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Inside This Issue

Partnerships Returns, Tax Year 2020 **2**

by Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky

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Partnership Returns, Tax Year 2020

by Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky

The number of partnerships and partners in the United States both increased for Tax Year 2020.[1,2] Partnerships filed 4.3 million returns for the year, representing more than 28.2 million partners. The Real estate and rental and leasing sector comprised just over half of all partnerships (50.1 percent) and almost a third of all partners (33.2 percent).

Total assets and total receipts increased in 2020, while total net income (loss) declined slightly compared to that from the prior year (Figure A). The Finance and insurance sector accounted for the largest portion of each of these three critical financial figures.[3]

The number of partnerships increased 12.0 percent (from 3,821,470 to 4,280,690) between 2019 and 2020 (Figure B). The number of partnerships has grown at an average annual rate of 2.9 percent over the period 2011–2020. Partnerships classified as limited liability companies (LLCs) accounted for most of this growth.[4]

The number of partners increased 11.8 percent for 2020 (from 25,269,018 the previous year to 28,246,795). Partnerships with fewer than three partners made up more than half (57.1 percent) of all partnerships (Figure C). These same-sized partnerships accounted for just under a quarter (24.7 percent) of all partnerships with total assets of $100 million or more. Partnerships with 100 or more partners accounted for only 0.4 percent of all partnerships but 37.3 percent of all partners in 2020.

Partnerships do not generally pay taxes on their income, but "pass through" any profits and losses to their partners, who must include those profits and losses on their income tax returns.[5] For 2020, partnerships passed through $1,963.0 billion in total income (loss) minus total deductions available for allocation to their partners (Table 5). This amount represents a 29.8-percent increase from 2019, when partnerships passed through $1,512.0 billion. The Finance and insurance sector accounted for the largest amount reported ($1,333.5 billion) and also the largest

Figure A

Partnership Returns: Percentage Changes in Selected Items, Tax Years 2011–2020

Tax year	Number of partnerships	Number of partners	Total assets	Total receipts	Total net income (loss)
	(1)	(2)	(3)	(4)	(5)
2011	1.1	8.7	3.8	9.8	-2.2
2012	3.1	3.9	7	9.4	33.9
2013	2.1	8.5	9.8	7.1	-1.2
2014	4.4	0.8	8.1	5.6	9
2015	2.9	-2.2	4.7	-4.4	-6.8
2016	1.3	4	5.8	-2.3	1.4
2017	3.8	-2.4	11.9	16.1	2.3
2018	2.7	-0.2	6	7.7	9.2
2019	-4.7	-7.9	5	-7.3	-14
2020	12	11.8	19.8	14.7	-0.1

SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

Highlights

- Partnerships filed just over 4 million returns for Tax Year 2020, a 12.0-percent increase over the number filed for 2019. These returns represented more than 28.2 million partners, up 11.8 percent from the previous year.
- Limited liability companies (LLCs) made up the majority of partnerships (70.6 percent), surpassing all other entity types for the 19th consecutive year.
- Limited partnerships represented only 10.5 percent of all partnerships but reported 28.0 percent of all profits and had the largest share of partners (34.9 percent).
- Real estate and rental and leasing accounted for about half (50.1 percent) of all partnerships and nearly a third (33.2 percent) of all partners. The Finance and insurance sector reported the largest shares of total net income (loss) (58.1 percent), total assets (59.1 percent), and total receipts (27.0 percent) for 2020.
- Total assets increased 19.8 percent between 2019 and 2020, from $36.0 trillion to $43.2 trillion. Seventeen of the 20 industrial sectors reported an increase.
- Receipts totaled $9.3 trillion for 2020, up 14.7 percent from the amount reported for 2019. Total net income (loss) or profits decreased 0.1 percent to $760.3 billion for 2020 (down from $760.6 billion the previous year).
- Between 2019 and 2020, total income (loss) minus total deductions available for allocation increased from $1,512.0 billion to $1,963.0 billion. Partners classified as partnerships received the largest share of income (loss) allocated to partners, $637.8 billion.

[1] SOI based the statistics for Tax Year 2020 on a stratified probability sample selected from the population of partnerships processed by the Internal Revenue Service (IRS) during Calendar Year 2021. IRS Processing Centers implemented processing adjustments as a result of COVID-19 during this time period. More information on the sample is included in the Data Sources and Limitations section.

[2] This article references Tax Year 2019 data. For further information on these data, see Ron DeCarlo, Tuba Ozer-Gurbuz, and Nina Shumofsky, "Partnership Returns, Tax Year 2019," Statistics of Income Bulletin, Fall 2021, Volume 41, Number 2.

[3] See the "Explanation of Selected Terms" section for information on the differences in calculation of total receipts and total net income (loss).

[4] See the "Explanation of Selected Terms" section for more information on LLCs.

[5] The Bipartisan Budget Act of 2015 (BBA) created a new centralized partnership audit regime effective for partnership tax years beginning after 2017, which revised the auditing of some partnership returns. Any adjustment takes place at the partnership level and any taxes will be paid by the partnership.

Figure B
Partnership Returns: Number of Partnerships and Partners, by Selected Industrial Groups, Tax Years 2019 and 2020

Industrial group	Number of partnerships		Percentage change	Number of partners		Percentage change
	2019	2020		2019	2020	
	(1)	(2)	(3)	(4)	(5)	(6)
All industries	**3,821,470**	**4,280,690**	**12.0**	**25,269,018**	**28,246,795**	**11.8**
Finance and insurance	343,714	411,298	19.7	6,795,301	7,613,691	12.0
Securities, commodity contracts, and other financial investments and related activities	262,980	314,773	19.7	5,684,971	6,056,837	6.5
Securities and commodity contracts and exchanges	7,478	7,401	-1.0	195,065	160,574	-17.7
Other financial investment activities	255,503	307,372	20.3	5,489,906	5,896,263	7.4
Funds, trusts and other financial vehicles	51,579	62,324	20.8	857,435	1,334,933	55.7
Other finance and insurance	29,154	34,202	17.3	252,895	221,922	-12.2
Real estate and rental and leasing	1,939,483	2,144,150	10.6	8,263,287	9,390,768	13.6
Real estate	1,892,832	2,093,964	10.6	8,095,479	9,174,391	13.3
Lessors of residential buildings and dwellings and cooperative housing	664,455	737,363	11.0	2,734,743	3,390,304	24.0
Lessors of nonresidential buildings (except miniwarehouses)	722,588	786,894	8.9	2,945,616	3,126,456	6.1
Lessors of miniwarehouses and self-storage units	27,883	29,380	5.4	103,871	106,661	2.7
Lessors of other real estate property	120,692	147,489	22.2	523,246	632,544	20.9
Other real estate activities	357,214	392,837	10.0	1,788,002	1,918,426	7.3
Rental and leasing services and lessors of nonfinancial intangible assets (except copyrighted works)	46,651	50,186	7.6	167,808	216,377	28.9

