

Sec.	
705.	Determination of basis of partner's interest.
706.	Taxable years of partner and partnership.
707.	Transactions between partner and partnership.
708.	Continuation of partnership.
709.	Treatment of organization and syndication fees.

## AMENDMENTS

1976—Pub. L. 94-455, title II, §213(b)(2), title XIX, §1901(b)(23), Oct. 4, 1976, 90 Stat. 1547, 1798, struck out part IV “Effective date for subchapter” in table of parts of subchapter K of chapter 1 and added item 709.

**§ 701. Partners, not partnership, subject to tax**

A partnership as such shall not be subject to the income tax imposed by this chapter. Persons carrying on business as partners shall be liable for income tax only in their separate or individual capacities.

(Aug. 16, 1954, ch. 736, 68A Stat. 239.)

**§ 702. Income and credits of partner****(a) General rule**

In determining his income tax, each partner shall take into account separately his distributive share of the partnership's—

- (1) gains and losses from sales or exchanges of capital assets held for not more than 1 year,
- (2) gains and losses from sales or exchanges of capital assets held for more than 1 year,
- (3) gains and losses from sales or exchanges of property described in section 1231 (relating to certain property used in a trade or business and involuntary conversions),
- (4) charitable contributions (as defined in section 170(c)),
- (5) dividends with respect to which section 1(h)(11) or part VIII of subchapter B applies,
- (6) taxes, described in section 901, paid or accrued to foreign countries and to possessions of the United States,
- (7) other items of income, gain, loss, deduction, or credit, to the extent provided by regulations prescribed by the Secretary, and
- (8) taxable income or loss, exclusive of items requiring separate computation under other paragraphs of this subsection.

**(b) Character of items constituting distributive share**

The character of any item of income, gain, loss, deduction, or credit included in a partner's distributive share under paragraphs (1) through (7) of subsection (a) shall be determined as if such item were realized directly from the source from which realized by the partnership, or incurred in the same manner as incurred by the partnership.

**(c) Gross income of a partner**

In any case where it is necessary to determine the gross income of a partner for purposes of this title, such amount shall include his distributive share of the gross income of the partnership.

**(d) Cross reference**

**For rules relating to procedures for determining the tax treatment of partnership items see subchapter C of chapter 63 (section 6221 and following).**

(Aug. 16, 1954, ch. 736, 68A Stat. 239; Pub. L. 88-272, title II, §201(d)(7), Feb. 26, 1964, 78 Stat. 32; Pub. L. 94-455, title XIV, §1402(b)(1)(L), (2), title XIX, §§1901(b)(1)(I)(i), (ii), 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1732, 1791, 1834; Pub. L. 96-223, title IV, §404(b)(5), Apr. 2, 1980, 94 Stat. 307; Pub. L. 97-34, title III, §301(b)(5), (6)(C), Aug. 13, 1981, 95 Stat. 270; Pub. L. 97-248, title IV, §402(c)(1), Sept. 3, 1982, 96 Stat. 667; Pub. L. 97-448, title I, §103(a)(4), Jan. 12, 1983, 96 Stat. 2375; Pub. L. 98-369, div. A, title X, §1001(b)(9), (e), July 18, 1984, 98 Stat. 1011, 1012; Pub. L. 99-514, title VI, §612(b)(5), Oct. 22, 1986, 100 Stat. 2250; Pub. L. 108-27, title III, §302(e)(8), May 28, 2003, 117 Stat. 764.)

## AMENDMENTS

2003—Subsec. (a)(5). Pub. L. 108-27 amended par. (5) generally. Prior to amendment, par. (5) read as follows: “dividends with respect to which there is a deduction under part VIII of subchapter B.”

1986—Subsec. (a)(5). Pub. L. 99-514 amended par. (5) generally. Prior to amendment, par. (5) read as follows: “dividends or interest with respect to which there is an exclusion under section 116 or 128, or a deduction under part VIII of subchapter B.”

1984—Subsec. (a)(1), (2). Pub. L. 98-369 substituted “6 months” for “1 year”, applicable to property acquired after June 22, 1984, and before Jan. 1, 1988. See Effective Date of 1984 Amendment note below.

1983—Subsec. (a)(5). Pub. L. 97-448 substituted “an exclusion under section 116 or 128,” for “provided an exclusion under section 116 or 128”.

