

810-3-24-.05 Partner's Basis in Partnership Interest.

(1) A partnership interest is personal property held for the production of income. A gain or loss from the sale or other disposition of a partnership interest must be recognized to the extent provided in § 40-18-8.

(2) The adjusted basis of a partner's interest in a partnership shall be the amount of property, including money, contributed to the partnership:

(a) increased by the sum of his distributive share (not including any "Guaranteed Payments to Partners") for the taxable year and prior taxable years of;

1. the taxable income of the partnership,
2. the income of the partnership exempt from tax, and
3. the excess of the deductions for depletion over the basis of the property subject to depletion,

(b) decreased (but not below zero) by distributions by the partnership and the sum of his distributive share for the taxable year and prior taxable years of -

1. losses of the partnership, and
2. expenditures of the partnership not deductible in computing its taxable income and not property chargeable to the capital account.

(3) (a) Any increase in a partner's share of the liabilities of a partnership, or any increase in a partner's individual liabilities by reason of the assumption by such partner of partnership liabilities shall be considered as a contribution of money by such partner to the partnership.

(b) Any decrease in a partner's share of the liabilities of a partnership, or any decrease in a partner's individual liabilities by reason of the assumption by the partnership of such individual liabilities, shall be considered as a distribution of money to the partner by the partnership.

(4) (a) If a partner makes a contribution of property subject to a liability to a partnership, and the partnership assumes the liability, the amount of the liability (not exceeding the fair market value of the property at the time of the contribution) will be considered a contribution to the partnership in the amount of the liability that is not allocated to the other members of the partnership.

(b) If property subject to an indebtedness is distributed by a partnership to a partner, and the liability is assumed by the distributee, the amount of the liability,

(not exceeding the fair market value of the property at the time of the distribution) will be considered to be a contribution to the partnership in the amount of the liability that had been allocated to the other members of the partnership.

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