the use of material from previous semesters**. See

<http://www.nd.edu/~writing/resources/AvoidingPlagiarism.html> for rules on appropriate citations.

Notre Dame’s Writing Center is an excellent resource for researching and structuring written assignments.

The honor code requires that a student, with knowledge of the above violations, report such occurrences. If a perceived honor code violation occurs, the procedures outlined in the Student Guide to the Academic Codes of Honor, www.nd.edu/~hnrcode, will be followed.

PARTNERSHIPS, PASSIVE ACTIVITIES TAX SHELTERS

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In-Class Activities	Internal Revenue Code Sections and Regulations Reading	Recommended Textbook Reading
Session 1 (T 8/23)		
Introduction: Instructor information, Course Structure, Syllabus & Calendar		
Overview of Subchapter K		
Session 2 (TH 8/25) <i>What is a Partnership? Choice of Entity</i>	Sec. 761	Chapter 1
Classifications of Partnerships	Reg. 301.7701-1 - 7701-3	
Advantages and Disadvantages		
Distinguishing Partnerships from Other Relationships	Reg. 1.761-1 - 761-2	
Income Tax Considerations	Secs. 199A and 163(j)	
Session 3 (T 9/2) <i>Partnership Formation and Computation of Partner Basis</i>		Chapter 2 pp. 19-26
Contribution of Property	Sec. 721	
Inside vs. Outside Basis	Secs.722 and 723	
Depreciation Methods		
Effect of Partnership Operations on Basis	Sec.705	
Session 4 (TH 9/4) <i>Partnership Formation and Computation of Partner Basis</i>		Chapter 2 pp. 26-31
Liabilities in General	Sec. 752 and regs	
Contributions of Encumbered Property	Sec. 731	
Contributions of Accounts Receivable and Payable	Sec. 704(c)(3)	
Session 5 (T 9/7) <i>Limitation on the Deductibility of Partnership Losses</i>		Readings from Library Reserves
Basis Limitations under Sec. 704(d)	Sec. 704(d)	
Sec. 465 At Risk Amounts	Sec. 465	
Passive Loss Limitations in General	Sec.469 and Regs.	
Classification of Income under Sec. 469		
Classification of Expenses and Deductions under Sec. 469		
Session 6 (TH 9/9) <i>Limitation on the Deductibility of Partnership Losses</i>	Sec.469 and Regs.	Readings from Library Reserves
Taxpayers to Whom Sec. 469 Applies		
Passive Activities Defined		
Activities That Are Not Passive Activities		
Recharacterization of Certain Passive Activities as Nonpassive		
Operating Rules		
Grouping Activities		
Session 7 (T 9/14) <i>Partnership Operations</i>		Chapter 3 pp. 33-39
Taxable Year	Secs. 706 and 444	Chapter 10 pp.226-231
Accounting Method	Sec. 448	
Entity and Aggregate Rules		
Session 8 (TH 9/16) <i>Calculation of Partnership Income</i>		Chapter 3 pp. 39-46
Calculation of the Amount of the Partnership's Taxable Income	Reg. 1.703-1(a)(1)	
Payments to a Partner	Sec. 707	
Organization and Start Up Costs	Sec. 709	Chapter 2 pp. 31-32
Session 9 (T 9/21)		
EXAM #1		
Session 10 (TH 9/23)		
Presentation of Income on Form 1065.	Form 1065 Instructions	
Form 1065 Group Project		

