

Basis Computation Required

Did you happen to look at the 2018 Schedule E, page 2?

Part II of the Schedule E is the place you report the income from partnerships and S corporations. You're familiar with entering the name, EIN, a box to check if the at-risk limits apply, etc. This year we have a new box (e) which says "Check if basis computation is required". The directions above line 27 says "Income or Loss From Partnership and S Corporations - Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis computation." The word "must" in this sentence is bolded on the IRS form.

This appears pretty strongly to mean we **MUST** attach a basis worksheet if any of these items apply. Pages E-8 and E-9 of the directions for Schedule E discuss limiting losses by applying the basis rules. These directions specifically mention basis must be computed before claiming losses and refers you to worksheets found in the Schedule K1 instructions. The directions do not mention attaching basis to the return for partnership limited losses but do specifically state basis computation must be attached in connection with S corporation items mentioned above.

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