NOTES: Detail may not add to totals because of rounding. For data on additional industries, see Table 10.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

Figure C
Partnership Returns: Number of Partnerships and Partners, by Number of Partners per Partnership, Tax Year 2020

Number of partners per partnership	Total number of partnerships	Partnerships with $100,000,000 or more in assets	
		Number of partnerships	Percentage of total
	(1)	(2)	(3)
Number of partnerships, total	**4,280,690**	**43,982**	**1.0**
Number of partners per partnership:			
Less than 3	2,443,586	10,868	0.4
3 less than 5	1,088,910	9,518	0.9
5 less than 10	480,989	6,343	1.3
10 less than 20	133,880	4,245	3.2
20 less than 30	53,133	2,402	4.5
30 less than 40	23,875	1,729	7.2
40 less than 50	18,407	1,277	6.9
50 less than 60	8,722	1,070	12.3
60 less than 70	5,524	758	13.7
70 less than 80	4,220	904	21.4
80 less than 90	1,872	578	30.9
90 less than 100	2,137	495	23.2
100 or greater	15,433	3,795	24.6
1,000 or greater [1]	379	294	77.6

Number of partners per partnership	Total number of partners	Partnerships with $100,000,000 or more in assets	
		Number of partners	Percentage of total
	(4)	(5)	(6)
Number of partners, total	**28,246,795**	**8,400,353**	**29.7**
Number of partners per partnership:			
Less than 3	4,885,084	21,728	0.4
3 less than 5	3,670,645	31,996	0.9
5 less than 10	2,932,599	41,696	1.4
10 less than 20	1,780,399	58,338	3.3
20 less than 30	1,277,494	58,053	4.5
30 less than 40	831,679	59,209	7.1
40 less than 50	821,611	56,560	6.9
50 less than 60	476,245	57,968	12.2
60 less than 70	353,902	48,820	13.8
70 less than 80	312,468	67,128	21.5
80 less than 90	157,421	48,738	31.0
90 less than 100	200,267	46,816	23.4
100 or greater	10,546,980	7,803,303	74.0
1,000 or greater [1]	7,683,799	6,961,518	90.6

[1]These statistics are also included on the line entitled "100 or greater."
NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

increase ($336.4 billion) for 2020. In addition, for the ninth consecutive year, partners that are partnerships received the largest portion of this income.[6]

Finance and insurance sector dominated assets, receipts, and net income (loss)

Historically, partnerships classified in the Real estate and rental and leasing sector have made up the largest share of partnerships and partners. This sector accounted for more than half of all partnerships for both 2020 (50.1 percent) and 2019 (50.8 percent), and it made up almost a third of all partners for 2020 (33.2 percent) and 2019 (32.7 percent). While partnerships in this sector accounted for just over half of all partnerships, they reported less than a fourth (20.6 percent) of total assets, only 8.9 percent of total receipts, and just 1.7 percent of total net income (loss) for 2020 (Figure D).

However, the Finance and insurance sector typically represents the largest percentage of several key money amounts, compared to all other sectors. Partnerships classified in this sector reported the largest share of total assets (59.1 percent), total receipts (27.0 percent), and total net income (loss) (58.1 percent). Yet, this sector accounted for a smaller portion of total partnerships (9.6 percent) and partners (27.0 percent).

Total assets continued to increase

Total assets for partnerships overall increased for 2020. Seventeen out the 20 industrial sectors reported an increase in total assets. For partnerships reporting balance sheet information, total assets rose 19.8 percent (from $36.0 trillion for 2019 to $43.2 trillion for 2020). The Finance and insurance sector accounted for the largest portion of this growth in asset accumulation, with an increase of $4.8 trillion (from $20.7 trillion to $25.5 trillion). The largest decrease was in the assets of the Information sector, which decreased $41.6 billion (from $1.11 trillion to $1.07 trillion) (Table 10).

Total receipts increased between 2019 and 2020

Partnerships reported a 14.7-percent increase in total receipts (from $8.1 trillion to $9.3 trillion) between 2019 and 2020. Business receipts made up the bulk of total receipts (63.7 percent) and increased to $5.9 trillion from $5.4 trillion for the year (Table 7). The largest increases in total receipts were in the Finance and insurance (from $2.0 trillion to $2.5 trillion) and Manufacturing sectors (from $706.5 billion to $1.0 trillion). Overall, 14 sectors reported increases for 2020.

The Real estate and rental and leasing sector had the largest decrease in profits

Total net income (loss), or profits, decreased 0.1 percent (from $760.6 billion to $760.3 billion) between 2019 and 2020 (Figure E). Income from net rental real estate and interest accounted for the largest decreases ($27.9 billion and $24.1 billion, respectively). These declines were offset by increases in other components including a $23.9-billion rise in ordinary business

Figure D

Partnership Returns: Total Assets, Total Receipts, and Total Net Income (Loss), by Selected Industrial Group, Tax Years 2019 and 2020

