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## NEWS RELEASE

FOR IMMEDIATE RELEASE

### Individual K-1 Recipients Get One-month 'Breathing Room'

*Many Partnerships, Estates, and Trusts Must Now Furnish K-1s by September 15*

**New York, NY, Aug. 12, 2009** – “Temporary regulations issued in 2008 decreased the filing extension period for Forms 1041 and 1065 from six to five months, which should significantly help alleviate a time crunch experienced by individuals who receive Schedules K-1 from calendar-year partnerships, estates and trusts,” according to Lesli Laffie, Tax Analyst for the Tax & Accounting business of Thomson Reuters. In the IRS’s words, “the five month extension period allows pass-through entities adequate time for preparation of the required pass-through return, and ensures the timely and accurate dissemination of information to a large number of taxpayers who require that information for completion of their own income tax returns.”

“This is a major change for the better for individual partners and beneficiaries who receive K-1s,” says Laffie. “In the past, Forms 1065 and 1041 were eligible for a six-month filing extension. That meant K-1s from calendar-year partnerships, estates, and trusts generally were due to partners and beneficiaries by October 15. This posed a flurry of activity when an individual partner or beneficiary received one or more K-1s near October 15, and at the same time, had an October 15 filing deadline for his or her own return. Bottom line: Often, there wasn’t enough time to pick up the K-1 information, finalize the return, and file it by October 15.”

Partnerships required to file Form 1065 (U.S. Partnership Return of Income) must furnish to each partner or nominee (by the partnership’s Form 1065 due date, including extensions) Form 1065, Schedule K-1, which contains the partner’s share of income, deductions, credits, and other tax items to be reported on the partner’s income tax return. Because partnerships are permitted a five-month extension to file Forms 1065 required to be filed after December 31, 2008, a calendar-year partnership has to furnish a 2008 Schedule K-1 to each partner no later than September 15, 2009.

Calendar-year estates, domestic trusts, and foreign trusts with an office or place of business in the U.S. that are required to file Form 1041 (U.S. Income Tax Return for Estates and Trusts) must furnish a 2008 Schedule K-1 to each beneficiary (or nominee) receiving distributions or to whom an income,



### **Schedule K-1 Deadline Change**

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deduction, or credit item is allocated, by September 15, 2009 (the extended due date for 2008 Form 1041).

According to the IRS, for the most recent year for which there is data (2006), almost three million partnerships, having approximately 17 million partners, filed Form 1065. Nearly 3.7 million estates and trusts filed Form 1041 in 2004.

“Although the exact number of individuals that will be affected isn’t determinable, it’s safe to say that many, many individual taxpayers will benefit from the one-month window,” says Laffie. “And the IRS may benefit, too, as these taxpayers may end up sending in their returns before October 15.”

What if a partner or beneficiary doesn’t receive all expected K-1s by September 15, 2009? This could occur, if a partnership, estate, or trust failed to file a return by that date, or if it did file a return, but failed to furnish a K-1. “Penalties apply in either case,” warns Laffie. “But if a partner or beneficiary is missing one or more expected K-1s, he or she should file a return by October 15, 2009 that includes a Form 8082 (Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)) for each K-1 not received, then file an amended return if such information shows up later.”

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