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# Instructions for Form 8865

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

Section references are to the Internal Revenue Code unless otherwise noted.

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### What's New

#### The Tax Cuts and Jobs Act (TCJA) made the following provisions.

TCJA provides new section 267A, which states that a deduction for certain interest or royalty paid or accrued to a related party pursuant to a hybrid transaction or by, or to, a hybrid entity may be disallowed to the extent the related party, under its tax laws, does not include the amount in income or is allowed a deduction with respect to the amount. Line 5 is added to aid reporting under section 267A. See section 267A and *Item H5*, later.

- New section 199A provides that for tax years beginning after December 31, 2017, you may be entitled to a deduction of up to 20% of your qualified business income from a trade or business, including income from a pass-through entity, but not from a C corporation, plus 20% of qualified real estate investment trust (REIT) dividends and qualified publicly traded partnership (PTP) income. The deduction is subject to multiple limitations such as the type of trade or business, your taxable income, the amount of W-2 wages paid with respect to the trade or business, and the unadjusted basis immediately after acquisition of qualified property held by the trade or business. For more information, see section 199A and Pub. 535, Business Expenses.
- Business interest expense is limited under section 163(j) for tax years beginning in 2018. For this reason, if you deduct business interest, you're required to file Form 8990, Limitation on Business Interest Expense IRC 163(j), unless an exception for filing is met. One of the exceptions is the small business exception, which provides that a taxpayer, other than a tax shelter, with average annual gross receipts of \$25 million or less for the 3 prior tax years isn't required to file Form 8990. See Form 8990 and its instructions.
- New section 951A, which provides for the inclusion of global intangible low-taxed income by certain U.S.

shareholders (for tax years of foreign corporations beginning after December 31, 2017, and to tax years of U.S. shareholders in which or with which such tax years of foreign corporations end). TCJA also provides two new separate categories of income for purposes of the foreign tax credit computation. For this reason, Schedule K, line 16, has new lines and entry spaces for the section 951A category and the foreign branch category.

**Section 721(c).** Schedule G, Statement of Application of the Gain Deferral Method Under Section 721(c), must be filed for the year of a gain deferral contribution and for any subsequent tax year (even if the gain deferral contribution with respect to that property occurred before 2018) in which the gain deferral method is applied.

- Schedule H, Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c), must be filed if certain events occur with respect to section 721(c) property to which the gain deferral method is applied. See the specific instructions for [Schedule G](#) and [Schedule H, Gain deferral method, Gain deferral contribution, and Section 721\(c\) property](#), later.
- Other Form 8865 changes: (1) Line 6 is added to report whether the partnership is a section 721(c) partnership; (2) also added is new Schedule A-2. Foreign Partners of Section 721(c) Partnership (old Schedule A-2. Affiliation Schedule is renamed Schedule A-3. Affiliation Schedule). See [Section 721\(c\) partnership](#), later.
- Form 8865, Schedule O, Transfer of Property to a Foreign Partnership. Part I has a new column: (e), Recovery Period.

**Centralized partnership audit rules.** A Tax and Payment section is added to Schedule B to report interest due under the look-back method and the imputed underpayments due under the new centralized partnership audit rules. An imputed underpayment

### Future Developments

For the latest information about developments related to Form 8865, its schedules, and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8865](https://www.irs.gov/Form8865).

owed by a partner other than a partnership will generally be reported on the "Other taxes" line on the partner's income tax return.

## General Instructions

Only the general instructions for Schedules B, K, K-1, M-1, and M-2 are included later in these instructions. If you are required to complete these schedules for Form 8865, use the specific instructions for the corresponding schedules of Form 1065, U.S. Return of Partnership Income.

IF you are completing Form 8865...	THEN use the instructions for Forms 1065...
Schedule B	Form 1065, page 1 (income and deductions).
Schedules K and K-1	Schedules K and K-1.
Schedule L	Schedule L.
Schedule M-1	Schedule M-1.
Schedule M-2	Schedule M-2.

**Note.** If you are reporting capital gains and losses, use Schedule D (Form 1065). See the Instructions for Schedule D (Form 1065).

### Purpose of Form

Use Form 8865 to report the information required under section 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interests).

### Who Must File

A U.S. person qualifying under one or more of the Categories of Filers (see below) must complete and file Form 8865. These instructions and the [Filing Requirements for Categories of Filers](#) chart, later, explain the information, statements, and schedules required for each category of filer. If you qualify under more than one category for a particular foreign partnership, you must submit all the items required for each category under which you qualify.

**Example.** If you qualify as a Category 2 and a Category 3 filer, you must submit all the schedules

required of Category 2 filers (page 1 of Form 8865, Schedules A, A-2, N, and K-1) plus any additional schedules that Category 3 filers are required to submit (Schedules A-1 and O).

Complete a separate Form 8865 and the applicable schedules for each foreign partnership.

File the 2018 Form 8865 with your income tax return for your tax year beginning in 2018.

If a Form 8832, Entity Classification Election, was filed for this entity for the current tax year, see [When and Where To File](#) in the instructions for Form 8832 to determine if you are required to attach a copy of the Form 8832 to the tax return to which the Form 8865 is being attached.

If a domestic section 721(c) partnership is formed on or after January 18, 2017, and the gain deferral method is applied, then a U.S. transferor must file Form 8865 with respect to that partnership. See Temporary Regulations section 1.721(c)-6T(b)(4). See [Section 721\(c\) partnership](#), [Gain deferral method](#), and [U.S. transferor](#), later.

A U.S. transferor that is required to provide information with respect to a partnership under Temporary Regulations sections 1.721(c)-6T(b)(2)(iv) and 1.721(c)-6T(b)(3)(xi) must file a separate Form 8865 (along with all necessary schedules and attachments) for each partnership treated as a U.S. transferor under Temporary Regulations sections 1.721(c)-3T(d) and 1.721(c)-6T(c)(2). See [U.S. transferor](#), later.

### Categories of Filers

**Category 1 filer.** A Category 1 filer is a U.S. person who controlled the foreign partnership at any time during the partnership's tax year. Control of a partnership is ownership of more than a 50% interest in the partnership. See the definition of 50% interest, later. There may be more than one Category 1 filer for a partnership for a particular partnership tax year. See [U.S. person](#) and [Foreign partnership](#), later.

A Category 1 filer also includes a U.S. transferor who must report certain information with respect to a section 721(c) partnership for the year

of contribution and subsequent years, pursuant to Temporary Regulations section 1.721(c)-6T. A Category 1 filer fulfills this reporting requirement by filing Schedule G and, in certain circumstances, Schedule H. See [Section 721\(c\) partnership](#) and [U.S. transferor](#), later.

**Category 2 filer.** A Category 2 filer is a U.S. person who at any time during the tax year of the foreign partnership owned a 10% or greater interest in the partnership while the partnership was controlled by U.S. persons each owning at least a 10% interest. However, if the foreign partnership had a Category 1 filer at any time during that tax year, no person will be considered a Category 2 filer. See the definition of a [10% interest](#), later.

**Category 3 filer.** A Category 3 filer is a U.S. person who contributed property during that person's tax year to a foreign partnership in exchange for an interest in the partnership (a section 721 transfer), if that person either:

1. Owned directly or constructively at least a 10% interest in the foreign partnership immediately after the contribution, or
2. The value of the property contributed (when added to the value of any other property contributed to the partnership by such person, or any related person, during the 12-month period ending on the date of transfer) exceeds \$100,000.

If a domestic partnership contributes property to a foreign partnership, the domestic partnership's partners are considered to have transferred a proportionate share of the contributed property to the foreign partnership. However, if the domestic partnership files Form 8865 and properly reports all the required information with respect to the contribution, its partners will not be required to report the transfer.

A Category 3 filer includes a U.S. transferor who (i) contributes section 721(c) property to a section 721(c) partnership, and (ii) has reporting requirements pursuant to Temporary Regulations section 1.721(c)-6T(b)(2). The Category 3 filer fulfills this reporting requirement by filing Schedule G, in addition to Schedule O, and in certain

circumstances Schedule H. See [Section 721\(c\) property](#), later.

Category 3 also includes a U.S. person that previously transferred appreciated property to the partnership and was required to report that transfer under section 6038B, if the foreign partnership disposed of such property while the U.S. person remained a direct or indirect partner in the partnership.

**Category 4 filer.** A Category 4 filer is a U.S. person that had a reportable event under section 6046A during that person's tax year. There are three categories of reportable events under section 6046A: acquisitions, dispositions, and changes in proportional interests.

**Acquisitions.** A U.S. person that acquires a foreign partnership interest has a reportable event if:

- The person didn't own a 10% or greater direct interest in the partnership and as a result of the acquisition, the person owns a 10% or greater direct interest in the partnership (for example, from 9% to

10%). For purposes of this rule, an acquisition includes an increase in a person's direct proportional interest (see [Change in proportional interest](#), later); or

- Compared to the person's direct interest when the person last had a reportable event, after the acquisition the person's direct interest has increased by at least a 10% interest (for example, from 11% to 21%).

An acquisition of a section 721(c) partnership interest may be an acceleration event exception under the gain deferral method. See Temporary Regulations section 1.721(c)-5T. In this case, the acquirer may become a successor U.S. transferor and may have a reporting requirement under Temporary Regulations section 1.721(c)-6T. See the specific instructions for [Schedule H](#), later.

**Dispositions.** A U.S. person that disposes of a foreign partnership interest has a reportable event if:

- The person owned a 10% or greater direct interest in the

partnership before the disposition and as a result of the disposition the person owns less than a 10% direct interest (for example, from 10% to 8%). For purposes of this rule, a disposition includes a decrease in a person's direct proportional interest; or

- Compared to the person's direct interest when the person last had a reportable event, after the disposition the person's direct interest has decreased by at least a 10% interest (for example, from 21% to 11%).

A disposition of a section 721(c) partnership interest may be an acceleration event for purposes of applying the gain deferral method. The U.S. transferor may be required to recognize gain in an amount equal to the remaining built-in gain on the section 721(c) property previously contributed to the section 721(c) partnership. See Temporary Regulations section 1.721(c)-4T. For acceleration events exceptions, see Temporary Regulations section 1.721(c)-5T. See the specific instructions for [Schedule H](#), later.

## Filing Requirements for Categories of Filers

Filing Requirements	Category of Filers			
	1	2	3	4
Identifying information—(page 1 of Form 8865)	✓	✓	✓	✓
Schedule A—Constructive Ownership of Partnership Interest	✓	✓	✓	✓
Schedule A-1—Certain Partners of Foreign Partnership	✓		✓	
Schedule A-3—Affiliation Schedule	✓	✓	✓	✓
Schedule B—Income Statement—Trade or Business Income	✓			
Schedule G—Statement of Application of the Gain Deferral Method Under Section 721	✓		✓	✓
Schedule H—Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c)	✓		✓	✓
Schedule K—Partners' Distributive Share Items	✓			
Schedule L—Balance Sheets per Books	✓			
Schedule M—Balance Sheets for Interest Allocation	✓			
Schedule M-1—Reconciliation of Income (Loss) per Books With Income (Loss) per Return	✓			
Schedule M-2—Analysis of Partners' Capital Accounts	✓			
Schedule N—Transactions Between Controlled Foreign Partnership and Partners or Other Related Entities	✓	✓		
Schedule D—Schedule D (Form 1065), Capital Gains and Losses	✓			
Schedule K-1—Partner's Share of Income, Deductions, Credits, etc. (direct partners only)	✓	✓		
Schedule O—Transfer of Property to a Foreign Partnership			✓	
Schedule P—Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership				✓



**Changes in proportional interests.** A U.S. person has a reportable event if compared to the person's direct proportional interest the last time the person had a reportable event, the person's direct proportional interest has increased or decreased by at least the equivalent of a 10% interest in the partnership.

**Special rule for a partnership interest owned on December 31, 1999.** If the U.S. person owned at least a 10% direct interest in the foreign partnership on December 31, 1999, then comparisons should be made to the person's direct interest on December 31, 1999. Once the person has a reportable event after December 31, 1999, future comparisons should be made by reference to the last reportable event.

### Exceptions to Filing

**Multiple Category 1 filers.** If during the tax year of the partnership more than one U.S. person qualifies as a Category 1 filer, only one of these Category 1 partners is required to file Form 8865. A U.S. person with a controlling interest in the losses or deductions of the partnership isn't permitted to be the filer of Form 8865 if another U.S. person has a controlling interest in capital or profits; only the latter may file the return. The U.S. person that files the Form 8865 must complete item F on page 1.

The single Form 8865 to be filed must contain all of the information that would be required if each Category 1 filer filed a separate Form 8865. Specifically, separate Schedules N and K-1 must be attached to the Form 8865 for each Category 1 filer. Also, items B, C, and D on page 1 and Schedule A on page 2 of Form 8865 must be completed for each Category 1 filer not filing the form. Attach a separate statement listing this information to the single Form 8865.

A Category 1 filer not filing Form 8865 must attach a statement entitled "Controlled Foreign Partnership Reporting" to that person's income tax return.

The statement must include the following information.

- A statement that the person qualified as a Category 1 filer, but is not submitting Form 8865 under the multiple Category 1 filers exception.

- The name, address, and identifying number (if any) of the foreign partnership of which the person qualified as a Category 1 filer.
- A statement that the filing requirement has been or will be satisfied.
- The name and address of the person filing Form 8865 for this partnership.
- The Internal Revenue Service Center where the Form 8865 must be filed (or indicate "e-file" if the Form 8865 has been or will be filed electronically).



*A U.S. person who qualifies for this exception to the Category 1 filing requirement would still have to file a separate Form 8865 if that person is also subject to the filing requirements of Category 3 or 4. This separate Form 8865 would include all the information required for a Category 3 filer, Category 4 filer, or is a U.S. transferor who must report certain information with respect to a section 721(c) partnership for the year of contribution and subsequent years, pursuant to Temporary Regulations section 1.721(c)-6T, in addition to the Controlled Foreign Partnership Reporting statement.*

**Constructive owners.** See [Constructive ownership](#), later. A Category 1 or 2 filer that doesn't own a direct interest in the partnership and that is required to file this form solely because of constructive ownership from a U.S. person(s) is not required to file Form 8865 if:

1. Form 8865 is filed by the U.S. person(s) through which the indirect partner constructively owns an interest in the foreign partnership,
2. The U.S. person through which the indirect partner constructively owns an interest in the foreign partnership is also a constructive owner and meets all the requirements of this constructive ownership filing exception, or
3. Form 8865 is filed for the foreign partnership by another Category 1 filer under the multiple Category 1 filers exception.