Industrial group	Total assets		Percentage change	Total receipts		Percentage change	Total net income (loss)		Percentage change
	2019	2020		2019	2020		2019	2020	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All industries	**36,048,324,019**	**43,182,900,507**	**19.8**	**8,081,449,499**	**9,268,923,770**	**14.7**	**760,646,448**	**760,252,861**	**-0.1**
Finance and insurance	20,670,032,817	25,514,689,315	23.4	1,958,954,883	2,504,051,058	27.8	440,439,592	441,635,920	0.3
Securities, commodity contracts, and other financial investments and related activities	18,004,651,872	22,033,485,471	22.4	1,687,208,123	2,143,833,525	27.1	382,072,662	360,478,845	-5.7
Securities and commodity contracts and exchanges	704,083,504	782,451,364	11.1	77,716,670	114,863,292	47.8	9,704,621	6,582,966	-32.2
Other financial investment activities	17,300,568,368	21,251,034,107	22.8	1,609,491,453	2,028,970,233	26.1	372,368,042	353,895,878	-5.0
Funds, trusts, and other financial vehicles	2,253,303,980	2,933,557,407	30.2	170,197,965	224,924,086	32.2	42,125,761	51,320,787	21.8
Other finance and insurance	412,076,965	547,646,436	32.9	101,548,795	135,293,447	33.2	16,241,169	29,836,288	83.7
Real estate and rental and leasing	7,864,054,742	8,908,970,759	13.3	748,808,529	822,586,486	9.9	41,929,237	13,163,255	-68.6
Real estate	7,608,434,999	8,597,083,349	13.0	669,874,957	724,187,838	8.1	35,535,894	-570,436	[N]
Lessors of residential buildings and dwellings and cooperative housing	2,303,869,636	2,587,121,699	12.3	140,786,321	149,171,785	6.0	-31,798,007	-46,708,793	-46.9
Lessors of nonresidential buildings (except miniwarehouses)	3,324,973,028	3,737,143,854	12.4	213,311,478	271,551,851	27.3	67,447,682	60,838,324	-9.8
Lessors of miniwarehouses and self-storage units	80,343,263	98,804,482	23.0	12,691,234	10,751,598	-15.3	1,321,313	2,997,851	126.9
Lessors of other real estate property	228,064,680	304,399,133	33.5	21,806,553	18,607,086	-14.7	2,853,599	-917,082	[N]
Other real estate activities	1,671,184,391	1,869,614,181	11.9	281,279,371	274,105,517	-2.6	-4,288,694	-16,780,737	-291.3
Rental and leasing services and lessors of nonfinancial intangible assets (except copyrighted works)	255,619,743	311,887,410	22.0	78,933,572	98,398,648	24.7	6,393,343	13,733,691	114.8

[N] Percent change is not provided if the current year data contains a negative value (loss) compared to a prior year positive value (income).
NOTES: Detail may not add to totals because of rounding. For data on additional industries, see Table 10.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

[6] For further discussion of passthrough income, see the section of this article entitled "Partnerships allocated over $1.9 trillion to their partners in 2020."

Figure E
Partnership Returns: Components of Total Net Income (Loss), Tax Years 2019 and 2020

(Money amounts are in thousands of dollars)

Item	2019	2020	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
Total net income (loss) [1]	**760,646,448**	**760,252,861**	**393,587**	**-0.1**
Ordinary business income (loss)	292,638,748	316,568,537	23,929,789	8.2
Interest income	261,628,027	237,489,985	-24,138,042	-9.2
Dividend income	186,839,272	197,343,395	10,504,123	5.6
Royalties	33,630,926	38,812,965	5,182,039	15.4
Net rental real estate income (loss)	-8,808,487	-36,658,977	-27,850,490	-316.2
Other net rental income (loss)	-5,282,038	6,696,955	11,978,993	[P]

[1] Total net income (loss) is discussed in the Explanation of Selected Terms section.
[P] Percent change is not provided if the current year data contains a positive value (income) compared to a prior year negative value (loss).
NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

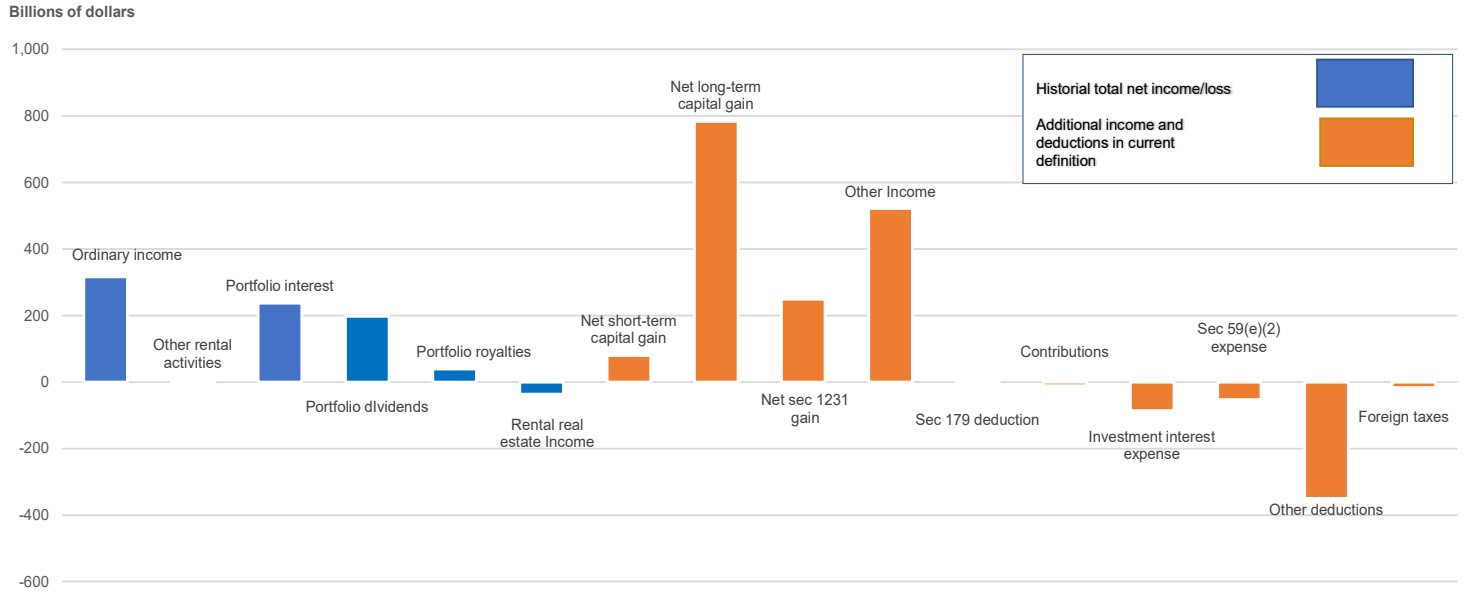
income. Eight industrial sectors reported a decrease in profits (Table 10). The Real estate and rental and leasing sector had the largest decrease, $28.8 billion or 68.6 percent, followed by Accommodations and food services which decreased $24.1 billion or 421.9 percent. These decreases were countered by large increases in Information ($24.0 billion) and Professional, scientific, and technical services ($16.7 billion).

