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2022

 Department of the Treasury
Internal Revenue Service

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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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).

What's New

See *What's New* in the Instructions for Form 1065 for changes and new Internal Revenue Code sections that may affect foreign partnerships with fiscal years, corporate partners, or certain impacted activities.

Reminders

Schedules K-2 (Form 8865) and K-3 (Form 8865) for partnerships.

For tax years beginning after 2020, most items of international tax relevance are reported on Schedules K-2 and K-3, replacing prior reporting on Form 8865, Schedules K and K-1, line 16, Foreign transactions, and certain reporting on Form 8865, Schedules K and K-1, line 20, Other information.

The schedules are designed to provide greater clarity for partners on how to compute their U.S. income tax liability regarding items of international tax relevance, including claiming deductions and credits. Go to [IRS.gov](https://www.irs.gov) for the schedules and the Instructions for Schedules K-2 and K-3 (Form 8865) for more information. Form 8865, Schedules K and K-1, retain line 16 for the partnership to check a box indicating that it has items of international tax relevance and that it completed Schedules K-2 and K-3. For purposes of basis adjustments and to reconcile income, Form 8865 retains total foreign taxes paid or accrued but moves this reporting to Schedule K, line 21. See the Instructions for Form 1065 for amounts to report on line 21.

Important. Foreign taxes paid or accrued must be reported on Schedules K-2 and K-3 for purposes of reporting information necessary for

an eligible partner to claim a foreign tax credit.

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 Form 1065... |
|------------------------------------|--|
| Schedule B | page 1 (income and deductions). |
| Schedules K and K-1 | Schedules K and K-1. |
| Schedule K-3 | Schedule K-3. |
| 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

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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, and Schedules A, A-2, N, K-1, and K-3) 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 2022 Form 8865 with your income tax return for your tax year beginning in 2022.

If a Form 8832, Entity Classification Election, was filed for this entity for the current tax year, see *When To File* 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 Regulations section 1.721(c)-6(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 Regulations sections 1.721(c)-6(b)(2)(iv) and 1.721(c)-6(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 Regulations sections 1.721(c)-3(d)

and 1.721(c)-6(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 tax year of contribution and subsequent years, pursuant to Regulations section 1.721(c)-6. A Category 1 filer fulfills this reporting requirement by

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 (Form 8865)—Statement of Application of the Gain Deferral Method Under Section 721 | ✓ | | ✓ | ✓ |
| Schedule H (Form 8865)—Acceleration Events and Exceptions Reporting Relating to Gain Deferral Method Under Section 721(c) | ✓ | | ✓ | ✓ |
| Schedule K—Partners' Distributive Share Items | ✓ | | | |
| Schedule K-2 (Form 8865)—Partners' Distributive Share Items—International | ✓ | | | |
| Schedule K-3 (Form 8865)—Partner's Share of Income, Deductions, Credits, etc.—International | ✓ | ✓ | | |
| 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 (Form 8865)—Partner's Share of Income, Deductions, Credits, etc. (direct partners only) | ✓ | ✓ | | |
| Schedule O (Form 8865)—Transfer of Property to a Foreign Partnership | | | ✓ | |
| Schedule P (Form 8865)—Acquisitions, Dispositions, and Changes of Interests in a Foreign Partnership | | | | ✓ |

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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 Regulations section 1.721(c)-6(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 [Changes in proportional interests](#), 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 Regulations section 1.721(c)-5. In this case, the acquirer may become a successor U.S. transferor and may have a reporting requirement under Regulations section 1.721(c)-6. 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 Regulations section 1.721(c)-4. For acceleration events exceptions, see Regulations section 1.721(c)-5. See the specific instructions for [Schedule H](#), later.

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, K-1, and K-3 (if applicable) 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

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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 “electronic filing” 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, a Category 4 filer, or 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 Regulations section 1.721(c)-6, 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) isn't 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 G8a and G8b on Form 8865. See [Item H10. 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 2022 tax year. FPS completes and files a Form 1065 for its 2022 tax year. Instead of

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completing Schedules B, K, K-2, L, M-1, M-2, and K-1 and K-3 of Form 8865, Partner A may attach to its Form 8865 page 1 of Form 1065 and Form 1065 Schedules K, K-2, L, M-1, M-2, and K-1 and K-3 (including the Schedules K-1 and K-3 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 and second pages.
- Schedule A.
- Schedule A-1.
- Schedule A-2.
- Schedule A-3.
- Schedule G (Form 8865).
- Schedule H (Form 8865).
- 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 2022 tax year, Partner A may file with Form 8865 the Schedules K-1 and K-3 (Form 1065) that it receives from the partnership instead of Schedules K-1 and K-3 (Form 8865). Partner A must complete the following items and schedules on Form 8865.

- The first and second pages.
- 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 Regulations section 1.721(c)-6(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 Regulations section 1.721(c)-1(b)(14).

U.S. transferor. A U.S. transferor is a U.S. person other than a domestic partnership. See Regulations section 1.721(c)-1(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 Regulations section 1.721(c)-2(d) (partnership look-through rule). See Regulations section 1.721(c)-1(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 Regulations section 1.721(c)-1(b)(7).

Gain deferral method. The gain deferral method is the method described in Regulations section 1.721(c)-3(b) applied to avoid the immediate recognition of gain upon a contribution of section 721(c) property to a section 721(c) partnership under Regulations section 1.721(c)-2(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 their family. The family of an individual includes only that individual's spouse, siblings, 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

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or trust that isn't 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 isn't 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 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 the 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 Regulations sections 1.721(c)-3 and 1.721(c)-6 and section 6038B, may result in an acceleration event under Regulations section 1.721(c)-4(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. Enter "corrected" at the top of the form and

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attach a statement identifying and explaining the changes.

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 a 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 pages 1 and 2, 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 filers 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 Schedule 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 19. 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(a)

If the foreign partnership has an EIN, enter it here. Don't enter FOREIGNUS or APPLIED FOR. If the partnership has no EIN, item G2(b) must be completed.

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.

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The reference ID number must meet the requirements below. Don't enter FOREIGNUS or APPLIED FOR with respect to the reference ID number.

