# TAX APPEAL BOARD OF THE STATE OF DELAWARE

PAUL E. & BETTY A. DISABATINO, E. ANDREW & BARBARA DISABATINO, Petitioners,

Docket No. 832,833

v.
DIRECTOR OF REVENUE,
Respondent.

· This

Before: Joseph S. Yucht, Esquire, Chairman; John H. Cordrey, Esquire, Vice Chairman; Regina C. Dudzeic and Harry B. Roberts, Jr., Members.

Jerome K. Grossman, Esquire, of Bayard, Hendleman & Murdoch, P.A., for Petitioners.

Joseph Patrick Hurley, Jr., Esquire, Deputy Attorney General for Respondents.

# **DECISION AND ORDER**

John H. Cordrey, Esquire, Vice Chairman. The parties have stipulated to the facts of the case. They are contained in the stipulation which is attached hereto as "Exhibit A" and incorporated herein by reference. A brief summary of the facts show that petitioners, Pennsylvania residents, are owners of a limited partnership known as Plaza L.P. The limited partnership owned real property in Delaware and its sole business was the rental of that property. By agreement dated August 18, 1981, all general and limited partners of Plaza L. P. agreed to sell all of their partnership interest in Plaza L. P. and, while they reported the income as Section 1231 gain on their federal return, they did not report any income from the sale on their non-resident Delaware personal income tax returns.

Petitioners assert that 30 Del. C Section 1122(c), which provides:

Income from intangible personal property, including ...gains from the disposition of intangible personal property, shall constitute income derived from sources within this State only to the extent that such income is from property employed by the taxpayer in a business, trade, commerce, profession or vocation carried on in this State.

controls in the instant case. They argue that the item that was sold was an interest in a limited partnership, an interest in a limited partnership is intangible personal property, and the limited partnership is not employed by petitioners in a business, trade, commerce, profession, or vocation carried on in Delaware, therefore, the income from the sale is not taxable in Delaware for a non-resident.

Respondent contends that 30 <u>Del.C.</u> Section 1122(c) is either the inappropriate subsection or, if 1122(c) applies, petitioners are engaged in a business in the State of Delaware and subject to taxation on this transaction under that subsection.

Respondent initially argues that Section 1122(a) provides for the inclusion of a non-resident's income, gain, loss and deductions derived from or connected with sources in this state including his distributive share of partnership income. Section 1122(b) defines "items of gain, loss ... derived from, or connected with, sources within this State..." in two sections which the respondent contends are material in the instant case, subsections (2) and (3).

Section 1122(b)(2) provides gain is considered as Delaware source if attributable to: "the ownership or disposition of any interest in real or tangible personal property in this State." Respondent argues the sale of the limited partnership is in reality a sale of real estate located in Delaware or is gain attributable to the sale of Delaware real estate. This argument is based upon the premise that the Board should "look through" the partnership, as it is not considered an "entity," and tax the petitioners as true owners, and sellers, of Delaware real estate.

This argument ignores a prior ruling of this Board, Crothers v. Director of Revenue, Tax Appeal Board, Dkt. No. 712 (1980). In Crothers a non-resident stockholder sold his stock in a Delaware corporation which owned Delaware real estate. The Board held that the sale of the stock did not result in Delaware source income. In fact, Respondent has agreed, in his brief and at oral argument, that had the limited partnership been a "C corporation" there could be no tax imposed on the transaction involved here. The Board finds that there is no difference between the sale of the intangible interest (stock) in a corporation owning Delaware real estate and the sale of the intangible interest in a limited partnership owning Delaware real estate. Both sales are clearly sales of intangible personal property and the differences asserted by Respondent between the "aggregate" and "entity" theories are immaterial to the present inquiries.

Section 1122(b)(3) provides gain attributable to "a business, trade, commerce, profession or vocation carried on in this State" is Delaware source gain. Respondent urges the Board to find that the aggregate theory mandates a partner be treated as carrying on a business in Delaware as the limited partnership is engaged in the rental of property in Delaware, and thus the income considered Delaware source. The facts of this case indicate a sale of the limited partnership interest of a business carried on in Delaware, not engaging in the business in Delaware of selling limited partnerships. Assuming for the moment that the Petitioners may be considered to transact business in the State under the aggregate theory, this section does not reach this transaction as the Petitioners were not engaged in the business of selling limited partnerships in Delaware, rather, at most, engaging in the business of renting property.

