2015 IA 1065 Partnership Return of Income

Who Must File
Every partnership deriving income/loss from real, tangible, or intangible property owned within Iowa or from a business carried on within Iowa must file. The Iowa partnership form must also be used by syndicates, pools, joint ventures, limited liability companies, and other similar entities required to report activities on a federal partnership return.

Note: Only partnerships with activity (income/loss) from Iowa sources, or which are domiciled in Iowa, are required to file. A non-Iowa partnership should not file only because one or more of its partners are Iowa residents, or because the partnership is registered with the Iowa Secretary of State.

Distribution of Partnership Income
A partnership is not a taxable entity in Iowa, but the members of a partnership are taxed on their individual shares whether actually distributed to them or not. This pass-through income is reportable on the partner’s individual, trust, or corporate tax return.

Individual partners: If the tax year of a partner is different from that of the partnership, the distributable share is to be included in the individual return for the year in which the tax year of the partnership ends. When filing Iowa individual income tax returns, all partners must report all partnership income that is reportable on the partner’s federal return on the IA 1040. Modifications may be reported on the “Other adjustments” or “Other income” lines of the IA 1040. In addition, nonresident partners must report all Iowa-source income and adjustments on Iowa form IA 126, Iowa Nonresident and Part-year Resident Credit. Individual income tax filing requirements are available in the IA 1040 instruction booklet. These instructions are available on the Department website (https://tax.iowa.gov).

Composite Filing
A partnership may file an Iowa composite individual income tax return and pay any tax due on the behalf of nonresident partners. See form IA 1040C for further information.

Apportionment of Iowa-Source Income
If a partnership’s income is from the manufacture or sale of tangible personal property, the amount of income apportioned to Iowa is to be based on that portion which the gross sales made within the state bears to the total gross sales of the partnership. The sale of tangible property occurs in Iowa if the property is shipped or delivered to a point within Iowa, regardless of the Freight on Board (F.O.B.) point or other conditions of the sale. If the partnership’s distribution includes income derived from business other than the manufacture or sale of tangible personal property, it is to be apportioned to Iowa in the ratio to which the Iowa gross receipts bear to the total gross receipts of the partnership. The partnership will provide each partner a copy of the IA Schedule K-1, which will show how the Iowa portion of the partnership income is apportioned to each partner.

Tax Preference Items
If the partnership had tax preference or alternate minimum tax adjustment items, they will be allocated to the partners in the same ratio as net income from the partnership is allocated. The partners may be subject to the Iowa alternate minimum tax on the items of tax preference or adjustments allocated to them.

Fuel Tax Credit
If the partnership does not have a fuel tax refund permit or canceled its refund permit within the first 30 days of the year, a Fuel Tax Credit may be claimed by each partner on his or her individual income tax return (or by a C corporation if it is a partner). If a Fuel Tax Credit is claimed, complete the IA 4136 and include it with the IA 1065. Each partner’s share is recorded in Part III of the partner’s IA Schedule K-1.

Other Tax Credits
Partners may qualify for various tax credits passed through to them by the partnership. The partnership must complete the appropriate form(s), where applicable, to compute these credits (for example: IA 128; IA 137) and include them with the IA 1065. The partnership is not required to complete an IA 148 Tax Credits Schedule. Each partner’s share of Iowa tax credits must be recorded in Part III of the partner’s IA Schedule K-1 including certificate.
numbers. Partners must complete the IA 148 to claim credits, reporting the partnership in Part IV as the pass-through entity.

**Time and Place for Filing**
The Iowa partnership return must be filed on or before the last day of the fourth month following the close of the partnership’s tax year. For calendar year filers, the due date is May 2, 2016. There is an automatic 6-month extension of time to file after April 30, 2016. No extension request form is required. Mail returns to Income Tax Return Processing, Iowa Department of Revenue, Hoover State Office Building, Des Moines, Iowa 50319-0120. Partners with pass-through income need to review individual, LLC, trust, or corporate income tax due dates and filing requirements. These instructions are available on the **Department website** (https://tax.iowa.gov)

**For Additional Information**
Contact Taxpayer Services at 515-281-3114 or 800-367-3388 (Iowa, Omaha, Rock Island, Moline) 8 a.m. - 4:15 p.m. CT or email idr@iowa.gov.

**Federal Partnership Return**
A copy of the federal partnership 1065 return and all other supporting schedules must be included with this form. Do not include federal Schedule K-1.

