

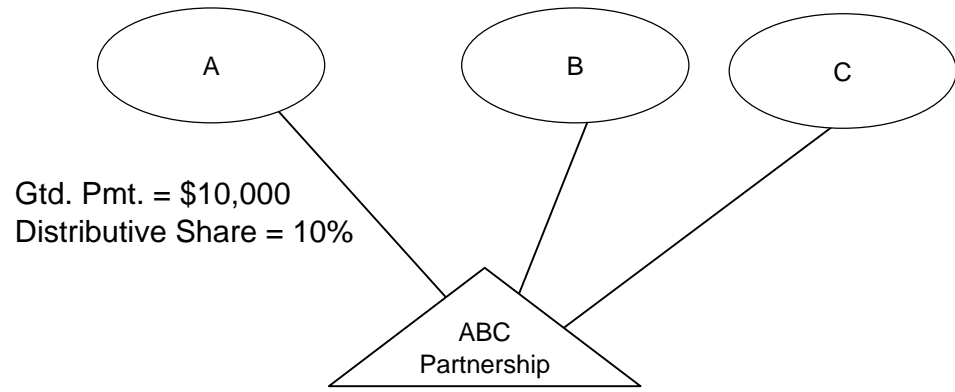
Reg. 1.707-1(c), Example 1

**Fixed Guaranteed Payment  
For Services**

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|                                  |                 |
|----------------------------------|-----------------|
| Ordinary Income Before Gtd. Pmt. | \$60,000        |
| Guaranteed Payment to A          | <u>(10,000)</u> |
| Ordinary Income after Gtd. Pmt.  | 50,000          |

|                                           |              |
|-------------------------------------------|--------------|
| Distributive Share to A - Percentage      | 10%          |
| Distributive Share to A - Dollars         | <u>5,000</u> |
| Total Ord. Inc. (Gtd. Pmt. + Dist. Share) | 15,000       |



Under the ABC partnership agreement, partner A is entitled to a fixed annual payment of \$10,000 for services, without regard to the income of the partnership. His distributive share is 10 percent. After deducting the guaranteed payment, the partnership has \$50,000 ordinary income. A must include \$15,000 as ordinary income for his taxable year within or with which the partnership taxable year ends (\$10,000 guaranteed payment plus \$5,000 distributive share).