

1065 DALLAS PARTNERS CASE STUDY FACTS (CASDPM)

Dallas Partners is in the wholesale business and does all of its business in New York. The partnership has ten partners, all residing in New York.

TARGETED AREAS

- Charitable contributions
- Depreciation overrides
- Journal entries
- Sale of asset
- Importing the partner information
- Foreign taxes
- Transfer of interest
- Partner footnote
- Cash distributions
- Partnership/Partner Letters
- Special allocations
- New York partnership return

USING 1065

- [Verifying the Partner Information \(page 3\)](#)
- [Changing Partner Information \(page 4\)](#)
- [Common Partner Information \(page 4\)](#)
- [Transfer of Interest \(page 5\)](#)

- [Partner Footnote \(page 5\)](#)
- [Special Allocations \(page 6\)](#)
- [Nonrecourse Liabilities \(page 7\)](#)
- [Cash Contribution \(page 8\)](#)
- [Ordinary Income - Depreciation \(page 9\)](#)
- [Other Schedule K Data Entry Items \(page 9\)](#)
- [Sale of Business Property \(page 10\)](#)
- [Transmittal Letters \(page 10\)](#)
- [New York Partnership \(page 11\)](#)
- [Completing the 1065 Computations and Reviewing the Return \(page 11\)](#)
- [Enabling Allocations to Schedule K-1 \(page 11\)](#)
- [Reviewing the Return \(page 12\)](#)

DATA ENTRY

VERIFYING THE PARTNER INFORMATION

1. Select **Quick Track > Partner Information**.

OR

Select **Partner Information > Partner by Partner Data**. Click the name of the partner to be viewed.

2. Select a sample of partners and verify that the information imported correctly.



The partners can be reviewed in a columnar format by selecting **Quick Track > Columnar Partner Info** or **Partner Information > Partner by Partner Data > Columnar Partner Entry**.

#	NAME	TYPE OF PARTNER	EIN	ADDRESS	PROFIT/LOSS RATIO	BEGINNING CAPITAL
1	Jeff Scott	General Passive	111-11-1111	426 Oak Street Albany, NY 06111	20%	1,800,000
2	Reynolds Co. S Corp.	General Active	222-22-2222	766 First Street Albany, NY 06111	10%	1,000,000
3	Andrew Hale	Limited Passive	333-33-3333	9 Willis Street Albany, NY 06111	10%	1,000,000
4	Larry Moore	Limited Passive	444-44-4444	2222 South Drive Albany, NY 06111	5%	800,000
5	Kevin Price	Limited Passive	555-55-5555	321 Wayside Albany, NY 06111	10%	900,000

#	NAME	TYPE OF PARTNER	EIN	ADDRESS	PROFIT/LOSS RATIO	BEGINNING CAPITAL
6	Jim Goodwin	Limited Passive	666-66-6666	766 First Street Albany, NY 06111	5%	500,000
7	John Smith	Limited Passive	777-77-7777	100 Main Street Albany, NY 06111	5%	500,000
8	Mary Jones	Limited Passive	888-88-8888	311 South Street Albany, NY 06111	5%	600,000
9	Stewart Co. S Corp.	General Active	999-99-9999	5000 Clark Street Albany, NY 06111	20%	2,000,000
10	Wayne Brown	Limited Passive	101-10-1010	701 Griffith Drive Albany, NY 06111	10%	900,000

CHANGING PARTNER INFORMATION

Andrew Hale changed from a limited partner to a general partner. Andrew Hale's partner information needs to be updated.

1. Scroll down to **Partner Type** where the system default is set to *Limited*. Andrew is now a general partner.
2. Under **Partner Override**, click the down arrow and select **General**.

COMMON PARTNER INFORMATION

Along with entering partner information individually, you may select options that apply to all partners in the return.

1. Access **Partner Information > Common Partner Data** to review these options.
2. Select the **Common Partner Information** tab.
3. Scroll down to the section entitled **Federal Form 1065 Sch K-1 Only - Miscellaneous Partner Options**.
4. Check the box **Treat individual general partners as passive for the Analysis of Net Income (Loss)**.
5. Leave the box for **Treat individuals limited partners as active for the Analysis of Net Income (Loss)** checked.
6. Under the **Contributions/Distributions** tab, enter a date for the **Cash Distribution** of **09/01/2024**.

TRANSFER OF INTEREST

On June 30, 2024, Jeff Scott (partner #1) transferred half of his 20% partnership interest to Reynolds Co. (partner #2). Record the transfer of interest through the Organizer window:

1. Select **Quick Track > Transfer of Interest**.

OR

Select **Partner Information > Transfer of Interest > Transfers > Add New Transfer Date**.

2. Enter **06/30/2024** and press **Enter**.
3. Enter **Partner number 1** in the **Transferring Partner Number** field.
4. Enter **Partner number 2** in the **Receiving Partner Number** field.
5. Enter **.50** in the ratio column, not **.10**.

