

Partnership vs. S Corporation

Partnership

- Business arrangement between two or more individuals.
- Partnership agreement spells out the proportions of each partner's share of the business.
- Partnership pays no tax on the partnership income.
- Each partner reports his or her proportionate share of the partnership's net profit or loss.
- Individual partners pay taxes on their share of the net partnership income at their individual tax rates.
- A partner may or may not receive a cash distribution of income from the partnership.
- A partner may receive regular earnings reported as guaranteed payments to partners.

S Corporation

- Legal entity that has a limited number of stockholders.
- Corporate resolution lists individuals who are authorized to conduct specified actions on behalf of the company.
- Elects not to be taxed as a regular corporation.
- Business gains and losses are passed on to the stockholders.
- Stockholders are taxed at their individual tax rates for their proportionate share of ordinary income, capital gains, and other taxable items.
- A stockholder may or may not receive a cash distribution of income.
- A stockholder may receive W2 wages from the S Corporation.

The Internal Revenue Service is the official source for information regarding business structures for tax filing purposes.

Please visit the IRS website at [IRS.gov](https://www.irs.gov) for more information.

Partnership and S Corp Income Criteria

- While recommending caution when including income drawn from a Partnership or S Corporation as qualifying income, the Selling Guide gives three criteria for evaluating the eligibility of business income. Ordinary income and net rental income from business real estate can be included if:

- The borrower can evidence an ownership share

- The borrower can document access to income, *and*

- The business has adequate liquidity to support the withdrawal of earnings.



IRS Schedule K-1

Schedule K-1 (Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax year beginning ending 2014

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

Partnership's employer identification number

Partnership's name, address, city, state, and ZIP code

IRS Center where partnership filed return

Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

Partner's identifying number

Partner's name, address, city, state, and ZIP code

General partner or LLC member/manager

Domestic partner

Foreign partner

What type of entity is this partner?

If this partner is a retirement plan (RMP/SEP/Keogh/etc.), check here

Partner's share of profit, loss, and capital (see instructions)

Profit %

Loss %

Capital %

Partner's share of liabilities at year end:

Nonrecourse \$

Qualified nonrecourse financing \$

Recourse \$

Partner's capital account analysis:

Beginning capital account \$

Capital contributed during the year \$

Current year increase (decrease) \$

Withdrawals & distributions \$

Ending capital account \$

Tax basis

Other (explain)

Did the partner contribute property with a built-in gain or loss?

Yes

No

If "Yes," attach statement (see instructions)

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

IRS.gov/form1065 Cat. No. 11304R Schedule K-1 (Form 1065) 2014

Part I

1 Ordinary business income (loss)

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Guaranteed payments

5 Interest income

6a Ordinary dividends

6b Qualified dividends

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss)

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1250 gain

10 Net section 1231 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

15 Tax-exempt income and nondeductible expenses

16 Distributions

17 Alternative minimum tax (AMT) liability

18 Tax-exempt income and nondeductible expenses

19 Other information

20 Other information

21 Other information

22 Other information

23 Other information

24 Other information

25 Other information

26 Other information

27 Other information

28 Other information

29 Other information

30 Other information

31 Other information

32 Other information

33 Other information

34 Other information

35 Other information



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Department of the Treasury
Internal Revenue Service

2014

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Domestic partner

Foreign partner

What type of entity is this partner?

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Partner's share of profit, loss, and capital (see instructions)

Profit %

Loss %

Capital %

Partner's share of liabilities at year end:

Nonrecourse \$

Qualified nonrecourse financing \$

Recourse \$

Partner's capital account analysis:

Beginning capital account \$

Capital contributed during the year \$

Current year increase (decrease) \$

Withdrawals & distributions \$

Ending capital account \$

Tax basis

Other (explain)

Did the partner contribute property with a built-in gain or loss?

