**Jamco Turf**

**Partnership Tax Return Project**

**for the Year Ended December 31, 2020**

Jamco Turf was organized on February 22, 2020, by Jon Jones and Billy Burt, both as general partners. Jon contributed $270,000 cash and SBUX stock (acquired 01/01/2018) worth $30,000 for a 60% interest in the partnership, and Billy contributed $200,000 cash for a 40% interest. Jon’s Social Security number is 123-45-6789 and Billy’s is 987-65-4321. Jamco’s Employer ID number is 12-3456789. Jamco began business on March 1, 2020. Jamco is a commercial landscaping business located at 118812 Josey Lane, Louisville, KY 40018. Jamco uses the accrual method of accounting, the first-in, first-out (FIFO) inventory method, and calendar-year reporting. Distributions to the owners in 2020 included $144,000 to Jon and $96,000 to Billy. Jamco’s debt in this scenario is considered recourse debt.

Addresses for the owners are:

Jon Jones, 3513 Jackson Street, Louisville, KY 40018

Billy Burt, 2532 Sugarbush Lane, Louisville, KY 40018

To complete this project, you will prepare a partnership tax return including the IRS Form 1065 and accompanying Schedule D, two Schedule K-1s (one for each partner), and supporting IRS Form 1125-A and IRS Form 4797.

Jamco’s 2020 financial statements are displayed on the following pages.

**Jamco Turf**

**Income Statement**

**for the Year Ended December 31, 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sales** |  |  | 4,700,000 |
|  | **Returns and Allowances** |  | (50,000) |
| **Net Sales** |  |  | 4,650,000 |
| **Beginning Inventory** |  | 0 |  |
| **Purchases** |  | 4,050,000 |  |
|  |  | 4,050,000 |  |
| **Ending Inventory** |  | (1,700,000) | (2,350,000) |
| **Gross Profit** |  |  | 2,300,000 |
| **Expenses** |  |  |  |
|  | **Salaries** (a) | 980,000 |  |
|  | **Depreciation** (b) | 75,400 |  |
|  | **Advertising** | 30,000 |  |
|  | **Bad Debts** | 39,000 |  |
|  | **Rent** | 100,000 |  |
|  | **Interest** (c) | 39,500 |  |
|  | **Utilities** | 38,300 |  |
|  | **Delivery Expense** | 34,900 |  |
|  | **Office Supplies** | 46,200 |  |
|  | **Repairs and Maintenance** | 29,000 |  |
|  | **Organization Expense** (d) | 6,000 |  |
|  | **Meals** | 80,000 |  |
|  | **Insurance Expense** (e) | 36,000 |  |
|  | **Payroll Taxes** | 113,300 |  |
|  | **2019 Federal Income Tax Deposits** | 250,000 |  |
|  | **Other Taxes** | 20,000 |  |
|  | **Fines and Penalties (Traffic)** | 1,000 |  |
|  | **Accounting and Legal** | 12,000 |  |
|  | **Charitable Contributions – Red Cross** | 18,000 |  |
|  | **Real Estate Taxes on Investment Land** | 800 | 1,949,400 |
| **Operating Income** |  |  | 350,600 |
| **Other Income** |  |  |  |
|  | **Gain on Sale of Stock** (f) | 4,000 |  |
|  | **Gain on Sale of Delivery Truck** (g) | 8,600 |  |
|  | **Interest on County Tax Exempt Bonds** | 1,100 |  |
|  | **Interest on CDs** | 11,500 |  |
|  | **Dividends from US Corporations** (h) | 5,600 | 30,800 |
| **Net Income** |  |  | 381,400 |

**Jamco Turf**

**Notes to Income Statement**

1. The salary's total includes guaranteed payments to partners: Jon Jones $200,000, Billy Burt $50,000.
2. Depreciation for tax purposes: $112,700.
3. $2,500 is allocable to investments. The remainder is related to Jamco’s business.
4. $6,000 in fees were incurred in organizing Jamco.
5. Includes $5,000 of premiums for term life insurance on Jon and Billy, for which Jamco is the beneficiary of these policies. In addition, $4,300 of the health insurance premiums (a guaranteed payment) are attributable to coverage for Jon and his family, and $3,900 (a guaranteed payment) are attributable to coverage for Billy and his family.
6. Sold 500 shares of SBUX stock for $35,000 on December 1, 2020. The stock had been purchased by Jon on July 1, 2005 for $20,000 and was contributed by him on February 22, 2020, when it was worth $30,000. Also, on December 1, 2020, sold 100 shares of Grand View, Inc. for $2,000. The stock had been purchased on March 1, 2020 for $3,000. At no time did Jamco own more than 1% of the outstanding stock of these corporations. Assume that the basis for stock was already reported to the IRS, so no Form 8949 is required.
7. Sold a delivery truck on September 23, 2020 for $35,000. The truck had originally been purchased on May 1, 2020 for $33,400. Depreciation taken for book purposes was $7,000. Depreciation taken for tax purposes was $9,350.
8. Jamco owns less than 20% of the outstanding stock of each of these corporations.

**Jamco Turf**

**Balance Sheet**

**December 31, 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Assets** |  |  |  |
|  | **Cash** |  | 113,000 |
|  | **Accounts Receivable** | 300,000 |  |
|  | **Less Allowance for Bad Debts** | 29,000 | 271,000 |
|  | **Inventory** |  | 1,700,000 |
|  | **Tax Exempt Securities** |  | 17,000 |
|  | **Other Current Assets** |  | 40,000 |
|  | **Other Investments** |  | 85,000 |
|  | **Land** |  | 70,000 |
|  | **Buildings** | 240,800 |  |
|  | **Less Accumulated Depreciation** | 75,400 | 165,400 |
|  | **Total Assets** |  | 2,461,400 |
|  |  |  |  |
| **Liabilities and Equity** |  |  |  |
|  | **Accounts Payable** |  | 375,000 |
|  | **Mortgages, Notes Payable in < 1 year** |  | 185,000 |
|  | **Other Current Liabilities** |  | 70,000 |
|  | **Mortgages, Notes Payable in > 1 year** |  | 1,190,000 |
|  | **Jon Jones, Capital Account**  **Billy Burt, Capital Account** |  | 300,000  200,000 |
|  | **Jon Jones, Current Account**  **Billy Burt, Current Account** |  | 84,840  56,560 |
|  | **Total Liabilities and Equity** |  | 2,461,400 |
|  |  |  |  |
|  |  |  |  |
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|  |  |  |  |

**Jamco Turf**

**Statement of Changes in Current Account**

**for the Year Ended December 31, 2020**

|  |  |  |  |
| --- | --- | --- | --- |
| **Beginning Balance** |  | 0 |  |
|  |  |  |  |
| **Net Income** |  | 381,400 |  |
| **Distributions** |  | (240,000) |  |
|  |  |  |  |
| **Balance, December 31, 2020** |  | 141,400 |  |
|  |  |  |  |
|  |  |  |  |