

Question 1 of 3

Exhibits: "YR 5 K-1 for Sven Nordstrom.pdf"

Sven Nordstrom is a 50% general partner of the Swedish Materials Partnership (SMP), a domestic partnership. The basis of his partnership interest on January 1, Year 5 was \$55,000, which included his \$25,000 share of liabilities. SMP has been profitable in previous years, but in Year 5, the partnership suffered a slowdown in business. Sven's Year 5 Schedule K-1 from the partnership is provided as an exhibit.

Task 1

Determine the amount, if any, of the ordinary business loss that is deductible on Sven's Year 5 personal tax return considering his basis and the at-risk amount. In Columns B and C, enter all amounts as positive, whole values. If a response is zero, enter a zero (0). If applicable, indicate in Column C the amount of any suspended loss related to the amount in Column B.

	A	B	C
1	Requirement	Amount deductible	Amount suspended
2	What amount of the ordinary business loss can Sven deduct considering only his basis?	<input type="text" value="123"/>	<input type="text" value="123"/>
3	What amount of ordinary business loss can Sven deduct after applying the at-risk rules?	<input type="text" value="123"/>	<input type="text" value="123"/>

Task 2

Assume Sven is a limited partner (instead of a general partner) and the partnership is considered a passive activity. Sven has passive income from other sources of \$16,500 for Year 5. Use any applicable information from the K-1 exhibit. In Columns B and C, enter all amounts as positive, whole values. If a response is zero, enter a zero (0). If applicable, indicate in Column C the amount of any suspended loss related to the amount in Column B.

	A	B	C
1	Scenario	Amount deductible	Amount suspended
2	What amount of the ordinary business loss can Sven deduct considering only his basis?	<input type="text" value="123"/>	<input type="text" value="123"/>

3	What amount of ordinary business loss can Sven deduct after applying the at-risk rules?	<input type="text" value="123"/>	<input type="text" value="123"/>
4	What is the total amount of the ordinary business loss that Sven can deduct considering all limitations?	<input type="text" value="123"/>	<input type="text" value="123"/>

Question 2 of 3

Exhibits: "Exhibit 1-Becker Brewing Company (BBC), LLC K-1.pdf"

Bert Becker, single, is a 40% member in the Becker Brewing Company (BBC), LLC, a domestic partnership. The outside basis of his partnership interest on January 1, Year 4, was \$33,500, which included his \$10,500 share of liabilities. Bert also has a 70% interest as a general partner in the MaryJane Partnership.

Bert needs your help in handling the tax implications of his involvement in these two entities for Year 4. Assume that the excess business loss deduction limitation for Year 4 is \$305,000.

Task 1

Determine the amount, if any, of the ordinary business loss that is deductible on Bert's Year 4 personal tax return for BBC considering his basis and at-risk amount. Use any applicable information from the *BBC K-1 exhibit* above. In column B, select the correct amount from the list.

	A	B
1	Requirement	Amount deductible
2	What amount of ordinary business loss can Bert deduct considering only his basis?	<input type="text"/>
3	What amount of ordinary business loss can Bert deduct after applying the at-risk rules?	<input type="text"/>

Task 2

Assume Bert is a limited partner (instead of a general partner) and the partnership is considered a passive activity. Bert has no passive income from other sources for Year 4. Use any applicable information from the *BBC K-1 exhibit* above. In column B, select the correct amount from the list.

	A	B
1	Requirement	Amount deductible
2	What amount of ordinary business loss can Bert deduct considering only his basis?	<input type="text"/>

3	What amount of ordinary business loss can Bert deduct after applying the at-risk rules?	<input type="text"/>
4	What amount of the ordinary business loss can Bert deduct considering the passive-activity loss rules?	<input type="text"/>

Available Options for 'Amount deductible':

1. \$40,000
2. \$35,000
3. \$30,000
4. \$28,000
5. \$23,000
6. \$10,000
7. \$0

Task 3

Assume that MaryJane Partnership reports a \$280,000 ordinary business loss on Bert's K-1 for Year 4. Bert's outside basis and at-risk amount in MaryJane at the end of Year 4 are both \$300,000. Considering both BBC and MaryJane, enter the amount of ordinary business loss that Bert can deduct considering all limitations and assuming that Bert is a general partner in both partnerships. Enter the amount as a positive, whole value. If the response is zero, enter a zero (0).

	A	B
1	Requirement	Amount deductible
2	What amount of the ordinary business loss can Bert deduct considering all limitations?	<input type="text" value="123"/>

Question 3 of 3

Sam "The Daredevil" Risky owns several business activities in year 20XX involving skydiving and bungee jumping. Recently, Sam purchased an interest in Houdini Escape Fun, an S corporation. The information below was obtained from Sam's year 20XX K-1's.

Kenosha Skydiving Thrills – Ordinary business income \$8,300

Beware Bungee Jumping – Ordinary business income \$10,200

Houdini Escape Fun – Ordinary business loss \$(19,500)

Sam purchased his interest in Houdini Escape Fun for \$7,500 on April 1, 20XX. Sam is a material participant in the skydiving and bungee jumping activities, but he is **not** a material participant in Houdini Escape Fun.

Enter the appropriate values in the cells below. Enter all values as positive numbers. If a value is zero, enter a zero (0).

	A	B
1	A	B
2	What is Sam's gross income that he must report from the activities listed above?	<input type="text" value="123"/>
3	Assuming that Sam is not a material participant in any of the activities, what is the gross income that he must report?	<input type="text" value="123"/>
4	What is Sam's ending basis in Houdini Escape Fun?	<input type="text" value="123"/>