1982—Subsec. (d). Pub. L. 97-248 added subsec. (d).  
1981—Subsec. (a)(5). Pub. L. 97-34, §301(b)(6)(C), inserted reference to “interest” in heading and text which continued the amendment made by Pub. L. 96-223.

Pub. L. 97-34, §301(b)(5), inserted “or 128” after “section 116”.

1980—Subsec. (a)(5). Pub. L. 96-223 inserted “or interest” after “dividends”.

1976—Subsec. (a)(1), (2). Pub. L. 94-455, §1402(b)(2), provided that “9 months” would be changed to “1 year”.

Pub. L. 94-455, §1402(b)(1)(L), provided that “6 months” would be changed to “9 months” for taxable years beginning in 1977.

Subsec. (a)(7) to (9). Pub. L. 94-455, §§1901(b)(1)(I)(i), 1906(b)(13)(A), redesignated pars. (8) and (9) as (7) and (8), respectively, and in par. (7), as so redesignated, struck out “or his delegate” after “Secretary”. Former par. (7), which related to partially tax-exempt interest on obligations of the United States or its instrumentalities, was struck out.

Subsec. (b). Pub. L. 94-455, §1901(b)(1)(I)(ii), substituted “paragraphs (1) through (7)” for “paragraphs (1) through (8)”.

1964—Subsec. (a)(5). Pub. L. 88-272 struck out “a credit under section 34,” before “an exclusion”.

## EFFECTIVE DATE OF 2003 AMENDMENT

Amendment by Pub. L. 108-27 applicable, except as otherwise provided, to taxable years beginning after Dec. 31, 2002, see section 302(f) of Pub. L. 108-27, set out as an Effective and Termination Dates of 2003 Amendment note under section 1 of this title.

## EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1986, see section 612(c) of Pub. L. 99-514, set out as a note under section 301 of this title.

## EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to property acquired after June 22, 1984, and before Jan. 1, 1988, see section 1001(e) of Pub. L. 98-369, set out as a note under section 166 of this title.

## EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-448 effective, except as otherwise provided, as if it had been included in the provision of the Economic Recovery Tax Act of 1981, Pub. L. 97-34, to which such amendment relates, see section 109 of Pub. L. 97-448, set out as a note under section 1 of this title.

## EFFECTIVE DATE OF 1982 AMENDMENT

Pub. L. 97-248, title IV, §407(a), Sept. 3, 1982, 96 Stat. 670, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) Except as provided in paragraph (2), the amendments made by sections 402, 403, and 404 [enacting sections 6221 to 6234 of this title and section 1508 of Title 28, Judiciary and Judicial Procedure, amending this section and sections 6031, 6213, 6216, 6422, 6501, 6504, 6511, 6512, 6515, 7422, 7451, 7456, 7459, 7482, and 7485 of this title and section 1346 of Title 28, and enacting provisions set out as a note under section 6031 of this title] shall apply to partnership taxable years beginning after the date of the enactment of this Act [Sept. 3, 1982].

“(2) [Former] Section 6232 of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] shall apply to periods after December 31, 1982.

“(3) The amendments made by sections 402, 403, and 404 shall apply to any partnership taxable year (or in the case of [former] section 6232 of such Code, to any period) ending after the date of the enactment of this Act [Sept. 3, 1982] if the partnership, each partner, and each indirect partner requests such application and the Secretary of the Treasury or his delegate consents to such application.”

## EFFECTIVE DATE OF 1981 AMENDMENT

Amendment by section 301(b)(5) of Pub. L. 97-34 applicable to taxable years ending after Sept. 30, 1981, and amendment by section 301(b)(6)(C) of Pub. L. 97-34 applicable to taxable years beginning after Dec. 31, 1981, see section 301(d) of Pub. L. 97-34, set out as a note under section 265 of this title.

## EFFECTIVE AND TERMINATION DATES OF 1980 AMENDMENT

Amendment by Pub. L. 96-223 applicable with respect to taxable years beginning after Dec. 31, 1980, and before Jan. 1, 1982, see section 404(c) of Pub. L. 96-223, set out as a note under section 265 of this title.

## EFFECTIVE DATE OF 1976 AMENDMENT

Pub. L. 94-455, title XIV, §1402(b)(1), Oct. 4, 1976, 90 Stat. 1731, provided that the amendment made by that section is effective with respect to taxable years beginning in 1977.

