

## **2007 Form 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships**

**Purpose:** This is the first circulated draft of the 2007 form 8865 for your review and comments. See below for a discussion of the major changes.

**TPCC Meeting:** None, but one may be arranged if requested.

**Prior Version:** The 2006 Form 8865 is available at:  
<http://www.irs.gov/pub/irs-pdf/f8865.pdf>.

**Instructions:** The 2007 Instructions for Form 8865 will be circulated at a later date. The 2006 instructions are available at: <http://www.irs.gov/pub/irs-pdf/i8865.pdf>.

**Other Products:** Circulations of draft tax forms, instructions, notices, and publications are posted at: [http://taxforms.web.irs.gov/draft\\_products.html](http://taxforms.web.irs.gov/draft_products.html).

**Comments:** Please email, fax, call, or mail any comments by **July 27, 2007**, to me at the address below and email the form's reviewer, Sharon Dewsbury, at [Sharon.A.Dewsbury@irs.gov](mailto:Sharon.A.Dewsbury@irs.gov).

Kelli Patilla  
Tax Forms and Publications  
SE:W:CAR:MP:T:B  
Phone: 202-283-2734  
Email: [Kelli.M.Patilla2@irs.gov](mailto:Kelli.M.Patilla2@irs.gov)

### **Major changes to the 2007 Form 8865**

1. All years are updated appropriately.
2. Schedule K, lines 16d through 16f and lines 16i through 16k have been revised to rename and reorder the categories of foreign gross income sourced at the partnership level and deductions allocated and apportioned at the partnership level to foreign source income. This reflects changes made to section 904 (d) by the American Jobs Creation Act of 2004. PL 108-357, sec 404.
3. Schedule M, line 2 has been revised to rename and reorder the categories of foreign assets per PL 108-357, sec 404.

# Return of U.S. Persons With Respect to Certain Foreign Partnerships

# 2007

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return. See separate instructions.**  
Information furnished for the foreign partnership's tax year beginning \_\_\_\_\_, 2007, and ending \_\_\_\_\_, 20 \_\_\_\_\_

Attachment Sequence No. **118**

Name of person filing this return	Filer's identifying number
-----------------------------------	----------------------------

Filer's address (if you are not filing this form with your tax return)	<b>A</b> Category of filer (see <b>Categories of Filers</b> in the instructions and check applicable box(es)): 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input type="checkbox"/>
	<b>B</b> Filer's tax year beginning _____, 20 _____, and ending _____, 20 _____

**C** Filer's share of liabilities: Nonrecourse \$ \_\_\_\_\_ Qualified nonrecourse financing \$ \_\_\_\_\_ Other \$ \_\_\_\_\_

**D** If filer is a member of a consolidated group but not the parent, enter the following information about the parent:

Name	EIN
Address	

**E** Information about certain other partners (see instructions)

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Category 1	Category 2	Constructive owner

<b>F1</b> Name and address of foreign partnership	<b>2</b> EIN (if any)
	<b>3</b> Country under whose laws organized

<b>4</b> Date of organization	<b>5</b> Principal place of business	<b>6</b> Principal business activity code number	<b>7</b> Principal business activity	<b>8a</b> Functional currency	<b>8b</b> Exchange rate (see instr.)
-------------------------------	--------------------------------------	--	--------------------------------------	-------------------------------	--------------------------------------

**G** Provide the following information for the foreign partnership's tax year:

<b>1</b> Name, address, and identifying number of agent (if any) in the United States	<b>2</b> Check if the foreign partnership must file: <input type="checkbox"/> Form 1042 <input type="checkbox"/> Form 8804 <input type="checkbox"/> Form 1065 or 1065-B Service Center where Form 1065 or 1065-B is filed:
<b>3</b> Name and address of foreign partnership's agent in country of organization, if any	<b>4</b> Name and address of person(s) with custody of the books and records of the foreign partnership, and the location of such books and records, if different

- 5** Were any special allocations made by the foreign partnership? . . . . . ▶  **Yes**  **No**
- 6** Enter the number of Forms 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, attached to this return (see instructions) . . . . . ▶ \_\_\_\_\_
- 7** How is this partnership classified under the law of the country in which it is organized? . . . . . ▶ \_\_\_\_\_
- 8** Did the partnership own any separate units within the meaning of Regulations section 1.1503-2(c)(3) or (4)? . . . . . ▶  **Yes**  **No**
- 9** Does this partnership meet **both** of the following requirements?  
     • The partnership's total receipts for the tax year were less than \$250,000 and  
     • The value of the partnership's total assets at the end of the tax year was less than \$600,000. } . . . . . ▶  **Yes**  **No**  
 If "Yes," **do not** complete Schedules L, M-1, and M-2.

