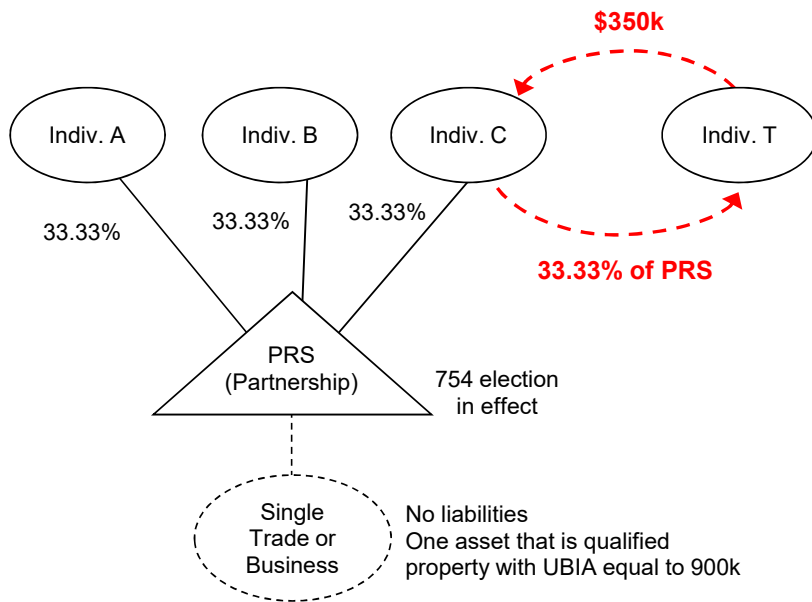


**Reg. 1.199A-1(e)(3)(iv)(D),
Example 1**

**UBIA for Partner in Partnership
with Positive 743(b) Adjustment**

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	<u>Total</u>	<u>1 / 3</u>	
FMV	1,050k	350k	50k = "excess" 743(b) basis adjustment 100k = 743(b) basis adjustment
UBIA	900k	300k	
Tax basis in qualified prop.	750k	250k	

A, B, and C are equal partners in partnership, PRS. PRS has a single trade or business that generates QBI. PRS has no liabilities and only one asset, a single item of qualified property with a UBIA equal to \$900,000. Each partner's share of the UBIA is \$300,000.

A sells its one-third interest in PRS to T for \$350,000 when a section 754 election is in effect. At the time of the sale, the tax basis of the qualified property held by PRS is \$750,000. The amount of gain that would be allocated to T from a hypothetical transaction under §1.743-1(d)(2) is \$100,000. Thus, T's interest in PRS's previously taxed capital is equal to \$250,000 (\$350,000, the amount of cash T would receive if PRS liquidated immediately after the hypothetical transaction, decreased by \$100,000, T's share of gain from the hypothetical transaction). The amount of T's section 743(b) basis adjustment to PRS's qualified property is \$100,000 (the excess of \$350,000, T's cost basis for its interest, over \$250,000, T's share of the adjusted basis to PRS of the partnership's property).

In order for T to determine its UBIA, T must calculate its excess section 743(b) basis adjustment. T's excess section 743(b) basis adjustment is equal to the excess of T's section 743(b) basis adjustment with respect to the qualified property, as determined under §1.743-1(b) and §1.755-1 over an amount that would represent T's section 743(b) basis adjustment with respect to the same item of qualified property, as determined under §1.743-1(b) and §1.755-1, but calculated as if the adjusted basis of all of PRS's property was equal to the UBIA of such property. T's section 743(b) basis adjustment calculated as if adjusted basis of the qualified property were equal to its UBIA is \$50,000 (the excess of \$350,000, T's cost basis for its interest, over \$300,000, T's share of the adjusted basis to PRS of the partnership's property). T's excess section 743(b) basis adjustment is equal to \$50,000.

Therefore, for purposes of applying the UBIA limitation to T's share of QBI from PRS's trade or business, T's UBIA is equal to \$350,000 (\$300,000, T's one-third share of the qualified property's UBIA, plus \$50,000, T's excess section 743(b) basis adjustment).