PARTNER FOOTNOTE

1. Select **Partner Information > Partner Footnotes > Without Amounts > Add new Footnote Number**.
2. Enter a number for the footnote, up to four digits.
3. Select **Both Federal and State** as the attachment option.

4. Enter the following text in the **Footnote Detail** area:

PLEASE CONSULT YOUR TAX ADVISOR WHEN FILING YOUR TAX RETURN TO ASSURE PROPER INCLUSION OF THE AMOUNTS LISTED ON YOUR SCHEDULE K-1.

SPECIAL ALLOCATIONS

The partner import included Special Allocation amounts for Cash Distribution (WD), SEP Contribution (DC), and Guaranteed Payment (GP). The cash distribution was paid on **09/01/2024**.

PARTNER	WD	DC	GP
Jeff Scott	1,247,000	72,825	
Reynolds Co.			22,000
Andrew Hale	1,247,000	72,825	
Larry Moore			105,000
Kevin Price	936,000	55,000	
Jim Goodwin	936,000	55,000	
John Smith	1,269,000	54,237	
Mary Jones	600,800	54,238	
Stewart Co.			25,000
Wayne Brown			20,000

1. Verify that the special allocation data imported correctly. Select **Partner Information > Allocations > Special Allocations**.
2. Select each two-digit allocation code and review.
3. Apply the special allocation for Cash Distribution. Select **Partner Information > Common Partner Data > Contributions/Distributions**.
4. Verify the distribution date of **09/01/2024** and verify the total amount under the **Cash Distributions** column.
5. Enter the special allocation code **WD** in the **Alloc Code** field to the right of the amount.
6. Apply the special allocation for SEP Contribution. Select **Quick Track > Page 4, Deductions**.

OR

Select **Sch K > Deduction Summary**.

7. Verify the total amount on the line **Payment for partners to a SEP**.
8. Enter special allocation code **DC** in the **Alloc Code** field to the right of the amount.
9. Apply the special allocation for Guaranteed Payment. Select **Quick Track > Page 4, Income**.
10. Enter the special allocation code **GP** in the **Alloc Code** field for the line Guaranteed Payments carrying to Schedule M-1. This amount will come from other input.

NONRECOURSE LIABILITIES

Special allocation codes need to be created for Nonrecourse Liabilities and Cash Contributions.

Nonrecourse liabilities of \$1,000 are to be specially allocated. Allocate the first **\$100** to **Jeff Scott** with the remaining **\$900** to be allocated prorata among all of the partners.

1. To specially allocate this item, select **Partner Information > Allocations > Special Allocations > Add New Special Allocation Code**.
2. Enter a two-character alphanumeric special allocation code. This code must be two characters and **NOT** begin with a zero. This is a **required** entry.
3. Enter a description for the code, such as **Nonrecourse Liabilities**.
4. Select **Residual** in the **Allocation method** as the method to allocate the residual.

5. Tab to the **Amounts** column for partner 1, and enter **\$100**.
6. The area used to enter information about partnership liabilities may be accessed in two ways. Select **Balance Sheet and Reconciliation > Sch L > Liabilities Allocation**.

OR

Select **Common Partner Data > Liabilities Allocable**.
7. In the **Nonrecourse Liabilities** field, enter **\$1,000** in the **Total Amount (Override)** column.
8. Enter the two-character alphanumeric special allocation code established above for Nonrecourse Liabilities in the **Alloc. Code** field.

CASH CONTRIBUTION

Dallas Partners contributed **\$1,500** to United Way. The contribution is to be specially allocated, with \$500 going to Reynolds Co. and the remainder allocated to other partners using the residual method.

1. Select **Partner Information > Allocations > Special Allocations > Add New Special Allocation Code**.
2. Enter the two-character special allocation code.
3. Enter **Charitable Contributions** as the description.



The same allocation code may be used for multiple allocations if the percentages, amounts and methods are the same for each allocation. Since we are going to use the residual allocation method for the remainder of charitable contributions, we must create a new special allocation code.

4. To allocate the first \$500 to Reynolds Co and the remainder to the other partners, use the residual method. Enter **\$500** in the amount column on the line for **Reynolds Co**.
5. Select **Sch K > Deductions Summary**.
6. Click the **Charitable Contributions Detail-Cash** tab.
7. Enter **\$1,500** contribution to **United Way** under **50% Contributions**.
8. Enter the special allocation code designated above for contributions in the **Alloc. Code** column under **Contributions for Cash: 50%**.

ORDINARY INCOME - DEPRECIATION

Select **Ordinary Income and Deductions > Depreciation and Amortization > Dallas Partners > 4562 Information > 4562 Overrides**.

Enter the following information on the appropriate lines.