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 on item G2(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; or
- 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 these 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), described in Regulations section 1.989(a)-1(b)(2)(ii), attach a statement identifying each QBU, its country of operation, and its functional currency. A QBU under Regulations section 1.989(a)-1(b)(2)(ii) 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. Generally, 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. Don't 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 of Form 8865, check the applicable box and enter the Internal Revenue Service Center where the form was or will be filed (or enter "electronic filing")

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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 or royalty paid or accrued in agreement with a hybrid arrangement, to the extent that, under the foreign tax law, there isn't a corresponding income inclusion (including long-term deferral). In the case of a filer that is a tax resident of the United States (for example, a domestic corporation or citizen of the United States), report in Question H5 the total amount of interest and royalty paid or accrued by the foreign partnership for which your distributive share of deductions is disallowed under section 267A. In the case of a filer that isn't a tax resident of the United States (for example, a domestic partnership), only report in Question H5 the portion of your distributive share of interest and royalty paid or accrued by the foreign partnership for which you know, or have reason to know, that one or more of your owners aren't allowed a deduction under section 267A. For additional information about section 267A, including the application of section 267A in the case of payments by a partnership, see [IRS.gov/businesses/partnerships/faqs-for-form-1065-schedule-b-other-information-question-22](https://www.irs.gov/businesses/partnerships/faqs-for-form-1065-schedule-b-other-information-question-22).

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 isn't 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.

Item H12

Check the "Yes" box on line 12a if the filer of this Form 8865 is claiming a deduction under section 250 with respect to foreign-derived intangible income (FDII), and enter the amounts requested on lines 12b, 12c, and 12d. Enter U.S. dollar amounts on lines 12b, 12c, and 12d, translated from functional currency at the average exchange rate for the foreign partnership's tax year (see section 989(b)).

The reported amounts should provide information for transactions between the filer of the Form 8865 and the foreign partnership. See Form 8993 and its instructions for information on the section 250 deduction. If no deduction is being claimed, check the "No" box.

Item H14

Answer "Yes" if at any time during the year there were transfers between the partnership and its partners subject to the disclosure requirements of Regulations section 1.707-8. For certain transfers that are presumed to be sales, the partnership or the partners must comply with the disclosure requirements in Regulations section 1.707-8. Generally, disclosure is required when:

1. Certain transfers to a partner are made within 2 years of a transfer

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of property by the partner to the partnership;

2. Certain debt is incurred by a partner within 2 years of the earlier of (a) a written agreement to transfer, or (b) a transfer of the property that secures the debt, if the debt is treated as a qualified liability; or

3. Transfers from a partnership to a partner occur which are the equivalent to those listed in (1) or (2) above.

The disclosure must be made on the transferor partner's return using Form 8275, Disclosure Statement, or on an attached statement providing the same information. When more than one partner transfers property to a partnership under a plan, the disclosure may be made by the partnership rather than each partner.

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.

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.

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.

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 2021) 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-letter country code for the country of

organization for any foreign partner, other than an individual. See country codes on [IRS.gov/CountryCodes](#).

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 isn't 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.

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 of 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.

Schedule B. Income Statement—Trade or Business Income

Important: All Category 1 filers in partnerships engaged in a domestic or foreign trade or business must complete Form 8865, Schedule B.


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.

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See Regulations section 1.704-3(d) and Regulations section 1.704-3(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 tax year with respect to section 721(c) property. See Regulations section 1.721(c)-3. See [Section 721\(c\) partnership](#), [Section 721\(c\) property](#), and [Gain deferral method](#), earlier.


Specific Instructions for Schedule B

For specific instructions for Form 8865, Schedule B, 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/ScheduleD\(Form1065\)](#). Also, these instructions can be ordered by calling 800-829-3676 (800-TAX-FORM).

Schedule D. Capital Gains and Losses

Important: All Form 8865 Category 1 filers in partnerships having partnership items described in the Instructions for Schedule D (Form 1065), Capital Gains and Losses, must complete that schedule.

 You can view or download the Schedule D (Form 1065) and the Instructions for Schedule D (Form 1065) at [IRS.gov/ScheduleD\(Form1065\)](#). Also, the form and its instructions can be ordered by calling 800-829-3676 (800-TAX-FORM).

Schedule G (Form 8865). 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 tax 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 Regulations section 1.721(c)-6(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 FMV (measured at the time of contribution). Thus, the reportable section 721(c) property with the highest FMV should be listed on line 1, the reportable section 721(c) property with the second highest FMV 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 FMV. The statements with respect to Parts 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 FMV, basis, and built-in gain, respectively, of the properties.
2. Check the boxes 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.

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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 the 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)-3(b)(1)(ii) and 1.721(c)-6(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 reportable section 721(c) property listed, respond “Yes” on the corresponding line in Part V of Schedule G and complete Schedule H. See the 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 Regulations section 1.721(c)-3(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)-4 and 1.721(c)-5 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 Regulations section 1.721(c)-5(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 Regulations section 1.721(c)-5(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 FMV).

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 Regulations section 1.721(c)-3(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 tax year with respect to one or more reportable section 721(c) properties and information relating to treaty benefits. Such events include:

- Acceleration events (see Regulations section 1.721(c)-4),

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- Partial acceleration events (see Regulations section 1.721(c)-5(d)),
- Termination events (see Regulations section 1.721(c)-5(b)),
- Successor events involving a successor partnership or U.S. transferor (see Regulations section 1.721(c)-5(c)),
- Taxable disposition of a portion of an interest in a partnership (see Regulations section 1.721(c)-5(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)-5(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 Schedule H (Form 8865). See the separate instructions later for Schedule H. In addition, the corresponding checkboxes in Part I, columns 7(a) through 7(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)-6(b)(2)(iii) and 1.721(c)-6(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)-6 that isn’t captured in Parts I through IV above.

Schedule H (Form 8865). 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)-4 and -5 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 lines are needed to report the information required in Parts I through V, attach a statement 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 FMV. Following the event, the gain deferral method no longer applies to that section 721(c) property. See Regulations section 1.721(c)-4 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)-4(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)-6(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)-4(c)(2) and 1.721(c)-5(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 result 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)-5(d).

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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)-5(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)-5(b). See Regulations section 1.721(c)-6(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)-5(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)-5(c). See Regulations section 1.721(c)-6(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 (TIN), 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 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)-5(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)-5(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

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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 FMV.

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 FMV. 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)-5(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 the name, address, and U.S.TIN, if any.

Part VI. Supplemental Information

Information to be reported. When providing any information in the Supplemental 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 Parts 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)-6 that isn't reported in Parts I through V above.

Schedules K, Partners' Distributive Share Items, and K-1 (Form 8865), Partner's Share of Income, Deductions, Credits, etc.

Schedule K

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

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 interests in partnership profits, losses, capital, or deductions. These percentages should include any interest constructively owned by the filer.

Complete boxes 1 through 21 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 should generally 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 Regulations section 1.721(c)-6(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 Regulations section 1.721(c)-6(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

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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)-3(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, 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 Regulations section 1.704-3(d)(5)(iii) and Regulations section 1.721(c)-3. See [Section 721\(c\) partnership](#), [Section 721\(c\) property](#), and [Gain deferral method](#), earlier.

Codes. In box 11 and boxes 13 through 21, identify each item by entering a code in the column to the left of the dollar amount entry space. These codes are identified in [List of Codes Used for Schedule K-1 \(Form 8865\)](#), later. For Box 11—Code G. Other income (loss), see *Other*

income (loss) (code I) in the Instructions for Form 1065.

