

**UNIVERSITY OF BALTIMORE SCHOOL OF LAW**  
**FALL SEMESTER, 2016**

*"I'm proud to be paying taxes in the United States. The only thing is—I could be just as proud for half the money."*

- Arthur Godfrey

*"The hardest thing in the world to understand is Partnership Taxation."*

- Albert Einstein (actually he said income tax, but partnership taxation is definitely harder)

**Course:** Partnership Taxation  
LAW 952  
Section 512

**Instructor:** Prof. Walter Schwidetzky  
410 837-4410  
wschwidetzky@ubalt.edu  
Please feel free to make an appointment to see me or to email me with a question. I make it a point to make myself available to students.

**Days/Time:** Wednesday 6:15 pm – 9 pm

**Location:** Room assignments are available through MyUB.

**Course Description:**

Explores problems encountered in the formation, operation and liquidation of a partnership, including the acquisition of partnership interests, compensation of the service partner, the treatment of partnership distributions and problems associated with the disposition of partnership interests or property by sale.

**Required Materials**

Internal Revenue Code  
Treasury Regulations

(For JD Students, the combined Code/Reg book by Foundation Press is sufficient)

Partnership Taxation, 3rd Edition, by Lipton, Carmen, Fassler, and Schwidetzky. I will post a supplement to the text on the TWEN site. It is imperative that you read the supplement in conjunction with the text.

## **Recommended Materials**

Cali Exercises (highly recommended for developing facility with the partnership tax rules)

and/or

Friedland, Understand Partnership and LLC Taxation

## **Student Learning Outcomes:**

Expected Learning Outcomes.

By the end of this course I expect students to be able to apply partnership tax law:

1. to determine how contributions to partnerships are treated and how inside and outside basis are calculated;
2. to determine how liabilities, income, and deductions are allocated to partners;
3. to determine how liquidating and nonliquidating distributions to partners are treated;
4. to determine when I.R.C. § 754 elections should be made;
5. to determine how sales and exchanges of partnership interests are treated;
6. to determine how transactions between partners and partnerships should be classified; and
7. to kind of, sort of determine when the anti-abuse rules are applied.

## **Grades:**

You will be given “push points” (up to a half-grade) for doing an especially good (or bad) job in class.

There will be one three-hour exam given at the end of the semester. It will consist of several problems similar to the problems we do in class. Your grade will be based on your performance on the final exam, plus or minus push points, if any. You may bring

the following to the exam: Your memory, any book, an outline of any length of your own authorship, and a calculator. You will not have time to make much use of the items on the list except for item 1.

**Course Expectations:**

American Bar Association Standards for Law Schools (for the students to whom it is relevant) establish guidelines for the amount of work students should expect to complete for each credit earned. Students should expect approximately one hour of classroom instruction and two hours of out-of-class work for each credit earned in a class. Your mileage may vary—a lot. Partnership Taxation is generally considered to be the hardest course in the Graduate Tax Program, and the rest of the classes are not exactly walks in the park. Prepare and budget your time accordingly. If possible, take a lighter course load to compensate.

It is important to keep your class preparation current. Much of the course will be built on subjects previously discussed, and many statutes work in conjunction with one another. If you miss and/or do not prepare for one class, the next class may use terms and concepts you do not understand, which will compound the difficulty of understanding the area under discussion.

**Attendance:**

Don't miss classes! We cover too much in each class, and if you miss classes, remember what Khrushchev said to the west ("We will bury you.") Okay, you are too young to remember who he is or his most famous quote, it was actually to some people at a party in Poland, he probably wasn't being serious, and some people think it is a bad translation from the Russian, but you get the idea. On to the boilerplate: Class attendance is a primary obligation of each student. Law students' (but not GTP students') right to continued enrollment in the course and to take the examination is conditioned upon a record of attendance satisfactory to the professor. A student who exceeds the maximum allowed absences (generally 20% of class sessions) as illustrated below may be compelled to withdraw from the course, or may be barred from sitting for the final exam. Students who are forced to withdraw for exceeding the allowed absences may receive a grade of FA (failure due to excessive absence). This policy is consistent with American Bar Association Standards for Law Schools.