To qualify for the constructive ownership filing exception, the indirect partner must file with its income tax return a statement entitled "Controlled Foreign Partnership Reporting."

This statement must contain the following information.

1. A statement that the indirect partner was required to file Form 8865, but isn't doing so under the constructive owners exception.
2. The names and addresses of the U.S. persons whose interests the indirect partner constructively owns.
3. The name and address of the foreign partnership for which the indirect partner would have had to have filed Form 8865, but for this exception.
4. If the indirect partner is a domestic corporation, a statement setting forth all the information that the indirect partner would have had to provide in response to questions 8a and 8b on Form 8865. See [Item H9. Separate Units Note](#), later, for more information.

**Members of an affiliated group of corporations filing a consolidated return.** If one or more members of an affiliated group of corporations filing a consolidated return qualify as Category 1 or 2 filers for a particular foreign partnership, the common parent corporation may file one Form 8865 on behalf of all of the members of the group required to report. Except for group members who also qualify under the constructive owners exception, the Form 8865 must contain all the information that would have been required to be submitted if each group member filed its own Form 8865.

**Exception for certain trusts.** Trusts relating to state and local government employee retirement plans aren't required to file Form 8865.

**Exception for certain Category 4 filers.** If you qualify as a Category 3 and 4 filer because you contributed property to a foreign partnership in exchange for a 10% or greater interest in that partnership, you aren't required to report this transaction under both Category 3 and 4 filing requirements. If you properly report the contribution of property under the Category 3 rules, you aren't required to report it as a Category 4 filer. However, the acquisition will count as a reportable event to determine if a later change in your partnership interest qualifies as a reportable event under Category 4.

**Example.** Partner A doesn't own an interest in FPS, a foreign partnership. Partner A transfers property to FPS in exchange for a 15% direct interest. Partner A qualifies as a Category 3 filer because he transferred property to a foreign partnership and owned at least a 10% interest in FPS immediately after the contribution. Partner A is also a Category 4 filer because he didn't own a 10% or greater direct interest in FPS and as a result of the acquisition now owns a 10% or greater direct interest in FPS. If Partner A properly reports the contribution on Form 8865 as a Category 3 filer, Partner A isn't required to report his acquisition of the 15% interest in FPS as a Category 4 filer.

### Relief for Category 1 and 2 Filers When the Foreign Partnership Files Form 1065

If a foreign partnership files Form 1065 for its tax year, Category 1 and 2 filers may use a copy of the completed Form 1065 schedules in place of the equivalent schedules of Form 8865.

If you file Form 8865 with an electronically filed income tax return, see the electronic filing publications identified in the instructions for your income tax return for more information.

See the first paragraph under [General Instructions](#), earlier, for the Form 1065 schedules that are equivalent to the Form 8865 schedules.

**Example.** Partner A is a Category 1 filer with respect to FPS, a foreign partnership during the 2018 tax year. FPS completes and files a Form 1065 for its 2018 tax year. Instead of completing Schedules B, K, L, M-1, M-2, and K-1 of Form 8865, Partner A may attach to its Form 8865 page 1 of Form 1065 and Form 1065 Schedules K, L, M-1, M-2, and K-1 (including the Schedules K-1 for Partner A and all other U.S. persons owning 10% or greater direct interests in FPS). Partner A must complete the following items and schedules on Form 8865.

- The first page.
- Schedule A.
- Schedule A-1.
- Schedule A-2.
- Schedule A-3.
- Schedule G.

- Schedule H.
- Schedule M.
- Schedule N.

**Example.** Partner A is a Category 2 filer with respect to FPS, a foreign partnership. If FPS completes and files a Form 1065 for its 2018 tax year, Partner A may file with Form 8865 the Schedule K-1 (Form 1065) that it receives from the partnership instead of Schedule K-1 (Form 8865). Partner A must complete the following items and schedules on Form 8865.

- The first page.
- Schedule A.
- Schedule A-2.
- Schedule N.

### When and Where To File

Attach Form 8865 to your income tax return (or, if applicable, partnership or exempt organization return) and file both by the due date (including extensions) for that return. If you don't have to file an income tax return, you must file Form 8865 separately with the IRS at the time and place you would be required to file an income tax return (or, if applicable, a partnership or exempt organization return). See below for penalties that may apply if you don't file Form 8865 on time.

### Definitions

**Partnership.** A partnership is the relationship between two or more persons who join to carry on a trade or business, with each person contributing money, property, labor, or skill and each expecting to share in the profits and losses of the business whether or not a formal partnership agreement is made.

The term "partnership" includes a limited partnership, syndicate, group, pool, joint venture, or other unincorporated organization, through or by which any business, financial operation, or venture is carried on, that isn't, within the meaning of the regulations under section 7701, a corporation, trust, estate, or sole proprietorship.

A joint undertaking merely to share expenses isn't a partnership. Mere co-ownership of property that is maintained and leased or rented isn't a partnership. However, if the co-owners provide services to the tenants, a partnership exists.

**Foreign partnership.** A foreign partnership is a partnership that isn't created or organized in the United States or under the law of the United States or of any state or the District of Columbia. If a domestic section 721(c) partnership is formed on or after January 18, 2017, and the gain deferral method is applied, then the section 721(c) partnership is treated as a foreign partnership for purposes of Form 8865 and these instructions. See Temporary Regulations section 1.721(c)-6T(b)(4).

**Section 721(c) partnership.** A partnership (domestic or foreign) is a section 721(c) partnership if there is a contribution of section 721(c) property to the partnership and, after the contribution (and all transactions related to the contribution), (A) a related foreign person with respect to the U.S. transferor is a direct or indirect partner in the partnership, and (B) the U.S. transferor and related persons own 80% or more of the interests in partnership capital, profits, deductions, or losses. See Temporary Regulations section 1.721(c)-1T(b)(14).

**U.S. transferor.** A U.S. transferor is a U.S. person other than a domestic partnership. See Temporary Regulations section 1.721(c)-1T(b)(18).

**Section 721(c) property.** Section 721(c) property is property (other than excluded property) with built-in gain that is contributed to a partnership by a U.S. transferor, including pursuant to a contribution described in Temporary Regulations section 1.721(c)-2T(d) (partnership look-through rule). See Temporary Regulations section 1.721(c)-1T(b)(15).

**Gain deferral contribution.** A gain deferral contribution is a contribution of section 721(c) property to a section 721(c) partnership with respect to which the recognition of gain is deferred under the gain deferral method. See Temporary Regulations section 1.721(c)-1T(b)(7).

**Gain deferral method.** The gain deferral method is the method described in Temporary Regulations section 1.721(c)-3T(b) applied to avoid the immediate recognition of gain upon a contribution of section 721(c) property to a section 721(c)



partnership under Temporary Regulations section 1.721(c)-2T(b).

**50% interest.** A 50% interest in a partnership is an interest equal to:

- 50% of the capital,
- 50% of the profits, or
- 50% of the deductions or losses.

For purposes of determining a 50% interest, the constructive ownership rules described below apply.

**10% interest.** A 10% interest in a partnership is an interest equal to:

- 10% of the capital,
- 10% of the profits, or
- 10% of the deductions or losses.

For purposes of determining a 10% interest, the constructive ownership rules described below apply.

**Constructive ownership.** For purposes of determining an interest in a partnership, the constructive ownership rules of section 267(c) (excluding section 267(c)(3)) apply, taking into account that such rules refer to corporations and not to partnerships. Generally, an interest owned directly or indirectly by or for a corporation, partnership, estate, or trust shall be considered as being owned proportionately by its owners, partners, or beneficiaries.

Also, an individual is considered to own an interest owned directly or indirectly by or for his or her family. The family of an individual includes only that individual's spouse, brothers, sisters, ancestors, and lineal descendants. An interest will be attributed from a nonresident alien individual under the family attribution rules only if the person to whom the interest is attributed owns a direct or indirect interest in the foreign partnership under section 267(c)(1) or (5).

**U.S. person.** A U.S. person is a citizen or resident of the United States, a domestic partnership, a domestic corporation, and any estate or trust that is not foreign. See section 7701(a)(30).

**Control of a corporation.** For purposes of Schedule N, control of a corporation is ownership of stock possessing more than 50% of the total combined voting power, or more than 50% of the total value of shares of all classes of stock of the corporation. For rules concerning indirect ownership and attribution, see Regulations section 1.6038-2(c).

### **Change in a proportional interest.**

A partner's proportional interest in a foreign partnership can change as a result of changes in other partners' interests, for example, when another partner withdraws from the partnership. A partner's proportional interest can also change, for example, by operation of the partnership agreement (for example, if the partnership agreement provides that a partner's interest in profits will change on a set date or when the partnership has earned a specified amount of profits, then the partner's proportional interest changes when the set date or specified amount of profits is reached).

### **Penalties**

#### **Failure to timely submit all information required of Category 1 and 2 filers.**

- A \$10,000 penalty is imposed for each tax year of each foreign partnership for failure to furnish the required information within the time prescribed. If the information is not filed within 90 days after the IRS has mailed a notice of the failure to the U.S. person, an additional \$10,000 penalty (per foreign partnership) is charged for each 30-day period, or fraction thereof, during which the failure continues after the 90-day period has expired. The additional penalty is limited to a maximum of \$50,000 for each failure.
- Any person who fails to furnish all of the information required within the time prescribed will be subject to a reduction of 10% of the foreign taxes available for credit under sections 901, 902 (for dividends paid in pre-2018 tax years of foreign corporations), and 960. If the failure continues 90 days or more after the date the IRS mails notice of the failure, an additional 5% reduction is made for each 3-month period, or fraction thereof, during which the failure continues after the 90-day period has expired. See section 6038 (and the underlying regulations) for the maximum reduction, the exception due to reasonable cause, and for limits on the amount of these penalties.
- Criminal penalties under sections 7203, 7206, and 7207 may apply for failure to file or for filing false or fraudulent information.

Additionally, any person that files under the constructive owners exception may be subject to these penalties if all the requirements of the exception aren't met. Any person required to file Form 8865 who doesn't file under the multiple Category 1 filers exception may be subject to the above penalties if the other person doesn't file a correctly completed form and schedules. See [Exceptions to Filing](#), earlier.

#### **Failure to file information required of Category 3 filers.**

Any person that fails to properly report a contribution to a foreign partnership that is required to be reported under section 6038B and the regulations under that section is subject to a penalty equal to 10% of the fair market value (FMV) of the property at the time of the contribution. This penalty is subject to a \$100,000 limit, unless the failure is due to intentional disregard. In addition, the transferor must recognize gain on the contribution as if the contributed property had been sold for its FMV. See section 6038B for the exception due to reasonable cause.

#### **Failure to file information required of Category 4 filers.**

Any person who fails to properly report all the information requested by section 6046A is subject to a \$10,000 penalty, in addition to the section 7203 criminal penalty, unless it is shown that such failure is due to reasonable cause. If the failure continues for more than 90 days after the IRS mails notice of the failure, an additional \$10,000 penalty will apply for each 30-day period (or fraction thereof) during which the failure continues after the 90-day period has expired. The additional penalty shall not exceed \$50,000.

#### **Treaty-based return positions.**

File Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), to report a return position that a treaty of the United States (such as an income tax treaty, an estate and gift tax treaty, or a friendship, commerce, and navigation treaty):

- Overrides or modifies any provision of the Internal Revenue Code, and
- Causes (or potentially causes) a reduction of any tax incurred at any time.

Failure to make such a report may result in a \$1,000 penalty (\$10,000 in the case of a C corporation). See section 6712.

**Section 6662(j).** Penalties may be imposed for underpayment attributable to undisclosed foreign financial asset understatements. The term “undisclosed foreign financial asset” with respect to any tax year includes any asset with respect to which required information was not provided. An “undisclosed foreign financial asset understatement” means for any tax year, the portion of the understatement for that tax year which is attributable to any transaction involving an undisclosed foreign financial asset. No penalty will be imposed with respect to any portion of an underpayment if the taxpayer can demonstrate that the failure to comply was due to reasonable cause with respect to such portion of the underpayment and the taxpayer acted in good faith with respect to such portion of the underpayment. See sections 6662(j) and 6664(c) for additional information.

**Failure to comply with a requirement of the gain deferral method.** Failure to comply with a requirement of the gain deferral method, including a failure to comply with the procedural and reporting requirements imposed under Temporary Regulations sections 1.721(c)-3T and 1.721(c)-6T and section 6038B, may result in an acceleration event under Temporary Regulations section 1.721(c)-4T(b)(2) and a penalty under section 6038B. See the specific instructions for [Schedule G](#) and [Schedule H](#), later.

### Corrections to Form 8865

If you file a Form 8865 that you later determine is incomplete or incorrect, file a corrected Form 8865 with an amended tax return following the instructions for the return with which you originally filed Form 8865. Write “corrected” at the top of the form and attach a statement identifying and explaining the changes.

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## Specific Instructions

**Important:** All information must be in English. All amounts must be stated in U.S. dollars.

If the information required in a given section exceeds the space

provided within that section, attach separate statement(s) to provide the remaining information, using the same size and format as the printed forms.

**Fill in all applicable lines and schedules.** All categories of filers must complete all items on page 1, with three exceptions. Complete item E only if, in addition to filing the form on your own behalf, you are reporting information about other Category 1 filers under the multiple Category 1 filing exception, or you are reporting information about members of your affiliated group of corporations under the consolidated return exception. Only Category 1 and 2 filers are required to complete item H8. See [Exceptions to Filing](#), earlier. Answer items H10 and H11 only if you are a Category 1 filer.

### Tax Year

Enter in the space below the title of Form 8865 the tax year of the foreign partnership that ended with or within the tax year of the person filing this form. Category 1 or 2 filers must report information for the tax year of the foreign partnership that ends with or within their tax years. A Category 3 or 4 filer must report on Schedules O or P, respectively, transactions that occurred during that filer's tax year (rather than during the partnership's tax year).

### Identifying Numbers and Addresses

Enter the identifying number of the person filing this return. Use an employer identification number (EIN) to identify partnerships, corporations, and estates or trusts. For individuals, use a social security number (SSN) or other identification number.

Include the suite, room, or other unit number after the street address. If the Post Office doesn't deliver mail to the street address and the U.S. person has a P.O. box, show the box number instead.

**Foreign address.** Enter the information in the following order: city or town, state or province, and country. Follow the country's practice for entering the postal code, if any. Don't abbreviate the country name.