The computation of total net income (loss) used in this article is based on a historical, pre-1986 definition of partnership income to allow for consistent comparisons with amounts reported for years before 1987. It is the sum of ordinary business income (loss), interest income, dividend income, royalties, net rental real estate income (loss), and other net rental income (loss). A more current definition of partnership net income would include the following additional types of income and deductions: net short- and long-term capital gains, net section 1231 gain (loss), other income, section 179 deductions, contributions, investment interest expense, section 59(e)(2) expenditures, and other deductions. A comparison of the two definitions is shown in Figure F.

Limited liability companies made up the majority of all partnerships for the 19th consecutive year

Partnerships classify their business structures as one of six entity types: domestic general partnership, domestic limited partnership, domestic limited liability company, domestic limited liability partnership (LLP), foreign partnership, or "other" partnership.[7] Limited liability companies (LLCs) accounted for 70.6 percent of all partnerships, surpassing all other entity types for the 19th consecutive year (Figure G). The number of LLCs increased to 3.0 million after increasing 10.7 percent

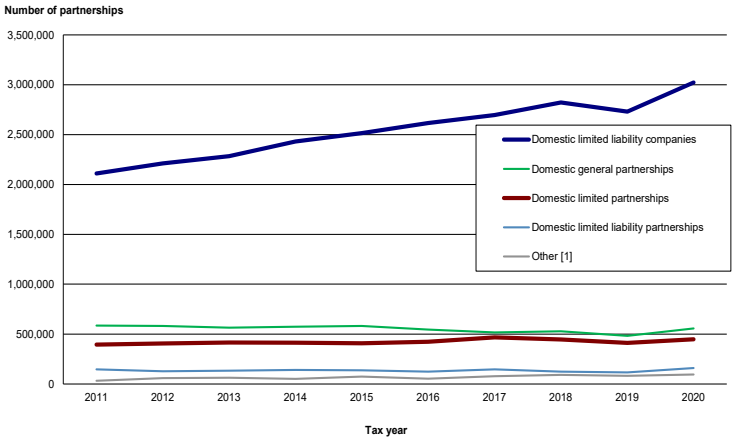
Figure F
Total Net Income (Loss), Historical Versus Current Definition, Tax Year 2020



SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

[7] See the "Explanation of Selected Terms" section for definitions of the different entity types.

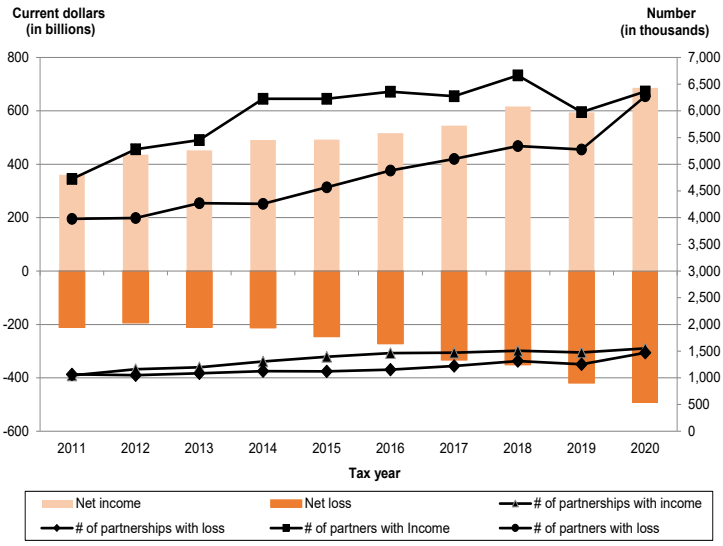
Figure G
Number of Partnerships by Type of Entity, Tax Years 2011–2020



[1] Data for "other" partnerships include foreign partnerships, as well as partnerships which checked the "other" box, Form 1065, Schedule B, line 1, Type of Entity, or did not check a box.
SOURCE:: IRS, Statistics of Income Division, Partnerships, April 2022

between 2019 and 2020 (Figure H). Partners associated with LLCs increased 12.3 percent (from 11.3 million to 12.6 million) while LLC profits increased 10.5 percent (from $175.8 billion to $194.2 billion). LLCs were responsible for 25.5 percent of the overall profits for all partnerships for 2020, an increase from 23.1 percent in 2019. Looking at gains and losses separately, the losses for LLCs ($491.8 billion) were more than double the combined losses for all other types of partnerships ($223.7 billion) and reduced the net profit amount for partnerships overall.

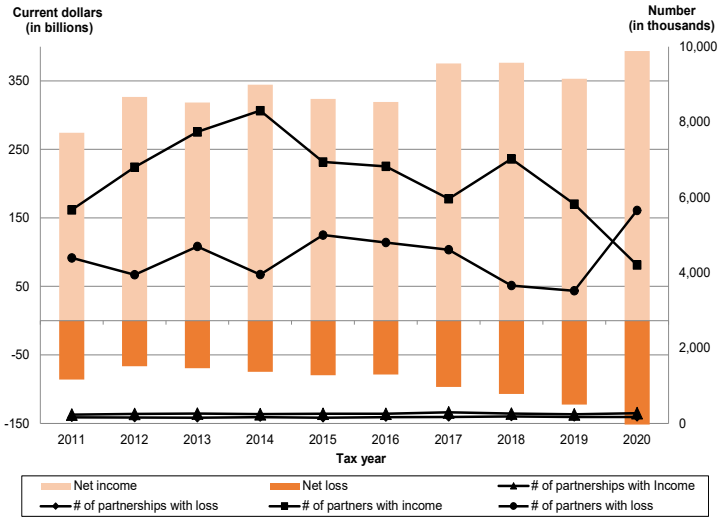
Figure H
Domestic Limited Liability Companies: Number of Partnerships and Partners, and Amount of Net Income (Loss), by Income and Loss, Tax Years 2011–2020



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

In contrast to LLCs, limited partnerships represented only 10.5 percent of all partnerships, but reported a similar amount of profit ($212.6 billion) and number of partners (9.9 million). Over the last 10 years, the number of limited partnerships has shown a general upward trend, while the number of partners associated with those partnerships has trended lower recently (Figure I). Total net income (loss) for limited partnerships decreased $18.1 billion (from $230.7 billion to $212.6 billion) between 2019 and 2020.