Regular Semester Hours		
Credit Hours	Meetings Per Week	
	1	2
2	2 absences	5 absences
3	2 absences	5 absences

4	--	5 absences
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**TWEN:**

This course has a TWEN page. It contains links to this syllabus, announcements, and other class materials. I communicate with the class through the TWEN page. You are responsible for self-enrolling in the TWEN page and for checking it regularly for course information.

**Computers:**

You may use laptop computers for class related purposes.

**Class Cancellation:**

If I must cancel a class, notices will be sent to you via email and posted on the classroom door. If there is inclement weather, students should visit the University of Baltimore web site or call the University's Snow Closing Line at (410) 837-4201. If the University is open, students should presume that classes are running on the normal schedule. Don't get your hopes up. I have an off-road capable Jeep. I never miss a class because of weather.

**Academic Integrity:**

Students are obligated to refrain from acts that they know or, under the circumstances, have reason to know will impair the academic integrity of the University and/or School of Law. Violations of academic integrity include, but are not limited to: cheating, plagiarism, misuse of materials, inappropriate communication about exams, use of unauthorized materials and technology, misrepresentation of any academic matter, including attendance, and impeding the Honor Code process. The School of Law Honor Code and information about the process is available at [http://law.ubalt.edu/academics/policiesandprocedures/honor\\_code/](http://law.ubalt.edu/academics/policiesandprocedures/honor_code/).

**Title IX Sexual Misconduct and Nondiscrimination Policy:**

The University of Baltimore's Sexual Misconduct and Nondiscrimination policy is compliant with Federal laws prohibiting discrimination. Title IX requires that faculty, student employees and staff members report to the university any known, learned or

rumored incidents of sex discrimination, including sexual harassment, sexual misconduct, stalking on the basis of sex, dating/intimate partner violence or sexual exploitation and/or related experiences or incidents. Policies and procedures related to Title IX and UB's nondiscrimination policies can be found at: <http://www.ubalt.edu/titleix>.

**Disability Policy:**

If you are a student with a documented disability who requires an academic accommodation, please contact Leslie Metzger, Director of Student Services, at 410-837-5623 or [lmetzger@ubalt.edu](mailto:lmetzger@ubalt.edu).

## Syllabus

**FIRST CLASS:** Do i and 1. of syllabus.

i. Introduction to Partnership Taxation text.

1. Partnership Classification

Code: §§ 761, 7701(a)(2), 7701(i), 7704

Regs: §§ 1.761-2, 301.7701-1 to 4(d), 1.7704-1

Prop. Treas. Reg. § 1.761-3

Text: Chapter 1 (skim §1.08)

Problems: 5 and 8

2. Formation

Code: §§ 108(e)(8), 168(i)(7), 351(e)(1), 368(a)(2)(F), 453B  
709, 721, 722, 723, 724, 751(b), 751(c), 1223(1), 1223(2)

Regs: §§ 1.351-1(b), 1.351-1(c), 1.709-2, 1.721-1, 1.722-1,  
1.1223-3(b), 1.1223-3(f)

Text: Chapters 2 and 8.08A, B, and C.

Problems: 1 and 2

3. Outside Basis and Allocation of Liabilities

Code: I.R.C. §§ 702(a)(4), 704(d), 705, 722, 731, 732, 733, 752

Regs: Treas. Reg. §§ 1.705-1(a)(1), 1.722-1, 1.731-1(a)(1)(ii),  
1.752-1, 1.752-2, 1.752-3, 1.752-4, 1.752-7

Text: Chapter 3 (skim pages 68-70)

Problems: 1-4, 6

4. Operation of the Partnership: Calculation of Partnership Taxable Income

Code: §§ 108(d)(6), 108(e)(8)(B), 444, 447 (skim), 448 (skim), 464 (skim), 465, 469, 701, 702, 703, 704(d), 705, 706(b), 706(d), 724, 7519

Regs: §§ 1.702-1, 1.704-1(d), 1.706-1(b), 1.179-2(b)  
Prop. Treas. Reg. § 1.465-67, -68

Text: Chapter 4 (skim § 4.05)

