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designed to provide greater clarity for partners on how to compute their U.S. income tax liability ...

Jul. 14, 2020

SCHEDULE K-2 (Form 1065) (December 2021) Department of the Treasury Internal Revenue Service		Partners' Distributive Share Items—International					OMB No. 1545-0123	
<p>► Attach to Form 1065 Schedule K. ► Go to <a href="http://www.irs.gov/Form1065">www.irs.gov/Form1065</a> for instructions and the latest information.</p>							Employer identification number	
Name of partnership								
<b>A</b> Is the partnership a withholding foreign partnership? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter your WP-EIN ►					<b>B</b> Is the partnership (including the home office or any branch) a qualified derivatives dealer? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," enter your QI-EIN ►			
<b>Part I Partnership's Share of Current Year International Transaction Information</b>								
Check box for additional specified attachments:								
<input type="checkbox"/> 1. Gain on personal property sale	<input type="checkbox"/> 4. Foreign tax translation	<input type="checkbox"/> 7. Reserved	<input type="checkbox"/> 10. Reserved					
<input type="checkbox"/> 2. Foreign oil and gas taxes	<input type="checkbox"/> 5. High-taxed income	<input type="checkbox"/> 8. Reserved	<input type="checkbox"/> 11. Reserved					
<input type="checkbox"/> 3. Splitter arrangements	<input type="checkbox"/> 6. Section 267A disallowed deduction	<input type="checkbox"/> 9. Reserved	<input type="checkbox"/> 12. Other international transactions (attach description and statement)					
<b>Part II Foreign Tax Credit Limitation</b>								
<b>Section 1—Gross Income</b>								
Description	(a) U.S. source	Foreign Source				(f) Sourced by partner	(g) Total	
		(b) Foreign branch category income	(c) Passive category income	(d) General category income	(e) Other (category code _____)			
<b>1</b> Sales								
<b>A</b>								
<b>B</b>								
<b>C</b>								
<b>2</b> Gross income from performance of services								
<b>A</b>								
<b>B</b>								
<b>C</b>								
<b>3</b> Gross rental real estate income								
<b>A</b>								
<b>B</b>								
<b>C</b>								
<b>4</b> Other gross rental income								
<b>A</b>								
<b>B</b>								

The Treasury Department and the IRS have released a proposed redesigned partnership form for tax year 2021 (filing season 2022). The proposed form is designed to provide greater clarity for partners on how to compute their U.S. income tax liability with respect to items of international tax relevance, including claiming deductions and credits.

The redesigned form and instructions provide guidance to partnerships on how to report international tax information to their partners in a standardized format. This

proposed form would apply to a partnership required to file Form 1065 only if the

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The Treasury Department and the IRS **will be actively engaged** with stakeholders to solicit input on these proposed changes before the forms are finalized later in 2020.

Currently, partners are required to report international tax information on their tax returns on several tax forms and schedules. Partners generally obtain the information required to be reported from their partnerships, usually through narrative statements attached to K-1s. Those statements are compiled in a variety of formats and may be difficult for partners to translate onto their own returns. The proposed changes intend to ease this burden through a standard format that offers greater clarity to both partnerships and their partners.

The standard format of the new partnership schedules is designed to better align the information that partnerships provide on the schedules with the tax forms used by partners, allowing partners to more easily prepare their tax returns and the IRS to more efficiently verify taxpayer compliance. It is intended that all of the information to be reported on the new schedules is already necessary for the partnership to provide to partners or is available to the partnership.

The Treasury Department and the IRS are releasing the **draft new** Schedule K-2 (Form 1065), Partners' Distributive Share Items – International and Schedule K-3 (Form 1065), Partner's – Share of Income, Deductions, Credits, etc. – International, both for tax year 2021 (filing season 2022), and the draft instructions, to allow partnerships and other stakeholders time to consider the proposed changes and to provide comments that can be taken into account in finalizing the schedules and instructions.

The proposed parts included in new Schedule K-2 (Form 1065) replace portions of existing Form 1065, Schedule K, lines 16(a) through 16(r). The proposed schedule

provides for international tax information to be reported in a standardized manner

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- Form 1116 (Foreign Tax Credit (Individual, Estate, or Trust)),
- Form 1118 (Foreign Tax Credit – Corporations),
- Form 1120 (U.S. Corporation Income Tax Return)
- Form 1120-F (U.S. Income Tax Return of a Foreign Corporation),
- Form 4797 (Sales of Business Property)
- Form 8949 (Sales and Other Dispositions of Capital Assets)
- Form 8991 (Tax on Base Erosion Payments of Taxpayers With Substantial Gross Receipts),
- Form 8992 (U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)), and
- Form 8993 (Section 250 Deduction for Foreign Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI)).

The Treasury Department and the IRS plan similar revisions, as applicable, to Form 1120-S (U.S. Income Tax Return for an S Corporation) and Form 8865 (Return of U.S. Persons With Respect to Certain Foreign Partnerships). The Treasury Department and the IRS welcome comments on similar changes to be made to Forms 1120-S and 8865 for the 2021 tax year.

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