

CHAPTER 45  
PARTNERSHIPS

[Prior to 12/17/86, Revenue Department [730]]

**701—45.1(422) General rule.** An Iowa partnership, limited partnership, or limited liability company required to file a return under the provisions of Iowa Code subsection 422.15(2) shall be a partnership, limited partnership, or limited liability company required to file a partnership return for purposes of federal income tax. A partnership or limited liability company engaged in carrying on business in this state is an Iowa partnership or an Iowa limited liability company. Iowa follows the Treasury check-the-box regulation, 301.7701-3, for determination of the tax status of partnerships or limited liability companies including single-member limited liability companies.

This rule is intended to implement Iowa Code section 422.15.

**701—45.2(422) Partnership returns.** Every partnership deriving income (1) from property owned within this state or (2) from a business, trade, profession or occupation carried on within the state must make a return of income regardless of the amount of income or loss and regardless of the residence of the partners. The return shall be made on the proper form and signed by one of the partners. The return shall be made on the same period basis, calendar or fiscal, as the partnership accounts are kept, irrespective of the fact the partners are reporting their incomes on a different period basis. The return shall be filed with the department on or before the last day of the fourth month after the expiration of the tax year.

This rule is intended to implement Iowa Code section 422.21.

**701—45.3(422) Contents of partnership return.** The return of a resident partnership or of a partnership with one or more nonresident members, but whose income is derived entirely or partially from sources within this state, shall state specifically (1) the net income, and the capital gains or losses reported on the federal partnership return, (2) the names and addresses of the partners, and (3) their respective shares in said amounts.

This rule is intended to implement Iowa Code section 422.15.

**701—45.4(422) Distribution and taxation of partnership income.** A partnership as such is not taxable but the members of a partnership (including limited partnerships organized under Iowa Code chapter 488) are taxable (except as otherwise provided in 701—subrule 40.16(5) respecting nonresident members) upon their distributable shares of the net income of the partnership whether distributed to the partners or not. If the result of the partnership operation is a net loss (i.e., excess of allowable deductions from gross income) the loss may be deducted by the partners (except as otherwise provided respecting nonresident members) in the same proportion that net income would have been taxable to the partners. If the partner reports income on the same taxable year basis as that of the partnership, the distributable share of the net income (or loss) of the partnership for the taxable year must be included in or deducted from gross income on the individual return for that year. If, however, the taxable year of the partner is different from that of the partnership, distributable shares must be included in or the proportion of the loss deducted from gross income for the year in which the taxable year of the partnership ends.

Residents of Iowa must report in total their distributable share of partnership income or loss on their Iowa income tax return. Nonresidents must report, for income tax purposes, their share of distributable partnership income or loss as determined under 701—subrule 40.16(6).

This rule is intended to implement Iowa Code sections 422.7 and 422.15.

[Filed December 12, 1974]

[Filed emergency 7/17/80—published 8/6/80, effective 7/17/80]

[Filed emergency 11/14/86—published 12/17/86, effective 11/14/86]

[Filed 7/14/95, Notice 6/7/95—published 8/2/95, effective 9/6/95]

[Filed 2/20/98, Notice 1/14/98—published 3/11/98, effective 4/15/98]

[Filed 7/28/06, Notice 6/21/06—published 8/16/06, effective 9/20/06]