Yes

Has a person received a partnership interest in exchange for services provided to or for the benefit of the partnership?

No

Rev. Proc. 93-27, §§3, 4.01

Ptr Capacity

Was the partnership interest received in a partner capacity or in anticipation of being a partner?

Yes

Rev. Proc. 93-27, §4.01

Nonvested

At Grant

At the time of the grant of the partnership interest, was the interest substantially nonvested (within the meaning of Treas. Reg. §1.83-3(b))?

Yes

Rev. Proc. 2001-43, §4.01

Treated as Partner

Have the partnership and the service provider treated the service provider as the owner of the partnership interest from the date of its grant?

No

Rev. Proc. 2001-43

Test at Grant

The determination of whether the interest granted to the service provider is a profits interest (see next box) is tested at the time the interest is granted, even if no section 83(b) election election has been made.

Yes

Rev. Proc. 2001-43, §§ 3 & 4

Test at Vest

The determination of whether the interest granted to the service provider is a profits interest (see next box) is tested at the time the interest vests.

Incl. Distrib. Share

Has the service provider taken into account the distributive share of partnership income, gain, loss, deduction, and credit associated with that interest in computing the service provider’s income tax liability for the entire period during which the service provider has the interest?

Yes

Rev. Proc. 2001-43, §4.01

Ded’n at Grant or Vest

Upon the grant of the interest or at the time that the interest becomes substantially vested, did the partnership or any of the partners deduct any amount (as wages, compensation, or otherwise) for the fair market value of the interest?

Yes

Rev. Proc. 2001-43

No

Test at Grant

The receipt of a vested capital interest, or the vesting of a capital interest, is taxable as compensation.

No

Test at Grant

The receipt of the partnership profits interest may or may not be taxable upon receipt.

Capital Interest

The partnership interest received is a capital interest.

Yes

Rev. Proc. 93-27, §2.01

Profits Interest

The partnership interest received is a profits interest.

Yes

Rev. Proc. 93-27, §2.01

Pred. Stream

Does the profits interest relate to a substantially certain and predictable stream of income from partnership assets, such as income from high-quality debt securities or a high-quality net lease?

No

Rev. Proc. 93-27, §2.01

Disp. w/n 2 Yrs

Does the partner dispose of the profits interest within two years of receipt?

Yes

Rev. Proc. 93-27, § 4.02(2)

PTP

Is the profits interest a limited partnership interest in a “publicly traded partnership” within the meaning of Code §7704(b)?

No

Rev. Proc. 93-27, § 4.02(2)

Not Taxable

The receipt and/or vesting of the profits interest will not be treated as a taxable event for the partner or the partnership.

Yes

Rev. Proc. 93-27, §4.01

Taxable

The receipt of a vested capital interest, or the vesting of a capital interest, is taxable as compensation.

No

See Notice 2005-43 for a proposed (but not yet effective) revenue procedure which would obsolete Rev. Rul. 93-27. Legislative proposals relating to the taxation of carried interests may also change these rules.