Yes

No

If "Yes," attach statement (see instructions)

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

IRS.gov/form1065 Cat. No. 11304R Schedule K-1 (Form 1065) 2014

Part II

1 Ordinary business income (loss)

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectibles (28%) gain (loss)

8c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

11 Section 179 deduction

12 Other deductions

13 Tax-exempt income and nondeductible expenses

14 Alternative minimum tax (AMT) liability

15 Other information

16 Items affecting shareholder basis

17 Other information

18 Other information

19 Other information

20 Other information

21 Other information

22 Other information

23 Other information

24 Other information

25 Other information

26 Other information

27 Other information

28 Other information

29 Other information

30 Other information

31 Other information

32 Other information

33 Other information

34 Other information



IRS Schedule K-1

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Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax year beginning ending 2014

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

Partnership's employer identification number

Partnership's name, address, city, state, and ZIP code

IRS Center where partnership filed return

Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

Partner's identifying number

Partner's name, address, city, state, and ZIP code

General partner or LLC member/manager

Domestic partner

Foreign partner

What type of entity is this partner?

If this partner is a retirement plan (RMP/SEP/Keogh/etc.), check here

Partner's share of profit, loss, and capital (see instructions)

Profit %

Loss %

Capital %

Partner's share of liabilities at year end:

Nonrecourse \$

Qualified nonrecourse financing \$

Recourse \$

Partner's capital account analysis:

Beginning capital account \$

Capital contributed during the year \$

Current year increase (decrease) \$

Withdrawals & distributions \$

Ending capital account \$

Tax basis

Other (explain)

Did the partner contribute property with a built-in gain or loss?

Yes

No

If "Yes," attach statement (see instructions)

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

IRS.gov/form1065 Cat. No. 11304R Schedule K-1 (Form 1065) 2014

Part III

1 Ordinary business income (loss)

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectibles (28%) gain (loss)

8c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

11 Section 179 deduction

12 Other deductions

13 Tax-exempt income and nondeductible expenses

14 Alternative minimum tax (AMT) liability

15 Other information

16 Items affecting shareholder basis

17 Other information

18 Other information

19 Other information

20 Other information

21 Other information

22 Other information

23 Other information

24 Other information

25 Other information

26 Other information

27 Other information

28 Other information

29 Other information

30 Other information

31 Other information

32 Other information

33 Other information

34 Other information



IRS Schedule K-1

Schedule K-1 (Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax year beginning ending 2014

Partner's Share of Income, Deductions, Credits, etc.

See back of form and separate instructions.

Part I Information About the Partnership

Partnership's employer identification number

Partnership's name, address, city, state, and ZIP code

IRS Center where partnership filed return

Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

Partner's identifying number

Partner's name, address, city, state, and ZIP code

General partner or LLC member/manager

Domestic partner

Foreign partner

What type of entity is this partner?

If this partner is a retirement plan (RMP/SEP/Keogh/etc.), check here

Partner's share of profit, loss, and capital (see instructions)

Profit %

Loss %

Capital %

Partner's share of liabilities at year end:

Nonrecourse \$

Qualified nonrecourse financing \$

Recourse \$

Partner's capital account analysis:

Beginning capital account \$

Capital contributed during the year \$

Current year increase (decrease) \$

Withdrawals & distributions \$

Ending capital account \$

Tax basis

Other (explain)

Did the partner contribute property with a built-in gain or loss?

Yes

No

If "Yes," attach statement (see instructions)

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

IRS.gov/form1065 Cat. No. 11304R Schedule K-1 (Form 1065) 2014

Part IV

1 Ordinary business income (loss)

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Interest income

5a Ordinary dividends

5b Qualified dividends

6 Royalties

7 Net short-term capital gain (loss)

8a Net long-term capital gain (loss)

8b Collectibles (28%) gain (loss)

8c Unrecaptured section 1250 gain

9 Net section 1231 gain (loss)

10 Other income (loss)

Key Item: Guaranteed Payments to Partner

651113
OMB No. 1545-0023

Schedule K-1
(Form 1065)
Department of the Treasury
Internal Revenue Service

2014
For calendar year 2014, or tax year beginning _____, 2014, and ending _____, 2014

Part I Partner's Share of Current Year Income, Deductions, Credits, and Other Items

Partner's Share of Income, Deductions, Credits, etc. See back of form and separate instructions.