Figure I
Domestic Limited Partnerships: Number of Partnerships and Partners, and Amount of Net Income (Loss), by Income and Loss, Tax Years 2011–2020



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

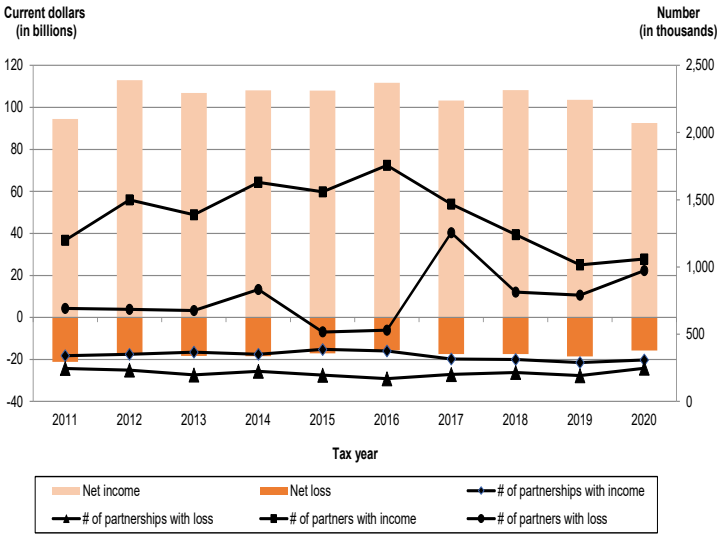
Prior to 2002, domestic general partnerships were consistently the most common type of partnership; they have ranked second since that time. This type of partnership accounted for 13.0 percent (0.6 million) of all partnerships for Tax Year 2020. The number of domestic general partnerships increased 15.4 percent in 2020 (from 481,684 to 556,059). Despite this increase, the number of general partnerships has still declined 5.1 percent overall since 2011 (Figure J).

Partnerships allocated over $1.9 trillion to their partners in 2020

Partners may be corporations, individuals, other partnerships, tax-exempt organizations, nominees, and other legal entities. For 2020, all partnerships reported a total of $2,486.8 billion in total income (loss) available for allocation before deductions (Table 5). For separately stated deductions (such as contributions and interest investment expense), all partnerships reported a total of $523.8 billion. The difference between total income (loss) and total deductions resulted in $1,963.0 billion of total income

Figure J

Domestic General Partnerships: Number of Partnerships and Partners, and Amount of Net Income (Loss), by Income and Loss, Tax Years 2011–2020



NOTE: For the full tabular data represented in this figure, see Tables 9a, 9b, and 9c.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

(loss) minus total deductions available for allocation to partners, a 23.0-percent (or $451.0 billion) increase relative to 2019. Of the $1,963.0 billion available for allocation to partners, almost all (98.8 percent or $1,938.9 billion) was identified by type of partner. The difference between total income (loss) minus total deductions available for allocation and income (loss) allocated to partners was due to some partnerships' failure to report allocations, by type of partner, on their originally filed returns.

For the ninth consecutive year, partnerships surpassed both corporations and individuals as the top income (loss) recipients. Partnerships passed $637.8 billion through to partners classified as partnerships for 2020, a $190.3-billion increase from the $447.5 billion passed through for 2019. In addition, partnerships passed $544.2 billion through to partners classified as individuals, and $436.8 billion through to partners classified as corporations (Figure K).

Since the North American Industry Classification System (NAICS) data were first reported in 1998, partnerships classified in the Finance and insurance sector have had the largest share of allocations, except in 2002. The trend continued for 2020, when this sector reported 67.9 percent of the total amount of allocations of net income to partners.

Increases in rental expenses drove a decrease in net rental real estate income (loss)

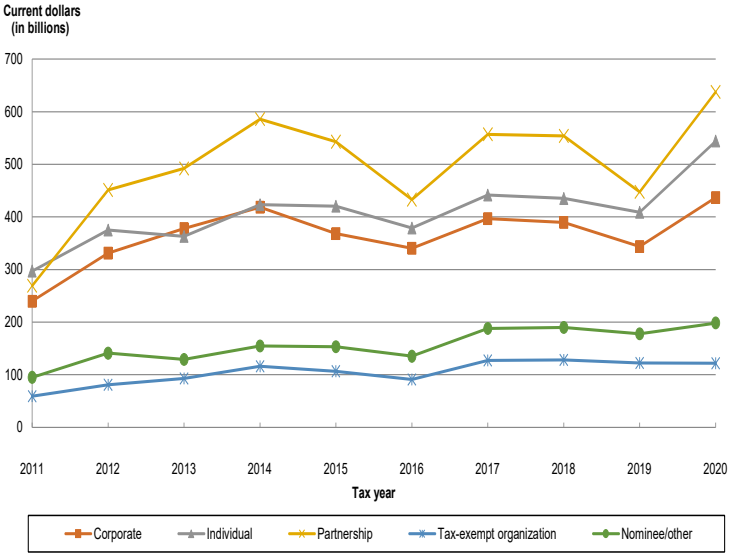
For all industries, net rental real estate income (loss) decreased from -$8.8 billion to -$36.7 billion between 2019 and 2020 (Figure L). This is the second time partnerships reported loss for net rental real estate income (loss) since 2009. The loss was the result of a small increase in total rents ($59.9 billion) combined with a larger increase in expenditures ($76.2 billion) (Table 4). Also contributing to the decline was a drop in passthrough rental real estate income (from $29.9 billion in 2019 to $-41.8 billion in 2020). The Real estate and rental and leasing sector reported the largest decrease, from $1.0 billion to -$25.8 billion. Overall, 11 sectors reported decreases for 2020.

Partnerships reported billions of dollars in differences between financial and tax reporting

Net Income (Loss) Reconciliation for Certain Partnerships (Schedule M-3) provides more detail on the differences between financial accounting net income and tax accounting net income. Differences are divided into two categories: temporary and permanent. Temporary (or timing) differences between book income and taxable income are due to items of revenue or expense that are recognized in different periods for tax and book reporting. Permanent differences are differences that partnerships never reverse; they are either nontaxable book revenues or nondeductible book expenses. For 2020, the partnerships that filed a Schedule M-3 reported $3,278.0 billion in reconciled income (loss) per income statement, -$1,663.2 billion in temporary differences, -$23.7 billion in permanent differences, and $1,588.5 billion in reconciled income (loss) per tax return.[8]

Figure K

Partnership Returns: Income (Loss) Allocations, by Type of Partner, Tax Years 2011–2020



[8] Not all partnerships are required to file Schedule M-3 and not all filers are required to complete the entire M-3. For more information, see 2020 Instructions for Schedule M-3 (Form 1065).

