TAX & WEALTH STRATEGY

K-1 Timing and What to Expect

Why partnership tax reporting can arrive later than you expect.

When you invest in a private apartment partnership, you will typically receive a Schedule K-1 rather than a W-2 or a conventional investment-account 1099. The K-1 reports your share of certain partnership tax items, which may include income, losses, deductions, credits, distributions, and other tax information.

THE IMPORTANT IDEA

Your K-1 is a tax-reporting document. It is not an investor performance statement, and it is not the same thing as the cash you received during the year.

YEAR-END	TAX WORK	K-1	PERSONAL RETURN
Property books close	Partnership finalizes accounting, depreciation and allocations	Investor receives tax reporting	CPA applies K-1 to investor circumstances

01 WHY DO I RECEIVE A K-1?

Because many private real estate investments are structured through entities taxed as partnerships.

The partnership calculates its tax results and allocates them among the partners. Your K-1 reports your individual share.

A K-1 MAY INCLUDE

- Rental real estate income or loss
- Interest income
- Capital gains or losses
- Depreciation-related deductions
- Credits and distributions
- State-related or supplemental information

02 WHY CAN IT ARRIVE LATER?

Your K-1 is often near the end of a chain of accounting and tax work. Before it can be prepared, the partnership may need to complete:

- Property-level accounting
- Partnership accounting and allocations
- Depreciation schedules
- Cost-segregation adjustments, if applicable
- Refinancing or sale-related tax work
- Information from multiple entities

THE PRACTICAL POINT
The more complicated the ownership structure or tax activity, the more work may have to be completed before investor K-1s can be finalized.

03 WHEN SHOULD I EXPECT IT?

For a calendar-year partnership, the federal partnership return and K-1s are generally due around March 15. A timely six-month extension can move the filing and furnishing deadline to around September 15. Weekend and holiday rules can shift the exact date. Many partnerships deliver K-1s earlier, but private real estate investors should understand that extensions are common and timing can vary from year to year.

GOOD QUESTION BEFORE INVESTING

When have your investors historically received their K-1s?

Past timing does not guarantee future timing, but it provides useful context.

04 DOES AN EXTENSION MEAN SOMETHING IS WRONG?

Not necessarily. An extension gives the partnership additional time to complete its return. It does not automatically mean the property performed poorly, the accounting is wrong, or the sponsor has a tax problem.

However, repeatedly late or poorly communicated tax reporting is still worth asking about.

THE BETTER QUESTION
What work is still outstanding, and when do you realistically expect the K-1 to be delivered?

05 SHOULD I EXTEND MY PERSONAL RETURN?

That is a conversation for your tax adviser. An extension generally gives additional time to file an individual return; it does not by itself extend the time to pay tax that is due.

- Tell your CPA how many K-1s you expect
- Discuss likely timing before the filing deadline
- Ask whether an extension or estimated payment is appropriate
- Flag possible state filing obligations

06 CASH DISTRIBUTIONS AND K-1 INCOME CAN DIFFER

This is one of the most important concepts to understand. Cash accounting and tax accounting are different systems.

SIMPLE EXAMPLE
An investor might receive $8,000 of cash distributions while the K-1 reports $3,000 of taxable income - or potentially a tax loss. The reverse can also occur.

Depreciation, financing, capital transactions, reserves, and partnership allocations can all contribute to the difference.

07 A TAX LOSS DOES NOT NECESSARILY MEAN THE PROPERTY LOST MONEY

Positive operating results, positive cash distributions, and a K-1 tax loss can coexist. Depreciation may reduce taxable income even when the property is producing positive cash flow.

Whether you can actually use that loss is a separate question. Passive-activity, basis, at-risk, and other rules may limit current use.

LEARNING HUB CONNECTION

See Passive Activity Rules and Limitations for the next step in understanding how a K-1 loss may apply to you.

08 WHAT SHOULD I DO WHEN IT ARRIVES?

1. SAVE IT

Keep the K-1 and all supplemental pages with your permanent investment and tax records.

2. SEND THE FULL PACKAGE TO YOUR TAX ADVISER

Do not assume the first page is the only part that matters. State schedules and supplemental information may be important.

3. CHECK BASIC INFORMATION

Confirm your name, entity, tax year, and other obvious identifying information.

4. DO NOT INTERPRET IT IN ISOLATION

A reported loss, distribution, or income item may be subject to rules that depend on your individual circumstances.

09 WHAT ELSE MIGHT ARRIVE?

Depending on the investment, the K-1 may not be the only tax information you receive. The package can include:

- State schedules
- Supplemental statements
- Additional partnership disclosures
- Schedule K-3 information in some circumstances
- Corrected tax documents

Send the entire package to your tax adviser.

10 QUESTIONS TO ASK THE SPONSOR

TIMING

- When do you expect K-1s to be available?
- When were they delivered last year?
- Do you anticipate filing an extension?

COMPLEXITY

Was there a refinance, sale, cost-segregation study, or multi-entity structure that may affect timing?

STATES

In which states did the investment operate, and should investors expect state-specific tax information?

11 ROBERT'S PERSPECTIVE

K-1 TIMING DOES NOT NEED TO BE PERFECT. COMMUNICATION ABOUT K-1 TIMING SHOULD BE.

I do not expect every K-1 to arrive in February. Private real estate tax reporting is different from receiving a W-2 or brokerage statement. There can be legitimate reasons a partnership needs additional time. What matters to me is that the sponsor has a competent accounting process, sets realistic expectations, and communicates with investors.

12 FIVE THINGS TO REMEMBER

- A K-1 reports tax information. It is not simply a statement of cash distributions.
- K-1s can arrive later. The partnership must finish its own tax work first.
- Cash and taxable income can differ.
- A tax loss may not be immediately deductible.
- Involve your CPA early. Do not wait until the filing deadline.

THE MOST IMPORTANT TAKEAWAY

The K-1 is part of the investment experience. Know what to expect, communicate with the sponsor, and keep your tax adviser informed before the deadlines arrive.

EDUCATIONAL PURPOSE

This material is provided for general educational and informational purposes only and does not constitute tax, legal, accounting, financial, or investment advice. Tax-reporting requirements, filing deadlines, partnership allocations, state obligations, and individual tax consequences can vary and may change over time. Investors should consult their own qualified tax professionals regarding the treatment of Schedule K-1 information and their individual filing obligations.