**8763. Is a partnership entitled to deduct its organizational expenses?**

A partnership may deduct up to $5,000 of organizational expenses in the year the partnership begins business. The $5,000 amount is reduced (but not below zero) by the amount of organizational expenses that exceed $50,000. If any organizational expenses remain, they may be deducted over a 180-month period beginning with the month that the partnership begins business.[[1]](#footnote-1)

Organizational expenses that may typically be deducted include legal fees for services incident to organization, fees for establishment of the partnership accounting system, and necessary filing fees.[[2]](#footnote-2)

The determination of the date the partnership begins business is a question of fact, but ordinarily it begins when the partnership starts the business operations for which it was organized. For example, the acquisition of operating assets that are necessary to the type of business to be carried on by the partnership may constitute “beginning business.” The mere signing of a partnership agreement, however, is not sufficient to show the beginning of business.[[3]](#footnote-3)

1. . IRC Sec. 709(b). [↑](#footnote-ref-1)
2. . Treas. Reg. §1.709-2(a). [↑](#footnote-ref-2)
3. . Treas. Reg. §1.709-2(c). [↑](#footnote-ref-3)