**Sign Here Only If You Are Filing This Form Separately and Not With Your Tax Return.** Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member	Date
--	------

<b>Paid Preparer Sign and Complete Only If Form is Filed Separately.</b>	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN		
			Phone no. ( )	

**Schedule A Constructive Ownership of Partnership Interest.** Check the boxes that apply to the filer. If you check box **b**, enter the name, address, and U.S. taxpayer identifying number (if any) of the person(s) whose interest you constructively own. See instructions.

**a**  Owns a direct interest **b**  Owns a constructive interest

Name	Address	Identifying number (if any)	Check if foreign person	Check if direct partner

**Schedule A-1 Certain Partners of Foreign Partnership** (see instructions)

Name	Address	Identifying number (if any)	Check if foreign person

Does the partnership have any other foreign person as a direct partner?  **Yes**  **No**

**Schedule A-2 Affiliation Schedule.** List all partnerships (foreign or domestic) in which the foreign partnership owns a direct interest or indirectly owns a 10% interest.

Name	Address	EIN (if any)	Total ordinary income or loss	Check if foreign partnership

**Schedule B Income Statement—Trade or Business Income**

**Caution.** Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

<b>Income</b>	<b>1a</b> Gross receipts or sales . . . . .	<b>1a</b>			
	<b>b</b> Less returns and allowances . . . . .	<b>1b</b>			<b>1c</b>
	<b>2</b> Cost of goods sold . . . . .				<b>2</b>
	<b>3</b> Gross profit. Subtract line 2 from line 1c . . . . .				<b>3</b>
	<b>4</b> Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) . . . . .				<b>4</b>
	<b>5</b> Net farm profit (loss) (attach Schedule F (Form 1040)) . . . . .				<b>5</b>
	<b>6</b> Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797) . . . . .				<b>6</b>
	<b>7</b> Other income (loss) (attach statement) . . . . .				<b>7</b>
<b>8 Total income (loss).</b> Combine lines 3 through 7 . . . . .				<b>8</b>	
<b>Deductions</b> (see instructions for limitations)	<b>9</b> Salaries and wages (other than to partners) (less employment credits) . . . . .				<b>9</b>
	<b>10</b> Guaranteed payments to partners . . . . .				<b>10</b>
	<b>11</b> Repairs and maintenance . . . . .				<b>11</b>
	<b>12</b> Bad debts . . . . .				<b>12</b>
	<b>13</b> Rent . . . . .				<b>13</b>
	<b>14</b> Taxes and licenses . . . . .				<b>14</b>
	<b>15</b> Interest . . . . .				<b>15</b>
	<b>16a</b> Depreciation (if required, attach Form 4562) . . . . .	<b>16a</b>			
	<b>b</b> Less depreciation reported elsewhere on return . . . . .	<b>16b</b>			<b>16c</b>
	<b>17</b> Depletion ( <b>Do not</b> deduct oil and gas depletion.) . . . . .				<b>17</b>
	<b>18</b> Retirement plans, etc. . . . .				<b>18</b>
	<b>19</b> Employee benefit programs . . . . .				<b>19</b>
	<b>20</b> Other deductions (attach statement) . . . . .				<b>20</b>
	<b>21 Total deductions.</b> Add the amounts shown in the far right column for lines 9 through 20. . . . .				<b>21</b>
<b>22 Ordinary business income (loss)</b> from trade or business activities. Subtract line 21 from line 8				<b>22</b>	

**Schedule D Capital Gains and Losses**

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
<b>1</b>					
<b>2</b>	Short-term capital gain from installment sales from Form 6252, line 26 or 37 . . . . .				<b>2</b>
<b>3</b>	Short-term capital gain (loss) from like-kind exchanges from Form 8824 . . . . .				<b>3</b>
<b>4</b>	Partnership's share of net short-term capital gain (loss), including specially allocated short-term capital gains (losses), from other partnerships, estates, and trusts . . . . .				<b>4</b>
<b>5</b>	<b>Net short-term capital gain or (loss).</b> Combine lines 1 through 4 in column (f). Enter here and on Form 8865, Schedule K, line 8 or 11 . . . . .				<b>5</b>