Respondent finally argues that this is not the sale of a partnership interest but is a sale of assets and a termination of the partnership. The parties have stipulated that the transaction was a sale of the partnership interest and Respondent has cited no cases persuasive to the Board through which

the Board might recast the form of the transaction which was entered into by the Petitioners.

The sole issue remaining is whether the transaction is taxable under Section 1122(c). The statute requires the intangible property be "...employed by taxpayer in a business, trade, commerce, profession or vocation carried on in this State," in order to be Delaware source income. There are no facts to support such a conclusion in this case. A clear reading of the statute and <u>Crothers</u>, <u>supra.</u>, result in this transaction not being characterized as Delaware source income.

For the foregoing reasons the Notice of Assessment issued by the Director of Revenue in the instant matter is reversed.

IT IS SO ORDERED.

Jeb. 13,1987

John H. Cordrey

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## BEFORE THE TAX APPEAL BOARD OF THE STATE OF DELAWARE

PAUL E. & BETTY A. DISABATINO	RECEIVED
E. ANDREW & BARBARA DISABATINO	APR 12 1985
Petitioners,	TAX APPEAL BOARD
v.	) Docket No. 832 & 833
DIRECTOR OF REVENUE,	
Respondent.	s )

### STATEMENT OF FACTS

NOW COME the parties in the above-captioned cause of action, by their respective representatives, and hereby stipulate and agree as follows:

- 1. Petitioners, Paul E. and Betty A. DiSabatino, are husband and wife with residence at 114 Temple Road. Glen Mills, Pennsylvania 19342, and E. Andrew and Barbara DiSabatino are husband and wife with residence at 444 Pierce Road, Kennett Square, Pennsylvania 19348.
- 2. Petitioners Paul E. DiSabatino and E. Andrew DiSabatino were general partners and limited partners in the limited partnership Plaza L.P. (A copy of the partnership agreement is attached hereto and incorporated as part of the Stipulation of Facts herein by reference).
- 3. Paul E. DiSabatino and E. Andrew DiSabatino contributed their interest in certain real property situated in the City of Wilmington to the limited partnership Plaza L.P.
- 4. This aforesaid real property was the Plaza Apartments located at Delaware Avenue and Franklin Street, Wilmington, Delaware, consisting of 215 completed apartment units and 15 commercial suites, improvements and a parking building on Hancock

Street.

- 5. According to the final Delaware partnership return, the partnership owned and leased residential apartment units, and Paul E. DiSabatino and E. Andrew DiSabatino devoted "part" of their time to the business of the partnership. (Said return is incorporated as part of the Statement of Facts herein by reference).
- 6. The partnership had employees who carried out the day-to-day affairs of the business of the partnership. Paul E. DiSabatino and E. Andrew DiSabatino utilized their partnership interest in making ultimate management decisions, e.g., refinancing of the real property, sale of the partnership interest. They did not utilize their partnership interest in the day-to-day affairs of the partnership.
- 7. Paul E. DiSabatino and E. Andrew DiSabatino are principles in and employed full time by Ernest DiSabatino and Sons whose business is that of contracting.
- 8. By agreement dated August 18, 1981, all of the limited and general partners of the Plaza Limited Partnership sold or agreed to sell all of their partnership interests in the limited partnership. Attached hereto and incorporated herein by reference as part of the Statement of Facts is the agreement of sale.
- 9. Paul E. DiSabatino and E. Andrew DiSabatino realized and recognized a gain on the sale of their partnership interests which gain was reported in their respective personal federal income tax returns as Section 1231 gain from an installment sale.
- 10. Petitioners did not report the net capital gain or the ordinary gain on their respective non-resident Delaware personal income tax returns.
  - 11. The Director of Revenue issued a notice of assessment

for tax and interest based upon the inclusion of these amounts in Petitioners non-resident return as Delaware source income.

- 12. The sole asset of the partnership was the apartment complex buildings and its fixtures and appliances.
- 13. For federal tax purposes the sale of a partnership interest is considered the sale or exchange of a capital asset except to the extent of unrealized receivable and substantially appreciated inventory.

Mr. Howard H. Simon, C.P.A. Simon, Master & Sidlow, P.A. 2002 West 14th Street Wilmington, DE 19806

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Jos. Patrick Hurley. Jr. Deputy Attorney General for Division of Revenue 820 N. French Street Wilmington, DE 19801

Employer Identification Number

Type of Business

51-0233348

Name

Number and Street

PLAZA, L.P.

