



IRS Tax Basis Capital Account Requirement for 2020 Partnership and LLC Tax Returns

Tax season is underway, and our team is working hard to address your tax filing requirements. There is one issue that we would like to bring to your attention.

For your 2020 partnership and LLC returns, the IRS is requiring a change to the presentation of the capital accounts in the tax return and on the K-1's. Historically, most returns have been prepared using the Book Basis. Book Basis generally reflects the historical cost of the assets and liabilities (for operating businesses and real estate) or the fair market value for assets that have readily available markets (this is typically used for financial assets). For 2020, we will need to modify your tax returns and K-1's, so they are presented using the Tax Basis.

The new IRS requirement will involve additional time to comply. Where possible, we will ask your team to address the conversion. If your team does not have the time or expertise to address this issue, we will track our time separately so you can easily identify the added cost of this new filing requirement.

Please feel free to contact us if you have any questions or concerns.

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