

# TaxNewsFlash

## United States



No. 2020-083  
February 21, 2020

## IRS releases updated instructions for Form 1065 (2019)

The IRS has posted an updated final version of the instructions for Form 1065 for 2019.

Read the [\*\*2019 instructions for Form 1065, U.S. Return of Partnership Income\*\*](#) [PDF 762 KB]

These instructions (dated February 13, 2020) were posted on the IRS website on February 19, 2020.

### Clarifications provided

The updated instructions for Form 1065 include some needed clarifications to the prior version including:

- Updates on disregarded entity partner reporting
- Updates for how the current year income/loss effect of section 743(b) adjustments are reported
- Clarification on the detail needed for section 704(c) reporting on Line 20AA, including two examples

The updated instructions include additional clarity concerning the reporting for a disregarded entity partner (DE Partner). The instructions provide that the partnership must make "reasonable attempts" to obtain a DE Partner's tax identification number (TIN). If the partnership is unsuccessful in obtaining such information, the partnership is to report the TIN of the DE Partner as "unknown." Alternatively, if the DE Partner does not have a TIN, the partnership is to report the TIN of the DE Partner as "none." The instructions also clarify that where a DE Partner is the legal owner of a partnership interest, the entity type of the beneficial owner is to be reported in Item I1.

Further, the instructions update how to report the current year income, gain, deduction or loss items relating to section 743(b) adjustments.

- Line 11F – *Section 743(b) positive income adjustments*: Partner's share of net positive income resulting from all section 743(b) adjustments.

- Line 13V – *Section 743(b) negative income adjustments*: Partner's share of net negative income resulting from all section 743(b) adjustments.

This change clarifies the prior version of the 2019 final instructions (released on December 26, 2019) that provided for reporting net deductions and losses on Line 11F, an income line, and net income and gains on Line 13V, a deduction line. The updated instructions provide that publicly traded partnerships (PTPs) are exempt from the Line 11F/Line 13V reporting. Read [TaxNewsFlash](#)

In addition, the updated instructions expand on the explanation for what detail is to be reported on Line 20AH with respect to section 743(b) basis adjustments. Under the updated instructions, a partnership is required to attach a statement to the Schedule K-1 showing each remaining section 743(b) adjustment, net of any cost recovery for such partner. Each section 743(b) adjustment is to be broken out for each asset to which the section 743(b) adjustment relates. The instructions provide, however, that a "reasonable grouping by asset category" is acceptable, provided that the grouping is not less detailed than the asset categories listed on Schedule L of Form 1065 (i.e., the balance sheet). When multiple section 743(b) basis adjustments exist, the partnership may group the basis adjustments by asset category.

The instructions also expand on the additional information required to be provided in relation to how items of income, gain, loss, and deduction are affected by the application of section 704(c). Specifically, the instructions to Line 20AA require the partnership to disclose the sum of the income and deduction items stemming from an allocation determined under section 704(c). The updated instructions also incorporate two examples illustrating the reporting. The first example is for a single asset using the traditional method, and the second example contemplates two assets—one using the traditional method and the other the remedial method.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)