



# TaxNewsFlash

United States



No. 2020-450  
July 14, 2020

## Proposed changes to Form 1065 for partnerships with international tax items

The IRS today announced proposed updates to partnership forms.

The IRS is proposing changes to Form 1065, *U.S. Return of Partnership Income*, for tax year 2021 (filing season 2022). Similar form updates are intended for Form 1120-S, *U.S. Income Tax Return for an S Corporation*, and Form 8865, *Return of U.S. Persons With Respect to Certain Foreign Partnerships*.

According to a [release on the IRS website](#), the updates to Form 1065 are intended to provide greater clarity for partners on how to compute their U.S. income tax liability with respect to international tax matters, including how to compute deductions and credits. The IRS also stated that the proposed redesigned form and instructions would guide partnerships on how to provide international tax information to their partners.

Read the draft forms and draft instructions (showing a “watermark” date of July 8 or July 9, 2020):

- [Form 1065, Schedule K-2 \(PDF\)](#) [PDF 755 KB] and [Instructions](#) [PDF 923 KB]
- [Form 1065, Schedule K-3](#) [PDF 776 KB] and [Instructions](#) [PDF 785 KB]

The changes would apply to partnerships that are required to file Form 1065, but only if the partnership has items of international tax relevance (generally foreign activities or foreign partners). The proposed changes would not affect domestic partnerships with no items of international tax relevance.

Comments are requested and are due by September 14, 2020.

### Summary of proposed changes

As explained in a related IRS release—[IR-2020-155](#) (July 14, 2020)—partners are currently required to report international tax information on their tax returns on several tax forms and schedules. Partners generally obtain the information required to be reported from their partnerships, usually through

narrative statements attached to Schedules K-1. Those statements are compiled in a variety of formats and may be difficult for partners to translate onto their own returns.

The proposed changes are intended to ease this burden through a standard format that offers greater clarity to both partnerships and their partners.

According to the IRS, the standard format of the new partnership schedules would "...better align the information that partnerships provide on the schedules with the tax forms used by partners, allowing partners to more easily prepare their tax returns and the IRS to more efficiently verify taxpayer compliance."

- The IRS explained that the proposed parts included in new Schedule K-2 (Form 1065) would replace portions of existing Form 1065, Schedule K, lines 16(a) through 16(r).
- The proposed schedule would provide for international tax information to be reported in a standardized manner generally corresponding to the tax forms.
- The proposed parts included in new Schedule K-3 (Form 1065) would replace portions of Schedule K-1, Part III, Boxes 16 and 20, and would provide information to the partner generally in the format of the following forms that might be completed by the partner:
  - Form 1040, *U.S. Individual Income Tax Return*
  - Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*
  - Form 1116, *Foreign Tax Credit (Individual, Estate, or Trust)*
  - Form 1118, *Foreign Tax Credit – Corporations*
  - Form 1120, *U.S. Corporation Income Tax Return*
  - Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*
  - Form 4797, *Sales of Business Property*
  - Form 8949, *Sales and Other Dispositions of Capital Assets*
  - Form 8991, *Tax on Base Erosion Payments of Taxpayers With Substantial Gross Receipts*
  - Form 8992, *U.S. Shareholder Calculation of Global Intangible Low-Taxed Income (GILTI)*
  - Form 8993, *Section 250 Deduction for Foreign Derived Intangible Income (FDII) and Global Intangible Low-Taxed Income (GILTI)*

The IRS release concludes that similar revisions are planned for Form 1120-S, *U.S. Income Tax Return for an S Corporation*, and Form 8865, *Return of U.S. Persons With Respect to Certain Foreign Partnerships*.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)