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

(a) Description of property (e.g., 100 shares of "Z" Co.)	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Sales price (see instructions)	(e) Cost or other basis (see instructions)	(f) Gain or (loss) Subtract (e) from (d)
<b>6</b>					
<b>7</b>	Long-term capital gain from installment sales from Form 6252, line 26 or 37 . . . . .				<b>7</b>
<b>8</b>	Long-term capital gain (loss) from like-kind exchanges from Form 8824. . . . .				<b>8</b>
<b>9</b>	Partnership's share of net long-term capital gain (loss), including specially allocated long-term capital gains (losses), from other partnerships, estates, and trusts. . . . .				<b>9</b>
<b>10</b>	Capital gain distributions . . . . .				<b>10</b>
<b>11</b>	<b>Net long-term capital gain or (loss).</b> Combine lines 6 through 10 in column (f). Enter here and on Form 8865, Schedule K, line 9a or 11 . . . . .				<b>11</b>

<b>Schedule K Partners' Distributive Share Items</b>		<b>Total amount</b>	
<b>Income (Loss)</b>	<b>1</b> Ordinary business income (loss) (page 2, line 22) . . . . .	<b>1</b>	
	<b>2</b> Net rental real estate income (loss) ( <i>attach Form 8825</i> ) . . . . .	<b>2</b>	
	<b>3a</b> Other gross rental income (loss) . . . . .	<b>3a</b>	
	<b>b</b> Expenses from other rental activities ( <i>attach statement</i> ) . . . . .	<b>3b</b>	
	<b>c</b> Other net rental income (loss). Subtract line 3b from line 3a . . . . .	<b>3c</b>	
	<b>4</b> Guaranteed payments . . . . .	<b>4</b>	
	<b>5</b> Interest income . . . . .	<b>5</b>	
	<b>6</b> Dividends: <b>a</b> Ordinary dividends . . . . .	<b>6a</b>	
	<b>b</b> Qualified dividends . . . . .	<b>6b</b>	
	<b>7</b> Royalties . . . . .	<b>7</b>	
	<b>8</b> Net short-term capital gain (loss) . . . . .	<b>8</b>	
<b>Deductions</b>	<b>9a</b> Net long-term capital gain (loss) . . . . .	<b>9a</b>	
	<b>b</b> Collectibles (28%) gain (loss) . . . . .	<b>9b</b>	
	<b>c</b> Unrecaptured section 1250 gain ( <i>attach statement</i> ) . . . . .	<b>9c</b>	
	<b>10</b> Net section 1231 gain (loss) ( <i>attach Form 4797</i> ) . . . . .	<b>10</b>	
	<b>11</b> Other income (loss) ( <i>see instructions</i> ) Type ▶ . . . . .	<b>11</b>	
<b>Self-Employment</b>	<b>12</b> Section 179 deduction ( <i>attach Form 4562</i> ) . . . . .	<b>12</b>	
	<b>13a</b> Contributions . . . . .	<b>13a</b>	
	<b>b</b> Investment interest expense . . . . .	<b>13b</b>	
	<b>c</b> Section 59(e)(2) expenditures: <b>(1)</b> Type ▶ . . . . . <b>(2)</b> Amount ▶ . . . . .	<b>13c(2)</b>	
<b>Credits</b>	<b>d</b> Other deductions ( <i>see instructions</i> ) Type ▶ . . . . .	<b>13d</b>	
	<b>14a</b> Net earnings (loss) from self-employment . . . . .	<b>14a</b>	
	<b>b</b> Gross farming or fishing income . . . . .	<b>14b</b>	
	<b>c</b> Gross nonfarm income . . . . .	<b>14c</b>	
	<b>15a</b> Low-income housing credit (section 42(j)(5)) . . . . .	<b>15a</b>	
	<b>b</b> Low-income housing credit (other) . . . . .	<b>15b</b>	
<b>Foreign Transactions</b>	<b>c</b> Qualified rehabilitation expenditures (rental real estate) ( <i>attach Form 3468</i> ) . . . . .	<b>15c</b>	
	<b>d</b> Other rental real estate credits ( <i>see instructions</i> ) Type ▶ . . . . .	<b>15d</b>	
	<b>e</b> Other rental credits ( <i>see instructions</i> ) Type ▶ . . . . .	<b>15e</b>	
	<b>f</b> Other credits ( <i>see instructions</i> ) Type ▶ . . . . .	<b>15f</b>	
	<b>16a</b> Name of country or U.S. possession ▶ . . . . .	<b>16a</b>	
	<b>b</b> Gross income from all sources . . . . .	<b>16b</b>	
	<b>c</b> Gross income sourced at partner level . . . . .	<b>16c</b>	
	<i>Foreign gross income sourced at partnership level</i>		
	<b>d</b> Passive category ▶ . . . . . <b>e</b> General category ▶ . . . . . <b>f</b> Other ( <i>attach statement</i> ) ▶ . . . . .	<b>16f</b>	
	<i>Deductions allocated and apportioned at partner level</i>		
	<b>g</b> Interest expense ▶ . . . . . <b>h</b> Other . . . . . ▶ . . . . .	<b>16h</b>	
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>			
<b>i</b> Passive category ▶ . . . . . <b>j</b> General category ▶ . . . . . <b>k</b> Other ( <i>attach statement</i> ) ▶ . . . . .	<b>16k</b>		
<b>l</b> Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued . . . . .	<b>16l</b>		
<b>m</b> Reduction in taxes available for credit ( <i>attach statement</i> ) . . . . .	<b>16m</b>		
<b>n</b> Other foreign tax information ( <i>attach statement</i> ) . . . . .	<b>16n</b>		
<b>Alternative Minimum Tax (AMT) Items</b>	<b>17a</b> Post-1986 depreciation adjustment . . . . .	<b>17a</b>	
	<b>b</b> Adjusted gain or loss . . . . .	<b>17b</b>	
	<b>c</b> Depletion (other than oil and gas) . . . . .	<b>17c</b>	
	<b>d</b> Oil, gas, and geothermal properties—gross income . . . . .	<b>17d</b>	
	<b>e</b> Oil, gas, and geothermal properties—deductions . . . . .	<b>17e</b>	
	<b>f</b> Other AMT items ( <i>attach statement</i> ) . . . . .	<b>17f</b>	
<b>Other Information</b>	<b>18a</b> Tax-exempt interest income . . . . .	<b>18a</b>	
	<b>b</b> Other tax-exempt income . . . . .	<b>18b</b>	
	<b>c</b> Nondeductible expenses . . . . .	<b>18c</b>	
	<b>19a</b> Distributions of cash and marketable securities . . . . .	<b>19a</b>	
	<b>b</b> Distributions of other property . . . . .	<b>19b</b>	
	<b>20a</b> Investment income . . . . .	<b>20a</b>	
<b>b</b> Investment expenses . . . . .	<b>20b</b>		
<b>c</b> Other items and amounts ( <i>attach statement</i> ) . . . . .			

