

ARIZONA DEPARTMENT OF REVENUE

1600 WEST MONROE - PHOENIX, ARIZONA 85007-2650

JANE DEE HULL
GOVERNOR



MARK W. KILLIAN
DIRECTOR

June 20, 2000

Gary L. Lodmell
Lodmell & Lodmell, P.C.
3202 N. 16th Street
Phoenix, AZ 85016-7014

Dear Mr. Lodmell:

This letter is in response to your letter of April 27, 2000, in which you requested information on the proper reporting by an Arizona partnership, with only nonresident partners, that invests in assets, none of which are located in Arizona.

If the investing activity occurs in Arizona on a regular basis, the partnership is considered to be doing business in the state. (See ITR 94-9) However, if the investing activity takes place in California and the partnership does not conduct any business within the state and does not have Arizona source income, the partnership would not have Arizona income and would not be required to file an Arizona partnership return.

This is an information letter and not a private taxpayer ruling. The advice it contains is solely dependent upon the adequacy and accuracy of the information provided. Therefore, inadequate or inaccurate taxpayer information could result in the imposition of additional tax, interest, and penalties. Conversely, if the taxpayer information is correct but the department later determines that this advice was erroneous, any penalties directly attributable to following this advice will be abated.

If you have any questions, you may call me at (602) 542-4672, extension 8804.

Sincerely,

A handwritten signature in dark ink, appearing to read "George Courtney", is written over a horizontal line.

George Courtney
Tax Analyst
Tax Research & Analysis Section

Enclosure: ITR 94-9

T:2letlodmell

OTHER LOCATIONS: Tucson Government Mall – 400 W. CONGRESS - TUCSON
East Valley – 3191 N. WASHINGTON STREET - CHANDLER
North Valley – 2902 W. AGUA FRIA FREEWAY - PHOENIX

SCHEDULE K-1
(Form 1065)

 Department of the Treasury
 Internal Revenue Service

Partner's Share of Income, Credits, Deductions, etc.

▶ See separate instructions.

OMB No. 1545-0099

2003

For calendar year 2003 or tax year beginning , 2003, and ending , 20

Partner's identifying number ▶

Partner's name, address, and ZIP code

Partnership's identifying number ▶

Partnership's name, address, and ZIP code

A This partner is a ☐ general partner ☐ limited partner
☐ limited liability company member

B What type of entity is this partner? ▶

C Is this partner a ☐ domestic or a ☐ foreign partner?

(i) Before change or termination (ii) End of year

D Enter partner's percentage of:

Profit sharing % %

Loss sharing % %

Ownership of capital % %

E IRS Center where partnership filed return:

F Partner's share of liabilities (see instructions):

Nonrecourse \$

Qualified nonrecourse financing \$

Other \$

G Tax shelter registration number . ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2) ☐
I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
			()	

(a) Distributive share item			(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss)	1 Ordinary income (loss) from trade or business activities	1		See page 6 of Partner's Instructions for Schedule K-1 (Form 1065).
	2 Net income (loss) from rental real estate activities	2		
	3 Net income (loss) from other rental activities	3		
	4 Portfolio income (loss):			Form 1040, line 8a Form 1040, line 9b Form 1040, line 9a Sch. E, Part I, line 4 Sch. D, line 5, col. (g) Sch. D, line 5, col. (f) Sch. D, line 12, col. (g) Sch. D, line 12, col. (f)
	a Interest income	4a		
	b (1) Qualified dividends	4b(1)		
	(2) Total ordinary dividends	4b(2)		
	c Royalty income	4c		
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)		
	(2) Net short-term capital gain (loss) (entire year)	4d(2)		
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)		
	(2) Net long-term capital gain (loss) (entire year)	4e(2)		
	f Other portfolio income (loss) (attach schedule)	4f		
	5 Guaranteed payments to partner	5		See pages 6 and 7 of Partner's Instructions for Schedule K-1 (Form 1065).
	6a Net section 1231 gain (loss) (post-May 5, 2003)	6a		
	b Net section 1231 gain (loss) (entire year)	6b		
	7 Other income (loss) (attach schedule)	7		
Deductions	8 Charitable contributions (see instructions) (attach schedule)	8		Sch. A, line 15 or 16
	9 Section 179 expense deduction	9		See page 8 of Partner's Instructions for Schedule K-1 (Form 1065).
	10 Deductions related to portfolio income (attach schedule)	10		
	11 Other deductions (attach schedule)	11		
Credits	12a Low-income housing credit: (1) From section 42(j)(5) partnerships	12a(1)		Form 8586, line 5
	(2) Other than on line 12a(1)	12a(2)		
	b Qualified rehabilitation expenditures related to rental real estate activities	12b		See page 9 of Partner's Instructions for Schedule K-1 (Form 1065).
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c		
	d Credits related to other rental activities	12d		
	13 Other credits	13		

For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Cat. No. 11394R

Schedule K-1 (Form 1065) 2003

U.S. Return of Partnership Income

OMB No. 1545-0099

For calendar year 2003, or tax year beginning _____, 2003, and ending _____, 20____
▶ See separate instructions.**2003**

A Principal business activity	Use the IRS label. Otherwise, print or type.	Name of partnership	D Employer identification number
B Principal product or service		Number, street, and room or suite no. If a P.O. box, see page 14 of the instructions.	E Date business started
C Business code number		City or town, state, and ZIP code	F Total assets (see page 14 of the instructions) \$

G Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

H Check accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ _____

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ _____

Caution: Include **only** trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

Income	1a Gross receipts or sales	1a				
	1b Less returns and allowances	1b				
	2 Cost of goods sold (Schedule A, line 8)					
	3 Gross profit. Subtract line 2 from line 1c					
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)					
	5 Net farm profit (loss) (attach Schedule F (Form 1040))					
	6 Net gain (loss) from Form 4797, Part II, line 18					
7 Other income (loss) (attach schedule)						
8 Total income (loss). Combine lines 3 through 7						
Deductions (see page 15 of the instructions for limitations)	9 Salaries and wages (other than to partners) (less employment credits)					
	10 Guaranteed payments to partners					
	11 Repairs and maintenance					
	12 Bad debts					
	13 Rent					
	14 Taxes and licenses					
	15 Interest					
	16a Depreciation (if required, attach Form 4562)	16a				
	16b Less depreciation reported on Schedule A and elsewhere on return	16b				
	17 Depletion (Do not deduct oil and gas depletion.)					
	18 Retirement plans, etc.					
	19 Employee benefit programs					
	20 Other deductions (attach schedule)					
21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20						
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8						

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.			
	Signature of general partner or limited liability company member		Date	
Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed <input type="checkbox"/>	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code	EIN	Phone no.	
	May the IRS discuss this return with the preparer shown below (see instructions)? <input type="checkbox"/> Yes <input type="checkbox"/> No			