Attached statements. When attaching statements to Schedule K-1 to report additional information to the partner, indicate there is a statement for the following.

- If an amount can be input on Schedule K-1 but additional information is required, enter an asterisk (*) after the code in the column to the left of the entry space.
- For items that can't be reported as a single dollar amount, enter the code and an asterisk (*) in the column to the left and enter "STMT" in the right column to indicate that the information is provided on an attached statement.
- If the partnership has more coded items than the number of entry boxes (for example, boxes 11 and 13 through 15, or boxes 17 through 21), don't enter a code or dollar amount in the last entry box. Instead, enter an asterisk (*) in the left column and enter "STMT" in the entry space to the right.

More than one attached statement can be placed on the same sheet of paper. The information included in the statement should be identified in alphanumeric order by box number followed by the letter code (if any), description, and dollar amount for each item. For example: "Box 13, code J—Work opportunity credit—\$1,000." This can be followed with any additional information the partner needs to determine the proper tax treatment of the item.

Specific Instructions for Schedules K and K-1

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

If the partnership is a section 721(c) partnership, box 20 (code AH—Other information) of Schedule K-1, Part III, must include the amounts relating to any remedial items made under the remedial allocation method (described in Regulations section 1.704-3(d) and Regulations section 1.704-3(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).

Line 16. If the partnership had items of international tax relevance, see the Instructions for Schedules K-2 and K-3 (Form 8865) to determine if you need to check the box and attach Schedules K-2 and K-3.

Schedules K-2 (Form 8865), Partners' Distributive Share Items—International, and K-3 (Form 8865), Partner's Share of Income, Deductions, Credits, etc.—International

Schedule K-2

Schedule K-2 (Form 8865) is an extension of Schedule K of the Form 8865 and is used to report items of international tax relevance from the operation of a partnership.

Schedule K-3

Schedule K-3 (Form 8865) is an extension of Schedule K-1 (Form 8865) and is generally used to report the partner's share of the items reported on Schedule K-2. The information reported on Schedule K-3 is used to report information on a partner's tax or information returns.

For more information, see the Instructions for Schedules K-2 and K-3 (Form 8865).

Schedule L. Balance Sheets per Books

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 Form 8865, Schedule L.

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

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

Exception. Generally, if the partnership or any QBU of the partnership uses the dollar

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approximate separate transactions method (DASTM), Form 8865, Schedule L, 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 Form 8865, Schedule L, see the Instructions for Form 1065.

Schedule M. Balance Sheets for Interest Allocation

All Category 1 filers must complete Form 8865, Schedule M, 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 QBU of the partnership uses DASTM, Form 8865, Schedule M, 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-2 and Schedule K-3 (Form 8865), Part III, Section 2; section 904(d); and Regulations section 1.904-4(m) for more information.

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

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 Form 8865, Schedule M-1. If you answered "Yes" to item H11 on page 1 of Form 8865, you don't have to complete Form 8865, Schedule M-1.

Specific Instructions for Schedule M-1

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

Schedule M-2. Analysis of Partners' Capital Accounts

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

Specific Instructions for Schedule M-2

For the specific instructions for Form 8865, Schedule M-2, see the Instructions for Form 1065.

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 don't 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), don't 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 tax year of gross amounts borrowed from, and gross amounts lent to, the related parties described in columns (a) through (d). Don't enter aggregate cash flows, year-end loan balances, average balances, or net balances. Don't 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.

Schedule O (Form 8865). Transfer of Property to a Foreign Partnership

Category 3 filers must complete Schedule O.

Section 721(c) partnerships. Regulations section 1.721(c)-2 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 Regulations section 1.721(c)-3 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 Regulations section 1.721(c)-6. 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

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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” and 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.

Schedule P (Form 8865). 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, unless they qualify under the [exception for certain Category 4 filers](#), described 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. 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 Regulations section 1.721(c)-5. In this case, the acquirer may become a successor U.S. transferor and may have a reporting requirement under Regulations section 1.721(c)-6. 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, or 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 Regulations section 1.721(c)-4. For acceleration event exceptions, see Regulations section 1.721(c)-5.

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.

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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 | 39 hr., 30 min. | 6 hr., 47 min. | 14 hr., 21 min. |
| Schedule G (Form 8865) | 13 hr., 52 min. | 3 hr., 34 min. | 3 hr., 57 min. |
| Schedule H (Form 8865) | 7 hr., 53 min. | 2 hr., 17 min. | 2 hr., 30 min. |
| Schedule K-1 (Form 8865) | 12 hr., 12 min. | 7 hr., 31 min. | 9 hr., 14 min. |
| Schedule K-2 (Form 8865) | 170 hr., 16 min. | 34 hr., 28 min. | 50 hr., 44 min. |
| Schedule K-3 (Form 8865) | 171 hr., 13 min. | 35 hr., 33 min. | 51 hr., 53 min. |
| Schedule O (Form 8865) | 16 hr., 15 min. | 5 hr., 10 min. | 5 hr., 39 min. |
| Schedule P (Form 8865) | 5 hr., 44 min. | 1 hr., 12 min. | 1 hr., 20 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/FormComments](#). 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.

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List of Codes Used for Schedule K-1 (Form 8865)

| Box Number / Item | | Where to report or where to find further reporting information. |
|--|--|---|
| 1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows. | | |
| | Passive loss | See Partner's Instr. (Form 1065) |
| | Passive income | Schedule E (Form 1040), line 28, column (h) |
| | Nonpassive loss | See Partner's Instr. (Form 1065) |
| | Nonpassive income | Schedule E (Form 1040), line 28, column (k) |
| 2. Net rental real estate income (loss) | | See Partner's Instr. (Form 1065) |
| 3. Other net rental income (loss) | | |
| | Net income | Schedule E (Form 1040), line 28, column (h) |
| | Net loss | See Partner's Instr. (Form 1065) |
| 4a. Guaranteed payment services | | See Partner's Instr. (Form 1065) |
| 4b. Guaranteed payment capital | | See Partner's Instr. (Form 1065) |
| 4c. Guaranteed payment total | | See Partner's Instr. (Form 1065) |
| 5. Interest income | | Form 1040 or 1040-SR, line 2b |
| 6a. Ordinary dividends | | Form 1040 or 1040-SR, line 3b |
| 6b. Qualified dividends | | Form 1040 or 1040-SR, line 3a |
| 6c. Dividend equivalents | | See Partner's Instr. (Form 1065) |
| 7. Royalties | | Schedule E (Form 1040), line 4 |
| 8. Net short-term capital gain (loss) | | Schedule D (Form 1040), line 5 |
| 9a. Net long-term capital gain (loss) | | Schedule D (Form 1040), line 12 |
| 9b. Collectibles (28%) gain (loss) | | 28% Rate Gain Worksheet, line 4 (Schedule D instructions) |
| 9c. Unrecaptured section 1250 gain | | See Partner's Instr. (Form 1065) |
| 10. Net section 1231 gain (loss) | | See Partner's Instr. (Form 1065) |
| 11. Other income (loss) | | |
| | Code A. Other portfolio income (loss) | See Partner's Instr. (Form 1065) |
| | Code B. Involuntary conversions | See Partner's Instr. (Form 1065) |
| | Code C. Section 1256 contracts & straddles | Form 6781, line 1 |
| | Code D. Mining exploration costs recapture | See Pub. 535 |
| | Code E. Cancellation of debt | Schedule 1 (Form 1040), line 8c; or Form 982 |
| | Code F. Section 743(b) positive income adjustments | See Partner's Instr. (Form 1065) |
| | Code G. Other income (loss) | See Partner's Instr. (Form 1065) |