**Schedule L Balance Sheets per Books.** (Not required if Item G9, page 1, is answered "Yes.")

	Beginning of tax year		End of tax year	
	(a)	(b)	(c)	(d)
<b>Assets</b>				
<b>1</b> Cash . . . . .				
<b>2a</b> Trade notes and accounts receivable . . . . .				
<b>b</b> Less allowance for bad debts . . . . .				
<b>3</b> Inventories . . . . .				
<b>4</b> U.S. government obligations . . . . .				
<b>5</b> Tax-exempt securities . . . . .				
<b>6</b> Other current assets ( <i>attach statement</i> ) . . . . .				
<b>7</b> Mortgage and real estate loans . . . . .				
<b>8</b> Other investments ( <i>attach statement</i> ) . . . . .				
<b>9a</b> Buildings and other depreciable assets . . . . .				
<b>b</b> Less accumulated depreciation . . . . .				
<b>10a</b> Depletable assets . . . . .				
<b>b</b> Less accumulated depletion . . . . .				
<b>11</b> Land (net of any amortization) . . . . .				
<b>12a</b> Intangible assets (amortizable only) . . . . .				
<b>b</b> Less accumulated amortization . . . . .				
<b>13</b> Other assets ( <i>attach statement</i> ) . . . . .				
<b>14 Total</b> assets . . . . .				
<b>Liabilities and Capital</b>				
<b>15</b> Accounts payable . . . . .				
<b>16</b> Mortgages, notes, bonds payable in less than 1 year . . . . .				
<b>17</b> Other current liabilities ( <i>attach statement</i> ) . . . . .				
<b>18</b> All nonrecourse loans . . . . .				
<b>19</b> Mortgages, notes, bonds payable in 1 year or more . . . . .				
<b>20</b> Other liabilities ( <i>attach statement</i> ) . . . . .				
<b>21</b> Partners' capital accounts . . . . .				
<b>22 Total</b> liabilities and capital . . . . .				