FINAL RETURN

Box # 374

1981

1981

Rev Code 001

## X1980 XX980 **DELAWARE** PARTNERSHIP RETURN

For Calendar Year 1980

or other taxable year beginning January	1, 1981	_ <del>1980</del> %, and ending	August	18,	198
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City or Town	State			Zip Code	
Wilmington, Delaware 19805					
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Partner's share of income, deduction, etc. (Enter amounts from Schedule K1, Form 1065)	Partner A	Partner B		r, of items not derived ed with sources in Dela	
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knowledge

Sign here

... SIMON, MASTER & SIDLOW, P.A.

Milmington, Delaware 19803 MAIL TO: DIVISION OF REVENUE, State Office Building, 820 N French Street, Wilmington, Delaware 19899

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5 Partnership's share of net long-term gain (loss), including specially allocated items, from other partnerships and from fiduciaries.  6 Capital gain distributions  7 Net long-term gain (loss) from lines 4, 5, and 6. Enter here and on Schedule K (Form 1065), line 6.  N/A  Schedule H—INCOME FROM RENTS (See Page 3 of Instructions) If you need more space, attach schedule.  8. Kind and location of property  8. Amount of rent location of schedule K (Form 1065), line 6.  8. Kind and location of property  8. Apartments  1303 De laware Avenue  9. Milmington, De Jaware  1 Totals  1 Totals  1 Totals  1 Total social search of the schedule of property  1 Totals  1 Total social search of the schedule of property  1 Totals  1 Total social search of the schedule of schedule of the sche	L	i Part	Long-teri	m Capital G	ains ar	id Loss	ses—Ass	ets He	ld More T	han One	Year		I IV/A
Capital gain distributions 7 Net long-term gain (loss) from lines 4, 5, and 6. Enter here and on Schedule K (Form 1065), line 6.  Schedule H—INCOME FROM RENTS (See Page 3 of Instructions) If you need more space, attach schedule.  a. Kind and location of property  b. Amount of rent (capitals in Schedule)  ADAPTEMENTS  1303. Delaware. Avenue  Wilmington, Delaware.  1 Totals 1 Totals 2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7.  Schedule I—BAD DEBTS (See Page 4 of Instructions)  5 Year  b. Trade notes and accounts re.  c. Sales on account  d. Current year's  Amount added to reserve  d. Current year's  Amount sided to reserve  d. Current year's  e. Recoveries  f. Amount charged  gainst reserve  gainst reserve  gainst reserve  gainst reserve  gainst reserve  f. Lite or  g. Depreciation for  b. Date  a. Description of property  b. Date  a. Description of property  b. Date  c. Cet or  d. Current year's  d. Current year's  e. Recoveries  f. Amount charged  gainst reserve  gainst reserve  gainst reserve  gainst reserve  gainst reserve  f. Lite or  g. Depreciation for  below. Enter here and on Schedule K, (Form 1065), line 6.  N/A  1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items)  1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items)  2 Other depreciation:  Building  1/5/79  3.376,599  319,328  1.25 DB  25  101,909  Machinery & Equipment  1 Year  2 Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of denies lating and schedule A and H.  Amount of den	4.								*********				
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Apartments.  Apartments.  Apartments.  1303 Delaware Avenue  Wilmington, Delaware.  2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7	7	7 Net long-term gain (loss) from lines 4.5, and 6. Enter here and on Schodule K (Farm 1055), the 6									· · · · · ·	37.7%	