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| Box Number / Item | | Where to report or where to find further reporting information. |
|---|---|---|
| 12. Section 179 deduction | | See Partner's Instr. (Form 1065) |
| 13. Other deductions | | |
| | Code A. Cash contributions (60%) | See Partner's Instr. (Form 1065) |
| | Code B. Cash contributions (30%) | See Partner's Instr. (Form 1065) |
| | Code C. Noncash contributions (50%) | See Partner's Instr. (Form 1065) |
| | Code D. Noncash contributions (30%) | See Partner's Instr. (Form 1065) |
| | Code E. Capital gain property to a 50% organization (30%) | See Partner's Instr. (Form 1065) |
| | Code F. Capital gain property (20%) | See Partner's Instr. (Form 1065) |
| | Code G. Contributions (100%) | See Partner's Instr. (Form 1065) |
| | Code H. Investment interest expense | Form 4952, line 1 |
| | Code I. Deductions—royalty income | Schedule E (Form 1040), line 19 |
| | Code J. Section 59(e)(2) expenditures | See Partner's Instr. (Form 1065) |
| | Code K. Excess business interest expense | See Partner's Instr. (Form 1065) |
| | Code L. Deductions—portfolio (other) | Schedule A (Form 1040), line 16 |
| | Code M. Amounts paid for medical insurance | Schedule A (Form 1040), line 1; or Schedule 1 (Form 1040), line 17 |
| | Code N. Educational assistance benefits | See Partner's Instr. (Form 1065) |
| | Code O. Dependent care benefits | Form 2441, line 12 |
| | Code P. Preproductive period expenses | See Partner's Instr. (Form 1065) |
| | Code Q. Reserved for future use | |
| | Code R. Pensions and IRAs | See Partner's Instr. (Form 1065) |
| | Code S. Reforestation expense deduction | See Partner's Instr. (Form 1065) |
| | Codes T through U | Reserved for future use |
| | Code V. Section 743(b) negative income adjustments | See Partner's Instr. (Form 1065) |
| | Code W. Other deductions | See Partner's Instr. (Form 1065) |
| 14. Self-employment earnings (loss) | | |
| | Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instr. (Form 1065) before completing Schedule SE (Form 1040). | |
| | Code A. Net earnings (loss) from self-employment | Schedule SE, Section A or B |
| | Code B. Gross farming or fishing income | See Partner's Instr. (Form 1065) |
| | Code C. Gross non-farm income | See Partner's Instr. (Form 1065) |
| 15. Credits | | |
| | Code A. Reserved for future use | |
| | Code B. Reserved for future use | |
| | Code C. Low-income housing credit (section 42(j)(5)) from post-2007 buildings | See Partner's Instr. (Form 1065) |
| | Code D. Low-income housing credit (other) from post-2007 buildings | See Partner's Instr. (Form 1065) |
| | Code E. Qualified rehabilitation expenditures (rental real estate) | See Partner's Instr. (Form 1065) |
| | Code F. Other rental real estate credits | See Partner's Instr. (Form 1065) |
| | Code G. Other rental credits | See Partner's Instr. (Form 1065) |
| | Code H. Undistributed capital gains credit | See Partner's Instr. (Form 1065) |
| | Code I. Biofuel producer credit | See Partner's Instr. (Form 1065) |
| | Code J. Work opportunity credit | See Partner's Instr. (Form 1065) |
| | Code K. Disabled access credit | See Partner's Instr. (Form 1065) |
| | Code L. Empowerment zone employment credit | See Partner's Instr. (Form 1065) |
| | Code M. Credit for increasing research activities | See Partner's Instr. (Form 1065) |
| | Code N. Credit for employer social security and Medicare taxes | See Partner's Instr. (Form 1065) |
| | Code O. Backup withholding | See Partner's Instr. (Form 1065) |
| | Code P. Other credits | See Partner's Instr. (Form 1065) |
| 17. Alternative minimum tax (AMT) items | | |
| | Code A. Post-1986 depreciation adjustment | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |
| | Code B. Adjusted gain or loss | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |
| | Code C. Depletion (other than oil & gas) | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |
| | Code D. Oil, gas, and geothermal—gross income | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |
| | Code E. Oil, gas, and geothermal—deductions | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |
| | Code F. Other AMT items | See Partner's Instr. (Form 1065) and the Instructions for Form 6251 |

