

# Table of Contents

<b>2019 Tax Reform Impact on S Corps &amp; Partnerships</b> . . . . .	<b>1</b>
Partnerships . . . . .	1
Types of Partnerships . . . . .	1
General Partnership . . . . .	1
Limited Partnership . . . . .	2
Limited Liability Partnership . . . . .	2
Limited Liability Company . . . . .	2
Advantages and Disadvantages . . . . .	3
Taxation of Partnerships . . . . .	4
Basis . . . . .	5
Inside Basis . . . . .	5
Outside Basis . . . . .	6
Theories of Partnership Taxation . . . . .	12
IRS Scrutiny . . . . .	14
Partnership Audits . . . . .	15
Pre-TEFRA . . . . .	15
TEFRA of 1982 . . . . .	15
Bipartisan Budget Act of 2015 . . . . .	18
Tax Cuts and Jobs Act of 2017 . . . . .	28
Qualified Business Income Deduction . . . . .	28
Depreciation . . . . .	39
Accounting Methods . . . . .	43
Business Interest Expense Limitation . . . . .	46
Net Operating Losses . . . . .	57
Like-Kind Exchanges . . . . .	57
Completing Form 1065 . . . . .	58
Heading . . . . .	58
Income . . . . .	59
Deductions . . . . .	61
Schedule B—Other Information . . . . .	66

Schedule L—Balance Sheets per Books . . . . .	68
Schedule M-1—Book to Tax Reconciliation . . . . .	73
Schedule M-2—Analysis of Partners’ Capital Accounts . . . . .	74
Schedules K and K-1 . . . . .	76
Analysis of Net Income (Loss) . . . . .	85
Completing the Return . . . . .	86
Comprehensive Example . . . . .	87
<b>S Corporations . . . . .</b>	<b>117</b>
S Election . . . . .	117
LLCs . . . . .	120
Late S Election . . . . .	121
Taxation of S Corporations . . . . .	121
Advantages . . . . .	122
Limited Liability . . . . .	122
Centralized Management . . . . .	122
Free Transferability of Interest . . . . .	123
Continuous Life . . . . .	123
Employee Status . . . . .	123
No Double Taxation . . . . .	123
Property Distributions . . . . .	124
Losses . . . . .	124
Charitable Contributions . . . . .	135
Investment Interest Deduction . . . . .	136
Disadvantages . . . . .	136
Professional Fees . . . . .	136
Employee Status . . . . .	137
Employment Taxes . . . . .	137
Loss of Control . . . . .	137
Fringe Benefits . . . . .	138
Built-in Gains Tax . . . . .	138
Passive Activities . . . . .	147
Last-in, First-out Recapture Tax . . . . .	147
Tax Year . . . . .	147
Pass-Through Items . . . . .	147
Completing Form 1120S . . . . .	148

Tax Year .....	148
Accounting Methods .....	154
Heading .....	154
Income .....	155
Deductions .....	157
Tax and Payments .....	159
Schedule B—Other Information .....	161
Schedule K—Shareholders’ Pro Rata Share Items .....	163
Schedule L—Balance Sheets per Books .....	167
Schedule M-1 —Book to Tax Reconciliation .....	170
Schedule M-2—AAA, PTI, AE&P, OAA .....	173
Stock Basis, Schedule M-2, and Schedule L .....	178
Completing the Return .....	180
Comprehensive Example .....	180
<b>Appendix .....</b>	<b>.211</b>