D has directly held Business Assets of $1,000, directly held Nonbusiness Assets of $2,000, and a 40% partnership interest in P. P has $450 of Business Assets and $1,350 of cash, which P holds as a Nonbusiness Asset, and owes a liability of $800.

D is allocated $100 of Business Assets from P ($400 (value of D's 40% interest in P) x 25% ($450/$1,800)) and $300 of Nonbusiness Assets from P ($400 (value of D's 40% interest in P) x 75% ($1,350/$1,800)), which are added to D's directly held Business Assets and Nonbusiness Assets, respectively. D's Nonbusiness Asset Percentage is 67.6% ($2,300 Nonbusiness Assets/$3,400 Total.)

HUNDREDS of additional charts at www.andrewmitchel.com