
Apportionment of income

Posted by Tim46 - 2008/06/04 15:28

can you apportion income between 2 people and allocate their respective percentages of income and expenses on a Schedule C? I was told that you can not do that and that a partnership return was required? Is that true? If so then i need to amend my returns.

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Re:Apportionment of income

Posted by steve - 2008/06/04 19:56

TIM46:

Thats a good question. If you look at the instructions to Schedule C for form 1040 it states that if the business was carried on by two or more people then form 1065 will need to be filed. Form 1065 is a tax return for partners to file where all income and expenses are reported and then the net income is allocated between each partner on form Schedule K-1.

Reporting business income on form 1065 is required even if your partner is is your spouse. Technically, reporting on Schedule C or form 1065 should produce the same net results, but the required and proper method of reporting is to file a partnership return using form 1065.

Talk to your CPA/tax preparer to see if filing amended returns is required.

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