

## Internal Revenue Code Section 709(b)(3)

Treatment of organization and syndication fees.

(a) General rule.

Except as provided in subsection (b) , no deduction shall be allowed under this chapter to the partnership or to any partner for any amounts paid or incurred to organize a partnership or to promote the sale of (or to sell) an interest in such partnership.

(b) Deduction of organization fees.

(1) Allowance of deduction.

If a partnership elects the application of this subsection (in accordance with regulations prescribed by the Secretary) with respect to any organizational expenses-

(A) the partnership shall be allowed a deduction for the taxable year in which the partnership begins business in an amount equal to the lesser of-

(i) the amount of organizational expenses with respect to the partnership,  
or

(ii) \$5,000, reduced (but not below zero) by the amount by which such organizational expenses exceed \$50,000, and

(B) the remainder of such organizational expenses shall be allowed as a deduction ratably over the 180-month period beginning with the month in which the partnership begins business.

(2) Dispositions before close of amortization period.

In any case in which a partnership is liquidated before the end of the period to which paragraph (1)(B) applies, any deferred expenses attributable to the partnership which were not allowed as a deduction by reason of this section may be deducted to the extent allowable under section 165 .

 (3) Organizational expenses defined.

The organizational expenses to which paragraph (1) applies, are expenditures which-

(A) are incident to the creation of the partnership;

(B) are chargeable to capital account; and

(C) are of a character which, if expended incident to the creation of a partnership having an ascertainable life, would be amortized over such life.