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| Box Number / Item | | Where to report or where to find further reporting information. |
|--|---|---|
| 18. Tax-exempt income and nondeductible expenses | | |
| | Code A. Tax-exempt interest income | Form 1040, line 2a |
| | Code B. Other tax-exempt income | See Partner's Instr. (Form 1065) |
| | Code C. Nondeductible expenses | See Partner's Instr. (Form 1065) |
| 19. Distributions | | |
| | Code A. Cash and marketable securities | See Partner's Instr. (Form 1065) |
| | Code B. Distribution subject to section 737 | See Partner's Instr. (Form 1065) |
| | Code C. Other property | See Partner's Instr. (Form 1065) |
| 20. Other information | | |
| | Code A. Investment income | Form 4952, line 4a |
| | Code B. Investment expenses | Form 4952, line 5 |
| | Code C. Fuel tax credit information | Form 4136 |
| | Code D. Qualified rehabilitation expenditures (other than rental real estate) | See Partner's Instr. (Form 1065) |
| | Code E. Basis of energy property | See Partner's Instr. (Form 1065) |
| | Codes F through G. Recapture of low-income housing credit | See Partner's Instr. (Form 1065) |
| | Code H. Recapture of investment credit | See Form 4255 |
| | Code I. Recapture of other credits | See Partner's Instr. (Form 1065) |
| | Code J. Look-back interest—completed long-term contracts | See Form 8697 |
| | Code K. Look-back interest—income forecast method | See Form 8866 |
| | Code L. Dispositions of property with section 179 deductions | See Partner's Instr. (Form 1065) |
| | Code M. Recapture of section 179 deduction | See Partner's Instr. (Form 1065) |
| | Code N. Business interest expense (information item) | See Partner's Instr. (Form 1065) |
| | Code O. Section 453(l)(3) information | See Partner's Instr. (Form 1065) |
| | Code P. Section 453A(c) information | See Partner's Instr. (Form 1065) |
| | Code Q. Section 1260(b) information | See Partner's Instr. (Form 1065) |
| | Code R. Interest allocable to production expenditures | See Partner's Instr. (Form 1065) |
| | Code S. Capital construction fund (CCF) nonqualified withdrawals | See Partner's Instr. (Form 1065) |
| | Code T. Depletion information — oil and gas | See Partner's Instr. (Form 1065) |
| | Code U. Section 743(b) basis adjustment | See Partner's Instr. (Form 1065) |
| | Code V. Unrelated business taxable income | See Partner's Instr. (Form 1065) |
| | Code X. Reserved for future use | See Partner's Instr. (Form 1065) |
| | Code Y. Net investment income | See Partner's Instr. (Form 1065) |
| | Code Z. Section 199A information | See Partner's Instr. (Form 1065) |
| | Code AA. Section 704(c) information | See Partner's Instr. (Form 1065) |
| | Code AB. Section 751 gain (loss) | See Partner's Instr. (Form 1065) |
| | Code AC. Section 1(h)(5) gain (loss) | See Partner's Instr. (Form 1065) |
| | Code AD. Deemed section 1250 unrecaptured gain | See Partner's Instr. (Form 1065) |
| | Code AE. Excess taxable income | See Partner's Instr. (Form 1065) |
| | Code AF. Excess business interest income | See Partner's Instr. (Form 1065) |
| | Code AG. Gross receipts for section 448(c) (information item) | See Partner's Instr. (Form 1065) |
| | Code AH. Other information | See Partner's Instr. (Form 1065) |

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| Codes for Principal Business Activity and Principal Product or Service | | 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 (311110–339900). | |
|--|--|--|---|
| 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. | | 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. | |
| Agriculture, Forestry, Fishing, and Hunting Crop Production 111100 Oilseed & Grain Farming 111210 Vegetable & Melon Farming (including potatoes & yams) 111300 Fruit & Tree Nut Farming 111400 Greenhouse, Nursery, & Floriculture Production 111900 Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet, & all other crop farming) Animal Production 112111 Beef Cattle Ranching & Farming 112112 Cattle Feedlots 112120 Dairy Cattle & Milk Production 112210 Hog & Pig Farming 112300 Poultry & Egg Production 112400 Sheep & Goat Farming 112510 Aquaculture (including shellfish & finfish farms & hatcheries) 112900 Other Animal Production Forestry and Logging 113110 Timber Tract Operations 113210 Forest Nurseries & Gathering of Forest Products 113310 Logging Fishing, Hunting, and Trapping 114110 Fishing 114210 Hunting & Trapping Support Activities for Agriculture and Forestry 115110 Support Activities for Crop Production (including cotton ginning, soil preparation, planting, & cultivating) 115210 Support Activities for Animal Production (including Farriers) 115310 Support Activities for Forestry Mining 211120 Crude Petroleum Extraction 211130 Natural Gas Extraction 212110 Coal Mining 212200 Metal Ore Mining 212310 Stone Mining & Quarrying 212320 Sand, Gravel, Clay, & Ceramic & Refractory Minerals Mining & Quarrying 212390 Other Nonmetallic Mineral Mining & Quarrying 213110 Support Activities for Mining Utilities 221100 Electric Power Generation, Transmission, & Distribution 221210 Natural Gas Distribution 221300 Water, Sewage, & Other Systems 221500 Combination Gas & Electric Construction Construction of Buildings 236110 Residential Building Construction 236200 Nonresidential Building Construction Heavy and Civil Engineering Construction 237100 Utility System