LEASURE CPA
& ASSOCIATES

<u>Publicly Traded Partnerships (PTPs)</u>

Tax reporting for PTPs is complex, costly, and in my experience most often yields little to no return. For that reason, I have made the decision **that I will no longer prepare individual income tax returns that include a Schedule K-1 from a PTP effective 1/1/2024**.

Following are some questions you may have:

What is a PTP? A publicly traded partnership (PTP) is any partnership with interests in the partnership that are traded on an established securities market or with interests in the partnership that are readily tradable on a secondary market or its substantial equivalent. A PTP owner, as an owner of a partnership interest, receives a Schedule K-1, *Partner's Share of Income, Deductions, Credits, etc.,* which lists the various items flowing through to the owner from the PTP. Items of income/deduction from this form must be reported on your individual income tax return.

Is investing in a PTP more trouble than it is worth? PTPs may offer the opportunity to diversify a portfolio and provide cash flow-through distributions, but, unlike simpler investments such as stocks, they have the added complexity of partnership reporting requirements. Often, the Schedule K-1 packages are lengthy, containing not only federal information that needs to be accounted for on the investor's tax return, but also foreign reporting and state income tax reporting. Further, a single PTP investment can result in the need for multiple state income tax filings per year, when the partner's share of income is allocated across the various states in which the PTP operates or invests. Form K-1 is often issued to you late and may hold up timely processing of your tax return. PTPs often generate tax losses year after year. An investor's deduction of these losses may be limited by the basis, at-risk, and passive-activity-loss rules. Some PTPs also invest in underlying PTPs, which can further complicate loss tracking and income tax reporting. Holding units of a PTP requires basis tracking and planning for passive losses from the investment. The sale of PTP units necessitates planning around the type and treatment of gain, and requires additional calculations to recognize suspended losses. All of this additional reporting will greatly increase tax preparation fees. You should discuss all of these concerns with your investment advisor in order to determine if your return/anticipated return on this investment is worth the trouble.

What should I do if I want you to continue to prepare my tax return? In order for me to continue to prepare your tax return, you should sell your interests in PTPs prior to year-end. First discuss with your investment advisor your return/anticipated return on this investment to determine what is best for you.

What should I do if I want to continue to invest in PTPs? You should contact other tax preparers to see if they are able/willing to prepare your taxes going forward. Be sure to ask for a price quote that factors in all of the potential forms, schedules, and state tax filings required for a PTP. Again, first discuss with your investment advisor your return/anticipated return on this investment to determine what is best for you.

Sincerely,

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