

# FORM D-65: PARTNERSHIP RETURN OF INCOME

## INSTRUCTIONS

**NOTE:** For District purposes, taxpayers are not permitted to claim the federal 30 percent bonus depreciation.

### A. WHO MUST FILE A D.C. PARTNERSHIP FORM D-65.

Except for partnerships required to file an unincorporated business franchise tax return, D.C. Form D-30, all partnerships engaged in any trade or business within the District of Columbia or which received income from sources within the District, must file a D.C. Form D-65.

The term “partnership” includes syndicates, pools and joint ventures through or by means of which any business, financial operation, or venture is carried on and which is not, within the meaning of the law, a corporation, trust, estate or an unincorporated business. The term “partner” includes a member in a syndicate, pool or joint venture.

If the return is filed on behalf of a syndicate, pool, joint venture or similar group, a copy of the agreement, together with all amendments thereto, must be attached to the return unless a copy has been filed with the Office of Tax and Revenue, P.O. Box 447, Washington, D.C. 20044-0447.

A limited liability company is classified as a partnership unless classified otherwise for federal income tax purposes, in which case the limited liability company is classified, for D.C. tax purposes, the same as it is for federal income tax purposes.

D.C. law does not allow a partnership to report or file as a corporation, nor for a corporation to report or file as a partnership.

**Who Must File Form D-30 Instead of Form D-65.** Every partnership which, during the taxable year, engaged in an “unincorporated business” as defined in paragraph (1) below, and which met the gross income threshold as stated in paragraph (2) below, must file D.C. Form D-30, rather than Form D-65. If Form D-65 is filed instead of Form D-30, attach a statement to the return explaining the reason for so doing.

**(1) “Unincorporated Business”.** The words “unincorporated business” mean any trade or business, conducted or engaged in by any individual, whether resident or nonresident, statutory or common-law trust, estate, partnership, or limited or special partnership, society, association, executor, administrator, receiver, trustee, liquidator, conservator, committee, assignee, or by any other entity or fiduciary, other than a trade or business conducted or engaged in by any corporation; and includes any trade or business which if conducted or engaged in by a corporation would be taxable. The words “unincorporated business” do not include any trade or business which by law, custom, or ethics, cannot be incorporated or any trade or business more than 80% of the gross income of which is derived from personal services actually rendered by individuals or members of the partnership or other entity in conducting or carrying on any trade or business in which capital is not a material income-producing factor.

A partnership with gross income of more than \$12,000 which leases real or personal property in the District, regardless of whether services are performed, (including professional partnerships) must file a D.C. Form D-30 instead of Form D-65.

**(2) Gross Income Requirement for Filing Form D-30.** A return must be filed by an unincorporated business if its gross income resulting from engaging in or carrying on any trade or business within the District plus any other gross income received from District sources amounted to more than \$12,000 during the year, regardless of whether it had a net income. For filing purposes, the words “gross income” mean gross revenue before deduction of cost of goods, expenses and other deductions allowable in the determination of net income.

**B. PERIOD TO BE COVERED BY RETURNS.** The return must be filed for calendar year 2002, or other taxable year beginning in 2002, covering the same period as reported on the return filed with the Internal Revenue Service.

**C. TIME AND PLACE FOR FILING.** Form D-65 is to be filed with the Office of Tax and Revenue, P.O. Box 447, Washington, D.C., 20044-0447, on or before the 15th day of the 4th month following the ending date of the tax year entered at the top of the Form D-65.

If you are requesting an extension of time to file, submit D.C. Form FR-128, Extension of Time to file D.C. Franchise or Partnership Return, on or before the due date of your return. **Copies of federal extension of time to file forms are not acceptable.**

**D. SIGNATURE.** The return must be signed by one partner or member. If receivers, trustees in bankruptcy, or assignees are in control of the property or business organization, such receivers, trustees, or assignees must sign the return.

When the return is prepared by someone (for compensation) other than a member or an employee of the partnership, such person(s) must sign at the bottom of page 2 of the return.

**E. METHODS OF ACCOUNTING.** The partnership’s method of accounting used for D.C. tax purposes should be the same as that used for federal tax purposes.

**F. ITEMS EXEMPT FROM TAX.** All items of income received and claimed to be exempt from tax must be explained in a copy of Schedule K of the Federal Form 1065. Some items of this type are:

- (1) Tax-Free Interest.** Attach a statement reporting interest on:
- (a) obligations of a state, territory of the United States or any political subdivision thereof, or the District of Columbia; and
  - (b) obligations of the United States, its agencies, or instrumentalities

**(2) Proceeds From Life Insurance Policies.** In general, the proceeds of life insurance policies paid to the partnership by reason of the death of a partner are exempt. However, if any part of the proceeds is held by the insurer under an agreement to pay interest, the interest is taxable.

**G. INFORMATION AT SOURCE.** Every partnership making payment in the course of its trade or business during calendar year 2002, of (1) interest, rents, commissions, or other fixed or determinable income of \$600 or more, or (2) salaries and wages of \$600 or more, must submit copies of federal Forms 1096 and 1099 except where payment is specifically exempted by Title 9, DCMR 111.2.

**H. ATTACHMENT OF FEDERAL RETURN.** You must attach a copy of the federal partnership return (Form 1065) to the D.C. Form D-65 partnership return which you file. Also include copies of all the schedules and statements accompanying the Form 1065.

**I. INCOME DISTRIBUTION SCHEDULE.** You must attach to the Form D-65, a schedule showing the pass-through distribution of income for all members of the partnership, AND completed copies of the federal K-1 schedule.