### Item A. Category of Filer

Check the box for each category that describes the person filing the form. If more than one category applies,

check all boxes that apply. See [Categories of Filers](#), earlier.

### Item C

Enter the filer's share of nonrecourse liabilities, partnership-level qualified nonrecourse financing, and other liabilities. Nonrecourse liabilities are those liabilities of the partnership for which no partner bears the economic risk of loss. The extent to which a partner bears the economic risk is determined under the rules of Regulations section 1.752-2.

“Qualified nonrecourse financing” generally includes financing:

- For which no one is personally liable for repayment;
- That is borrowed for use in an activity of holding real property; and
- That is borrowed from a qualified person (defined in section 49(a)(1)(D)(iv)) or is lent or guaranteed by a federal, state, or local government.

See section 465(b)(6) for more information on qualified nonrecourse financing.

### Item D. Identification of Common Parent

If the person filing the form is a member of a consolidated group, but not the parent, list the name, address, and EIN of the filer's common parent.

### Item E

Check the item E checkbox only if the Form 8865 filer also files Form 8938, Statement of Specified Foreign Financial Assets, for the tax year and includes this form in the total number of Forms 8865 reported on Form 8938, Part IV, line 5. For more information, see the Instructions for Form 8938, generally, and in particular, *Duplicative Reporting and Part IV, Excepted Specified Foreign Financial Assets*.

### Item F

#### Information about certain partners.

If you are reporting information about other persons under the multiple Category 1 filers exception, or are reporting information about members of your affiliated group of corporations under the consolidated return exception (see [Exceptions to Filing](#), earlier), identify each such person in item F. List their names, addresses, and identifying numbers. Also, indicate whether each person is a Category 1 filer or Category 2 filer,



and whether such person constructively owned an interest in the foreign partnership during the tax year of the partnership listed at the top of Form 8865, page 1. See [Constructive ownership](#), earlier.

### Item G1

For the foreign partnership's address, enter the city or town, state or province, and the foreign country in that order. Follow the foreign country's practice in placing the postal code in the address. Don't abbreviate the country name. If the partnership receives its mail in care of a third party (such as an accountant or attorney), enter "C/O" followed by the third party's name and street address or P.O. box.

### Item G2(b)

A reference ID number (defined below) is required on item G2(b) only in cases where no EIN was entered on item G2(a) for the foreign partnership. However, filers are permitted to enter both an EIN on item G2(a) and a reference ID number on item G2(b). If applicable, enter the reference ID number you have assigned to the foreign partnership identified on item G1.

A "reference ID number" is a number established by or on behalf of the U.S. person identified at the top of page 1 of the form that is assigned to a foreign partnership with respect to which Form 8865 reporting is required. These numbers are used to uniquely identify the foreign partnership in order to keep track of the partnership from tax year to tax year.

The reference ID number must meet the requirements set forth below.

**Note.** Because reference ID numbers are established by or on behalf of the U.S. person filing Form 8865, there is no need to apply to the IRS to request a reference ID number or for permission to use these numbers.

**Note.** Generally, the reference ID number assigned to a foreign partnership on Form 8865 has relevance only on Form 8865, its schedules, and any other form that is attached to or associated with Form 8865, and should not be used with respect to that foreign partnership on other IRS forms. However, the foreign

partnership's reference ID number should also be entered on Form 8858, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, if the foreign partnership is listed as a tax owner of a foreign disregarded entity on Form 8858. See the instructions for Form 8858, line 3c(2), for more information.

### Requirements

The reference ID number that is entered in item F2(b) must be alphanumeric (defined below) and no special characters or spaces are permitted. The length of a given reference ID number is limited to 50 characters.

For these purposes, the term "alphanumeric" means the entry can be alphabetical, numeric, or any combination of the two.

The same reference ID number must be used consistently from tax year to tax year with respect to a given foreign partnership. If for any reason a reference ID number falls out of use (for example, the foreign partnership no longer exists due to disposition or liquidation), the reference ID number used for that foreign partnership cannot be used again for another foreign partnership for purposes of Form 8865 reporting.

There are some situations that warrant correlation of a new reference ID number with a previous reference ID number when assigning a new reference ID number to a foreign partnership. For example:

- In the case of a merger or acquisition, a Form 8865 filer must use a reference ID number which correlates the previous reference ID number with the new reference ID number assigned to the foreign partnership.
- In the case of an entity classification election that is made on behalf of the foreign partnership on Form 8832, Regulations section 301.6109-1(b)(2)(v) requires the foreign partnership to have an EIN for this election. For the first year that Form 8865 is filed after an entity classification election is made on behalf of the foreign partnership on Form 8832, the new EIN must be entered on item G2(a) of Form 8865 and the old reference ID number must

be entered on item G2(b). In subsequent years, the filer may continue to enter both the EIN on item G2(a) and the reference ID number on item G2(b), but must enter at least the EIN on item G2(a).

You must correlate the reference ID numbers as follows: New reference ID number (space) Old reference ID number. If there is more than one old reference ID number, you must enter a space between each such number. As indicated above, the length of a given reference ID number is limited to 50 characters and each number must be alphanumeric and no special characters are permitted.

**Note.** This correlation requirement applies only to the first year the new reference ID number is used.

### Item G6. Principal Business Activity Code

**If the foreign partnership filed Form 1065.** Enter the business code number (principal business activity code) shown in item C of the Form 1065 filed by the partnership.

**If the foreign partnership did not file Form 1065.** Enter the applicable principal business activity code from [Codes for Principal Business Activity and Principal Product or Service](#) near the end of the instructions. If the information necessary to apply the total receipts test is not available, pick a principal business activity code using the information you have about the partnership.

### Item G8a. Functional Currency

Enter the foreign partnership's functional currency. See sections 985 through 989 and the regulations thereunder. If the partnership had more than one qualified business unit (QBU), attach a statement identifying each QBU, its country of operation, and its functional currency. A QBU is any separate and clearly identified unit of a trade or business of the partnership which maintains separate books and records.

**Hyperinflationary exception.** A partnership that has a hyperinflationary currency as its functional currency is subject to special rules set forth in Regulations section 1.985-3. Under these rules, a partnership must use the U.S. dollar as its functional currency.

## Item G8b. Exchange Rate

When translating functional currency to U.S. dollars, you must use the method specified in sections 985 through 989 and the regulations thereunder. But, regardless of the specific method required, all exchange rates must be reported using a “divide-by convention” rounded to at least four places. That is, the exchange rate must be reported in terms of the amount by which the functional currency amount must be divided in order to reflect an equivalent amount of U.S. dollars. As such, the exchange rate must be reported as the units of foreign currency that equal one U.S. dollar, rounded to at least four places. Do not report the exchange rate as the number of U.S. dollars that equal one unit of foreign currency.

**Note.** You must round the result to more than four places if failure to do so would materially distort the exchange rate or the equivalent amount of U.S. dollars.

## Item H2

If the foreign partnership was required to file Form 1065 for the partnership's tax year listed at the top of page 1 (Form 8865), check the applicable box and enter the Internal Revenue Service Center where the form was or will be filed (or enter “e-file” if the form was or will be filed electronically). Also, check the applicable box(es) if the foreign partnership was required to file (for its tax year) Form 8804, Annual Return for Partnership Withholding Tax (Section 1446), or (for the calendar year ending with or within the foreign partnership's tax year) Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons.

## Item H5

Section 267A disallows a deduction for certain interest and royalty payments or accruals. In general, section 267A applies when the following occur.

- The interest or royalty is paid or accrued to a related party.
- Under its tax laws, the related party either:
  1. Doesn't include the full amount in income, or
  2. Is allowed a deduction with respect to the amount.

- The amount is paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity.

When section 267A applies, the deduction is generally disallowed to the extent the related party doesn't include the amount in income or is allowed a deduction with respect to the amount. However, the deduction isn't disallowed to the extent the amount is included in the gross income of a U.S. shareholder under section 951(a). For definitions of terms, see section 267A.

## Item H6

Answer “Yes” to item H6 if the partnership is a section 721(c) partnership. If the answer is “Yes,” see the specific instructions for Schedules G and H, relating to the gain deferral method, and, if applicable, Schedule O, relating to the contribution of property during the tax year. See [Section 721\(c\) partnership](#), earlier.

## Item H8

**Note.** Only Category 1 and 2 filers are required to complete item H8. Enter the number of Forms 8858 attached to Form 8865. A disregarded entity is an entity that is disregarded as an entity separate from its owner under Regulations section 301.7701-2(c)(2). The partnership is the tax owner of the foreign disregarded entity if it is treated as owning the assets and liabilities of the foreign disregarded entity for purposes of U.S. income tax law.

If the foreign partnership is the tax owner of a foreign disregarded entity or operates a foreign branch and you are a Category 1 or 2 filer of Form 8865, complete and attach Form 8858 to Form 8865. For more information, see the Instructions for Form 8858.

## Item H10. Separate Units

**Note.** Only Category 1 filers (or indirect partners that are filing the constructive ownership exception statement) are required to answer items H10a and H10b, if applicable. Answer “Yes” to item H10a, if the filer is a domestic corporation and (1) the partnership is a hybrid entity, or (2) the filer, through its interest in the partnership, indirectly owns an interest in a hybrid entity or indirectly carries on a business operation outside the United States that, if carried on by a U.S. person, would

constitute a foreign branch (as defined in Regulations section 1.367(a)-6T(g)(1)). Under Regulations section 1.1503(d)-1(b)(3), a hybrid entity means an entity that is not taxable as an association for U.S. federal tax purposes, but is subject to an income tax of a foreign country as a corporation (or otherwise at the entity level) either on its worldwide income or on a residence basis. If the answer to item H10a is “No,” skip item H10b.

See Regulations section 1.1503(d)-1(b)(4) for more information on separate units, including information on when two or more individual separate units are combined and treated as one separate unit. If you answer “Yes” to item H10b, then, for each separate unit that has a dual consolidated loss, attach a statement that sets forth (1) the identity and country of operation of the separate unit or, in the case of a combined separate unit, the identity and country of operation of each individual separate unit that is treated as part of the combined separate unit, and (2) the amount of the dual consolidated loss. See Regulations section 1.1503(d)-5 for rules on determining the amount of a dual consolidated loss attributable to a separate unit.

## Item H11

**Note.** Only Category 1 filers are required to answer item H11. Answer “Yes” to item H11 if the partnership meets both of the requirements shown on the form. Total receipts is defined as the sum of gross receipts or sales (Schedule B, line 1a); all other income reported on Schedule B (lines 4 through 7); income reported on Schedule K, lines 3a, 5, 6a, and 7; income or net gain reported on Schedule K, lines 8, 9a, 10, and 11; and income or net gain reported on Form 8825, Rental Real Estate Income and Expenses of a Partnership or an S Corporation, lines 2, 19, and 20a.

## Signature

**Filer.** Don't sign Form 8865 if you are filing it as an attachment to your income tax return. Sign the return only if you are filing Form 8865 separately because you aren't required to file a U.S. income tax return. See [When](#)

[and Where To File](#), earlier, for more information.

**Paid preparer.** Don't sign Form 8865 or complete the paid preparer section at the bottom of the form if Form 8865 is filed as an attachment to an income tax return. Sign Form 8865 and complete the paid preparer section only if Form 8865 is filed separately.

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## Schedule A. Constructive Ownership of Partnership Interest

All filers must complete Schedule A. Check box a if the person filing the return owns a direct interest in the foreign partnership. Check box b if the person filing the return constructively owns an interest in the foreign partnership. See [Constructive ownership](#), earlier.

**Category 1 and 2 filers.** Category 1 and 2 filers must list the persons (U.S. and foreign) whose interests in the foreign partnership they constructively owned during the partnership tax year.

**Category 3 filers.** Category 3 filers must list the persons (U.S. and foreign) whose interests in the foreign partnership they constructively owned during the filer's tax year that the reportable transfer occurred. See [Schedule A-2. Foreign Partners of Section 721\(c\) Partnership](#), later.

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## Schedule A-1. Certain Partners of Foreign Partnership

All Category 1 and certain Category 3 filers must complete Schedule A-1. Any person already listed on Schedule A isn't required to be listed again on Schedule A-1.

**Category 1 filers.** Category 1 filers must list all U.S. persons who owned at least a 10% direct interest in the foreign partnership during the partnership's tax year listed at the top of page 1 of Form 8865.

**Category 3 filers.** Category 3 filers must list:

- Each U.S. person that owned a 10% or greater direct interest in the foreign partnership during the Category 3 filer's tax year, and
- Any other person related to the Category 3 filer that was a direct

partner in the foreign partnership during that tax year. See Regulations section 1.6038B-2(i)(4) for the definition of a related person.

**Exception.** Category 3 filers who only transferred cash and didn't own a 10% or greater interest in the transferee partnership after the transfer aren't required to complete Schedule A-1.

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## Schedule A-2. Foreign Partners of Section 721(c) Partnership

Schedule A-2 must be completed if (1) item H6 is answered "Yes" (that the partnership is a section 721(c) partnership), and (2) during the current tax year, a gain deferral contribution occurred, or (3) a gain deferral contribution occurred in a prior tax year (including before 2018) and, during the current tax year, the gain deferral method is applied to section 721(c) property contributed in the prior gain deferral contribution. See [Section 721\(c\) partnership, Gain deferral contribution](#), and [Gain deferral method](#), earlier.

**Country of organization.** Insert the 2-alpha country code for the country of organization for any foreign partner, other than an individual. See country codes on IRS.gov.

**Check if related to U.S. transferor.** Check the box if the partner is directly or indirectly related to the U.S. transferor (within the meaning of section 267(b) or 707(b)(1)) and is not a U.S. person.

**Percentage interest.** Include the foreign partner's percentage of interest in the partnership's capital and profits immediately after the gain deferral contribution. If multiple gain deferral contributions occurred during the tax year, enter the percentages immediately after the last gain deferral contribution. See [Gain deferral contribution](#), earlier.

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## Schedule A-3. Affiliation Schedule

All filers must complete Schedule A-3. List on Schedule A-3 all partnerships (foreign or domestic) in which the foreign partnership owned a direct interest, or a 10% indirect interest

(under the rules of section 267(c)(1) and (5)) during the partnership tax year listed at the top of page 1, Form 8865.

**Category 1 filers.** Only Category 1 filers must complete the ordinary income or loss column. In that column, report the foreign partnership's share of ordinary income (even if not received) or loss from partnerships in which the foreign partnership owns a direct interest. The total amount of ordinary income or loss from each partnership must also be included on Schedule B, line 4.

