

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.