

## Schedule K-1 Entries and Where They Go

- 1) **Line 9a - Net long-term capital gain (loss)** is entered on line 12 of Schedule D.
- 2) **Line 9c - Unrecaptured sec 1250 gain** is entered on line 19 of Schedule D, after completing the unrecaptured Section 1250 worksheet that appears on Page D-12 of the Schedule D Instructions. That amount would again figure into the return when you complete the Schedule D tax worksheet, on page D-14 of the Schedule D instructions. If line 18 of Unrecaptured Section 1250 Worksheet is more than 0, enter the result on Schedule D, line 19.
- 3) Line 9c of Schedule K-1 includes that portion of the gain reported on line 10 that should be taxed at the 25% rate. Since the Line 9c amount is already included in the line 10 amount, you would not add the two together for reporting purpose.
- 4) **Line 10 - Net section 1231 gain (loss)** is entered on Part I, line 2 of Form 4797.
- 5) Complete Lines 3 through 6 of Form 4797.
- 6) If line 7, which is a result of lines 2 through 6, is a loss, enter the amount on line 11 of Form 4797 and skip lines 8 and 9 of Form 4797. Unless the entire passive activity is disposed of, a loss is subject to limitations. You will need to complete Form 8582 to figure how much of the loss is allowed on Form 4797.  
  
If you have a net overall loss from section 1231 transactions, the loss is treated as ordinary loss and reported on line 14 of Form 1040.
- 7) If line 7 is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain from line 7 as a long-term capital gain on line 11 of Schedule D.

If you have a net overall section 1231 gain, the gain is considered ordinary up to the amount of any section 1231 losses from the previous five years that have not been recaptured as ordinary income. The rest of the gain would be treated as a long-term capital gain and the amount should be entered on line 11 of Schedule D.

- 8) **Line 10 - Net section 1231 gain (loss)** is also entered on line 3a of Form 8582 to determine the amount of allowed passive losses for the current year.
- 9) **Line 11 E. - Cancellation of Debt** The cancellation of debt income should be reported as passive activity income and entered on Form 8582, worksheet 3, and on Form 1040, Line 21.
- 10) Form 8582 accumulates all your passive income and loss and determines how much of the loss you can deduct in the current year. Any unused or suspended prior years unallowed passive losses is entered on worksheet 3 of Form 8582.
- 11) **Line 17B - Gain Adjustment** This amount is your share of the partnership's adjusted gain or loss. If you are an individual partner, report this amount on line 19 of Form 6251.

## California K-1 Entries and Where They Go

- 12) **Line 10a - Total Gain under IRC Section 1231** is entered on Part I, line 2a of Form 3801.
- 13) Form 3801 accumulates all your passive income and loss and determines how much of the loss you can deduct in the current year. In case of an entire disposition of passive activity, any unused or suspended prior years unallowed passive losses is entered on line 2c of Form 3801.



## Investor K-1 Guide



Please use this guide as a reference regarding capital gains resulted from a sale of a property

Schedule D Tax Worksheet (2011) - Capital Gains and Losses. Includes instructions for completing the worksheet and a grid for reporting gains and losses.

Form 4797 (2011) - Sales of Business Property. Includes instructions for reporting gains and losses from the sale of business property.

SCHEDULE D (Form 1040) Capital Gains and Losses. Includes instructions for reporting capital gains and losses.

Schedule K-1 (Form 1065) (2011) - Partner's Share of Current Year Income, Deductions, Credits, and Other Items. Includes instructions for reporting partnership information.

Schedule D Tax Worksheet (2011) - Capital Gains and Losses. Includes instructions for completing the worksheet and a grid for reporting gains and losses.

Form 1040 (2011) - U.S. Individual Income Tax Return. Includes instructions for reporting income, deductions, and credits.

Form 8582 (2011) - Passive Activity Loss Limitations. Includes instructions for reporting passive activity losses.

Form 8582 (2011) - Passive Activity Loss Limitations. Includes instructions for reporting passive activity losses.

Schedule D (Form 1040) 2011 - Capital Gains and Losses. Includes instructions for reporting capital gains and losses.

Form 1040 (2011) - U.S. Individual Income Tax Return. Includes instructions for reporting income, deductions, and credits.

Form 8582 (2011) - Passive Activity Loss Limitations. Includes instructions for reporting passive activity losses.

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