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## Schedule B. Income Statement—Trade or Business Income

**Important:** You don't need to complete Schedule B (Form 8865) if you have attached a copy of Form 1065, page 1.

All Category 1 filers must complete Schedule B (Form 8865).

If the partnership is a section 721(c) partnership and the gain deferral method is applied, Schedule B must include any remedial items with respect to section 721(c) property, including an offsetting remedial item relating to contributed section 197(f)(9) property. See Regulations section 1.704-3(d) and Temporary Regulations section 1.704-3T(d)(5)(iii). The total net amount of remedial allocations should be included on line 7, Other income (loss). Attach a detailed statement describing the remedial items allocated to each partner during the year with respect to section 721(c) property. See Temporary Regulations section 1.721(c)-3T. See [Section 721\(c\) partnership, Section 721\(c\) property](#), and [Gain deferral method](#), earlier.

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## Specific Instructions for Schedule B

For specific instructions for Schedule B (Form 8865), use the instructions for Form 1065, lines 1a through 21 (income and deductions).





You can view or download the instructions for Form 1065 at [IRS.gov/FormsPubs](https://www.irs.gov/forms-pubs). Also, these instructions can be ordered by calling 1-800-829-3676 (1-800-TAX-FORM).

## Schedule D. Capital Gains and Losses

**Important:** All Form 8865 Category 1 filers must complete Schedule D (Form 1065), Capital Gains and Losses, to report sales or exchanges of capital assets, capital gain distributions, and nonbusiness bad debts. See the Instructions for Schedule D (Form 1065). You don't need to complete a separate Schedule D (Form 1065) if you have attached to Form 8865 a copy of the Schedule D from Form 1065 filed by the foreign partnership.



You can view or download the Schedule D (Form 1065) and the Instructions for Schedule D (Form 1065) at [IRS.gov/FormsPubs](https://www.irs.gov/forms-pubs). Also, the form and its instructions can be ordered by calling 1-800-829-3676 (1-800-TAX-FORM).

## Schedule G. Statement of Application of the Gain Deferral Method Under Section 721(c)

A U.S. transferor uses Schedule G to comply with the reporting requirements that must be satisfied in applying the gain deferral method. If the gain deferral method is applied to section 721(c) property, a U.S. transferor must file Schedule G for the year of a gain deferral contribution, as well as for each subsequent tax year to which the gain deferral method is applied to section 721(c) property, even if the gain deferral contribution with respect to that property occurred before 2018. See Temporary Regulations section 1.721-6T(b)(2) and (3). See [Gain deferral method](#), [Gain deferral contribution](#), and [Section 721\(c\) property](#), earlier.

### Filing Year

Check the box for "Tax year of gain deferral contribution" if your tax year is a year in which a gain deferral contribution occurred (a gain deferral contribution year). Check the "Annual

reporting" box if a gain deferral contribution occurred in a year prior to the current tax year and, in the current tax year, the gain deferral method applies to section 721(c) property contributed in the prior gain deferral contribution (an annual reporting year). If the tax year is both a gain deferral contribution year and an annual reporting year, both boxes should be checked.

### General Instructions

On Schedule G, information must be provided with respect to section 721(c) property that was: (i) contributed to the partnership in a gain deferral contribution that occurred during the current tax year, or (ii) contributed to the partnership in a gain deferral contribution that occurred during a prior tax year, provided that the gain deferral method is applied to the property in the current tax year. Collectively, section 721(c) property with respect to which information must be reported on Schedule G is referred to as "reportable section 721(c) properties." See [Section 721\(c\) property](#), earlier.

In Parts I through V, information must be provided on a property-by-property basis. In Part I, reportable section 721(c) properties and accompanying information must be listed in descending order of fair market value (measured at the time of contribution). Thus, the reportable section 721(c) property with the highest fair market value should be listed on line 1, the reportable section 721(c) property with the second highest fair market value should be listed on line 2, and so on.

In Parts II through IV, the line on which information is provided with respect to a reportable section 721(c) property must correspond to the line on which the property is listed in Part I. Thus, in Parts II through IV, line 1 corresponds to Part I, line 1, and line 2 corresponds to Part I, line 2, and so on.

If there are more than four reportable section 721(c) properties, in Parts I through IV, attach a statement using the same format as in Parts I through IV, listing properties, or information with respect to properties, in the same manner as described in the preceding two paragraphs. For example, the first line on the

statement for Part I must be labeled "5," and contain columns with the same information as those in Part I, and must list the reportable section 721(c) property with the fifth highest fair market value. The statements with respect to Part I through IV may be combined in a single attached statement, provided that the format described above is followed.

A U.S. transferor should complete and file only one Schedule G for each partnership. See [U.S. transferor](#), earlier.

### Part I. Section 721(c) Property

Provide the requested information with respect to each reportable section 721(c) property. See [General Instructions](#) under Schedule G above for the order in which properties must be listed and when an attached statement can and must be used. If there are more than four reportable section 721(c) properties, enter on line 4a the following information with respect to the reportable section 721(c) properties listed on the attached statement.

1. In columns 6(a) through 6(c), provide the aggregate fair market value, basis, and built-in gain, respectively, of the properties.
2. Check the box in columns 4, 5, and 7(a)–(e) if applicable to any of the properties.



*Don't complete line 4a if there are four or fewer reportable section 721(c) properties.*

**Note.** Schedule O, Transfer of Property to a Foreign Partnership, may need to be completed if, during the tax year, the U.S. transferor contributed property (including section 721(c) property) to the partnership. See the Schedule O instructions, later.

**Column 4. Section 197(f)(9) Property.** Check the box with respect to the reportable section 721(c) property if the property is an intangible described in section 197(f)(9).

**Column 5. Effectively Connected Income Property.** Check box with respect to the reportable section 721(c) property if (1) all distributive shares of income and gain with respect to the property for all direct and indirect partners that are related foreign persons with respect to the

U.S. transferor will be subject to taxation as income effectively connected with a trade or business within the United States (under section 871 or 882), and (2) neither the section 721(c) partnership nor a related foreign person that is a direct or indirect partner in the partnership claims benefits under an income tax convention that would exempt the income or gain from tax or reduce the rate of taxation to which the income or gain is subject. See Regulations sections 1.721(c)-3T(b)(1)(ii) and 1.721(c)-6T(c)(1).

**Column 6(a). Fair market value.**

Enter the fair market value of the reportable section 721(c) property, measured as of the date of contribution.

**Column 6(b). Basis.** Enter the adjusted tax basis of the reportable section 721(c) property on the date of the contribution. See sections 1011 through 1016 for more information for the determination of adjusted tax basis.

**Column 7. Events.** Check the box for each of columns 7(a) through 7(e) which describes an event that occurred during the tax year with respect to the reportable section 721(c) property. If a box is checked for any of reportable section 721(c) property listed, respond "Yes" on the corresponding line in Part V of Schedule G and complete Schedule H. See Part V instructions below.

**Part II. Remaining Built-in Gain, Remedial Income, and Gain Recognition**

Provide the requested information with respect to each reportable section 721(c) property. See [General Instructions](#) under Schedule G, earlier, for the order in which properties must be listed and when an attached statement can and must be used. On line 4a, provide the total amounts in each column with respect to all reportable section 721(c) property, including property listed on an attached statement.

**Column (a). Remaining built-in gain at beginning of tax year.** With respect to a reportable section 721(c) property, enter the amount of remaining built-in gain at the beginning of the tax year. If the

property was contributed in the current tax year, enter the property's built-in gain on the date of the contribution (Part I, column 6(c)).

**Column (b). Remaining built-in gain at end of tax year.** With respect to a reportable section 721(c) property, enter the amount of remaining built-in gain at the end of the tax year, figured under the gain deferral method.

**Column (c). Remedial income allocated to the U.S. transferor.** With respect to a reportable section 721(c) property, enter the remedial income allocated to the U.S. transferor under the remedial allocation method. When the gain deferral method applies to a section 721(c) property, the partnership must use the remedial allocation method described in Regulations section 1.704-3(d) with respect to the property. See Temporary Regulations 1.721(c)-3T(b)(1)(i)(A).

**Column (d). Gain recognized due to acceleration event.** With respect to a reportable section 721(c) property, enter the amount of built-in gain taken into account by reason of an acceleration event or partial acceleration event. See Regulations sections 1.721(c)-4T and 1.721(c)-5T for events constituting an acceleration event or partial acceleration event and for the consequences of such events.

**Column (e). Gain recognized due to section 367 transfer.** With respect to a reportable section 721(c) property, enter the amount of gain recognized by the U.S. transferor pursuant to Temporary Regulations section 1.721-5T(e) (regarding transfers, including indirect transfers, described in section 367 of section 721(c) property to a foreign corporation). Gain recognized under section 367 should not be included in column 5. Instead, column 5 should list only the amount of gain recognized pursuant to Temporary Regulations section 1.721-5T(e) (requiring the U.S. transferor to recognize an amount of gain equal to the remaining built-in gain (if any) that would have been allocated to the U.S. transferor if the partnership had sold the remaining portion of the property immediately before the transfer for fair market value).

**Part III. Allocation Percentages of Partnership Items with Respect to Section 721(c) Property**

For each reportable section 721(c) property, enter the percentage of income, gain, deduction, and loss allocated to the U.S. transferor, related domestic partners, and related foreign partners. See [General Instructions](#) under Schedule G, earlier, for the order in which properties must be listed and when an attached statement can and must be used. See section 267(b) or 707(b)(1) for rules on determining related partners and see Temporary Regulations section 1.721(c)-3T(c) for a rule requiring that the partnership apply the consistent allocation method when the gain deferral method applies.

**Part IV. Allocation of Items to U.S. Transferor With Respect to Section 721(c) Property.**

For each reportable section 721(c) property, enter the amount (both book and tax) of income, gain, deduction, and loss allocated to the U.S. transferor under the gain deferral method. See [General Instructions](#) under Schedule G, earlier, for the order in which properties must be listed and when an attached statement can and must be used. In addition, a description of any tax item or regulatory allocation with respect to a reportable section 721(c) property that is allocated to the U.S. transferor must be included in Part VI, Supplemental Information.

**Part V. Additional Information**

Part V provides questions relating to whether certain events have occurred in the current year with respect to one or more reportable section 721(c) property and information relating to treaty benefits. Such events include:

- Acceleration events (see Regulations section 1.721-4T),
- Partial acceleration events (see Regulations section 1.721-5T(d)),
- Termination events (see Regulations section 1.721(c)-5T(b)),
- Successor events involving a successor partnership or U.S. transferor (see Regulations section 1.721(c)-5T(c)),
- Taxable disposition of a portion of an interest in a partnership (see

Regulations section 1.721(c)-5T(f)), and

- Direct or indirect transfer of section 721(c) property to a foreign corporation subject to section 367 (see Regulations section 1.721(c)-5T(e)).

**Lines 1 through 6b** If the answer is “Yes” to any of the questions on lines 1 through 6b of Part V, also complete and attach to Form 8865, Schedule H, Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c). See the separate instructions later for Schedule H. In addition, the corresponding check boxes in Part I, column 7(a) through (e) should be marked, as applicable.

**Line 7a.** If the answer is “Yes,” attach to Form 8865 a copy of the waiver of treaty benefits with respect to the reportable section 721(c) property. See Regulations sections 1.721(c)-6T(b)(2)(iii) and 1.721(c)-6T(c).

## Part VI. Supplemental Information

**Information to be reported.** When providing any information in Part VI, indicate the Part, Part column, and line for which the information is provided.

**Additional Part rows.** If an attached statement is used in Parts I through IV, include the statement “Additional Section 721(c) Property statement(s) is/are attached” in the area provided in Part VI.

**Other Information.** Use the Supplemental Information section to provide any additional information required by Regulations section 1.721(c)-6T that is not captured in Parts I through IV above.

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## Schedule H. Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c)

If the gain deferral method is being applied to reportable section 721(c) property, complete and file Schedule H to report certain events related to the section 721(c) property. See Regulations sections 1.721(c)-4T and -5T for more information.

Complete a separate Schedule H for each partnership.

**General instructions.** Complete all Parts of Schedule H that correspond to the box or boxes checked in Schedule G, Part I, column 7, and the related line on Part V checked “Yes.” If additional line(s) are needed to report the information required in Parts I through V in the same format as the format used in the Part, in Part VI, Supplemental Information. See [Section 721\(c\) property](#), earlier.

For Parts I–III and V, enter in column (a) the line number for the section 721(c) property from Schedule G, Part I. If the impacted section 721(c) property is listed on an attached statement to Schedule G, Part I, enter the line number from the attached statement on which that property was identified.

### Part I. Acceleration Event

**Acceleration event.** An acceleration event is any event that either would reduce the amount of the remaining built-in gain that a U.S. transferor would have recognized under the gain deferral method if the event had not occurred or could defer the recognition of the remaining built-in gain. Acceleration events are applicable on a property-by-property basis. An acceleration event includes the transfer of section 721(c) property by making a contribution of the property itself to another partnership or the contribution of an interest in a section 721(c) partnership to another partnership. When an acceleration event occurs with respect to a section 721(c) property, the U.S. transferor must recognize gain in an amount equal to remaining built-in gain in the property that would have been allocated to the U.S. transferor if the section 721(c) partnership had sold the section 721(c) property immediately before the acceleration event for fair market value. Following the event, the gain deferral method no longer applies to that section 721(c) property. See Regulations section 1.721(c)-4T for rules relating to acceleration events.

At any time, a U.S. transferor may affirmatively treat an acceleration event as having occurred (a deemed acceleration event) with respect to a section 721(c) property by both recognizing the remaining built-in gain

in that section 721(c) property and satisfying the reporting requirements of the acceleration event. See Regulations section 1.721(c)-4T(b)(4).

**Column (b).** Provide a description of the acceleration event, including the citation in the case of a partial or deemed acceleration event. See Regulations section 1.721(c)-6T(b)(3)(iv). Use Part VI, Supplemental Information, if additional space is needed to describe the transaction.

**Column (d).** Enter the amount of the gain recognized by the U.S. transferor with respect to the section 721(c) property resulting from the acceleration event.

**Column (e).** Enter the amount that the section 721(c) partnership will increase its basis in the section 721(c) property as a result of the acceleration event. See Regulations sections 1.721(c)-4T(c)(2) and 1.721(c)-5T(d) in the case of a partial acceleration event.

