§ 301.6222(a)–1 Consistent treatment of partnership items.

(a) In general. The treatment of a partnership item on the partner’s return must be consistent with the treatment of that item by the partnership on the partnership return in all respects including the amount, timing, and characterization of the item.

(b) Treatment must be consistent with partnership return. The treatment of a partnership item on the partner’s return must be consistent with the treatment of that item on the partnership return.

(c) Examples. The following examples illustrate the principles of this section:

Example 1. B is a partner of Partnership P. Both B and P use the calendar year as the taxable year. In December 2001, P receives an advance payment for services to be performed in 2002 and reports this amount as income for calendar year 2001. However, B reports B’s distributive share of this amount on B’s income tax return for 2002 and not on B’s return for 2001. B’s treatment of this partnership item is inconsistent with the treatment of the item by P.

Example 2. Partnership P incurred certain start-up costs before it was actively engaged in its business. P capitalized these costs. C, a partner in P, deducted C’s proportionate share of these start-up costs. C’s treatment of the partnership expenditure is inconsistent with the treatment of that item by P.

Example 3. D is a partner in partnership P. P reports a loss of $100,000 on its return, $5,000 of which it reports on the Schedule K–1 furnished to D. D reports the $15,000 loss on D’s income tax return. D has not satisfied the consistent reporting requirement. See, however, §301.6222(b)–3 for an election to be treated as having reported the inconsistency.

(d) Effective date. This section is applicable to partnership taxable years beginning on or after October 4, 2001.

For years beginning prior to October 4, 2001, see §301.6222(a)–1T contained in 26 CFR part 1, revised April 1, 2001.