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In-Class Activities	Internal Revenue Code Sections and Regulations Reading	Recommended Textbook Reading
Session 11 (T 9/28) Partner Capital Accounts and Form 1065	Sec. 704	Chapter 4
Capital Accounting Rules	Reg. 1.704-1(b)(2)(iv)	
Book vs. Tax Capital Accounts		
Session 12 (TH 9/30) Allocation of Nonrecourse Deductions		Chapter 6
Allocating Nonrecourse Deductions	Reg. 1.704-2(b)(1)	
Other Issues		
Session 13 (T 10/5) Partnership Allocations - Substantial Economic Effect	Sec. 704(b) and regs.	Chapter 5
Guest Speaker -- Joe Wisniewski Deloitte Tax		
The Partnership Agreement	Reg. 1.704-1(b)(1)	
Requirements for Substantial Economic Effect	Reg. 1.704-1(b)(2)(ii)	
Allocation of Nonrecourse Deductions	Reg. 1.704-2(b)(1)	
Minimum Gain Chargeback Provision	Reg. 1.704-2(b)(2)	
10/7 READING DAY -- NO CLASS		
10/8 - 10/15 INTER-TERM -- NO CLASSES		
10/16 - 10/24 FALL BREAK -- NO CLASSES		
Session 14 (T 10/26)		
Review Form 1065 Group Project		
Session 15 (TH 10/28) Contribution of Property and Sec. 704(c) Allocations	Sec. 704(c) and regs.	Chapter 7
Traditional Method	Reg. 1.704-3(b)	
Traditional Method with Curative Allocations	Reg. 1.704-3(c)	
Remedial Allocations Method	Reg. 1.704-3(d)	
Contributions of Property with Built in Loss	Sec. 704(c)(1)(C)	
Session 16 (T 11/2) Partnership Liabilities	Sec. 752 and regs.	Chapter 8
Partner's Share of Debt Included in Tax Basis		
Liabilities under Sec. 752		
Classification as Recourse vs. Nonrecourse	Reg. 1.752-1(a)(1) and (a)(2)	
Partner's Share of Partnership Recourse Debt	Reg. 1.752-2(a)	
Partner's Share of Partnership Nonrecourse Debt	Reg. 1.704-2	
Session 17 (TH 11/4) Transactions between Partners and Partnerships		Chapter 9
Payment for Services	Sec. 707(a) and (c)	
Guaranteed Payments	Sec. 707(c)	
Disguised Payments for Services	Sec. 707(a)(2)(A), Reg. 1.707-2	
Capital Interest in Exchange for Services		
Session 18 (T 11/9)		
EXAM #2		
Session 19 (TH 11/11) Sale of a Partnership Interest	Secs. 741, 743 and 751	Chapter 10 pp. 201-210
Amount Realized	Secs. 101(b) and 752(d)	
Adjusted Basis	Secs. 742, 733 and 1014, Reg. 1.705-1(a)(1)	
Ordinary Income on the Sale	Sec. 751(a)	
Installment Sales	Sec. 453	
Sec. 743(b) Adjustment Calculation	Sec. 743(b) and regs.	
Sec. 743(b) Allocation to Partnership Assets	Reg. 1.755-1(b)(2)	

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In-Class Activities	Internal Revenue Code Sections and Regulations Reading	Recommended Textbook Reading
Session 20 (T 11/16) Basis Adjustments to Partnership Property	Sec. 743(b)	Chapter 10 pp. 211-225
Sec. 743(b) Adjustment Calculation	Sec. 743(b) and regs.	
Sec. 743(b) Allocation to Partnership Assets	Reg. 1.755-1(b)(2)	
Special Basis Adjustments under Sec. 732(d)	Sec. 732(d)	Chapter 11 pp.249-253
Session 21 (TH 11/18) Partnership Distributions	Secs. 731-737	Chapter 11 pp. 233-249
Operating or Current Distributions	Sec. 731	
Property Distributions	Sec. 731(c)	
Partner's Basis in Distributed Property	Secs. 732(a) and 733	
Liquidating Distributions	Reg. 1.731-1(a)(2)	
Session 22 (T 11/23)		
Catch Up Day		
11/24 - 11/28 THANKSGIVING BREAK -- NO CLASSES		
Session 23 (T 11/30) Optional Basis Adjustment Sec. 734(b)	Sec. 734(b)	Chapter 12
Sec. 734(b) Adjustment Calculation	Sec. 734(b) and regs.	
Sec. 743(b) Allocation to Partnership Assets	Reg. 1.755-1(c)(1)	
Sec. 754 Election	Sec. 754	
Interplay of Secs. 743(b) and 734(b)	Regs. 1.755-1(c)(1), 1.743-1(g)(1) and 1.743-1(g)(2)	
Session 24 (TH 12/2) Disproportionate Distributions	Sec. 751(b)	Chapter 13
Disproportionate Distributions		
Proposed Regulations "Hypothetical Sale"	Notice 2006-14, Prop. Reg. 1.751-(b)(3)(i)	
Unrealized Receivables Defined	Secs. 751(c), 731(a)(2), 732(c), 735(a)	
Substantially Appreciated Inventory Defined	Sec. 751(d)	
Distribution of Marketable Securities	Secs. 731(a)(1) and 737	
Basis of Securities Distributed	Sec. 734(b)	
Session 25 (T 12/7) Disguised Sales and Related Party Sales	Secs. 707(a)(2)(B), 704(c)(1)(B) and 737	Chapter 15
Tax Treatment of Sales of Property to the Partnership by a Partner	Secs. 707(b)(2), 707(b)(3) and 267(c)(1)	
Property Contributions Treated as Disguised Sales	Sec. 707(a)(2)(B)	
Liabilities	Reg. 1.707-5	
Partner Property Contribution to Partnership and Distribution to Different Partner	Sec. 704(c)(1)(B)	
Partner Property Contribution to Partnership and Distribution of Other Property to Different Partner	Sec. 737	
Session 26 (TH 12/9)		
EXAM #3		