

**ALABAMA DEPARTMENT OF REVENUE INDIVIDUAL AND CORPORATE TAX
DIVISION
ADMINISTRATIVE CODE**

**CHAPTER 810-3-6
GAIN OR LOSS - BASIS OF PROPERTY; ADJUSTED BASIS**

810-3-6-.03 Basis In Subchapter K Entity.

(1) For all taxable years with respect to which a preliminary assessment of income tax could be made under the provisions of §40-2A-7, Code of Ala. 1975, as of May 27, 1997, and thereafter:

(a) Basis of property to subchapter K entity - A subchapter K entity's basis in property contributed to it under §40-18-8(o), Code of Ala. 1975, by a partner or member shall be determined according to 26 U.S.C. §723.

(b) Basis of interest in subchapter K entity -

1. A contributing partner's or member's initial basis in a subchapter K entity interest acquired by a contribution of property (including money as described in §40-18-8[o]) to the subchapter K entity shall be determined according to 26 U.S.C. §722.

2. Increases and decreases to the initial basis determined under paragraph 1 shall be made according to 26 U.S.C. §705, and those adjustments to the initial basis shall be determined without regard to the allocation and apportionment rules of Section 40-18-22.

3. Special basis adjustments - The basis of the property of the subchapter K entity shall be determined according to 26 U.S.C. §§734 and 743, if the subchapter K entity has in effect an election under 26 U.S.C. §754 (relating to optional adjustment to basis of partnership property).

(c) Basis of property distributed by subchapter K entity - The basis of property (other than money) distributed by a subchapter K entity to a partner or member other than in liquidation of the partner's or member's interest shall be determined according to 26 U.S.C. §732.

(2) No refunds shall be due or issued by reason of this regulation with respect to taxable years beginning before January 1, 1997.

(3) For interpretation of federal statutes adopted by the Alabama Legislature see Rule 810-3-1.1-.01, Operating Rules.

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