**Schedule M Balance Sheets for Interest Allocation**

	(a) Beginning of tax year	(b) End of tax year
<b>1</b> Total U.S. assets . . . . .		
<b>2</b> Total foreign assets:		
<b>a</b> Passive category . . . . .		
<b>b</b> General category . . . . .		
<b>c</b> Other (attach statement) . . . . .		

**Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return.** (Not required if Item G9, page 1, is answered "Yes.")

<b>1</b> Net income (loss) per books . . . . .		<b>6</b> Income recorded on books this year not included on Schedule K, lines 1 through 11 (itemize):		
<b>2</b> Income included on Schedule K, lines 1, 2, 3c, 5, 6a, 7, 8, 9a, 10, and 11 not recorded on books this year (itemize): . . . . .		<b>a</b> Tax-exempt interest \$ . . . . .		
<b>3</b> Guaranteed payments (other than health insurance) . . . . .		<b>7</b> Deductions included on Schedule K, lines 1 through 13d, and 16l not charged against book income this year (itemize): . . . . .		
<b>4</b> Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16l (itemize):		<b>a</b> Depreciation \$ . . . . .		
<b>a</b> Depreciation \$ . . . . .				
<b>b</b> Travel and entertainment \$ . . . . .		<b>8</b> Add lines 6 and 7 . . . . .		
<b>5</b> Add lines 1 through 4 . . . . .		<b>9</b> Income (loss). Subtract line 8 from line 5 . . . . .		

**Schedule M-2 Analysis of Partners' Capital Accounts.** (Not required if Item G9, page 1, is answered "Yes.")

<b>1</b> Balance at beginning of year . . . . .		<b>6</b> Distributions: <b>a</b> Cash . . . . .		
<b>2</b> Capital contributed:		<b>b</b> Property . . . . .		
<b>a</b> Cash . . . . .		<b>7</b> Other decreases (itemize): . . . . .		
<b>b</b> Property . . . . .				
<b>3</b> Net income (loss) per books . . . . .		<b>8</b> Add lines 6 and 7 . . . . .		
<b>4</b> Other increases (itemize): . . . . .		<b>9</b> Balance at end of year. Subtract line 8 from line 5 . . . . .		
. . . . .				
<b>5</b> Add lines 1 through 4 . . . . .				

**Schedule N Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities**

**Important:** Complete a separate Form 8865 and Schedule N for each controlled foreign partnership. Enter the totals for each type of transaction that occurred between the foreign partnership and the persons listed in columns (a) through (d).

Transactions of foreign partnership	<b>(a)</b> U.S. person filing this return	<b>(b)</b> Any domestic corporation or partnership controlling or controlled by the U.S. person filing this return	<b>(c)</b> Any other foreign corporation or partnership controlling or controlled by the U.S. person filing this return	<b>(d)</b> Any U.S. person with a 10% or more direct interest in the controlled foreign partnership (other than the U.S. person filing this return)
<b>1</b> Sales of inventory . . . .				
<b>2</b> Sales of property rights (patents, trademarks, etc.)				
<b>3</b> Compensation received for technical, managerial, engineering, construction, or like services . . . .				
<b>4</b> Commissions received . . . .				
<b>5</b> Rents, royalties, and license fees received . . . .				
<b>6</b> Distributions received . . . .				
<b>7</b> Interest received . . . .				
<b>8</b> Other . . . . .				
<b>9</b> Add lines 1 through 8 . . . .				
<b>10</b> Purchases of inventory . . . .				
<b>11</b> Purchases of tangible property other than inventory . . . . .				
<b>12</b> Purchases of property rights (patents, trademarks, etc.) . . . .				
<b>13</b> Compensation paid for technical, managerial, engineering, construction, or like services . . . .				
<b>14</b> Commissions paid . . . .				
<b>15</b> Rents, royalties, and license fees paid . . . .				
<b>16</b> Distributions paid . . . .				
<b>17</b> Interest paid . . . . .				
<b>18</b> Other . . . . .				
<b>19</b> Add lines 10 through 18 . . . .				
<b>20</b> Amounts borrowed (enter the maximum loan balance during the year)—see instructions . . . .				
<b>21</b> Amounts loaned (enter the maximum loan balance during the year)—see instructions . . . . .				