Construction 237210 Land Subdivision | 237310 Highway, Street, & Bridge Construction 237990 Other Heavy & Civil Engineering Construction Specialty Trade Contractors 238100 Foundation, Structure, & Building Exterior Contractors (including framing carpentry, masonry, glass, roofing, & siding) 238210 Electrical Contractors 238220 Plumbing, Heating, & Air-Conditioning Contractors 238290 Other Building Equipment Contractors 238300 Building Finishing Contractors (including drywall, insulation, painting, wallcovering, flooring, tile, & finish carpentry) 238900 Other Specialty Trade Contractors (including site preparation) Manufacturing Food Manufacturing 311110 Animal Food Mfg 311200 Grain & Oilseed Milling 311300 Sugar & Confectionery Product Mfg 311400 Fruit & Vegetable Preserving & Specialty Food Mfg 311500 Dairy Product Mfg 311610 Animal Slaughtering and Processing 311710 Seafood Product Preparation & Packaging 311800 Bakeries, Tortilla & Dry Pasta Mfg 311900 Other Food Mfg (including coffee, tea, flavorings, & seasonings) Beverage and Tobacco Product Manufacturing 312110 Soft Drink & Ice Mfg 312120 Breweries 312130 Wineries 312140 Distilleries 312200 Tobacco Manufacturing Textile Mills and Textile Product Mills 313000 Textile Mills 314000 Textile Product Mills Apparel Manufacturing 315100 Apparel Knitting Mills 315210 Cut & Sew Apparel Contractors 315250 Cut & Sew Apparel Mfg (except Contractors) 315990 Apparel Accessories & Other Apparel Mfg Leather and Allied Product Manufacturing 316110 Leather & Hide Tanning & Finishing 316210 Footwear Mfg (including rubber & plastics) 316990 Other Leather & Allied Product Mfg Wood Product Manufacturing 321110 Sawmills & Wood Preservation 321210 Veneer, Plywood, & Engineered Wood Product Mfg 321900 Other Wood Product Mfg | Paper Manufacturing 322100 Pulp, Paper, & Paperboard Mills 322200 Converted Paper Product Mfg Printing and Related Support Activities 323100 Printing & Related Support Activities Petroleum and Coal Products Manufacturing 324110 Petroleum Refineries (including integrated) 324120 Asphalt Paving, Roofing, & Saturated Materials Mfg 324190 Other Petroleum & Coal Products Mfg Chemical Manufacturing 325100 Basic Chemical Mfg 325200 Resin, Synthetic Rubber, & Artificial & Synthetic Fibers & Filaments Mfg 325300 Pesticide, Fertilizer, & Other Agricultural Chemical Mfg 325410 Pharmaceutical & Medicine Mfg 325500 Paint, Coating, & Adhesive Mfg 325600 Soap, Cleaning Compound, & Toilet Preparation Mfg 325900 Other Chemical Product & Preparation Mfg Plastics and Rubber Products Manufacturing 326100 Plastics Product Mfg 326200 Rubber Product Mfg Nonmetallic Mineral Product Manufacturing 327100 Clay Product & Refractory Mfg 327210 Glass & Glass Product Mfg 327300 Cement & Concrete Product Mfg 327400 Lime & Gypsum Product Mfg 327900 Other Nonmetallic Mineral Product Mfg Primary Metal Manufacturing 331110 Iron & Steel Mills & Ferroalloy Mfg 331200 Steel Product Mfg From Purchased Steel 331310 Alumina & Aluminum Production & Processing 331400 Nonferrous Metal (except Aluminum) Production & Processing 331500 Foundries Fabricated Metal Product Manufacturing 332110 Forging & Stamping 332210 Cutlery & Handtool Mfg 332300 Architectural & Structural Metals Mfg 332400 Boiler, Tank, & Shipping Container Mfg 332510 Hardware Mfg 332610 Spring & Wire Product Mfg 332700 Machine Shops; Turned Product; & Screw, Nut, & Bolt Mfg 332810 Coating, Engraving, Heat Treating, & Allied Activities 332900 Other Fabricated Metal Product Mfg Machinery Manufacturing 333100 Agriculture, Construction, & Mining Machinery Mfg | 333200 Industrial Machinery Mfg 333310 Commercial & Service Industry Machinery Mfg 333410 Ventilation, Heating, Air-Conditioning, & Commercial Refrigeration Equipment Mfg 333510 Metalworking Machinery Mfg 333610 Engine, Turbine & Power Transmission Equipment Mfg 333900 Other General Purpose Machinery Mfg Computer and Electronic Product Manufacturing 334110 Computer & Peripheral Equipment Mfg 334200 Communications Equipment Mfg 334310 Audio & Video Equipment Mfg 334410 Semiconductor & Other Electronic Component Mfg 334500 Navigational, Measuring, Electromedical, & Control Instruments Mfg 334610 Manufacturing & Reproducing Magnetic & Optical Media Electrical Equipment, Appliance, and Component Manufacturing 335100 Electric Lighting Equipment Mfg 335200 Household Appliance Mfg 335310 Electrical Equipment Mfg 335900 Other Electrical Equipment & Component Mfg Transportation Equipment Manufacturing 336100 Motor Vehicle Mfg 336210 Motor Vehicle Body & Trailer Mfg 336300 Motor Vehicle Parts Mfg 336410 Aerospace Product & Parts Mfg 336510 Railroad Rolling Stock Mfg 336610 Ship & Boat Building 336990 Other Transportation Equipment Mfg Furniture and Related Product Manufacturing 337000 Furniture & Related Product Manufacturing Miscellaneous Manufacturing 339110 Medical Equipment & Supplies Mfg 339900 Other Miscellaneous Manufacturing Wholesale Trade Merchant Wholesalers, Durable Goods 423100 Motor Vehicle & Motor Vehicle Parts & Supplies 423200 Furniture & Home Furnishings 423300 Lumber & Other Construction Materials 423400 Professional & Commercial Equipment & Supplies 423500 Metal & Mineral (except Petroleum) 423600 Household Appliances & Electrical & Electronic Goods 423700 Hardware, & Plumbing & Heating Equipment & Supplies 423800 Machinery, Equipment, & Supplies |