Figure L

Partnership Returns: Net Rental Real Estate Income (Loss), by Selected Industrial Group, Tax Years 2019 and 2020

(Money amounts are in thousands of dollars.)

Industrial group	2019	2020	Change	
			Amount	Percentage
	(1)	(2)	(3)	(4)
All industries	**-8,808,487**	**-36,658,977**	**-27,850,490**	**-316.2**
Finance and Insurance	-8,459,560	-9,429,192	-969,632	-11.5
Real estate and rental and leasing	1,008,005	-25,790,569	-26,798,574	[N]
Real estate	729,355	-25,932,965	-26,662,320	[N]
Lessors of residential buildings and dwellings and cooperative housing	-34,962,173	-48,844,186	-13,882,013	-39.7
Lessors of nonresidential buildings (except miniwarehouses)	57,335,355	51,621,262	-5,714,093	-10.0
Lessors of miniwarehouses and self-storage units	1,035,806	2,206,175	1,170,369	113.0
Lessors of other real estate property	2,217,723	-1,043,781	-3,261,504	[N]
Other real estate activities	-24,897,356	-29,872,435	-4,975,079	-20.0

[N] Percent change is not provided if the current year data contains a negative value (loss) compared to a prior year positive value (income).
NOTE: Detail may not add to totals because of rounding.
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

More than 91 percent of all partnerships filed their tax returns electronically

In 1986, the IRS first offered partnerships the option of using electronic media to file their Form 1065 returns. Beginning in Tax Year 2000, the IRS required partnerships with more than 100 partners to file their returns electronically; however, the IRS could waive the electronic filing rules if a partnership demonstrated that a hardship would result from the requirement. For returns with 100 or fewer partners, electronic filing was optional.

Some 3.9 million partnerships (91.3 percent) filed electronically for 2020, an increase from the 3.7 million partnerships that filed returns electronically for 2019. These partnerships represented 26.9 million partners for 2020, a 7.7-percent increase from the 25.0 million partners for 2019. In addition, for 2020, returns filed electronically represented 95.4 percent of all partners, 93.7 percent of total assets, and 87.9 percent of total net income (loss).

Data Sources and Limitations

Statistics of Income (SOI) based the statistics for Tax Year 2020 on a stratified probability sample of 45,516 returns selected from a population of 4,645,903 partnerships. Tax Year 2020 covers returns processed by the IRS during Calendar Year 2021. All partnerships engaged in business in, or having income from sources within, the United States were required to file *U.S. Partnership Return of Income* (Form 1065) to report income or loss, deductions, tax credits, and other tax-related items generated by the partnership. The statistics are only for active partnerships, defined as those reporting any items of income or deduction derived from a trade or business, or from rental or portfolio income.

SOI stratified the population into classes based on industry, type of return, size of total assets, and size of certain receipt or income amounts from both ordinary business income (loss) and portfolio income (loss). From these classes, SOI selected returns with various probabilities of selection (from 0.01 percent to 100 percent) and weighted them to represent the total population. SOI ruled that 769 sampled returns were either out of scope (due to inactivity or being duplications of other returns in the sample) or not available in time to meet the publication deadline. This resulted in a final sample of 44,747 returns and an estimated overall active population of 4,280,690. Because the data presented in this article are based on a sample of returns, they are subject to sampling error. To use the data properly, researchers must know the magnitude of the potential sampling error. Coefficients of variation (CVs), the ratios of an estimate's standard error to the estimate, are used to measure this magnitude. Figure M presents the coefficients of variation for certain money amounts for selected industrial sectors. The estimate is judged more reliable the smaller the coefficient of variation.

Notes for Data Tables

All money amounts and frequencies in the data tables were subject to rounding errors. As a result, a row or column of frequencies or amounts may fail to add exactly to the corresponding total amount. At the table level, SOI rounded money amounts to the nearest $1,000. Total amounts between +$500 and -$500 were footnoted to indicate that an amount that rounded to zero was present.

Whenever a cell frequency was low, SOI either combined data or deleted the estimate to avoid disclosing information about specific partnerships. These cells are identified with a "[d]." In addition, an estimate based on fewer than 10 returns, not selected at the 100-percent rate, is indicated by an asterisk (*) and considered statistically unreliable. These estimates should typically be used in combination with other tabulated values due to the small sample size. The statistical reliability of each cell in the tables was determined separately from all other cells. Thus,

Figure M
Partnership Returns: Coefficients of Variation for Selected Items by Industrial Sector, Tax Year 2020

[Coefficients of variation in percentages]

Industrial sector	Coefficients of variation			
	Number of partnerships	Total assets	Total income	Total deductions
	(1)	(2)	(3)	(9)
All industries	0.63	0.12	0.24	0.24
Agriculture, forestry, fishing, and hunting	9.16	5.32	4.54	4.52
Mining	19.33	1.48	1.82	1.95
Utilities	27.84	2.16	1.30	1.27
Construction	7.49	3.42	1.62	1.61
Manufacturing	12.76	0.90	0.67	0.67
Wholesale trade	12.95	1.33	0.86	0.84
Retail trade	8.28	1.76	1.17	1.18
Transportation and warehousing	14.31	0.92	1.98	1.95
Information	14.97	0.76	0.93	1.03
Finance and insurance	4.73	0.24	1.20	1.26
Real estate and rental and leasing	1.32	0.60	2.68	2.58
Professional, scientific, and technical services	7.13	2.00	1.18	1.25
Management of companies	15.39	1.48	3.06	2.79
Administrative and support and waste management and remediation services	13.36	3.43	3.21	3.23
Educational services	24.78	11.52	10.84	10.91
Health care and social assistance	7.06	2.27	1.44	1.52
Arts, entertainment, and recreation	15.39	3.41	4.29	4.14
Accommodation and food services	7.45	3.58	2.72	2.59
Other services	11.84	6.96	5.91	5.84
Nature of business not allocable*	0.00	0.00	0.00	0.00

Item [1]	Coefficients of variation
	All industires
	(5)
Number of partnerships	0.62
Number of partners	2.48
Total assets	0.12
Total income	0.24
Business receipts	0.22
Total deductions	0.24
Cost of goods sold	0.33
Interest paid	0.89
Taxes and licenses	0.67
Depreciation	1.04
Ordinary business income	0.64
Ordinary business loss	1.05
Interest income	1.00
Portfolio income (loss) distributed directly to partners	0.69
Net rental real estate income	1.78
Net rental real estate loss	2.33
Other net rental income	5.14
Other net rental loss	10.32
Total net income (loss)	1.50
Total income (loss) minus total deductions available for allocation	0.69
Total receipts	0.41

* For 2020, there were no returns classified as Nature of business not allocable.
[1] All items in this figure can be found in Table 1 except for Total income (loss) minus total deductions available for allocation (Table 5), and Total receipts (Table 7).
SOURCE: IRS, Statistics of Income Division, Partnerships, April 2022.

it was possible for a total figure to be marked with an asterisk (*), indicating statistical unreliability, while a subset of the total is not so marked. For example, a sector amount could be based on seven returns, three not sampled at the 100-percent rate. That amount would receive an asterisk. However, an industry amount, within the sector, may include all four returns sampled at the 100-percent rate and would not receive an asterisk.