Apartments 6.59,690 103,979 37,340 595,614  1303 Delaware Avenue Wilmington, Delaware 1 Totals Apartments 6.59,690 103,979 37,340 595,614  2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7 . (77,243)  2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7 . (77,243)  3 Year celuble outstanding at one of year c. Sales on account for provision for property b. Date accounts of the basis along the basis accounts of the basis along the below. Enter here and on Schedule J—DEPRECIATION (See Page 6 of Instructions) If you need more space, use Form 4562  a. Description of property b. Date accounts of the basis allowed or allowable computing depreciation. Enter here and on Schedule K, line 2)  2 Other depreciation: Building 1/5/79 3,376,599 319,328 1,25,DB 25 101,909  Machinery & Equipment Variation Schedule K, line 2)  3 Totals	S	Schedule H—INCOME FROM RENTS (See Page 3 of Instructions) If you need more space attach and a										I N/A	
Apartments 659,690 103,979 37,340 595,614  1303 Delaware Avenue Wilmington, Delaware  1 Totals 2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7. (77,243)  Schedule I—BAD DEBTS (See Page 4 of Instructions)  8. Year  2. Trade notes and accounts receivable outstanding at end of year  1975 1976 N/A 1977 1978 2. Description of property Description of propert										c. Dep	reciation		
1303 Delaware Avenue   1303 Delaware   1303	-	Schedule J) Schedule J)							(attach				
State   Stat								659,	690	103,	979	37,340	595,614
1 Totals 2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7.  Schedule I—BAD DEBTS (See Page 4 of Instructions)  a. Year												***************************************	
2 Net income (loss) (subtract total of columns c, d, and e from column b). Enter here and on page 1, line 7.  Schedule I—BAD DEBTS (See Page 4 of Instructions)  a. Year   b. Trade notes and accounts receivable outstanding at end of year   c. Sales on account   d. Current year's provision   e. Recoveries   f. Amount charged against reserve   at end of year   end of year   end of year   e. Recoveries   f. Amount charged against reserve   for bad debts at end of year   f. Amount charged against reserve   for bad debts at end of year   f. Amount charged against reserve   f. Amount charged ag	1			laware		**********		7.50	(00				
s. Year b. Trade notes and accounts receivable outstanding at end of year ceivable at end of year a	2	Net i	ncome (loss) (su	btract total of	of colum	ins c. d	and e fro	m colur	nn h) Ente	r bere ar	9/9	37,340	
B. Year elivable outstanding at end of year celivable outstanding at end of year at end of year celivable outstanding at end of year celivable at end of year celivable outstanding at end of year celivable outstanding at end of year celivable outstanding at end of year celivable outs	Sc	ched	ule I—BAD DE	BTS (See I	Page 4	of Ins	tructions	)	ini b). Line	i liere ai	id on page	1, line /	(77,243)
1975 1976 1977 1978 1979 1980  Schedule J—DEPRECIATION (See Page 6 of Instructions) If you need more space, use Form 4562  a. Description of property b. Date sequence other basis allowed or allowable depreciation (but not more than \$2,000). (Do not include in items)  2 Other depreciation: Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machiner & Equipment Var (1,252) 1.267 351 35 (2,070)  Machiner & Equipment Var (1,252) 1.267 351 35 (2,070)			b. Trade notes and	accounts re-	1			Q2(8)		d to reserve		f Amount charged	- P
1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items below. Enter here and on Schedule K, line 2).  2 Other depreciation:  Building:  1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment: Var. 41,252 1.267 351 5 2,070  Machinery & Equipment: Var. 41,252 1.267 351 5 2,070  Amount of depreciation claimed in Schedules A and H.	_		Celasore ontatauorus s	t end of year		Jane 3 OI, 8	ccount			e. Rec	overies		at end of year