**Form Instructions: 2015 IA 1065 Partnership Return of Income**

**Calendar year or fiscal year**
If the partnership operates on a fiscal-year basis, enter the beginning and ending dates here, otherwise leave blank. The Iowa partnership return must be made on the same period basis as the partnership accounts are required to be kept for federal tax purposes, even if partners report their incomes on a different year basis.

**Part I**
- Enter a contact person’s name and phone number. The contact person should be able to answer specific questions about the partnership’s operations and accounting practices.
- If the partnership has an FEIN, it must be entered here. If the partnership has applied for but not yet received a number, enter “applied for” and inform the Department of the number once it is obtained. For information on obtaining an FEIN, contact the IRS at 800-829-4933.
- Enter the county number of the main Iowa location. Non-Iowa partnerships without an Iowa location should enter 00. A list of county numbers can be found on the **Department website** (https://tax.iowa.gov).
- Enter the business code number provided by the Internal Revenue Service (IRS) for the specific industry group corresponding to the partnership’s primary business activity available at the IRS website (www.irs.gov)
- Enter a one or two word description of the partnership’s principal activity.
- Enter the total number of partners and include their corresponding IA Schedule K-1s. Include one for each person who was a partner at any time during the tax year.

**Part II - Partnership Information**
List the type of return being filed: Partnership, LLC, or LLP.
Answer the three questions about the partnership’s activities. **Note:** If the answer is “No” to all three questions, the partnership is not required to file an IA 1065, unless its commercial domicile is in Iowa. If the answer is “Yes” to any question, or if its commercial domicile is in Iowa, the partnership must file an IA 1065, including the IA Schedule K-1. If the commercial domicile is in Iowa and the answer is “No” to all three questions, enter “zero” in column (b) of the IA Schedule K-1 for each nonresident partner. If the answer to any question was yes, a percentage greater than zero must be entered in column (b) of the IA Schedule K-1 for each nonresident partner.

**Part III - Modification of Partnership Income**
**Line 1: Federal taxable income** - Net together items of income or loss on the federal Schedule K and those deductions on the federal Schedule K that do not qualify as itemized deductions. Enter the net figure on this line.
Line 2: Interest- Enter the total interest and dividends from foreign securities, from securities of state and other political subdivisions, and from regulated investment companies exempt from federal income tax and not exempt from Iowa income taxes.

Line 3: Other additions- If a partnership is a member of another partnership or the beneficiary of an estate or trust, enter the partnership’s distributive share of additions furnished by the other partnership, estate, or trust.

Bonus Depreciation: Depreciation allowed on the Iowa return may vary from the amount allowed on the federal return. Please consult the form IA 4562A to determine if an adjustment is required.

Line 5: Federal securities interest- Enter the total interest received from federal securities such as U.S. Treasury bonds, notes, bills, and savings bonds included in taxable income for federal income tax purposes. Include any loss on the sale or exchange of a share from a regulated investment company held for six months or less to the extent the loss was disallowed under section 852(b)(4)(B) of the Internal Revenue Code.

Line 6: Other reductions- If a partnership is a member of another partnership or the beneficiary of an estate or trust, enter on this line the partnership’s distributive share of reductions furnished by the other partnership or estate or trust.

Federal Work Opportunity Tax Credit, Employer Social Security Credit for Tips, and Alcohol and Cellulosic Biofuel Credit: Enter the amount of credits allowable for the tax year to the extent that the credit increased federal partnership income.

Additional Deduction for Wages Paid to Certain Individuals: Qualifying businesses may also take an additional deduction of wages paid to new employees who qualify as persons with disabilities or as ex-offenders.

Line 8: Net modifications- Subtract line 7 from line 4. This could result in either a positive or negative number.

Part IV – Business Activity Ratio (BAR)
If the partnership is doing business wholly within Iowa, skip lines 1 - 12 and enter 100.00 on line 13. If the partnership is doing business both within and without Iowa, complete all applicable lines. Dividends are net of special deductions. Business income means income which arises from the partnership’s unitary trade or business, a part of which is conducted within Iowa. Business income must be apportioned to Iowa by means of the BAR. Investment income may at the taxpayer's election be included in the computation of the BAR. The taxpayer will have elected whether to include investment income in the computation of the BAR for that and all subsequent years. Consequently, that year and for subsequent years total investment income which is determined to be business income will be included in the numerator as follows:

- Accounts receivable interest is to be included in the numerator to the extent allocable to Iowa.
- Other interest, net dividends, capital and ordinary gains, and royalties from intangibles must be included in the numerator if the commercial domicile is in Iowa.
- All investment income that is business income, including capital gains or losses, must be included in the computation of the BAR if the investment income is derived from intangible property that has become an integral part of some business activity occurring regularly in or outside of Iowa. See Iowa Rule 54.2(3) for clarification.
- Capital and ordinary gains or losses, or rent and royalties from real property must be included in the numerator for property located in Iowa.