The IRS issued requirements for safeguarding Federal Tax Information (FTI) in *Tax Information Security Guidelines for Federal, State and Local Agencies* (Publication 1075). While FTI is subject to Internal Revenue Code section 6103(p)(4) safeguarding requirements, the increased availability of data on the internet and in the cloud creates greater challenges for government agencies responsible for protecting the confidentiality of FTI and preventing the commingling of FTI with other information. This article provides data tables that meet the requirements, with the understanding that periodic reviews could lead to further adjustments of content in future editions.

Additional Tabular Data on Tax Stats Website

For additional partnership tabular data, see the Partnership section on the IRS's Tax Stats website at www.irs.gov/statistics/soi-tax-stats-partnership-statistics. This site contains tabular data including partnership returns by size of total assets, returns with foreign transactions, and data for prior years.

Explanation of Selected Terms

Assets and liabilities—A partnership was required to provide balance sheet information, in general, only if it had total receipts of $250,000 or more, had total assets of $1,000,000 or more, filed and provided Schedules K-1 timely, and was not required to file *Net Income (Loss) Reconciliation for Certain Partnerships* (Schedule M-3, Form 1065). SOI did not estimate the assets and liabilities of partnerships that did not provide this information. In addition, for returns with accounting periods ending after December 31, 2005, total assets should have been determined without offset by liabilities and not reported as a negative amount. If, however, the partnership continued to report negative total assets, no effort was made during data collection to change the amount.

Business receipts—Business receipts represent the gross receipts or sales less returns and allowances from trade or business income. Business receipts are typically the largest component of gross receipts for industry groups such as Manufacturing. SOI did not adjust business receipts to include rental real estate activity, which was reported separately on the partnership's return.

Electronically filed (ELF) partnerships—Certain partnerships with more than 100 partners were required to file their returns electronically. Other partnerships could volunteer to file electronically. Partnerships submitting returns electronically submitted them in lieu of paper returns.

Foreign partnerships—A foreign partnership that has gross income effectively connected with the conduct of a trade or business within the United States or has gross income derived from sources in the United States must file a Form 1065, even if

its principal place of business was outside the United States or all of its partners were foreign persons.

Limited liability companies (domestic)—A limited liability company (LLC) is an entity formed under State law by filing articles of organization as an LLC. Limited liability companies that choose to be classified as partnerships file *U.S. Partnership Return of Income* (Form 1065). SOI identified LLCs by their response to a question on *Other Information* (Schedule B, Form 1065). Limited liability companies combine the corporate characteristics of limited liability for all members with the pass-through income treatment of a partnership. (The owners of an LLC are called members, not partners.) These businesses offer more organizational flexibility than do S corporations. (S corporations pass through their income, gains and losses, deductions, and credits to their shareholders for tax purposes, like partnerships.) For example, unlike S corporations, LLCs are not limited in the number and type of owners. Unlike partners in limited partnerships, all members of LLCs have limited liability protection, even if they actively participate in the management of the business. In some cases, LLCs file as sole proprietorships on individual income tax returns or as corporations on corporation income tax returns. LLC data reported on these returns were not included in this article.

Figure N provides more detail about the members of LLCs. Members of an LLC choose a manager, who is similar to a general partner of a partnership or a director of a corporation. The manager may be one of the members. Figure N data are based on an examination of unedited IRS administrative records.

Limited liability partnerships (domestic)—A limited liability partnership (LLP) is formed under a State limited liability partnership law. Limited liability partnerships file *U.S. Partnership Return of Income* (Form 1065). SOI identified LLPs by response to a question on *Other Information* (Schedule B, Form 1065). Organizationally, LLPs are available in some states only for professional partnerships, such as law firms or accounting firms. A partner in an LLP receives liability protection from the actions of other partners but is liable for the partnership debts as well as the consequences of his or her own actions.

Figure O provides more detail about the members of LLPs. Figure O data are based on an examination of unedited IRS administrative records.

Nonrecourse loans—Nonrecourse loans are those partnership liabilities for which no partner bears the economic risk of loss.

North American Industry Classification System—Starting with the 1998 partnership study, SOI classified data using the North American Industry Classification System (NAICS), which replaced the Standard Industry Classification system (SIC). NAICS is a hierarchical system that classifies businesses, including partnerships, into sectors, subsectors, industry groups, and industries. Although the complete NAICS uses 20 sectors, SOI grouped the partnership data into 20 industrial divisions in Tax Year 1998 through Tax Year 2001 *SOI Bulletin* articles for presentation purposes and easier comparison between NAICS and SIC data. SOI dropped the industrial division for the Tax Year 2002 article and grouped the partnership data into the same 20 industrial sectors used in NAICS, except for: excluding Public administration, and adding Nature of business not allocable. Businesses are only classified in the Nature of business not allocable sector when a more specific activity cannot be identified from the return. SOI classified data within these industrial sectors in industrial groups. The most detailed classification in this article and related data tables is the "industry." The 20 sectors used in this article are:

- Agriculture, forestry, fishing, and hunting;
- Mining;
- Utilities;

Figure N

Number of Members of Limited Liability Companies (LLCs), by Member and Entity Types, Tax Year 2020

Type and number of members	All entities	Corporations	Individuals	Partnerships	Limited liability companies	Exempt organizations	Nominees	Other entities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total LLC Members [1]:								
Number of members	12,863,300	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LLC Members-Managers:								
Number of members	3,854,700	143,400	3,296,500	233,900	33,400	6,200	4,000	137,300
Percent of total	100.00	3.72	85.52	6.07	0.87	0.16	0.10	3.56
LLC Members:								
Number of members	9,005,100	311,700	6,186,300	910,100	102,100	63,900	26,600	1,404,400
Percent of total	100.00	3.46	68.70	10.11	1.13	0.71	0.30	15.60
Unallocable LLC Members:								
Number of members	3,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A—Not available.