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

| | | | |
|--|---|---|--|
| 423910 Sporting & Recreational Goods & Supplies | 455210 Warehouse Clubs, Supercenters, & Other Merch Retailers | 485990 Other Transit & Ground Passenger Transportation | 522299 Intl, Secondary Market, & Other Nondepo. Credit Intermediation |
| 423920 Toy & Hobby Goods & Supplies | Health and Personal Care Retailers | Pipeline Transportation | Activities Related to Credit Intermediation |
| 423930 Recyclable Materials | 456110 Pharmacies & Drug Retailers | 486000 Pipeline Transportation | 522300 Activities Related to Credit Intermediation (including loan brokers, check clearing, & money transmitting) |
| 423940 Jewelry, Watch, Precious Stone, & Precious Metals | 456120 Cosmetics, Beauty Supplies, & Perfume Retailers | Scenic & Sightseeing Transportation | Securities, Commodity Contracts, and Other Financial Investments and Related Activities |
| 423990 Other Miscellaneous Durable Goods | 456130 Optical Goods Retailers | 487000 Scenic & Sightseeing Transportation | 523150 Investment Banking & Securities Intermediation |
| Merchant Wholesalers, Nondurable Goods | 446190 Other Health & Personal Care Retailers | Support Activities for Transportation | 523160 Commodity Contracts Intermediation |
| 424100 Paper & Paper Products | Gasoline Stations & Fuel Dealers | 488100 Support Activities for Air Transportation | 523210 Securities & Commodity Exchanges |
| 424210 Drugs & Druggists' Sundries | 457100 Gasoline Stations (including convenience stores with gas) | 488210 Support Activities for Rail Transportation | 523900 Other Financial Investment Activities (including portfolio management & investment advice) |
| 424300 Apparel, Piece Goods, & Notions | 457210 Fuel Dealers (including Heating Oil & Liquefied Petroleum) | 488300 Support Activities for Water Transportation | Insurance Carriers and Related Activities |
| 424400 Grocery & Related Products | Clothing & Accessories Retailers | 488410 Motor Vehicle Towing | 524110 Direct Life, Health, & Medical Insurance Carriers |
| 424500 Farm Product Raw Materials | 458110 Clothing & Clothing Accessories Retailers | 488490 Other Support Activities for Road Transportation | 524120 Direct Insurance (except Life, Health, & Medical) Carriers |
| 424600 Chemical & Allied Products | 458210 Shoe Retailers | 488510 Freight Transportation Arrangement | 524210 Insurance Agencies & Brokerages |
| 424700 Petroleum & Petroleum Products | 458310 Jewelry Retailers | 488990 Other Support Activities for Transportation | 524290 Other Insurance Related Activities (including third-party administration of insurance and pension funds) |
| 424800 Beer, Wine, & Distilled Alcoholic Beverages | 458320 Luggage & Leather Goods Retailers | Couriers and Messengers | Funds, Trusts, and Other Financial Vehicles |
| 424910 Farm Supplies | Sporting, Hobby, Book, Musical Instrument, & Miscellaneous Retailers | 492110 Couriers & Express Delivery Services | 525100 Insurance & Employee Benefit Funds |
| 424920 Book, Periodical, & Newspapers | 459110 Sporting Goods Retailers | 492210 Local Messengers & Local Delivery | 525910 Open-End Investment Funds (Form 1120-RIC,) |
| 424930 Flower, Nursery Stock, & Florists' Supplies | 459120 Hobby, Toy, & Game Retailers | Warehousing and Storage | 525920 Trusts, Estates, & Agency Accounts |
| 424940 Tobacco Products & Electronic Cigarettes | 459130 Sewing, Needlework, & Piece Goods Retailers | 493100 Warehousing & Storage (except lessors of mini-warehouses & self-storage units) | 525990 Other Financial Vehicles (including mortgage REITs and closed-end investment funds) |
| 424950 Paint, Varnish, & Supplies | 459140 Musical Instrument & Supplies Retailers | Information | "Offices of Bank Holding Companies" and "Offices of Other Holding Companies" are located under Management of Companies (Holding Companies) below. |
| 424990 Other Miscellaneous Nondurable Goods | 459210 Book Retailers & News Dealers (including newsstands) | Motion Picture and Sound Recording Industries | Real Estate and Rental and Leasing |
| Wholesale Trade Agents & Agents and Brokers | 459310 Florists | 512100 Motion Picture & Video Industries (except video rental) | Real Estate |
| 425120 Wholesale Trade Agents & Brokers | 459410 Office Supplies & Stationery Retailers | 512200 Sound Recording Industries | 531110 Lessors of Residential Buildings & Dwellings (including equity REITs) |
| Retail Trade | 459420 Gift, Novelty, & Souvenir Retailers | Publishing Industries | 531120 Lessors of Nonresidential Buildings (except Mini-Warehouses) (including equity REITs) |
| Motor Vehicle and Parts Dealers | 459510 Used Merchandise Retailers | 513110 Newspaper Publishers | 531130 Lessors of Mini-Warehouses & Self-Storage Units (including equity REITs) |
| 441110 New Car Dealers | 459910 Pet & Pet Supplies Retailers | 513120 Periodical Publishers | 531190 Lessors of Other Real Estate Property (including equity REITs) |
| 441120 Used Car Dealers | 459920 Art Dealers | 513130 Book Publishers | 531210 Offices of Real Estate Agents & Brokers |
| 441210 Recreational Vehicle Dealers | 459930 Manufactured (Mobile) Home Dealers | 513140 Directory & Mailing List Publishers | 531310 Real Estate Property Managers |
| 441222 Boat Dealers | 459990 All Other Miscellaneous Retailers (including tobacco, candle, & trophy retailers) | 513190 Other Publishers | 531320 Offices of Real Estate Appraisers |
| 441227 Motorcycle, ATV, & All Other Motor Vehicle Dealers | Nonstore Retailers | 513210 Software Publishers | 531390 Other Activities Related to Real Estate |
| 441300 Automotive Parts, Accessories, & Tire Retailers | Nonstore retailers sell all types of merchandise using such methods as Internet, mail-order catalogs, interactive television, or direct sales. These types of Retailers should select the PBA associated with their primary line of products sold. For example, establishments primarily selling prescription and non-prescription drugs, select PBA code 456110 <i>Pharmacies & Drug Retailers</i> . | Broadcasting & Content Providers & Telecommunications | Rental and Leasing Services |
| Building Material and Garden Equipment and Supplies Dealers | Transportation and Warehousing | 516100 Radio & Television Broadcasting Stations | 532100 Automotive Equipment Rental & Leasing |
| 444110 Home Centers | Air, Rail, and Water Transportation | 516210 Media Streaming, Social Networks, & Other Content Providers | 532210 Consumer Electronics & Appliances Rental |
| 444120 Paint & Wallpaper Stores | 481000 Air Transportation | 517000 Telecommunications (including Wired, Wireless, Satellite, Cable & Other Program Distribution, Resellers, Agents, Other Telecommunications, & Internet Service Providers) | 532281 Formal Wear & Costume Rental |
| 444140 Hardware Retailers | 482110 Rail Transportation | Data Processing, Web Search Portals, & Other Information Services | 532282 Video Tape & Disc Rental |
| 444180 Other Building Material Dealers | 483000 Water Transportation | 518210 Computing Infrastructure Providers, Data Processing, Web Hosting, & Related Services | 532283 Home Health Equipment Rental |
| 444200 Lawn & Garden Equipment & Supplies Retailers | Truck Transportation | 519200 Web Search Portals, Libraries, Archives, & Other Info. Services | 532284 Recreational Goods Rental |
| Food and Beverage Retailers | 484110 General Freight Trucking, Local | Finance and Insurance | 532289 All Other Consumer Goods Rental |
| 445110 Supermarkets and Other Grocery (except Convenience) Retailers | 484120 General Freight Trucking, Long-Distance | Depository Credit Intermediation | 532310 General Rental Centers |
| 445131 Convenience Retailers | 484200 Specialized Freight Trucking | 522110 Commercial Banking | |
| 445132 Vending Machine Operators | Transit and Ground Passenger Transportation | 522130 Credit Unions | |
| 445230 Fruit & Vegetable Retailers | 485110 Urban Transit Systems | 522180 Savings Institutions & Other Depository Credit Intermediation | |
| 445240 Meat Retailers | 485210 Interurban & Rural Bus Transportation | Nondepository Credit Intermediation | |
| 445250 Fish & Seafood Retailers | 485310 Taxi Service | 522210 Credit Card Issuing | |
| 445291 Baked Goods Retailers | 485320 Limousine Service | 522220 Sales Financing | |
| 445292 Confectionery & Nut Retailers | 485410 School & Employee Bus Transportation | 522291 Consumer Lending | |
| 445298 All Other Specialty Food Retailers | 485510 Charter Bus Industry | 522292 Real Estate Credit (including mortgage bankers & originators) | |
| 445320 Beer, Wine, & Liquor Retailers | | | |
| Furniture and Home Furnishings Retailers | | | |
| 449110 Furniture Retailers | | | |
| 449121 Floor Covering Retailers | | | |
| 449122 Window Treatment Retailers | | | |
| 449129 All Other Home Furnishings Retailers | | | |
| Electronics and Appliance Retailers | | | |
| 449210 Electronics & Appliance Retailers (including computers) | | | |
| General Merchandise Retailers | | | |
| 455110 Department Stores | | | |

