

***Hambrose Leasing 1984-5 Ltd. Partnership v. Commissioner, 99 T. C. 298, 1992 U. S. Tax Ct. LEXIS 69, 99 T. C. No. 15 (1992)***

The determination of a partner's 'at-risk' amount regarding partnership liabilities personally assumed is an affected item, not a partnership item, and thus should be resolved at the partner level, not in a partnership-level proceeding.

### **Summary**

Hambrose Leasing 1984-5 and 1984-2 Limited Partnerships purchased equipment for leasing, claiming deductions which were initially disallowed by the IRS. The IRS later conceded these issues but raised the applicability of the at-risk rules under section 465(b)(4) regarding the partners' personal assumptions of nonrecourse partnership liabilities. The court held that the determination of a partner's 'at-risk' amount is not a partnership item but an affected item, over which it lacks jurisdiction in a partnership-level proceeding. The court's decision emphasized the distinction between partnership and affected items, ensuring that partners' individual tax situations are considered separately.

### **Facts**

Hambrose Leasing 1984-5 and 1984-2 Limited Partnerships purchased IBM equipment for leasing, financing these purchases through nonrecourse notes. The partnerships claimed deductions for depreciation, guaranteed payments, office expenses, and interest, which were disallowed by the IRS via notices of final partnership administrative adjustment (FPAA). The IRS later conceded these issues but raised concerns about the applicability of section 465(b)(4) concerning the partners' personal assumptions of partnership liabilities. The tax matters partner conceded the nonrecourse nature of the partnership debt.

### **Procedural History**

The IRS issued FPAA's to the partnerships, disallowing the claimed deductions. After the IRS conceded all issues raised in the FPAA's, it amended its answer to include the at-risk issue under section 465(b)(4). The case was submitted fully stipulated and consolidated for the Tax Court's review, which focused on the jurisdictional scope over the at-risk issue.

### **Issue(s)**

1. Whether the determination of a partner's 'at-risk' amount with respect to partnership liabilities personally assumed is a partnership item subject to the Tax Court's jurisdiction in a partnership-level proceeding.

### **Holding**

1. No, because the determination of a partner's 'at-risk' amount is an affected item,

not a partnership item, and thus falls outside the Tax Court's jurisdiction in a partnership-level proceeding.

### **Court's Reasoning**

The court reasoned that partnership items are those required to be taken into account for the partnership's taxable year, as per section 6231(a)(3). Since the at-risk rules under section 465 limit the deductibility of losses for individuals and certain corporations, not partnerships, the determination of a partner's 'at-risk' amount does not fall under partnership items. The court cited *Roberts v. Commissioner*, 94 T. C. 853 (1990), which clarified that such determinations are affected items. The court noted that the IRS's concessions on the partnership's economic substance and the nonrecourse nature of the debt would be binding on partners in subsequent individual proceedings, but the at-risk issue must be resolved at the partner level due to its dependence on individual circumstances.

### **Practical Implications**

This decision underscores the necessity of distinguishing between partnership and affected items in tax proceedings. It guides attorneys and tax practitioners to anticipate that at-risk determinations related to personal assumptions of partnership liabilities will be adjudicated at the individual partner level, not in partnership-level proceedings. This may lead to more individualized tax assessments and potential challenges in ensuring consistent treatment across partners. Subsequent cases have continued to respect this distinction, affecting how tax liabilities are assessed and litigated in partnership contexts.