	BASIS	RECOV.	CONV.	METHOD	CURRENT YR. DEPR.
<i>5 year</i>	<i>9,000,000</i>	<i>5.00</i>	<i>HY</i>	<i>200DB</i>	<i>1,800,000</i>
<i>7 year</i>	<i>3,000,000</i>	<i>7.00</i>	<i>HY</i>	<i>200DB</i>	<i>428,700</i>

	DATE IN SERVICE	BASIS	
<i>Nonres. rent</i>	<i>09/01/2024</i>	<i>10,000,000</i>	<i>74,900</i>

MACRS deduction for assets prior to 2024: *1,615,300*

OTHER SCHEDULE K DATA ENTRY ITEMS

1. Select **Schedule K > Income Summary > Income-Miscellaneous** tab.
2. Enter *\$1,500* for **Miscellaneous Income**.
3. Select **Schedule K > Alternative Minimum Tax Items**.
4. Enter *-1,243,101* on Line 17a, **Post-1096 depreciation adjustment**.
5. Select **Schedule K > Foreign Taxes**.
6. Enter *Germany* as the foreign country.
7. Enter on **Line 16f Foreign gross income at the partnership level**: *General Limitation 535,000*.

8. Enter on **Line 16k Deductions allocated and apportioned at the partnership level:** **428,000**.
9. Verify **Line 16l(1) Total Foreign Taxes Paid:** **80,000**.

SALE OF BUSINESS PROPERTY

1. Select **Quick Track > Schedule D/Form 4797 Sales of Business Property**.

OR

Select **Gains and Losses > Sale of Business Property > Property Descriptions > Add new Description of Property**.

2. Enter **Machinery & Equip.** as the description and click **OK**.
3. Select as **Type of property:** **1245 property**.
4. Enter the **date acquired:** **01/01/2002**.
5. Enter the **date sold:** **08/01/2024**.
6. Enter the **Gross Sales Price:** **50,000**.
7. Enter the **cost or other basis:** **2,000,000**.
8. Enter the **accumulated depreciation:** **2,000,000**.

TRANSMITTAL LETTERS

Generate transmittal letters and filing instructions, stating where the partnership's return will be filed. (Cincinnati, Ogden, and Philadelphia are the available options). Partner letters should also be generated.

1. Select **Quick Track > Letters**.

OR

Select **Letters and Filing Instructions > General Options**.

2. Select **Separate Transmittal Letters and Filing Instructions** in the **Select Which Letters You Wish to Print** section.
3. Verify that the **Auto Selected Center** is correct.

4. Verify that **New York** is indicated in the **State Postal Code** section.
5. Select **Partner Letter Options**.
6. Click the check box to the left of **Print partner letters** to print the letters.

NEW YORK PARTNERSHIP

1. To add New York to the return, select **States > State and City Activation**.
2. Check the box in the **State Activation** column next to **New York**.
3. Select **Compute > Full Recompute**.

COMPLETING THE 1065 COMPUTATIONS AND REVIEWING THE RETURN

1. Select **Compute > Full Recompute**.
2. When completed, review Form 1065, Schedule K, and all activity amounts.

ENABLING ALLOCATIONS TO SCHEDULE K-1

1. Once you are satisfied with the results on the federal form screens, select **Options > Partner Allocation**.
2. Select **Compute > Full Recompute**. When complete, review K-1 data by selecting the **Tax Forms** tab to view each partner's K-1.

REVIEWING THE RETURN

Compute Before Review

1. Before reviewing the return, make sure your return is completely computed.
2. Select **Compute > Full Recompute** from the menu bar.

Review

The complete return can be viewed on screen and any changes made before printing. Use Tax Forms to review the return. During your review, access supporting workpapers by selecting any field with blue arrows to the right of the field, and then check for diagnostics and overrides.

The review process consists of:

- Reviewing diagnostics and overrides
- Reviewing through Tax Forms
- Reviewing work papers
- Entering corrections and changes
- Reviewing through Print Preview.

Print Preview

1. Access Print Preview to see the return as it will print.
2. View all statements by selecting **Print** on the menu bar.

Diagnostics and Overrides

DIAGNOSTICS

1. To review the diagnostics, select **View > Diagnostics**.
2. A screen displays a list of the diagnostics by type: *Severe*, *Informational*, or *E-file*.
3. To go to the screen where the diagnostic originates, select a diagnostic from the list.

OVERRIDES

1. Viewing and accessing overrides works like the review of diagnostics explained above. Select the override to go to the screen where you entered the override.
2. Verify your overrides and clear any unnecessary overrides by clicking the overridden amount and selecting **Clear Override** from the right-click menu.



If you have entered data only through the Organizer screens, no overrides should exist.

Comparison Screens

Once you have completed this case study, you can compare your entries with the master return completed using the same data. To compare the return you prepared to the master, select **Help > Case Study Comparisons** inside the return.

Differences between the amount in your return and the amount in the master return are noted in the **Difference** column. If you entered the data correctly, there should be no amounts in the **Difference** column.

If you have differences, begin by selecting **Compute > Full Recompute**.

COPYRIGHT NOTICE

© 2024-2025 Thomson Reuters/Tax & Accounting. All rights reserved. Republication or redistribution of Thomson Reuters content, including by framing or similar means, is prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and the Kinesis logo are trademarks of Thomson Reuters and its affiliated companies. More information can be found [here](#).

Last Updated: August 21, 2024