**Column (f).** Check the box if there is a partial acceleration event and the U.S. transferor recognizes a partial gain with respect to the section 721(c) property. Certain distributions of other partnership property to a partner that results in an adjustment under section 734 to the section 721(c) property constitute a partial acceleration event requiring that the U.S. transferor recognize gain. If there is a remaining built-in gain in the section 721(c) property immediately after the partial acceleration event, the gain deferral method must continue to apply and the U.S. transferor is required to continue to report the information on Schedule G with respect to that property. See Regulations section 1.721(c)-5T(d).

### Part II. Termination Event

A termination event causes the gain deferral method to no longer apply with respect to the affected section 721(c) property on a property-by-property basis. Regulations section 1.721(c)-5T(b) identifies the termination events.

**Column (b).** Provide a description of the termination event, including the citation to the relevant paragraph in Regulations section 1.721(c)-5T(b). See Regulations section 1.721(c)-6T(b)(3)(v). Use Part VI,



Supplemental Information, if additional space is needed to describe the transaction.

### Part III. Successor Event

A successor event allows for the continued application of the gain deferral method with respect to the affected section 721(c) property on a property-by-property basis by a successor U.S. transferor or a successor section 721(c) partnership. However, if the successor doesn't continue the gain deferral method, the event is an acceleration event and must be reported in Part I above. Successor events are applicable on a property-by-property basis. If only a portion of an interest in a partnership is transferred in a successor event, the rules of Regulations section 1.704-3(a)(7) are applied to determine the remaining built-in gain in the section 721(c) property that is attributable to the portion of the interest that is transferred and the portion that is retained. Regulations section 1.721(c)-5T(c) identifies the successor events, including special rules for transactions involving tiered partnerships.

If more than one successor event occurs in the tax year, provide the required information for each event separately in Part IV in chronological date order.

**Column (b).** Provide a description of the successor event, including the citation to the relevant paragraph in Regulations section 1.721(c)-5T(c). See Regulations section 1.721(c)-6T(b)(3)(v). Use Part VI, Supplemental Information, if additional space is needed to describe the transaction.

**Column (d).** Enter the identifying information of the relevant successor, as applicable. In certain successor events, a domestic corporation becomes the successor U.S. transferor. In other successor events, a partnership becomes the successor section 721(c) partnership. A successor section 721(c) partnership may be a new, upper-tier, or lower-tier partnership. The identifying information must include the name, address, and U.S. taxpayer identification number, if any, of the successor U.S. transferor or successor section 721(c) partnership.

### Part IV. Taxable Disposition of a Portion of an Interest in Partnership Event

Part IV reports the information relating to a fully taxable disposition of a portion of an interest in a section 721(c) partnership. Complete this Part if a U.S. transferor or a partnership in which a U.S. transferor is a direct or indirect partner disposes of (directly or indirectly through one or more partnerships) a portion of an interest in a section 721(c) partnership in a transaction in which the all gain or loss, if any, is recognized. This will not be an acceleration event with respect to the portion of the interest transferred. The gain deferral method will continue to apply with respect to the section 721(c) property of the section 721(c) partnership. The rules of Regulations section 1.704-3(a)(7) are applied to determine the remaining built-in gain in the section 721(c) property on a property-by-property basis that is attributable to the portion of the interest in the section 721(c) partnership is retained. See Regulations section 1.721(c)-5T(f).

**Column (a).** Provide a description of the disposition of the interest in the partnership, including whether the interest was a direct or indirect interest (through one or more partnerships). If more than one taxable disposition event occurs in the tax year, provide the required information for each event separately in Part IV in chronological date order. If additional space is needed, provide the information in Part VI, Supplemental Information.

**Column (c).** Enter the percentage of partnership interest that was disposed of in the event to which all gain or loss, if any, is recognized.

**Column (d).** Enter the percentage of the partnership interest (directly or indirectly through one or more partnerships) that the U.S. transferor retained immediately after the event.

**Column (e).** Enter the aggregate amount of the remaining built-in gain with respect to all of the section 721(c) properties that is attributable to the portion of the interest in the section 721(c) partnership that is retained. Attach a detailed supporting schedule to Schedule H that separately states each remaining

section 721(c) property and its respective remaining built-in gain allocable to the U.S. transferor included in the aggregate amount reported in column (e).

### Part V. Section 367 Transfer Event

Part V reports the information relating to a transfer described in section 367 of section 721(c) property to a foreign corporation. See Regulations section 1.721(c)-5T(e). Section 367 events include:

- Transfer of section 721(c) property by a section 721(c) partnership to a foreign corporation, or
- Transfer by a U.S. transferor or a partnership in which a U.S. transferor is a direct or indirect partner transfers (directly or indirectly through one or more partnerships) all or a portion of the section 721(c) partnership that owns section 721(c) property to a foreign corporation.

As a result of the section 367 event, the section 721(c) property is no longer subject to the gain deferral method. The U.S. transferor is treated as transferring the section 721(c) property to a foreign corporation and is subject to taxation on the transfer under section 367. See the section 367 regulations for rules relating to gain or income recognition under section 367.

**Note.** A transfer of property to a foreign corporation by a U.S. transferor is subject to other reporting requirements under sections 367, 351, 368, and 6038B (for example, the filing of Form 926), as applicable. See the related regulations under these Code sections. Such reporting requirements are in addition to the filing of Schedule H.

After considering the tax consequences under section 367, the remaining built-in gain, if any, with respect to the section 721(c) property is recognized by the U.S. transferor to the extent that would have been allocated to the U.S. transferor had the section 721(c) partnership sold that portion of the property immediately before the transfer for fair market value.

**Column (b).** Provide a description of the section 367 transfer, including whether the transfer was a direct or indirect transfer (through one or more partnerships) of section 721(c)

property to a foreign corporation. If more than one section 367 transfer occurs in the tax year, provide the required information for each transfer separately in Part IV in chronological date order. If additional space is needed, provide the information in Part VI, Supplemental Information.

**Column (d).** Enter the amount of the remaining portion of built-in gain recognized by the U.S. transferor under section 721(c). The amount of gain equals the remaining portion of the built-in gain that would have been allocated to the U.S. transferor if the section 721(c) partnership had sold that portion of the section 721(c) property immediately before the transfer for fair market value. This amount should not include any gain or income recognized by the U.S. transferor pursuant to section 367 that is reported elsewhere on the return. See Regulations section 1.721(c)-5T(e). After the section 367 transfer, the transferred section 721(c) property will no longer be subject to the gain deferral method.

**Column (e).** Enter the identifying information of the foreign transferee corporation that received the section 721(c) property in the section 367 transfer. The identifying information includes name, address, and U.S. taxpayer identification number, if any.

## Part VI. Supplemental Information

**Information to be reported.** When providing any information in the Supplement Information, indicate the Part, Part column, row, and line for which the information is provided.

**Additional Part rows.** If additional rows are needed to enter information in Part I through V in the Supplemental Information, provide the information in an attachment or attachments to Schedule H in the same format as required for the row on the Part at issue. If separate supplemental schedules are used for any Part of Schedule H for specific section 721(c) properties, use the same corresponding identification line number from the Part I of Schedule G for such property on the supplemental schedule for Schedule H.

**Other Information.** Use the Supplemental Information section to provide any additional information

required by Regulations section 1.721(c)-6T that isn't reported in Parts I through V above.

## Schedules K and K-1. Partners' Distributive Share Items

**Important:** You don't need to complete Schedules K or K-1 (Form 8865) if you have attached to Form 8865 a copy of the Schedules K or K-1 from Form 1065 filed by the foreign partnership.

### Schedule K

Schedule K (Form 8865) is a summary schedule of all of the partners' shares of the partnership income, credits, deductions, etc. Only Category 1 filers must complete Schedule K (Form 8865).

### Schedule K-1

Schedule K-1 (Form 8865) is used to report a specific partner's share of the partnership income, deductions, credits, etc.

All Category 1 and 2 filers must complete Schedule K-1 (Form 8865) for any direct interest they hold in the partnership. A Category 1 or 2 filer that doesn't own a direct interest is not required to complete Schedule K-1 (Form 8865).

Category 1 filers must also complete Schedule K-1 (Form 8865) for each U.S. person that directly owns a 10% or greater direct interest in the partnership.

Provide the partner's beginning and year-end percentage interest in partnership profits, losses, capital, or deductions. These percentages should include any interest constructively owned by the filer.

Complete boxes 1 through 20 for any direct interest that the partner owns in the partnership.

**Example.** Partner A owns a 45% direct interest in a foreign partnership (FPS). Partner A also owns 100% of the stock of a domestic corporation (DC), which owns a 10% direct interest in FPS. Therefore, Partner A is considered to own a 55% interest in FPS and is thus a Category 1 filer. When Partner A completes Schedule K-1 (Form 8865) for itself, Partner A must report the distributive share of items allocated to Partner A's

direct interest of 45% but not any items allocated to DC's 10% interest. When Partner A completes Schedule K-1 (Form 8865) for DC (which Partner A must do because DC owns a direct 10% interest), Partner A must report on DC's Schedule K-1 (Form 8865) only items allocated to DC's direct 10% interest.

Although the partnership isn't subject to income tax, the partners are liable for tax on their shares of the partnership income, whether or not distributed, and must include their share of such items on their tax returns.

Allocations of income, gains, losses, deductions, or credits among the partners generally should be made according to the partnership agreement. See section 704 and the regulations thereunder.

### Schedule K-1 (Form 8865) for related foreign partners.

If the gain deferral method is applied and a section 721(c) partnership doesn't have a filing obligation under section 6031, the U.S. transferor must obtain a Schedule K-1 (Form 8865) for each direct or indirect partner that is related to the U.S. transferor (within the meaning of section 267(b) or 707(b)(1)) and that isn't a U.S. person (related foreign partner). See Temporary Regulations section 1.721(c)-6T(c)(3). The Schedule K-1 (Form 8865) for each related foreign partner must be filed and attached to the Form 8865 as part of the annual reporting relating to the gain deferral method pursuant to Temporary Regulations section 1.721(c)-6T(b)(3)(xi). The instructions that apply to Schedule K-1 (Form 8865) for all other partners also apply to a Schedule K-1 (Form 8865) for a related foreign partner. See [Gain deferral method, Section 721\(c\) partnership](#), and [U.S. transferor](#), earlier.

### General Reporting Instructions for Schedule K-1 (Form 8865)

On each Schedule K-1 (Form 8865), enter the information about the partnership and the partner in Parts I and II (items A through F). For Schedule K-1 (Form 8865), items E and F, see the instructions for the corresponding Schedule K-1 (Form 1065), items J and L in the Instructions for Form 1065 under

Specific Instructions (Schedule K-1 Only). In Part III, enter the partner's distributive share of each item of income, deduction, and credit and any other information the partner needs to prepare the partner's tax return.

### Item A2

Enter the reference ID number used on Form 8865, item G2(b). For details, see the instructions for [Item G2\(b\)](#), earlier.

**Part III—Line 1.** If the gain deferral method is applied to which the section 721(c) partnership adopts the remedial allocation method, the amounts reflected on each partner's Schedule K-1 for the allocations of income, gains, losses, deductions, or credits allocated to such partner must include any allocations of remedial items with respect to section 721(c) property. See Regulations section 1.721(c)-3T(c).

For example, if the partner is the U.S. transferor of section 721(c) property, Part III, line 1, would include any remedial income allocated to the U.S. transferor from Schedule G, Statement of Application of Gain Deferral Method Under Section 721(c), Part II, column (c), Remedial Income Allocated to U.S. Transferor, as applicable. For partners other than the transferor, Part III, line 1, would include their share of ordinary business income (or loss) after taking into account any remedial items to such partner relating to section 721(c) property. However, Part III, line 1, would not include basis adjustments attributable to section 197(f)(9) for related foreign partners. See Temporary Regulations section 1.704-3T(d)(5)(iii) and Temporary Regulations section 1.721(c)-3T. See [Section 721\(c\) partnership](#), [Section 721\(c\) property](#), and [Gain deferral method](#), earlier.

**Codes.** In box 11 and boxes 13 through 20, identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified on the back of Schedule K-1 (Form 8865).

**Attached statements.** Enter an asterisk (\*) after the code, if any, in the column to the left of the dollar amount entry space for each item for which you have attached a statement providing additional information. For those informational items that cannot

be reported as a single dollar amount, enter the code and asterisk in the left column and write "STMT" in the dollar amount entry space to indicate the information is provided on an attached statement.

More than one attached statement can be placed on the same sheet of paper and should be identified in alphanumeric order by box number followed by the letter code (if any). For example: "Box 20, Code T—Depletion information—oil and gas" (followed by the information the partner needs).

**Too few entry spaces on Schedule K-1 (Form 8865)?** If there are more coded items than the number of spaces in box 11 or boxes 13 through 20, do not enter a code or dollar amount in the last entry space of the box. In the last entry space, enter an asterisk (\*) in the left column and enter "STMT" in the entry space to the right. Report the additional items on an attached statement and provide the box number, the code, description, and dollar amount or information for each additional item. For example: "Box 15, Code J—Work opportunity credit—\$1,000."

### Specific Instructions for Schedules K and K-1

For the specific instructions for Schedules K and K-1 (Form 8865), see the Instructions for Form 1065.

If the partnership is a section 721(c) partnership, Schedule K-1, Part III, box 20 (code AH-Other information), must include the amounts relating to any remedial items made under the remedial allocation method (described in Regulations section 1.704-3(d) and Temporary Regulations section 1.704-3T(d)(5)(iii)) with respect to section 721(c) property. For the specific partner's information relating to the remedial method allocations and gain deferral method, see the Instructions for Form 1065, especially the Partner's Instructions for Schedule K-1 (Form 1065).

### Schedule L. Balance Sheets per Books

**Important:** You don't need to complete Schedule L (Form 8865) if you have attached to Form 8865 a copy of the Schedule L from Form 1065 filed by the foreign partnership.

The balance sheets should agree with the partnership's books and records. Attach a statement explaining any differences.

Only Category 1 filers are required to complete Schedule L (Form 8865).

If you answered "Yes" to item H11 on page 1 of Form 8865, you do not have to complete Schedule L (Form 8865).

Schedule L requires balance sheets prepared and translated into U.S. dollars in accordance with U.S. generally accepted accounting principles (GAAP).

**Exception.** If the partnership or any qualified business unit of the partnership uses the dollar approximate separate transactions method (DASTM), Schedule L (Form 8865) should reflect the tax balance sheets prepared and translated into U.S. dollars according to Regulations section 1.985-3(d).