1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items.  Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment 2 Var (1,252 1.267 3.51 2.5 0.5 0.2,070).  3 Totals 4 Amount of depreciation claimed in Scheduler A and H.		-											
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1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items.  2 Other depreciation:  Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment Var 41,252 1,267 3 SB 45 5 (1,2,070).  Machinery & Equipment Var 41,252 1,267 3 SB 45 5 (1,2,070).  A Amount of depreciation claimed in Schedules A and H						*******							
Schedule J—DEPRECIATION (See Page 6 of Instructions) If you need more space, use Form 4562  a. Description of property  b. Date acquired  c. Cost or other basis  1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items below. Enter here and on Schedule K. line 2.)  2 Other depreciation:  Building  1/5/79  3,376,599  319,328  1.25 DB  25  101,909  Machinery & Equipment  Var.  41,252  1,267  3 SL  5 C (2,070)  103,979  4 Amount of depreciation claimed in Schedules A and H.		- 1-	****************		*******		•••••						
Schedule J—DEPRECIATION (See Page 6 of Instructions)  a. Description of property  b. Date acquired  c. Cost or other basis  lowed or allowable depreciation of computing this year.  1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items below. Enter here and on Schedule K, line 2.)  2 Other depreciation:  Building  1/5/79  3,376,599  319,328  1.25 DB  25  101,909  Machinery & Equipment  Var.  41,252  1,267.  3 SE  5 (1,2670)  103,979.	19	80	***************************************					*****					
a. Description of property  b. Date acquired  c. Cost or other basis  all Depreciation computing computing depreciation for rate  1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items.  2 Other depreciation:  Building  1/5/79  3,376,599  319,328  1.25 DB  25  101,909  Machinery & Equipment  Var.  41,252  1.267  3.5E  3.5E  3.7070  41,252  3.7018  3.7018  4.7018	Sc	hedu	ile J-DEPRE	CIATION (	See Pa	ge 6	of Instru	ctions	) If you ne	ed more	Shace use	Form 4562	
1 Total additional first-year depreciation (but not more than \$2,000). (Do not include in items below. Enter here and on Schedule K, line 2.)  2 Other depreciation:  Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment Var. 41,252 1.267 350 5 2,070  3 Totals					b. Da	ite	e. Cos	t or		eciation	e. Meth	od of Laure I	g Depreciation for
2 Other depreciation: Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment Var. 41,252 1,267 3 SE 2,070  3 Totals 3 417,851 103,979	.1	Total			74				A NO DELCA		100		
Building 1/5/79 3,376,599 319,328 1.25 DB 25 101,909  Machinery & Equipment Var. 41,252 1,267 3 SE 5 2,070  3 Totals 3 417,851 103,979	e :	~~.~.	. Litter mere and	on Schedule	K, line 2	2.)	nord trian	φ2,000	, (DO not	include I	n items	* 23 * *	//////////////////////////////////////
Machinery & Equipment Var. 41,252 1,267 50 2,070 2,070 3 Totals			•										
3 Totals	<u> </u>	<u>suil</u>	aing		1/5	/79	3,376	<u>,599</u>	319,3	28	1.25	DB 25	101,909
3 Totals	. N	lach	inerio la Fan	i pmon to	7 4 41E P		7.7.	'n ma	175.35	< ar 3			
3 Totals	25	iacn	THELY & EQU	Thise ut.	· Var		41	- 252 و	1.2	67.	SL	. 12 25 c	2;070,
3 Totals	,	•••••	, :	· 15	5 . 3	01 6		7.		········			4
4 Amount of depreciation claimed in Schedules A and H			•••••		4. 6					•••••			······································
4 Amount of depreciation claimed in Schedules A and H		Serie I fand						•••••	***********	•••••		*******	····
4 Amount of depreciation claimed in Schedules A and H										•••••			
4 Amount of depreciation claimed in Schedules A and H	3 7	Totals					3.417	.851	1				102 070
5 Balance (subtract line 4 from line 3). Enter here and on page 1, line 20.	4 4	Amou	nt of depreciation	n claimed in	Schedul	les A ar	nd H			19.11 - 10.01			The state of the s