Part II Information About the Partnership

A Partnership's employer identification number

B Partnership's name, address, city, state, and ZIP code

C IRS Center where partnership filed return

D Check if this is a publicly traded partnership (PTP)

Part III Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code

G General partner or LLC member manager Limited partner or other LLC member

H Domestic partner Foreign partner

I What type of entity is this partner?

J If the partner is a retirement plan (IRA/SEP/Keogh/etc.), check here

Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

Partner's share of liabilities at year end:

Nonrecourse	\$
Qualified nonrecourse financing	\$
Recourse	\$

L Partner's capital account analysis:

Beginning capital account	\$
Capital contributed during the year	\$
Current year increase (decrease)	\$
Withdrawals & distributions	\$
Ending capital account	\$

Tax basis GAMP Section 701(b) book
 Other (explain)

M Did the partner contribute property with a built-in gain or loss?
 Yes No
If "Yes," attach statement (see instructions)

1 Ordinary business income (loss) 45 Credits

2 Net rental real estate income (loss)

3 Other net rental income (loss)

4 Guaranteed payments

5 Interest income

6a Ordinary dividends

6b Qualified dividends

7 Royalties

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss)

9b Collectibles (28%) gain (loss)

9c Unrecaptured section 1220 gain

10 Net section 1221 gain (loss)

11 Other income (loss)

12 Section 179 deduction

13 Other deductions

14 Self-employment earnings (loss)

15 Foreign tax credit

16 Foreign tax credit

17 Alternative minimum tax (AMT) tax

18 Tax-exempt income and nondeductible expenses

19 Distributions

20 Other information

For IRS Use Only

*See attached statement for additional information.

IRS.gov/form1065 Cat. No. 11394F Schedule K-1 (Form 1065) 2014



Key Item: Schedule K-1 Distributions

Schedule K-1 (Form 1065) Department of the Treasury Internal Revenue Service
OMB No. 1545-0022
651113

2014
For calendar year 2014, or tax year beginning _____, 2014, and ending _____, 2014

Part III Partner's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		

Part I Information About the Partnership

A Partnership's name, address, city, state, and ZIP code

B IRS Center where partnership filed return

C Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

F Partner's name, address, city, state, and ZIP code

19 Distributions

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

19 Distributions

12	Section 179 deduction	19	Distributions
13	Other deductions	20	Other information
14	Self-employment earnings (loss)		

K Partner's share of liabilities at year end:
Nonrecourse \$
Qualified nonrecourse financing \$
Recourse \$

L Partner's capital account analysis:
Beginning capital account \$
Capital contributed during the year \$
Current year increase (decrease) \$
Withdrawals & distributions \$
Ending capital account \$

Tax basis GAMP Section 751(b) book
 Other (explain)

M Did the partner contribute property with a built-in gain or loss?
Yes No
If "Yes," attach statement (see instructions)

For Paperwork Reduction Act Notice, see Instructions for Form 1065. IRS.gov/form1065 Cat. No. 11304R Schedule K-1 (Form 1065) 2014

Schedule K-1 (Form 1120S) Department of the Treasury Internal Revenue Service
OMB No. 1545-0022
671113

2014
For calendar year 2014, or tax year beginning _____, 2014, and ending _____, 2014

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Dividends		

Part I Information About the Corporation

A Corporation's employer identification number

B Corporation's name, address, city, state, and ZIP code

C IRS Center where corporation filed return

Part II Information About the Shareholder

D Shareholder's identifying number

E Shareholder's name, address, city, state, and ZIP code

16 Items affecting shareholder basis

11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
17	Other information		

F Shareholder's percentage of stock ownership for tax year %

Distributions Box 16D

* See attached statement for additional information.

For Paperwork Reduction Act Notice, see Instructions for Form 1120S. IRS.gov/form1120s Cat. No. 11120D Schedule K-1 (Form 1120S) 2014

Key Item: Borrower Ownership Share

- The borrower can evidence an ownership share

**Schedule K-1
IRS Form 1065**

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	%	%
Loss	%	%
Capital	%	%

Schedule K-1 IRS Form 1120S

F Shareholder's percentage of stock ownership for tax year %