### Specific Instructions for Schedule L

For the specific instructions for Schedule L (Form 8865), see the Instructions for Form 1065.

### Schedule M. Balance Sheets for Interest Allocation

All Category 1 filers must complete Schedule M (Form 8865), and it should reflect the book values of the partnership's assets, as described in Temporary Regulations sections 1.861-9T(g)(2) and 1.861-12T. Assets should be characterized as U.S. assets or foreign assets in one or more separate limitation categories as provided in Temporary Regulations sections 1.861-9T(g)(3) and 1.861-12T. The balance sheets should be prepared in U.S. dollars under Temporary Regulations section 1.861-9T(g)(2)(ii).

**Exception.** If the partnership or any qualified business unit of the partnership uses DASTM, Schedule M (Form 8865) should reflect the tax balance sheet prepared in U.S. dollars under Regulations section 1.985-3(d). See Temporary Regulations section 1.861-9T(g)(2)(ii)(A)(2) for more information on DASTM.



**Line 2.** Enter the partnership's foreign assets according to the separate categories of income.

See the instructions for Schedule K (Form 1065), line 16, and section 904(d) and Regulations section 1.904-4(m) for more information.

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## Schedule M-1. Reconciliation of Income (Loss) per Books With Income (Loss) per Return

**Important:** You don't need to complete Schedule M-1 (Form 8865) if you have attached to Form 8865 a copy of Schedule M-1 from Form 1065 filed by the foreign partnership.

Form 8865 filers aren't required to complete Schedule M-3 (Form 1065), Net Income (Loss) Reconciliation for Certain Partnerships.

Only Category 1 filers are required to complete Schedule M-1 (Form 8865). If you answered "Yes" to item H11 on page 1 of Form 8865, you don't have to complete Schedule M-1 (Form 8865).

### Specific Instructions for Schedule M-1

For the specific instructions for Schedule M-1 (Form 8865), see the Instructions for Form 1065.

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## Schedule M-2. Analysis of Partners' Capital Accounts

**Important:** You don't need to complete Schedule M-2 (Form 8865) if you have attached to Form 8865 a copy of the Schedule M-2 from Form 1065 filed by the foreign partnership.

Only Category 1 filers are required to complete Schedule M-2 (Form 8865). If you answered "Yes" to item H11 on page 1 of Form 8865, you don't have to complete Schedule M-2 (Form 8865).

### Specific Instructions for Schedule M-2

For the specific instructions for Schedule M-2 (Form M-2), see the Instructions for Form 1065.

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

All Category 1 filers must complete Schedule N and report all transactions of the foreign partnership during the tax year of the partnership listed on the top of Form 8865, page 1. A Category 1 filer filing a Form 8865 for other Category 1 filers under the multiple Category 1 filers exception must complete a Schedule N for itself and a separate Schedule N for each Category 1 filer not filing Form 8865.

Category 2 filers are required to complete columns (a), (b), and (c) of Schedule N. Category 2 filers do not have to complete column (d).

**Column (a).** Use column (a) to report transactions between the foreign partnership and the person filing the Form 8865.

**Column (d).** Use column (d) to report transactions between the foreign partnership and any U.S. person with a 10% or more direct interest in the foreign partnership. If such person also qualifies under column (b), do not report transactions between the foreign partnership and that person under column (d). Report the transactions only under column (b).

**Lines 6 and 16.** Enter distributions received from other partnerships and distributions from the foreign partnership for which this form is being completed.

**Lines 20 and 21.** Enter the largest outstanding balances during the year of gross amounts borrowed from, and gross amounts lent to, the related parties described in columns (a) through (d). Do not enter aggregate cash flows, year-end loan balances, average balances, or net balances. Do not include open account balances resulting from sales and purchases reported under other items listed on Schedule N that arise and are collected in full in the ordinary course of business.

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## Schedule O. Transfer of Property to a Foreign Partnership

Category 3 filers must complete Schedule O.

### Section 721(c) partnerships.

Temporary Regulations section 1.721(c)-2T overrides section 721(a) nonrecognition of gain upon a contribution of section 721(c) property to a section 721(c) partnership occurring on or after August 6, 2015. A U.S. transferor must recognize gain unless the gain deferral method described in Temporary Regulations section 1.721(c)-3T is applied. To satisfy the reporting requirements of the gain deferral method, the U.S. transferor is required to report certain information for the year of the contribution and for subsequent years. See Temporary Regulations section 1.721(c)-6T. See [Section 721\(c\) property](#), [Section 721\(c\) partnership](#), [U.S. transferor](#), and [Gain deferral method](#), earlier.

**Reference ID number.** Use the reference ID number shown on Form 8865, item G2(b). For details, see the instructions for [Item G2\(b\)](#), earlier.

### Part I. Transfers Reportable Under Section 6038B

Part I is used to report the transfer of property to a foreign partnership. Provide the information required in columns (a) through (g) with respect to each contribution of property to the foreign partnership that must be reported. If you contributed property with an FMV greater than its tax basis (appreciated property), or intangible property, provide the information required in columns (a) through (g) separately with respect to each item of property transferred (except to the extent you are allowed to aggregate the property under Regulations sections 1.704-3(e)(2), (3), and (4)).

Provide a general description of each item of property in the *Supplemental Information Required To Be Reported* section. For all other property contributed, aggregate by the categories listed in Part I.

**Column (a).** Enter the date of the transfer. If the transfer was composed of a series of transactions over multiple dates, enter the date the transfer was completed.

**Column (b).** Enter the description of property transferred.

**Column (c).** Enter the FMV of the property contributed (measured as of the date of the transfer).

**Column (d).** Enter your adjusted basis in the property contributed on the date of the transfer. See sections 1011 through 1016 for more information on the determination of adjusted basis.

**Column (f).** If you contributed appreciated property, enter the method (traditional, traditional with curative allocations, or remedial) used by the partnership to make section 704(c) allocations with respect to each item of property. See Regulations sections 1.704-3(b), (c), and (d) for more information on these allocation methods. If the gain deferral method is applied, the remedial method generally must be used. See Temporary Regulations section 1.721(c)-3T(b)(1)(i). For an exception for certain property generating effectively connected income, see Temporary Regulations section 1.721(c)-3T(b)(1)(ii).

**Column (g).** Enter the amount of gain, if any, recognized on the transfer. See sections 721(b), 904(f) (3), and Temporary Regulations section 1.721(c)-2T.

**Line 3.** Enter your capital interests, by percentage, in the partnership immediately before and after the transfer. To the extent your capital interest in the partnership immediately *before* the transfer differs from any of your profit, loss, or deduction interests in the partnership at that time, enter in the supplemental information below your interests, by percentage, in the profit, loss, and deductions at that time. To the extent your capital interest in the partnership immediately *after* the transfer differs from any of your profit, loss, or deductions interests in the partnership at that time, enter in the supplemental information below your interests, by percentage, in the profit, loss, and deductions at that time.

**Supplemental information required to be reported.** Enter any information from Part I that is required to be reported in greater detail. Identify the applicable column number next to the information entered in this

section. In addition, if you contributed property to a foreign partnership as part of a wider transaction, briefly describe the entire transaction.

**Reporting required for the year of contribution to which the gain deferral method is applied.**

Additionally, describe any section 721(c) property contributed to a section 721(c) partnership and identify whether the gain deferral method is applied. A U.S. transferor must attach to Form 8865, for the year of contribution, Schedule G, Statement of Application of the Gain Deferral Method Under Section 721(c), containing the information described in Temporary Regulations 1.721(c)-6T(b)(2)(i). See Temporary Regulations 1.721(c)-6T(b) for additional requirements.

**Additional form and statement requirements.** In addition to the reporting requirements above, the following statements and forms must also be filed to satisfy the requirements for the gain deferral method.

- Form 8865, Schedule H, Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c), if certain events have occurred.
- Form 8838-P, Consent To Extend the Time To Assess Tax Pursuant to the Gain Deferral Method (Section 721(c)). See Temporary Regulations sections 1.721(c)-6T(b)(2)(ii), (b)(3) (viii), and (b)(5) for more information.
- Copy of "Statement of Waiver of Treaty Benefits under Section 1.721(c)-6T," if applicable. See Temporary Regulations section 1.721(c)-6T(c)(1).

**Annual Reporting With Respect to the Gain Deferral Method**

A U.S. transferor subject to the gain deferral method must annually attach (to Form 8865) Schedule G, Statement of Application of Gain Deferral Method Under Section 721(c), containing the information required in Temporary Regulations section 1.721(c)-6T(b)(3)(i) through (vii) (and (b)(3)(ix), as applicable). See Temporary Regulations section 1.721(c)-6T(b)(3) for further annual reporting requirements pursuant to the gain deferral method.

**Part II. Dispositions Reportable Under Section 6038B**

Use Part II to report certain dispositions by a foreign partnership. If you were required to report a transfer of appreciated property to the partnership, and the partnership disposes of the property while you are still a direct or constructive partner, you must report that disposition in Part II. If the partnership disposes of the property in a nonrecognition transaction and receives in exchange substituted basis property, report the subsequent disposition of the substituted basis property in the same manner as provided for the contributed property. See section 7701(a)(42) for the definition of substituted basis property and Regulations section 1.704-3(a)(8) for more information.

A disposition by a partnership may be an acceleration event for purposes of applying the gain deferral method. The U.S. transferor may be required to recognize gain in an amount equal to the remaining built-in gain on the section 721(c) property previously contributed to the section 721(c) partnership. See Temporary Regulations section 1.721(c)-4T. For acceleration event exceptions, see Temporary Regulations section 1.721(c)-5T. Acceleration events and exceptions to an acceleration event should be reflected in Part II. In addition, Schedules G and H are required to be filed.

**Column (a).** Provide a brief description of the property disposed of by the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for appreciated property contributed by you, enter "See Attached." Attach a statement providing brief descriptions of both the property contributed by you to the partnership and the substituted basis property received by the partnership in exchange for that property.

**Column (b).** Enter the date that you transferred this property to the partnership. If you are reporting the disposition of substituted basis property received by the partnership in a nonrecognition transaction in exchange for property previously contributed by you, enter "See

Attached.” Attach a statement showing both the date you transferred the appreciated property to the partnership and the date the partnership exchanged the property for substituted basis property in a nonrecognition transaction. See Regulations section 1.6038B-2.

**Column (c).** Enter the date that the partnership disposed of the property.

**Column (d).** Briefly describe how the partnership disposed of the property (for example, by sale or exchange).

**Column (e).** Enter the amount of gain, if any, recognized by the partnership on the disposition of property.

**Column (f).** Enter the amount of depreciation recapture, if any, recognized by the partnership on the disposition of property. See Regulations sections 1.1245-1(e) and 1.1250-1(f).

**Column (g).** Enter the amount of gain from column (e) allocated to you.

**Column (h).** Enter the amount of depreciation recapture from column (f) allocated to you. See Regulations sections 1.1245-1(e) and 1.1250-1(f). If you recognize any section 1254 recapture on the partnership's disposition of natural resource recapture property, enter “See Attached” and attach a statement figuring the amount of recapture. See Regulations section 1.1254-5.

### Part III. Gain Recognition Under Section 904(f)(3) or (f)(5)(F)

If gain recognition was required with respect to any transfer reported in Part I under section 904(f)(3) or (f)(5)(F), attach a statement identifying the transfer and the amount of gain recognized.

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## Schedule P. Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership

Use Schedule P to report the acquisition, disposition, and change of interest in a foreign partnership.

Every Category 4 filer must complete Schedule P.

**Reference ID number.** Use the reference ID number shown on Form

8865, item G2(b). For details, see the instructions for [Item G2\(b\)](#), earlier.

### Part I. Acquisitions

Part I is completed by Category 4 filers required to report an acquisition of an interest in a foreign partnership. See [Categories of Filers](#), earlier, for more details about which types of acquisitions must be reported.

An acquisition of a section 721(c) partnership interest may be an acceleration event exception under the gain deferral method. In such case, Schedule H is required to be filed. See Temporary Regulations section 1.721(c)-5T. In this case, the acquirer may become a successor U.S. transferor and may have a reporting requirement under Temporary Regulations section 1.721(c)-6T. As a result, the successor U.S. transferor is required to file Schedule G as well as if certain events occur, Schedule H. See [Section 721\(c\) partnership, Gain deferral method](#), and [U.S. transferor](#), earlier.

**Column (a).** If you acquired the interest in the foreign partnership by purchase, gift, inheritance, or in a distribution from a trust, estate, partnership, or corporation, enter the name, address, and identifying number (if any) of the person from whom you acquired the interest.

**Column (b).** Enter the date of the acquisition. If the acquisition was composed of a series of transactions over multiple dates, enter the date the acquisition was completed.

**Column (c).** Enter the FMV of the interest you acquired in the partnership (measured as of the date of acquisition).

**Column (d).** Enter your basis in the acquired partnership interest (measured as of the date of acquisition). See sections 722 and 742.

**Columns (e) and (f).** Enter your total direct percentage interest in the partnership both before and immediately after the acquisition. To the extent your direct percentage interest in the partnership differs among capital, profits, losses, or deductions, enter “See Below” and state the different percentages in Part IV.

### Part II. Dispositions

This section is completed by U.S. persons who are Category 4 filers because they disposed of an interest in a foreign partnership. See [Categories of Filers](#), earlier, for more details about what types of dispositions must be reported. For each disposition reported in Part II, indicate in Part IV whether a statement is required by Regulations section 1.751-1(a)(3) to be filed with respect to the disposition.

A disposition of a section 721(c) partnership interest may be an acceleration event for purposes of applying the gain deferral method. The U.S. transferor may be required to recognize gain in an amount equal to the remaining built-in gain on the section 721(c) property previously contributed to the section 721(c) partnership. In this case, Schedule H must also be filed. See Temporary Regulations section 1.721(c)-4T. For acceleration event exceptions, see Temporary Regulations section 1.721(c)-5T.

**Column (a).** Unless you disposed of the interest by withdrawing, in whole or in part, from the partnership, enter the name, address, and identifying number (if any) of the person to whom you transferred the interest in the foreign partnership.

**Column (b).** Enter the date of the disposition. If the disposition was composed of a series of transactions over multiple dates, enter the date the disposition was completed.

**Column (c).** Enter the FMV of the interest you disposed of in the partnership (measured as of the date of disposition). If you recognized gain or loss on the disposition, state the amount of gain or loss in Part IV. See section 741.