[1] Limited liability companies were identified by checkbox "c" on the Form 1065, Schedule B, Line 1.

NOTES: Detail may not add to totals because of rounding; frequencies are rounded to the nearest hundred. The checkboxes on the Schedule K-1, Item G, were used to distinguish between LLC members-managers and the LLC members. No distinction was made between managers-managed LLCs and members-managed LLCs.

SOURCE: IRS, Unedited administrative records, August 2022.

Figure 0
Number of Partners of Limited Liability Partnerships (LLPs), by Partner and Entity Types, Tax Year 2020

Type and number of partners	All entities	Corporations	Individuals	Partnerships	Limited liability companies	Exempt organizations	Nominees	Other entities
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total LLP Partners [1]:								
Number of partners	582,800	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
LLP General Partners:								
Number of partners	295,300	12,100	265,700	9,700	1,300	300	300	5,900
Percent of total	100.00	4.10	89.98	3.28	0.44	0.10	0.10	2.00
LLP Limited Partners:								
Number of partners	287,000	10,900	227,000	16,400	1,400	1,000	900	29,400
Percent of total	100.00	3.80	79.09	5.71	0.49	0.35	0.31	10.24
Unallocable LLP Partners:								
Number of partners	500	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Percent of total	100.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

N/A—Not available.
[1] Limited liability partnerships were identified by checkbox "d" on the Form 1065, Schedule B, Line 1.
NOTES: Detail may not add to totals because of rounding; frequencies are rounded to the nearest hundred. The checkboxes on the Schedule K-1, Item G, were used to distinguish between LLP general partners and the LLP limited partners.
SOURCE: IRS, Unedited administrative records, August 2022.

- Construction;
- Manufacturing;
- Wholesale trade;
- Retail trade;
- Transportation and warehousing;
- Information;
- Finance and insurance;
- Real estate and rental and leasing;
- Professional, scientific, and technical services;
- Management of companies (holding companies);
- Administrative and support and waste management and remediation services;
- Educational services;
- Health care and social assistance;
- Arts, entertainment, and recreation;
- Accommodation and food services;
- Other services; and
- Nature of business not allocable.

Detail of the activities included in each classification is available at https://www.census.gov/eos/www/naics/. NAICS is updated every fifth year. This website also contains descriptions of the relationships between various classification system updates.

SOI determined a partnership industry based on the activity from which the business derived the largest percentage of its total receipts. For industry coding purposes only, SOI defined total receipts as the sum of:

- gross receipts or sales less returns and allowances (i.e., business receipts in the statistics);
- ordinary income from other partnerships, estates, and trusts;
- net farm profit;
- net gain from Form 4797;
- other income (Form 1065, page 1, line 7);
- other gross rental income;
- interest income;
- dividend income;
- royalties;
- net short-term capital gain;
- net long-term capital gain;
- net section 1231 gain;
- other income (Form 1065, page 4, line 11);
- gross rents from rental real estate;

- net gain from the disposition of property from rental real estate activities; and
- net income from rental real estate activities from partnerships, estates, and trusts in which the partnership is a partner or beneficiary.

"Total receipts" for partnership industry coding purposes differs from "total receipts" used elsewhere in this article (see "Total receipts" in this section).

Partner—Partners can be individuals, corporations, other partnerships, or any other legal entity. One partner may be part of multiple partnerships. Partners are classified as either general or limited. General partners are those who assume liability for the partnership's debts and losses. Limited partners are those whose liability in the partnership is limited to their investment. A partnership must have at least two partners, at least one of which must be a general partner. A general partnership is composed entirely of general partners. A limited partnership has at least one general partner and one or more limited partners.

Partnership—A partnership is the relationship between two or more persons who join to carry on a trade or business. Each partner contributes money, property, labor, or skill with the expectation of sharing in the profits and losses of the business, regardless of whether a formal partnership agreement was made. Every partnership that engages in a trade or business or has income from sources in the United States must file an annual information return with the IRS, *U.S. Partnership Return of Income* (Form 1065), showing the partnership's income or loss for the year. A partnership must file this return even if its principal place of business is outside the United States and even if all of its members are nonresident aliens.

Total net income (loss)—Through Tax Year 1986, partnerships reported the amounts for total net income (loss) as ordinary income (loss) on Form 1065. After the tax law changes and tax form revisions in 1987, SOI studies began computing a similar total figure as the sum of the following:

- ordinary business income (loss);
- interest income;
- dividend income;
- royalties;
- net rental real estate income (loss) from Form 8825; and
- other net rental income (loss).

The sum of these components is a measure of overall partnership profit or loss, which allows for comparisons with total net income (loss), reported for years before 1987. The profit status of a partnership is determined on the basis of the sum of these six amounts. Partnerships for which the sum of these six amounts equals zero are included with loss partnerships. For 2004, the definition of total net income (loss) was revised because other portfolio income (loss) was excluded since it was no longer reported separately on *Partners' Distributive Share Items* (Schedule K), but was included on Schedule K, line 11, "Other income (loss)."

Total receipts—Total receipts are computed for the statistics to reflect similar computations published in other Statistics of Income (SOI) studies. Total receipts are the sum of positive income received by partnerships for the specific items listed below (*note that negative amounts or losses are included in the statistics as deduction items*):

- gross receipts or sales less returns and allowances (i.e., business receipts in the statistics);
- ordinary income from other partnerships, estates and trusts;
- net farm profit;
- net gain from Form 4797;
- other income (Form 1065, page 1, line 7);
- net rental real estate income;
- other net rental income;
- interest income;
- dividend income;
- royalties;
- net short-term capital gain;
- net long-term capital gain;
- net section 1231 gain; and
- other income (Form 1065, page 4, line 11).

Total receipts in Table 7 differ from total receipts presented in Table 11 in the Selected Historical and Projected Data accessible online at https://www.irs.gov/statistics/soi-tax-stats-historical-table-11. Table 11 excludes certain income items allocated directly to partners (such as net short-term and long-term capital gains, net gain under Internal Revenue Code section 1231, and other income (Schedule K, line 11)).

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