Sc	hedule K-PAF	RTNERS' SHARES OF INCOME	CREDITS, DEL	DUCTIONS FT	C. (See Pag	es 6-9	of Instr	ruction	15)
E D	ier the total distribi	Ilive amount for each applicable stom t	orbed between 1	Enter the number	0. (000 108	Are any pa	irtners in	action	13)
IND	Prepare a separa	er's distributive share on Schedule K-1. ate Schedule K-1 for each partner.	.	of partners in the partnership	5	this partne partnership	ership also	□ Yes	₩ No
_			ive share items					otal am	
1	a Guaranteed pa			n (nego 1 line 1	4)				
	(2) Capitalize	ayments to partners: (1) Deductible by the partnership (see page 4.	e by the partnershi	p (page 1, ime 1	4)	* * *	**********		
	b Ordinary incom	ed by the partnership (see page 4 ome (loss) (page 1, line 26)	of instructions).				/		
2	Additional first-y	ear depreciation (Schedule J, line				• • •		2.5.0.2.2	-4
3	Gross farming o	or fishing income	1/				***************************************	•••••	
4	Dividends qualif	ying for exclusion (attach list)							
5	Net short-term	capital gain (loss) (Schedule D, lin	na 3)	• • • • •				•••••	-
6	Net long-term ca	ipital gain (loss) (Schedule D, line	7)	• • • • • •	N 36 (96) (96)				•
7	Net gain (loss) t	from involuntary conversions due	to casualty or the	t (Form 4694)		• • •			
8	Other net gain (le	oss) under section 1231	to casualty of the	t (roith 4054) .				*******	
9	Net earnings (lo	oss) from self-employment (Schedu	ule N. line 12)	• • • • • •	* * * *	E 8 8			
10	a Charitable con	ntributions (attach list): 50%	30%	• • • • •	200/			*******	
	<b>b</b> Other itemized	d deductions (attach list)			20%				-
11	Expense account	tallowance							
12	Jobs credit	· · · · · · · · · · · · · · · · · · ·			• • • •		**********		innant
13	Taxes paid by re	gulated investment companies on	undistributed canif	tal gains (attach	schedule)	* * *		********	
14	a Payments for	partners to a Keogh Plan. (Type of	plan >	,	schedule) .				
	<b>b</b> Payments for	partners to an IRA				) <u>*</u> ( * *		*******	
	c Payments for	partners to Simplified Employee F	Pension (SEP)		• • • •	SES (#) •)	**********		
15	a Foreign taxes	paid (see page 8 of Instructions) .				.•: (:•) •:			
	b Other income,	deductions, etc. (attach schedule	2)		(4)	• • •			*****
16	Oil and gas deple	deductions, etc. (attach schedule etion. (Enter amount—not for part	ner's use		-)	• • •	Willian !	300000	
17	Specially allocate	ed items (attach schedule): a Sho	rt-term capital gai	n (loss)					
	<b>b</b> Long-term cap	ital gain (loss)							
	c Ordinary gain	(loss)			945 2 10 10	4 6 5			
_	d Other						References		
18	Tax preference it	tems (see page 9 of Instructions):	a Accelerated depr	eciation on real	property:				
	(1) Certified h	istoric structure rehabilitation (167	7(o) or amortizatio	n under 191) .					
	(2) Low-incom	ne rental housing (167(k))							
	(3) Other gov	ernment-assisted low-income hou	sing						
	(4) Other real	property					11	,866	
	<b>b</b> Accelerated de	preciation on personal property sub	oject to a lease						
	Amortization: o	5, d	, e,	•	f			Persentant in	
		sses on bad debts of financial inst	itutions						
		er than oil and gas)							
		angible drilling costs from oil, gas,							
_	(2) Net incom	e from oil, gas, or geothermal well	S	100 8 4 6 6				-107-000 1 111-11-00-00-0	1
19	Interest on investme	nt indebtedness: a Investment interest ex	pense: (1) Indebtedne	ss incurred before 1	12/17/69	·*			
	(2) Indebtedne	ess incurred before 9/11/75, but	after 12/16/69 .						
	(3) Indebtedne	ess incurred after 9/10/75							
		t income (loss) 💸 🛵 🔒 . 🐠		. de gaftes, têjif e			. N W	s	,
		es from "net lease property" . 🧘		7. 14: E.			100	. 1, 2	· . V
_	d Excess of net I	ong-term capital gain over net sho	ort-term capital loss	s from investmen	nt property".		4		4
20	Property	New	a 3 or more but	less than 5 year	s				
	Qualified for	property	b 5 or more but						
Α,	Investment 🌯 🐝	· 30 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	.c.7 or more year	s	1 1 5.1.		3	2 14 1	0.
	Credit:	New commuter highway vehicle	d 3 or more year				,		
)()	a 8	Qualified progress expenditures,	e · 7 or more year	s	en in er eid			(a)	7
		Used The f	f 3 or more but	less than 5 year	s	·	T.	12	
		property	g 5 or more but	less than 7 year	s			-	
	1		h 7 or more ye	ars	4 × 5 5	!		*******	
	<u> </u>	Used commuter highway vehicle	l i 3 or more year	'S 1			**********	*******	
21	a Credit for alcol	hol used as fuel	* * * * * *	94 1940 84 194 1945	# # # GV				
		al source fuel credit		(a #1 (a 14 14)					
_	<b>c</b> Unused credits	from cooperatives .			8 8 8 9				

