

## Death of a partner

- Estate succeeds decedent as partner;
- Partnership interest is sold (Chapter 9); or
- Partnership interest is liquidated (Chapter 11)

## Common issues

- Partnership year closes upon death of partner, as to that partner only
  - IRC § 706(c)(2)(A)
  - Close the books or pro-rate
- Outside basis is stepped up (down) under IRC § 1014
  - No inside basis step-up (down) unless IRC § 754 election is in place (or IRC § 754 required)
  - No step-up for income in respect of a decedent (IRD) - IRC § 691

## IRD in partnership setting

- IRC § 753
  - Any IRC § 736(a) payment
- Deceased partner's share of gain on receivables
  - Income earned before death but not taxed to decedent
  - *Woodhall and Quick Trust*