General Instructions:
2011 IA 1065 Partnership Return of Income

File Electronically. Go to www.iowa.gov/tax for details.

WHO MUST FILE

Every partnership deriving income/loss from property owned within Iowa or from a business, trade, profession, or occupation carried on within Iowa. 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. ***Please 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 online at www.iowa.gov/tax/.

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 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 Iowa 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 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 minimum tax on the items of tax preference or adjustments allocated to them.

MOTOR FUEL TAX CREDIT

If the partnership does not have a motor fuel tax refund permit or canceled its refund permit within the first 30 days of the year, a motor fuel 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 motor fuel credit is claimed, complete the IA 4136 and attach it to the IA 1065. Each partner's share is recorded in Part III of the partner's IA K-1.

OTHER TAX CREDITS

Partners may qualify for various tax credits to be 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 attach them to the IA 1065. The partnership is not required to complete an IA 148 Tax Credits Schedule. Each partner's share of Iowa tax credits is recorded in Part III of the partner's IA K-1.

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 April 30, 2012. There is an automatic 6-month extension of time to file after April 30, 2012. 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 online www.iowa.gov/tax/.

CONTACTING THE DEPARTMENT

For further information, contact Taxpayer Services, Iowa Department of Revenue, PO Box 10457, Des Moines, Iowa 50306. Des Moines area or from out of state, call (515) 281-3114. Elsewhere in Iowa or the Rock Island/Moline or Omaha areas, call toll free at 800-367-3388. Forms and publications: www.iowa.gov/tax . Email: idr@iowa.gov .

FEDERAL PARTNERSHIP RETURN

A copy of the federal partnership 1065 return and all other supporting schedules, except the federal K-1, must be attached to this form.

Specific Instructions:
2011 IA 1065 Partership Return of Income

Calendar year or fiscal year: If your partnership operates on a fiscal- year basis, enter your 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 the partnership's name and address.
- 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.
- Enter your FEIN. If the partnership has a federal 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 you obtain it. For information on obtaining a FEIN, contact the IRS at 1-800-829-4933.
- Enter the county number of your main Iowa location. Non-Iowa partnerships without an Iowa location should enter 00.
- 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.
- Enter a one- to two-word description of the partnership's principal activity.
- Enter the total number of partners.
- List other states the partnership operates in, if any.

PART II - PARTNERSHIP INFORMATION

- List the type of return being filed: Partnership, LLC, or LLP.
- Answer the three questions about your partnership's activities. ***Please note:*** If you answered "no" to **all three questions,** the partnership is not required to file an IA 1065, unless its commercial domicile is in Iowa. If you answered "yes" to any question, or if its commercial domicile is in Iowa, the partnership must file an IA 1065, including the IA K-1. If the commercial domicile is Iowa and you answered"no" to all three questions, enter "zero" in column (b) of the K-1 for each nonresident partner. If you answered "yes" to any question, you must enter a percentage greater than zero in column (b) of the K-1 for each nonresident partner.

PART III - MODIFICATION OF PARTNERSHIP INCOME

Line 1 - 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 - 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 - 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 you by the other partnership, estate, or trust.

Bonus Depreciation:

For any assets placed in service after September 10, 2001, but before May 6, 2003, Iowa continues to disallow the 30% bonus depreciation provisions of the federal Job Creation and Worker Assistance Act of 2002. In addition, Iowa does not allow the 50% or 100% bonus depreciation provisions for **assets acquired after December 31, 2007, and before January 1, 2013**. Form IA 4562A must be filed to account for these differences between Iowa and federal. The section 179 expensing limitation is $500,000 for tax years beginning in 2011.

Line 4 - Total of lines 2 and 3.

Line 5 - 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 - 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 you by the other partnership or estate or trust.

Federal Work Opportunity Tax Credit, Employer Social Security Credit for Tips, and Alcohol Fuel 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 7 - Add lines 5 and 6.

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

Line 9 - Add lines 1 and 8. This is the adjusted all-source income of the partnership.

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 business activity ratio. Investment income may at the taxpayer's election be included in the computation of the business activity ratio. The taxpayer will have elected whether to include investment income in the computation of the business activity ratio 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:

(1) Accounts receivable interest is to be included in the numerator to the extent allocable to Iowa.

(2) 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.

(3) All investment income that is business income, including capital gains or losses, must be included in the computation of the business activity ratio 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.

(4) 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.

PREPARER'S INFORMATION AND SIGNATURE:

Preparer's signature and date signed. Preparer's address and ID number.

Instructions for IA 1065 Schedule K-1: Partner's Share of Income, Deductions, & Modifications

Form IA K-1 shows each partner's share of modifications, all-source income, Iowa apportioned income, and Iowa tax credits. You must provide complete information for each partner in an acceptable format. For your convenience, forms IA 1065 and IA Schedule K-1 are provided on our Web site. **Individual partners**: When completing your 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 K-1 form.

Partner information

- Enter name, Social Security Number or FEIN, and address of partner.
- Check the amended box if the 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 business activity ratio (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 K-1. These figures are reportable as part of income/loss on your 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.**

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 your IA 1040. If this figure is a negative amount, report it on line 24 of your 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 your IA 126 form. If this entry is a negative amount, enter it on line 24 of your 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.

For all other credits, enter the tax credit name in the first column. If you received the credit from an Iowa governmental agency, enter your certificate number in the second column. Enter the partner's share of the current-year amount in the third column.