**Column (d).** Enter your adjusted basis in the partnership interest disposed of immediately before the disposition. See section 705.

**Columns (e) and (f).** Enter your total direct percentage interest in the partnership both before and immediately after the disposition. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter “See Below” and state the different percentages in Part IV.



### Part III. Change in Proportional Interest

This section is completed by U.S. persons who are Category 4 filers because their direct proportional interest in the foreign partnership changed. See [Categories of Filers](#), earlier, for more details about which changes in proportional interest must be reported.

**Column (a).** Briefly describe the event that caused your interest in the partnership to change (for example, the admission of a new partner).

**Column (b).** Enter the date of the change. If the change resulted from a

series of transactions over multiple dates, enter the date the change was completed.

**Column (c).** Enter the FMV of your interest in the partnership immediately before the change.

**Column (d).** Enter your basis in your partnership interest immediately before the change.

**Columns (e) and (f).** Enter your direct percentage interest in the partnership both before and immediately after the change. To the extent your percentage interest in the partnership differs among capital, profits, losses, or deductions, enter

“See Below” and state the different percentages in Part IV.

### Part IV. Supplemental Information Required To Be Reported

Enter any information asked for in Part I, Part II, or Part III that must be reported in detail. Identify the applicable part number and column next to the information entered in Part IV.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form and its schedules to carry out the Internal Revenue laws of the United States. We need this information to ensure that you are complying with the revenue laws and to allow us to figure and collect the right amount of tax. Sections 6038, 6038B, 6038D, and 6046A require you to provide this information. Section 6038D requires specified individuals and, upon issuance of regulations, specified domestic entities to report specified foreign financial assets in which they have an interest. Form 8938 is generally used to comply with this reporting requirement, but if you checked the box on Form 8865, item E, you're choosing to use Form 8865 (in conjunction with Form 8938) to report your interests. Section 6109 requires you to provide your identification number. Failure to provide all of the requested information in a timely manner or providing false information may subject you to penalties.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give such information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Form	Recordkeeping	Learning about the law or the form	Preparing, copying, assembling, and sending the form to the IRS
8865	66 hr., 58 min.	23 hr., 11 min.	36 hr., 5 min.
Schedule G (Form 8855)	XX	XX	XX
Schedule H (Form 8865)	XX	XX	XX
Schedule K-1 (Form 8865)	13 hr., 38 min.	41 min.	57 min.
Schedule O (Form 8865)	12 hr., 12 min.	2 hr., 22 min.	2 hr., 41 min.
Schedule P (Form 8865)	5 hr., 15 min.	35 min.	42 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form and related schedules simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormsComments](#). Or you can send your comments to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send Form 8865 to this address. Instead, see [When and Where To File](#), earlier.

**Codes for Principal Business Activity and Principal Product or Service**

This list of Principal Business Activities and their associated codes is designed to classify an enterprise by the type of activity in which it is engaged to facilitate the administration of the Internal Revenue Code. These Principal Business Activity Codes are based on the North American Industry Classification System.

Using the list of activities and codes below, determine from which activity the business derives the largest percentage of its "total receipts." Total receipts is defined as the sum of gross receipts or sales (Schedule B, line 1a); all other income reported on Schedule B, lines 4 through 7; income reported on Schedule K, lines 3a, 5, 6a, and 7; income or net gain reported on Schedule K, lines 8, 9a, 10, and 11; and income or net gain reported on Form 8825, lines 2, 19, and 20a. If the business purchases raw materials and supplies them to a

subcontractor to produce the finished product, but retains title to the product, the business is considered a manufacturer and must use one of the manufacturing codes (31110-339900).

Once the Principal Business Activity is determined, enter the six-digit code from the list below on page 1, item H7. Also enter a brief description of the business activity in item H8.

<p><b>Agriculture, Forestry, Fishing and Hunting</b></p> <p><b>Crop Production</b></p> <p>111100 Oilseed &amp; Grain Farming</p> <p>111210 Vegetable &amp; Melon Farming (including potatoes &amp; yams)</p> <p>111300 Fruit &amp; Tree Nut Farming</p> <p>111400 Greenhouse, Nursery, &amp; Floriculture Production</p> <p>111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet &amp; all other crop farming)</p> <p><b>Animal Production</b></p> <p>112111 Beef Cattle Ranching &amp; Farming</p> <p>112112 Cattle Feedlots</p> <p>112120 Dairy Cattle &amp; Milk Production</p> <p>112210 Hog &amp; Pig Farming</p> <p>112300 Poultry &amp; Egg Production</p> <p>112400 Sheep &amp; Goat Farming</p> <p>112510 Aquaculture (including shellfish &amp; finfish farms &amp; hatcheries)</p> <p>112900 Other Animal Production</p> <p><b>Forestry and Logging</b></p> <p>113110 Timber Tract Operations</p> <p>113210 Forest Nurseries &amp; Gathering of Forest Products</p> <p>113310 Logging</p> <p><b>Fishing, Hunting and Trapping</b></p> <p>114110 Fishing</p> <p>114210 Hunting &amp; Trapping</p> <p><b>Support Activities for Agriculture and Forestry</b></p> <p>115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, &amp; cultivating)</p> <p>115210 Support Activities for Animal Production</p> <p>115310 Support Activities For Forestry</p>	<p>237310 Highway, Street, &amp; Bridge Construction</p> <p>237990 Other Heavy &amp; Civil Engineering Construction</p> <p><b>Specialty Trade Contractors</b></p> <p>238100 Foundation, Structure, &amp; Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, &amp; siding)</p> <p>238210 Electrical Contractors</p> <p>238220 Plumbing, Heating, &amp; Air-Conditioning Contractors</p> <p>238290 Other Building Equipment Contractors</p> <p>238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, &amp; finish carpentry)</p> <p>238900 Other Specialty Trade Contractors (including site preparation)</p> <p><b>Manufacturing</b></p> <p><b>Food Manufacturing</b></p> <p>311110 Animal Food Mfg</p> <p>311200 Grain &amp; Oilseed Milling</p> <p>311300 Sugar &amp; Confectionery Product Mfg</p> <p>311400 Fruit &amp; Vegetable Preserving &amp; Specialty Food Mfg</p> <p>311500 Dairy Product Mfg</p> <p>311610 Animal Slaughtering and Processing</p> <p>311710 Seafood Product Preparation &amp; Packaging</p> <p>311800 Bakeries, Tortilla &amp; Dry Pasta Mfg</p> <p>311900 Other Food Mfg (including coffee, tea, flavorings &amp; seasonings)</p> <p><b>Beverage and Tobacco Product Manufacturing</b></p> <p>312110 Soft Drink &amp; Ice Mfg</p> <p>312120 Breweries</p> <p>312130 Wineries</p> <p>312140 Distilleries</p> <p>312200 Tobacco Manufacturing</p> <p><b>Textile Mills and Textile Product Mills</b></p> <p>313000 Textile Mills</p> <p>314000 Textile Product Mills</p> <p><b>Apparel Manufacturing</b></p> <p>315100 Apparel Knitting Mills</p> <p>315210 Cut &amp; Sew Apparel Contractors</p> <p>315220 Men's &amp; Boys' Cut &amp; Sew Apparel Mfg</p> <p>315240 Women's, Girls' &amp; Infants' Cut &amp; Sew Apparel Mfg</p> <p>315280 Other Cut &amp; Sew Apparel Mfg</p> <p>315990 Apparel Accessories &amp; Other Apparel Mfg</p> <p><b>Leather and Allied Product Manufacturing</b></p> <p>316110 Leather &amp; Hide Tanning &amp; Finishing</p> <p>316210 Footwear Mfg (including rubber &amp; plastics)</p> <p>316990 Other Leather &amp; Allied Product Mfg</p> <p><b>Wood Product Manufacturing</b></p> <p>321110 Sawmills &amp; Wood Preservation</p>	<p>321210 Veneer, Plywood, &amp; Engineered Wood Product Mfg</p> <p>321900 Other Wood Product Mfg</p> <p><b>Paper Manufacturing</b></p> <p>322100 Pulp, Paper, &amp; Paperboard Mills</p> <p>322200 Converted Paper Product Mfg</p> <p><b>Printing and Related Support Activities</b></p> <p>323100 Printing &amp; Related Support Activities</p> <p><b>Petroleum and Coal Products Manufacturing</b></p> <p>324110 Petroleum Refineries (including integrated)</p> <p>324120 Asphalt Paving, Roofing, &amp; Saturated Materials Mfg</p> <p>324190 Other Petroleum &amp; Coal Products Mfg</p> <p><b>Chemical Manufacturing</b></p> <p>325100 Basic Chemical Mfg</p> <p>325200 Resin, Synthetic Rubber, &amp; Artificial &amp; Synthetic Fibers &amp; Filaments Mfg</p> <p>325300 Pesticide, Fertilizer, &amp; Other Agricultural Chemical Mfg</p> <p>325410 Pharmaceutical &amp; Medicine Mfg</p> <p>325500 Paint, Coating, &amp; Adhesive Mfg</p> <p>325600 Soap, Cleaning Compound, &amp; Toilet Preparation Mfg</p> <p>325900 Other Chemical Product &amp; Preparation Mfg</p> <p><b>Plastics and Rubber Products Manufacturing</b></p> <p>326100 Plastics Product Mfg</p> <p>326200 Rubber Product Mfg</p> <p><b>Nonmetallic Mineral Product Manufacturing</b></p> <p>327100 Clay Product &amp; Refractory Mfg</p> <p>327210 Glass &amp; Glass Product Mfg</p> <p>327300 Cement &amp; Concrete Product Mfg</p> <p>327400 Lime &amp; Gypsum Product Mfg</p> <p>327900 Other Nonmetallic Mineral Product Mfg</p> <p><b>Primary Metal Manufacturing</b></p> <p>331110 Iron &amp; Steel Mills &amp; Ferroalloy Mfg</p> <p>331200 Steel Product Mfg from Purchased Steel</p> <p>331310 Alumina &amp; Aluminum Production &amp; Processing</p> <p>331400 Nonferrous Metal (except Aluminum) Production &amp; Processing</p> <p>331500 Foundries</p> <p><b>Fabricated Metal Product Manufacturing</b></p> <p>332110 Forging &amp; Stamping</p> <p>332210 Cutlery &amp; Handtool Mfg</p> <p>332300 Architectural &amp; Structural Metals Mfg</p> <p>332400 Boiler, Tank, &amp; Shipping Container Mfg</p> <p>332510 Hardware Mfg</p> <p>332610 Spring &amp; Wire Product Mfg</p> <p>332700 Machine Shops; Turned Product; &amp; Screw, Nut, &amp; Bolt Mfg</p> <p>332810 Coating, Engraving, Heat Treating, &amp; Allied Activities</p>	<p>332900 Other Fabricated Metal Product Mfg</p> <p><b>Machinery Manufacturing</b></p> <p>333100 Agriculture, Construction, &amp; Mining Machinery Mfg</p> <p>333200 Industrial Machinery Mfg</p> <p>333310 Commercial &amp; Service Industry Machinery Mfg</p> <p>333410 Ventilation, Heating, Air-Conditioning, &amp; Commercial Refrigeration Equipment Mfg</p> <p>333510 Metalworking Machinery Mfg</p> <p>333610 Engine, Turbine &amp; Power Transmission Equipment Mfg</p> <p>333900 Other General Purpose Machinery Mfg</p> <p><b>Computer and Electronic Product Manufacturing</b></p> <p>334110 Computer &amp; Peripheral Equipment Mfg</p> <p>334200 Communications Equipment Mfg</p> <p>334310 Audio &amp; Video Equipment Mfg</p> <p>334410 Semiconductor &amp; Other Electronic Component Mfg</p> <p>334500 Navigational, Measuring, Electromedical, &amp; Control Instruments Mfg</p> <p>334610 Manufacturing &amp; Reproducing Magnetic &amp; Optical Media</p> <p><b>Electrical Equipment, Appliance, and Component Manufacturing</b></p> <p>335100 Electric Lighting Equipment Mfg</p> <p>335200 Major Household Appliance Mfg</p> <p>335310 Electrical Equipment Mfg</p> <p>335900 Other Electrical Equipment &amp; Component Mfg</p> <p><b>Transportation Equipment Manufacturing</b></p> <p>336100 Motor Vehicle Mfg</p> <p>336210 Motor Vehicle Body &amp; Trailer Mfg</p> <p>336300 Motor Vehicle Parts Mfg</p> <p>336410 Aerospace Product &amp; Parts Mfg</p> <p>336510 Railroad Rolling Stock Mfg</p> <p>336610 Ship &amp; Boat Building</p> <p>336990 Other Transportation Equipment Mfg</p> <p><b>Furniture and Related Product Manufacturing</b></p> <p>337000 Furniture &amp; Related Product Manufacturing</p> <p><b>Miscellaneous Manufacturing</b></p> <p>339110 Medical Equipment &amp; Supplies Mfg</p> <p>339900 Other Miscellaneous Manufacturing</p> <p><b>Wholesale Trade</b></p> <p><b>Merchant Wholesalers, Durable Goods</b></p> <p>423100 Motor Vehicle &amp; Motor Vehicle Parts &amp; Supplies</p> <p>423200 Furniture &amp; Home Furnishings</p> <p>423300 Lumber &amp; Other Construction Materials</p> <p>423400 Professional &amp; Commercial Equipment &amp; Supplies</p> <p>423500 Metal &amp; Mineral (except Petroleum)</p> <p>423600 Household Appliances &amp; Electrical &amp; Electronic Goods</p>
<p><b>Mining</b></p> <p>211120 Crude Petroleum Extraction</p> <p>211130 Natural Gas Extraction</p> <p>212110 Coal Mining</p> <p>212200 Metal Ore Mining</p> <p>212310 Stone Mining &amp; Quarrying</p> <p>212320 Sand, Gravel, Clay, &amp; Ceramic &amp; Refractory Minerals Mining &amp; Quarrying</p> <p>212390 Other Nonmetallic Mineral Mining &amp; Quarrying</p> <p>213110 Support Activities for Mining</p> <p><b>Utilities</b></p> <p>221100 Electric Power Generation, Transmission &amp; Distribution</p> <p>221210 Natural Gas Distribution</p> <p>221300 Water, Sewage &amp; Other Systems</p> <p>221500 Combination Gas &amp; Electric</p> <p><b>Construction</b></p> <p><b>Construction of Buildings</b></p> <p>236110 Residential Building Construction</p> <p>236200 Nonresidential Building Construction</p> <p><b>Heavy and Civil Engineering Construction</b></p> <p>237100 Utility System Construction</p> <p>237210 Land Subdivision</p>			

