

Modeling income from partnerships, LLCs, and LLPs

Flow-through entities require the shareholder to include business income items in their taxable income (not cash flow) and distributions in their cash flow (not taxable).

Planners should refer to tax form Schedule K-1 to capture the correct information for data-entry purposes (vs. information drawn directly from the flow-through entity's tax return (Form 1120S or Form 1065)).

Partnerships, LLCs, and LLPs

- Go to the **Assets** category – **Business Entity** tab. Insert or edit a business entity to open the *Business Entity (Details)* dialog box.

Use information from Schedule K-1 to complete the fields in this dialog box. Items on lines 1-11 and line 14(b)(2) should be reflected on the *Activity* tab, in the *Income* and (deductible) *Expenses* fields.

Business Entity (Details)

General Information | **Activity** | Sale Information | Installment Sale

Income & Expenses

Income:	\$10,000.00	(per unit)	\$100.00
Expenses:	\$7,500.00	(per unit)	\$75.00
Distributions:	\$1,000.00	(per unit)	\$10.00
AMT Adjustments:	\$2,000.00	(per unit)	\$20.00

Frequency: Monthly

Index to:

Inflation Rate + 0.00% = 3.00%

Cancel OK

NaviPlan assumes that all flow-through items are subject to ordinary tax, above-the-line. Certain lines on Schedule K-1, however, are subject to other tax rates such as the long-term capital gains tax rate, or are below-the-line deductions subject to other limitations. If you are not concerned about omitting the special treatment of these amounts for tax-basis tracking, or if the amounts are minimal, you can enter these special treatment amounts as records on the *Other Tax* category – *Misc. Credits & Deductions* tab.

Plan (2005) Data

Misc. Credits & Deductions

Family Member	Miscellaneous Deductions		Miscellaneous Credits	
	Above-the-Line	Below-the-Line	Refundable	Non-Refundable
John	0.00	0.00	0.00	0.00
Jennifer	0.00	0.00	0.00	0.00
Kid	0.00	0.00	0.00	0.00

Assumptions
Assets
Incomes
Expenses
Return Rates
Liabilities
Insurance
Estate Planning
Other Tax
Strategies

Edit...

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The sum of Lines 16 on Schedule K-1 should be entered on the *Activity* tab, in the *AMT Adjustments* field.

Line 22 should be entered in the *Distributions* field.

Business Entity (Details)

General Information | **Activity** | Sale Information | Installment Sale

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Cancel OK

The start-of-year *Cost Basis* value can be approximated from Line J and entered on the *General Information* tab. However, it is best if you obtain this value and the *AMT Basis* value from the clients' tax accountant.

Business Entity (Details)

General Information | Activity | Sale Information | Installment Sale

General Information

Name: Business Entity Ownership: John

Type: LLC Community Property

Purchase Info

Purchase Date: Feb 1 1995

Purchase Amount: \$500,000.00

Unit Value: \$5,000.00

Number of Units: 100.00

Start of Year Value

Market Value: \$1,000,000.00

Cost Basis: \$675,000.00

Unit Value: \$10,000.00

Number of Units: 100.00

AMT Basis: \$750,000.00

Base Return Rates

Annual Dividend per Unit: \$0.0000

Frequency: Annual

Reinvest: Don't Reinvest

Growth

Rate: 10.0000%

Standard Deviation: 20.0000% Override

After the current value date, base on: Start of Year Value

Current Value

As of: Jan 1 2005 Market value is: \$10,000.00

Cancel OK