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

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| 532400 Commercial & Industrial Machinery & Equipment Rental & Leasing | 561210 Facilities Support Services | Other Ambulatory Health Care Services | 811120 Automotive Body, Paint, Interior, & Glass Repair |
| Lessors of Nonfinancial Intangible Assets (except copyrighted works) | 561300 Employment Services | 621900 Other Ambulatory Health Care Services (including ambulance services & blood & organ banks) | 811190 Other Automotive Repair & Maintenance (including oil change & lubrication shops & car washes) |
| 533110 Lessors of Nonfinancial Intangible Assets (except copyrighted works) | 561410 Document Preparation Services | | |
| | 561420 Telephone Call Centers | Hospitals | 811210 Electronic & Precision Equipment Repair & Maintenance |
| Professional, Scientific, and Technical Services | 561430 Business Service Centers (including private mail centers & copy shops) | 622000 Hospitals | 811310 Commercial & Industrial Machinery & Equipment (except Automotive & Electronic) Repair & Maintenance |
| Legal Services | 561440 Collection Agencies | Nursing and Residential Care Facilities | 811410 Home & Garden Equipment & Appliance Repair & Maintenance |
| 541110 Offices of Lawyers | 561450 Credit Bureaus | 623000 Nursing & Residential Care Facilities | 811420 Reupholstery & Furniture Repair |
| 541190 Other Legal Services | 561490 Other Business Support Services (including repossession services, court reporting, & stenotype services) | Social Assistance | 811430 Footwear & Leather Goods Repair |
| Accounting, Tax Preparation, Bookkeeping, and Payroll Services | 561500 Travel Arrangement & Reservation Services | 624100 Individual & Family Services | 811490 Other Personal & Household Goods Repair & Maintenance |
| 541211 Offices of Certified Public Accountants | 561600 Investigation & Security Services | 624200 Community Food & Housing, & Emergency & Other Relief Services | Personal and Laundry Services |
| 541213 Tax Preparation Services | 561710 Exterminating & Pest Control Services | 624310 Vocational Rehabilitation Services | 812111 Barber Shops |
| 541214 Payroll Services | 561720 Janitorial Services | 624410 Childcare Services | 812112 Beauty Salons |
| 541219 Other Accounting Services | 561730 Landscaping Services | Arts, Entertainment, and Recreation | 812113 Nail Salons |
| Architectural, Engineering, and Related Services | 561740 Carpet & Upholstery Cleaning Services | Performing Arts, Spectator Sports, and Related Industries | 812190 Other Personal Care Services (including diet & weight reducing centers) |
| 541310 Architectural Services | 561790 Other Services to Buildings & Dwellings | 711100 Performing Arts Companies | 812210 Funeral Homes & Funeral Services |
| 541320 Landscape Architecture Services | 561900 Other Support Services (including packaging & labeling services, & convention & trade show organizers) | 711210 Spectator Sports (including sports clubs & racetracks) | 812220 Cemeteries & Crematories |
| 541330 Engineering Services | Waste Management and Remediation Services | 711300 Promoters of Performing Arts, Sports, & Similar Events | 812310 Coin-Operated Laundries & Drycleaners |
| 541340 Drafting Services | 562000 Waste Management & Remediation Services | 711410 Agents & Managers for Artists, Athletes, Entertainers, & Other Public Figures | 812320 Drycleaning & Laundry Services (except Coin-Operated) |
| 541350 Building Inspection Services | | 711510 Independent Artists, Writers, & Performers | 812330 Linen & Uniform Supply |
| 541360 Geophysical Surveying & Mapping Services | Educational Services | Museums, Historical Sites, and Similar Institutions | 812910 Pet Care (except Veterinary) Services |
| 541370 Surveying & Mapping (except Geophysical) Services | 611000 Educational Services (including schools, colleges, & universities) | 712100 Museums, Historical Sites, & Similar Institutions | 812920 Photofinishing |
| 541380 Testing Laboratories & Services | | Amusement, Gambling, and Recreation Industries | 812930 Parking Lots & Garages |
| Specialized Design Services | Health Care and Social Assistance | 713100 Amusement Parks & Arcades | 812990 All Other Personal Services |
| 541400 Specialized Design Services (including interior, industrial, graphic, & fashion design) | Offices of Physicians and Dentists | 713200 Gambling Industries | Religious, Grantmaking, Civic, Professional, and Similar Organizations |
| Computer Systems Design and Related Services | 621111 Offices of Physicians (except mental health specialists) | 713900 Other Amusement & Recreation Industries (including golf courses, skiing facilities, marinas, fitness centers, & bowling centers) | 813000 Religious, Grantmaking, Civic, Professional, & Similar Organizations (including condominium and homeowners associations) |
| 541511 Custom Computer Programming Services | 621112 Offices of Physicians, Mental Health Specialists | | |
| 541512 Computer Systems Design Services | 621210 Offices of Dentists | Accommodation and Food Services | Other |
| 541513 Computer Facilities Management Services | Offices of Other Health Practitioners | Accommodation | 999999 Unclassified Establishments (unable to classify) |
| 541519 Other Computer Related Services | 621310 Offices of Chiropractors | 721110 Hotels (except Casino Hotels) & Motels | |
| Other Professional, Scientific, and Technical Services | 621320 Offices of Optometrists | 721120 Casino Hotels | |
| 541600 Management, Scientific, & Technical Consulting Services | 621330 Offices of Mental Health Practitioners (except Physicians) | 721191 Bed & Breakfast Inns | |
| 541700 Scientific Research & Development Services | 621340 Offices of Physical, Occupational & Speech Therapists, & Audiologists | 721199 All Other Traveler Accommodation | |
| 541800 Advertising & Public Relations, & Related Services | 621391 Offices of Podiatrists | 721210 RV (Recreational Vehicle) Parks & Recreational Camps | |
| 541910 Marketing Research & Public Opinion Polling | 621399 Offices of All Other Miscellaneous Health Practitioners | 721310 Rooming & Boarding Houses, Dormitories, & Workers' Camps | |
| 541920 Photographic Services | Outpatient Care Centers | Food Services and Drinking Places | |
| 541930 Translation & Interpretation Services | 621410 Family Planning Centers | 722300 Special Food Services (including food service contractors & caterers) | |
| 541940 Veterinary Services | 621420 Outpatient Mental Health & Substance Abuse Centers | 722410 Drinking Places (Alcoholic Beverages) | |
| 541990 All Other Professional, Scientific, & Technical Services | 621491 HMO Medical Centers | 722511 Full Service Restaurants | |
| | 621492 Kidney Dialysis Centers | 722513 Limited Service Restaurants | |
| Management of Companies (Holding Companies) | 621493 Freestanding Ambulatory Surgical & Emergency Centers | 722514 Cafeterias, Grill Buffets, Buffets | |
| 551111 Offices of Bank Holding Companies | 621498 All Other Outpatient Care Centers | 722515 Snack & Nonalcoholic Beverage Bars | |
| 551112 Offices of Other Holding Companies | Medical and Diagnostic Laboratories | Other Services | |
| | 621510 Medical & Diagnostic Laboratories | Repair and Maintenance | |
| Administrative and Support and Waste Management and Remediation Services | Home Health Care Services | 811110 Automotive Mechanical & Electrical Repair & Maintenance | |
| Administrative and Support Services | 621610 Home Health Care Services | | |
| 561110 Office Administrative Services | | | |

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