**Codes for Principal Business Activity and Principal Product or Service (Continued)**

423700 Hardware, & Plumbing & Heating Equipment & Supplies	445310 Beer, Wine, & Liquor Stores	485320 Limousine Service	522292 Real Estate Credit (including mortgage bankers & originators)
423800 Machinery, Equipment, & Supplies	<b>Health and Personal Care Stores</b>	485410 School & Employee Bus Transportation	522293 International Trade Financing
423910 Sporting & Recreational Goods & Supplies	446110 Pharmacies & Drug Stores	485510 Charter Bus Industry	522294 Secondary Market Financing
423920 Toy & Hobby Goods & Supplies	446120 Cosmetics, Beauty Supplies, & Perfume Stores	485990 Other Transit & Ground Passenger Transportation	522298 All Other Nondepository Credit Intermediation
423930 Recyclable Materials	446130 Optical Goods Stores	<b>Pipeline Transportation</b>	<b>Activities Related to Credit Intermediation</b>
423940 Jewelry, Watch, Precious Stone, & Precious Metals	446190 Other Health & Personal Care Stores	486000 Pipeline Transportation	522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting)
423990 Other Miscellaneous Durable Goods	<b>Gasoline Stations</b>	<b>Scenic &amp; Sightseeing Transportation</b>	<b>Securities, Commodity Contracts, and Other Financial Investments and Related Activities</b>
<b>Merchant Wholesalers, Nondurable Goods</b>	447100 Gasoline Stations (including convenience stores with gas)	487000 Scenic & Sightseeing Transportation	523110 Investment Banking & Securities Dealing
424100 Paper & Paper Products	<b>Clothing and Clothing Accessories Stores</b>	<b>Support Activities for Transportation</b>	523120 Securities Brokerage
424210 Drugs & Druggists' Sundries	448110 Men's Clothing Stores	488100 Support Activities for Air Transportation	523130 Commodity Contracts Dealing
424300 Apparel, Piece Goods, & Notions	448120 Women's Clothing Stores	488210 Support Activities for Rail Transportation	523140 Commodity Contracts Brokerage
424400 Grocery & Related Products	448130 Children's & Infants' Clothing Stores	488300 Support Activities for Water Transportation	523210 Securities & Commodity Exchanges
424500 Farm Product Raw Materials	448140 Family Clothing Stores	488410 Motor Vehicle Towing	523900 Other Financial Investment Activities (including portfolio management & investment advice)
424600 Chemical & Allied Products	448150 Clothing Accessories Stores	488490 Other Support Activities for Road Transportation	<b>Insurance Carriers and Related Activities</b>
424700 Petroleum & Petroleum Products	448190 Other Clothing Stores	488510 Freight Transportation Arrangement	524140 Direct Life, Health, & Medical Insurance & Reinsurance Carriers
424800 Beer, Wine, & Distilled Alcoholic Beverages	448210 Shoe Stores	488990 Other Support Activities for Transportation	524150 Direct Insurance & Reinsurance (except Life, Health & Medical) Carriers
424910 Farm Supplies	448310 Jewelry Stores	<b>Couriers and Messengers</b>	524210 Insurance Agencies & Brokerages
424920 Book, Periodical, & Newspapers	448320 Luggage & Leather Goods Stores	492110 Couriers	524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds)
424930 Flower, Nursery Stock, & Florists' Supplies	<b>Sporting Goods, Hobby, Book, and Music Stores</b>	492210 Local Messengers & Local Delivery	<b>Funds, Trusts, and Other Financial Vehicles</b>
424940 Tobacco & Tobacco Products	451110 Sporting Goods Stores	<b>Warehousing and Storage</b>	525100 Insurance & Employee Benefit Funds
424950 Paint, Varnish, & Supplies	451120 Hobby, Toy, & Game Stores	493100 Warehousing & Storage (except lessors of mini-warehouses & self-storage units)	525910 Open-End Investment Funds (Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies)
424990 Other Miscellaneous Nondurable Goods	451130 Sewing, Needlework, & Piece Goods Stores	<b>Information</b>	525920 Trusts, Estates, & Agency Accounts
<b>Wholesale Electronic Markets and Agents and Brokers</b>	451140 Musical Instrument & Supplies Stores	<b>Publishing Industries (except Internet)</b>	525990 Other Financial Vehicles (including mortgage REITs and closed-end investment funds)
425110 Business to Business Electronic Markets	451211 Book Stores	511110 Newspaper Publishers	"Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under <b>Management of Companies (Holding Companies)</b> below.
425120 Wholesale Trade Agents & Brokers	451212 News Dealers & Newsstands	511120 Periodical Publishers	<b>Real Estate and Rental and Leasing</b>
<b>Retail Trade</b>	<b>General Merchandise Stores</b>	511130 Book Publishers	<b>Real Estate</b>
<b>Motor Vehicle and Parts Dealers</b>	452200 Department Stores	511140 Directory & Mailing List Publishers	531110 Lessors of Residential Buildings & Dwellings (including equity REITs)
441110 New Car Dealers	452300 General Merchandise Stores, incl. Warehouse Clubs and Supercenters	511190 Other Publishers	531120 Lessors of Nonresidential Buildings (except Mini-warehouses) (including equity REITs)
441120 Used Car Dealers	<b>Miscellaneous Store Retailers</b>	511210 Software Publishers	531130 Lessors of Mini-warehouses & Self-Storage Units (including equity REITs)
441210 Recreational Vehicle Dealers	453110 Florists	<b>Motion Picture and Sound Recording Industries</b>	531190 Lessors of Other Real Estate Property (including equity REITs)
441222 Boat Dealers	453210 Office Supplies & Stationery Stores	512100 Motion Picture & Video Industries (except video rental)	531210 Offices of Real Estate Agents & Brokers
441228 Motorcycle, ATV, & All other Motor Vehicle Dealers	453220 Gift, Novelty, & Souvenir Stores	512200 Sound Recording Industries	531310 Real Estate Property Managers
441300 Automotive Parts, Accessories, & Tire Stores	453310 Used Merchandise Stores	<b>Broadcasting (except Internet)</b>	531320 Offices of Real Estate Appraisers
<b>Furniture and Home Furnishings Stores</b>	453910 Pet & Pet Supplies Stores	515100 Radio & Television Broadcasting	531390 Other Activities Related to Real Estate
442110 Furniture Stores	453920 Art Dealers	515210 Cable & Other Subscription Programming	<b>Rental and Leasing Services</b>
442210 Floor Covering Stores	453930 Manufactured (Mobile) Home Dealers	<b>Telecommunications</b>	532100 Automotive Equipment Rental & Leasing
442291 Window Treatment Stores	453990 All Other Miscellaneous Store Retailers (including tobacco, candle, & trophy shops)	517000 Telecommunications (including paging, cellular, satellite, cable & other program distribution, resellers, & other telecommunications, and Internet service providers)	
442299 All Other Home Furnishings Stores	<b>Nonstore Retailers</b>	<b>Data Processing Services</b>	
<b>Electronics and Appliance Stores</b>	454110 Electronic Shopping & Mail-Order Houses	518210 Data Processing, Hosting, & Related Services	
443141 Household Appliance Stores	454210 Vending Machine Operators	<b>Other Information Services</b>	
443142 Electronic Stores (including Audio, Video, Computer, & Camera Stores)	454310 Fuel Dealers (including Heating Oil and Liquefied Petroleum)	519100 Other Information Services (including news syndicates & libraries, Internet publishing & broadcasting)	
<b>Building Material and Garden Equipment and Supplies Dealers</b>	454390 Other Direct Selling Establishments (including door-to-door retailing, frozen food plan providers, party plan merchandisers, & coffee-break service providers)	<b>Finance and Insurance</b>	
444110 Home Centers	<b>Transportation and Warehousing</b>	<b>Depository Credit Intermediation</b>	
444120 Paint & Wallpaper Stores	<b>Air, Rail, and Water Transportation</b>	522110 Commercial Banking	
444130 Hardware Stores	481000 Air Transportation	522120 Savings Institutions	
444190 Other Building Material Dealers	482110 Rail Transportation	522130 Credit Unions	
444200 Lawn & Garden Equipment & Supplies Stores	483000 Water Transportation	522190 Other Depository Credit Intermediation	
<b>Food and Beverage Stores</b>	<b>Truck Transportation</b>	<b>Nondepository Credit Intermediation</b>	
445110 Supermarkets and Other Grocery (except Convenience) Stores	484110 General Freight Trucking, Local	522210 Credit Card Issuing	
445120 Convenience Stores	482110 Rail Transportation	522220 Sales Financing	
445210 Meat Markets	483000 Water Transportation	522291 Consumer Lending	
445220 Fish & Seafood Markets	<b>Transit and Ground Passenger Transportation</b>		
445230 Fruit & Vegetable Markets	484120 General Freight Trucking, Long-distance		
445291 Baked Goods Stores	484200 Specialized Freight Trucking		
445292 Confectionery & Nut Stores	<b>Transit and Ground Passenger Transportation</b>		
445299 All Other Specialty Food Stores	485110 Urban Transit Systems		
	485210 Interurban & Rural Bus Transportation		
	485310 Taxi Service		



**Codes for Principal Business Activity and Principal Product or Service (Continued)**

532210 Consumer Electronics & Appliances Rental	<b>Management of Companies (Holding Companies)</b> 551111 Offices of Bank Holding Companies 551112 Offices of Other Holding Companies	<b>Outpatient Care Centers</b> 621410 Family Planning Centers 621420 Outpatient Mental Health & Substance Abuse Centers 621491 HMO Medical Centers 621492 Kidney Dialysis Centers 621493 Freestanding Ambulatory Surgical & Emergency Centers 621498 All Other Outpatient Care Centers	721310 Rooming & Boarding Houses, Dormitories & Workers' Camps
532281 Formal Wear & Costume Rental			<b>Food Services and Drinking Places</b> 722300 Special Food Services (including food service contractors & caterers)
532282 Video Tape & Disc Rental	<b>Administrative and Support and Waste Management and Remediation Services</b> <b>Administrative and Support Services</b> 561110 Office Administrative Services 561210 Facilities Support Services 561300 Employment Services 561410 Document Preparation Services 561420 Telephone Call Centers 561430 Business Service Centers (including private mail centers & copy shops) 561440 Collection Agencies 561450 Credit Bureaus 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services) 561500 Travel Arrangement & Reservation Services 561600 Investigation & Security Services 561710 Exterminating & Pest Control Services 561720 Janitorial Services 561730 Landscaping Services 561740 Carpet & Upholstery Cleaning Services 561790 Other Services to Buildings & Dwellings 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers)	621498 All Other Outpatient Care Centers	722410 Drinking Places (Alcoholic Beverages)
532283 Home Health Equipment Rental		<b>Waste Management and Remediation Services</b> 562000 Waste Management & Remediation Services	<b>Medical and Diagnostic Laboratories</b> 621510 Medical & Diagnostic Laboratories
532284 Recreational Goods Rental	<b>Educational Services</b> 611000 Educational Services (including schools, colleges, & universities)		<b>Home Health Care Services</b> 621610 Home Health Care Services
532289 All Other Consumer Goods Rental		<b>Health Care and Social Assistance</b> <b>Offices of Physicians and Dentists</b> 621111 Offices of Physicians (except mental health specialists) 621112 Offices of Physicians, Mental Health Specialists 621210 Offices of Dentists <b>Offices of Other Health Practitioners</b> 621310 Offices of Chiropractors 621320 Offices of Optometrists 621330 Offices of Mental Health Practitioners (except Physicians) 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists 621391 Offices of Podiatrists 621399 Offices of All Other Miscellaneous Health Practitioners	<b>Other Ambulatory Health Care Services</b> 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks)
532310 General Rental Centers	<b>Computer Systems Design and Related Services</b> 541511 Custom Computer Programming Services 541512 Computer Systems Design Services 541513 Computer Facilities Management Services 541519 Other Computer Related Services		<b>Hospitals</b> 622000 Hospitals
532400 Commercial & Industrial Machinery & Equipment Rental & Leasing		<b>Arts, Entertainment, and Recreation</b> <b>Performing Arts, Spectator Sports, and Related Industries</b> 711100 Performing Arts Companies 711210 Spectator Sports (including sports clubs & racetracks) 711300 Promoters of Performing Arts, Sports, & Similar Events 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures 711510 Independent Artists, Writers, & Performers	<b>Nursing and Residential Care Facilities</b> 623000 Nursing & Residential Care Facilities
<b>Lessors of Nonfinancial Intangible Assets (except copyrighted works)</b> 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works)	<b>Professional, Scientific, and Technical Services</b> <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services 541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories <b>Specialized Design Services</b> 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)		<b>Social Assistance</b> 624100 Individual & Family Services 624200 Community Food & Housing, & Emergency & Other Relief Services 624310 Vocational Rehabilitation Services 624410 Child Day Care Services
<b>Professional, Scientific, and Technical Services</b> <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services 541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories <b>Specialized Design Services</b> 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)		<b>Museums, Historical Sites, and Similar Institutions</b> 712100 Museums, Historical Sites, & Similar Institutions <b>Amusement, Gambling, and Recreation Industries</b> 713100 Amusement Parks & Arcades 713200 Gambling Industries 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers)	
<b>Professional, Scientific, and Technical Services</b> <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services 541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories <b>Specialized Design Services</b> 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)	<b>Accommodation and Food Services</b> <b>Accommodation</b> 721110 Hotels (except Casino Hotels) & Motels 721120 Casino Hotels 721191 Bed & Breakfast Inns 721199 All Other Traveler Accommodation 721210 RV (Recreational Vehicle) Parks & Recreational Camps		
<b>Professional, Scientific, and Technical Services</b> <b>Legal Services</b> 541110 Offices of Lawyers 541190 Other Legal Services <b>Accounting, Tax Preparation, Bookkeeping, and Payroll Services</b> 541211 Offices of Certified Public Accountants 541213 Tax Preparation Services 541214 Payroll Services 541219 Other Accounting Services <b>Architectural, Engineering, and Related Services</b> 541310 Architectural Services 541320 Landscape Architecture Services 541330 Engineering Services 541340 Drafting Services 541350 Building Inspection Services 541360 Geophysical Surveying & Mapping Services 541370 Surveying & Mapping (except Geophysical) Services 541380 Testing Laboratories <b>Specialized Design Services</b> 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design)			

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