Pub. L. 94-455, title XIV, §1402(b)(2), Oct. 4, 1976, 90 Stat. 1732, provided that the amendment made by that section is effective with respect to taxable years beginning after Dec. 31, 1977.

Amendment by section 1901(b)(1)(I)(i), (ii) of Pub. L. 94-455 effective for taxable years beginning after Dec. 31, 1976, see section 1901(d) of Pub. L. 94-455, set out as a note under section 2 of this title.

## EFFECTIVE DATE OF 1964 AMENDMENT

Amendment by Pub. L. 88-272 applicable with respect to dividends received after Dec. 31, 1964, in taxable years ending after such date, see section 201(e) of Pub. L. 88-272, set out as a note under section 22 of this title.

## § 703. Partnership computations

## (a) Income and deductions

The taxable income of a partnership shall be computed in the same manner as in the case of an individual except that—

(1) the items described in section 702(a) shall be separately stated, and

(2) the following deductions shall not be allowed to the partnership:

(A) the deductions for personal exemptions provided in section 151,

(B) the deduction for taxes provided in section 164(a) with respect to taxes, described in section 901, paid or accrued to foreign countries and to possessions of the United States,

(C) the deduction for charitable contributions provided in section 170,

(D) the net operating loss deduction provided in section 172,

(E) the additional itemized deductions for individuals provided in part VII of subchapter B (sec. 211 and following), and

(F) the deduction for depletion under section 611 with respect to oil and gas wells.

## (b) Elections of the partnership

Any election affecting the computation of taxable income derived from a partnership shall be made by the partnership, except that any election under—

(1) subsection (b)(5) or (c)(3) of section 108 (relating to income from discharge of indebtedness),

(2) section 617 (relating to deduction and recapture of certain mining exploration expenditures), or

(3) section 901 (relating to taxes of foreign countries and possessions of the United States),

shall be made by each partner separately.

(Aug. 16, 1954, ch. 736, 68A Stat. 240; Pub. L. 89-570, §2(b), Sept. 12, 1966, 80 Stat. 764; Pub. L. 91-172, title V, §504(c)(3), Dec. 30, 1969, 83 Stat. 633; Pub. L. 92-178, title III, §304(c), Dec. 10, 1971, 85 Stat. 523; Pub. L. 94-12, title V, §501(b)(3), Mar. 29, 1975, 89 Stat. 53; Pub. L. 94-455, title XIX, §1901(b)(21)(F), title XXI, §2115(c)(2), Oct. 4, 1976, 90 Stat. 1798, 1909; Pub. L. 95-30, title I, §101(d)(10), May 23, 1977, 91 Stat. 134; Pub. L. 96-589, §2(e)(1), Dec. 24, 1980, 94 Stat. 3396; Pub. L. 99-514, title V, §511(d)(2)(B), title VII, §701(e)(4)(E), Oct. 22, 1986, 100 Stat. 2249, 2343; Pub. L. 100-647, title I, §1008(i), Nov. 10, 1988, 102 Stat. 3445; Pub. L. 103-66, title XIII, §13150(c)(9), Aug. 10, 1993, 107 Stat. 448.)

## AMENDMENTS

1993—Subsec. (b)(1). Pub. L. 103-66 substituted “subsection (b)(5) or (c)(3)” for “subsection (b)(5)”.

1988—Subsec. (b)(1). Pub. L. 100-647 substituted “subsection (b)(5)” for “subsection (b)(5) or (d)(4)”.

1986—Subsec. (b). Pub. L. 99-514 struck out former pars. (1) and (3) which related to elections under sections 57(c) and 163(d), respectively, and redesignated former pars. (2), (4), and (5), as pars. (1), (2), and (3), respectively.

1980—Subsec. (b). Pub. L. 96-589 inserted reference to section 108(b)(5) and (d)(4).

1977—Subsec. (a)(2). Pub. L. 95-30 struck out subpar. (A) which made reference to the standard deduction provided in section 141, and redesignated subpars. (B) to (G) as (A) to (F), respectively.

1976—Subsec. (a)(2)(G). Pub. L. 94-455, §2115(c)(2), substituted “wells” for “production subject to the provisions of section 613A(c)”.

Subsec. (b). Pub. L. 94-455, §1901(b)(21)(F), struck out “under section 615 (relating to pre-1970 exploration expenditures),” after “of the United States, and any election”.

1975—Subsec. (a)(2)(G). Pub. L. 94-12 added subpar. (G).