Problems: 1, 3-5, 8

5. Operations of a Partnership: Allocation of Partnership Income and Losses

A. Code: I.R.C. § 704(b),

Regs: §§ 1.704-1(b)(1)(i), (iii), (iv), -1(b)(2)(i)-(iii), (iv)(a)-(e), (h), (n), (p), (q), -1(b)(3), -1(b)(5) Examples 1, 2, 3, 4, 5, 6, 7,8, 15(i), 1.1245-1(e)

Text: §§ 5.01-5.04

Problems: 1-5

B. Code: §§ 704(a), (c)(1)(A), (3), 724

Regs: Treas. Reg. §§ 1.704-3(a)(1)-(5), (10), -3(b), (c), (d), -3(e)(1), 1.704-1(b)(1)(vi), -1(b)(2)(iv)(d)(1),(3), 1.704-1(b)(2)(iv)(f), 1.704-1(b)(4)(i), -1(b)(5) Examples 14(i)-(iv)

Text: §§ 5.05, 5.06

Problems: 14-16

- C.    Regs:       §§ 1.704-2(b), (c), (d), (e), (f)(1)-(3), (6),(7) Example  
                   1, (g), (h), (i), (j), (m) Examples 1(i)-(iv), (vi), (vii), (viii),3(i)
- Text:       §§ 5.07
- Problem:   17
- D.    Code:       § 704(e)
- Regs:       Treas. Reg. §§ 1.704-1(e)
- Text:       § 5.08
- E.    Code:       § I.R.C. §§ 706(c)(2)(b), (d)
- Regs:       §§ 1.706-1(c)(1), (2) (4)
- Text:       § 5.09

## 6.    Disposition of Partnership Interests

- A.    Code:       §§ 357, 706, 708, 741, 743(b), 743(d), 751(a), 751(c),  
                   751(d), 752(d), 754, 755, 761(e)
- Regs:       §§ 1.704-4(c)(3), 1.706-1, 1.706-4, 1.708-1, 1.737-2(a),  
                   1.742-1, 1.743-1, 1.755-1, 1.761-1(c), 1.1001-2, 1.1011(b),  
                   1.1223-3
- Text:       Chapter 6 (skim 6.05, 6.06)
- Problems:   1, 8-9



## 7. Partnership Distributions

- A. Code: §§ 731, 732(a), (c)(1), (3), (d), 733, 735, 1245(b)(6)
- Regs: §§ 1.731-1(a)(1), (3), (c), -2, 1.732-1(a), (c), (d), 1.733-1, 1.735-1, 1.1245(f)(2), (3), 1.704-1(b)(2)(iv)(e)(1)
- Text: §§ 7.01-7.06
- Problems: 1
- B. Code: §§ 731(b), 734, 754, 755, 1245(b)(3)
- Regs: §§ 1.734-1, 1.755-1(a), (c)
- Text: § 7.07
- Problem: 3
- C. Code: §§ 731(d), 732(e), 751(b)
- Regs: §§ 1.751-1(b)-(e), (g), example 2
- Text: § 7.08
- Problem: 4
- D. Code: §§ 708(a), (b)(1), 731(a)(2), 732(c)(2), 761(d), (e)(1), 736
- Regs: §§ 1.708-1(a), (b), 1.731-1(a)(2), 1.732-2(b), (c), 1.736-1
- Text: § 7.09
- Problems: 5

8. Transactions Between Partner and Partnership—Section 707(a) and 707(c);  
Section 707(b); Issuance of a Partnership Interest for Services

Code: §§ 707, 267

Regs: §§ 1.707-1, 1.707-3, 1.707-4, 1.707-5, 1.707-6, 1.707-8  
Skim Prop. Treas. Reg. § 1.707-7

Text: Chapter 8 (skim discussion of proposed regs in § 8.06)

9. Anti-Abuse Provisions

Code: §§ 707(a)(2)(B), 704(c)(1)(B), 737, (skim 731(c)),  
707(a)(2)(A), 732(f)

Regs: §§ 1.701-2, 1.707-3, -4, -5, -6, 1.737, 1.732-3, 1.1502-34  
Skim Prop. Treas. Reg. § 1.337(d)-3

Text: Chapter 13