

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

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Expansion of Tax Basis Limitation Rules

Limitation on Allowance of Losses – In General

Under current tax law, a partner's distributive share of a partnership loss is allowed only to the extent of the adjusted tax basis of the partner's interest in the partnership at the end of the partnership taxable year in which the loss occurred. Any losses in excess of the partner's adjusted tax basis are disallowed pro rata and are carried forward indefinitely for as long as the partner remains in the partnership.

Current law also provides that a partner's adjusted tax basis in a partnership interest includes the amount of money and the adjusted basis of property contributed to the partnership, increased by any gain recognized on the contribution. A partner's adjusted basis is increased by the partner's distributive share of taxable and tax-exempt income, and decreased by the partner's distributive share of partnership losses, nondeductible expenditures, and the amount of money and the adjusted basis of distributed property.

Prior Law

In applying the basis limitation on partner losses, charitable contributions and foreign taxes paid or accrued were not within the category of items that were treated as losses.

New Law

For partnership taxable years beginning after December 31, 2017, the TCJA provides that the tax basis limitation on the deductibility on partner's losses has been modified to include a partner's distributive share of partnership charitable contributions and foreign taxes paid or accrued. Where there is an appreciated (fair market value in excess adjusted basis) non-cash charitable contribution made by the partnership, a special rule provides that the excess of fair market value over adjusted basis is not taken in to account for partners distributive share in applying the basis limitation.

How will this impact your business? Speak with your Anchin Relationship Partner about how this specifically impacts you and your business.

If you have questions, contact your Anchin Relationship Partner or Clarence Kehoe, Leader of Anchin's Tax Department for more insight around these changes.



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212.840.3456 • www.anchin.com