Part V
Enter the partnership’s Iowa net income for three preceding years.

Signature:
The return must be signed and dated by a partner or member. The return will not be considered valid unless this requirement is met. Also include the signer’s title and daytime phone number.
Instructions for IA 1065 Schedule K-1: Partner’s Share of Income, Deductions, & Modifications

IA Schedule K-1 shows each partner’s share of modifications, all-source income, Iowa apportioned income, and Iowa tax credits. Complete information for each partner in an acceptable format must be provided. Forms IA 1065 and IA Schedule K-1 are provided on our website. Individual partners: When completing the individual IA 1040, report the column (a) items. In addition, individual nonresident partners report totals from column (c) on Iowa form IA 126, Iowa Nonresident and Part-year Resident Credit.

Part I: General Information

Partnership/LLC information
Enter name and FEIN of partnership on each IA Schedule K-1.

Partner information
• Enter name, SSN or FEIN, and address of partner.
• Check the amended box if the IA Schedule K-1 is part of an amended 1065 return.
• Check the appropriate box for the partner’s entity type.
• Check either the resident partner or nonresident partner box, based on the partner’s current address.
• Enter partner’s percentage of ownership in the partnership.
• Enter the partnership’s Iowa receipts, as reported on page 1, Part IV, line 12, column A, of the IA 1065*.
• Enter the partnership’s total receipts, as reported on page 1, Part IV, line 12, column B, of the IA 1065*.
*If BAR is 100%, enter the Gross Receipts from line 1a, page 1 of the federal 1065.
• Corporate partners: Include your share of the partnership’s Iowa receipts and total receipts in the BAR on the IA 1120.
• Enter the partnership’s BAR from page 1, Part IV, line 13, of the IA 1065

Part II: Partner’s Pro Rata Share Items:

Column (a), lines 1 through 15(f):
Enter the same amounts as shown on the federal Schedule K-1. These figures are reportable as part of income/loss on the IA 1040.

Leave columns (b) and (c) blank for resident partners. Column (b), lines 1 through 15(f):
For nonresident partners only, enter the partnership’s single factor Iowa BAR. The BAR in column (b) must be applied equally to each line item in column (a); no method of “separate accounting” is allowed. Please contact the Department for more information on the BAR for investment partnerships.

Column (c), lines 1 through 15(f):
For nonresident partners only, multiply the amounts in column (a) by the percentage in column (b) and enter the product in column (c) for each line item. This is the amount apportionable to Iowa. Nonresidents: These figures may be reportable on your IA 126 nonresident schedule.

Line 15(f) schedule: Show name and amount for each item reported on line 15(f).

Line 16(a): Enter the partner’s all-source modifications. This figure is equal to the partnership’s all-source modifications multiplied by the partner’s ownership percentage. Individual partners: If this figure is a positive amount, report it on line 14 of the IA 1040. If this figure is a negative amount, report it on line 24 of the IA 1040.

Line 16(b): For nonresident partners only, enter the Iowa BAR.

Line 16(c): For nonresident partners only, multiply line 16(a) by the percentage on line 16(b) and enter here. Nonresident Partners: If this entry is a positive amount, also enter it on line 14 of the IA 126 form. If this entry is a negative amount, enter it on line 24 of the IA 126 form.

Part III: Partner’s Portion of IA Credits/Withholding:
If the partnership submitted Iowa withholding for the partner, enter it in the current year amount column on the first line of the schedule. If none, enter zero.
Note: If paying a nonresident an Iowa nonwage payment, Iowa income tax must be withheld at a rate of 5% of the payment amount. The partnership must register with the Iowa Department of Revenue for withholding tax using the Iowa Business Tax Registration form. Nonresidents who prefer to make an Iowa estimated payment instead must file an Iowa Nonresident Request for Release from Withholding form and submit the form with their first estimated payment prior to April 30, 2016. If a partnership is filing an IA 1040C return on behalf of its nonresident partners no withholding or estimated payments are required.

For all other credits, enter the tax credit name in the first column. For awarded credits, enter the certificate number in the second column. Enter the partner’s share of the current year amount in the third column.