### FORM 1065

## AUGUST 18, 1981

S	CHEDULE H - REPAIRS			
	Boiler room repairs			2
	Building equipment repairs		\$	3,445
	Repair materials			2,605
	Contract repairs			3,255
	Air conditioning repairs and	maintanana		15,421
	Elevator maintenance	marnice		6,322
	Miscellaneous maintenance			6,268
	marine chance		_	24
			\$	37,340
S	CHEDULE H - OTHER EXPENSES			
	Tenants liability expense			44-
	Commissions		\$	115
	Heat, light and power			3,773
	Salaries and wages			127,322
	Supplies			108,948
	Water			6,338
	Exterminators			2,721
	Protection fees			529
	Decorating contracts			691
	Antenna service			13,497
	Professional window cleaning			3,605
	Taxes			835
	Insurance			27,545
	Interest			11,178
	Amortization * .			274,301
v)	Legal and accounting			6,099
	Telephone	Size		4,337
	Employee benefits	84		1,723
	Advertising			241
	Travel and entertainment			65
	Miscellaneous			80
	Office expense			526
	TIII CAPCIOC		_	1,145
			\$	595,614

Mortgage placement and organization costs of \$6,099 written off in current year due to payment of the mortgage.

# FORM 1065

# AUGUST 18, 1981

		year ende 2/31/80	 d
OTHER CURRENT ASSETS - SCHEDULE L, LINE 5			
Demand note receivable Term note receivable Mortgage escrow deposits	\$	600,000 1,093 60,639	2,
	\$	661,732	
OTHER CURRENT LIABILITIES - SCHEDULE L, LINE 16			
Accrued pension expense Payroll taxes payable Tenants security deposits Note payable - Bank of Delaware Contracts payable	\$	9,241 805 58,245 15,000 6,700	
	\$	89,991	
√NON-RECOURSE LOANS - SCHEDULE L, LINE 17			
Mortgage payable - Plaza, Inc.	\$1	,288,144	2.

The same of the text is the despectation of the same time to a fine the same

FORM 1065

AUGUST 18, 1981

SCHEDULE M - RECONCILIATION OF PARTNI

BEGINNING BALANCE Capital contributed during year 1.1.81 Mortgage payable transferred to Tenants deposits - Liability Payroll taxes liability transferred Expenses paid by partners Note payable assumed by partners transferred to partners partners to partners \$1,288,144 57,917 3,237,141 60,729 1,246 (\$ 404,525) 4,645,177 Total

Withdrawals and distributions

Ordinary loss

Fixed assets distributed Seck-Cash (escrow) distributed Notes receivable assigned to Cash and other receivables partners transferred to partners

( 600,000) \*. ( 3,401,677) \*. ( 116,219)

116,901)

END BALANCE - AUGUST 18, 1981

850,419 475,310 さしい

# SCHEDULE K-1 (Form 1065)

Department of the Treasury Internal Revenue Service

Partner's Share of Income, Credits, Deductions, etc.—1989x

For calendar year 1980 or fiscal year

beginning January 1, 1981 KNER, and ending ..... August 18,..., 19....81 (Instructions for partners attached. Complete for each partner—See instructions on back of Copy B)

Copy A (File with Form 1065)

Partner's identifying number ► 221–18–0111	- DOCK O	L D. A					ļ	
Partner's name, address, and ZIP code		Partne	rship	's identifying	number )	51-0	0233348	
Paul E. DiSabatino		Partne	rsnip	's name, add	dress, and	ZIP cod	ie	
98 Temple Road				laza, L.F				
Glen Mills, PA 19342		1	26	01 West	4th Str	eet		To good
		1		lmington				
A (i) Date(s) partner acquired any partnership interest during the	Yes   No	-	_					
year >		ā				7		Yes No
(ii) Did partner have any partnership interest before 1/1/77?		1 17	Did pa	rtnership intere	st terminate	during th	he year? . 😨	_X_
B Is partner a nonresident alien?	X_			artnership inter				_x
C (i) Is partner a limited partner (see page 2 of Instructions)?	X	d Litter	partn	er's percentage	: 01: 01	Before deci Terminati		i) End of year
(II) If "Yes" is nartner also	X -	. Profit	shari	ng	¥ §	.25	%	2%
D (i) Did partner ever contribute property other than money to the partnership?	X	Loss	sharin	g		.25	%	)%
It "Yes," enter:	VIII VIIII	Омпе	rship (	of capital 🗼			• assas C	9/
a Basis to partnership of contributed		time	devote	d to business	S. S. S.		Pa	urt%
property (other than money) at time(s) of contribution to the part-		H IKS C	enter	where partner	ship filed ret	urn 🛌	Philadel	phia
nership \$		• what	type (	or entity is this	partner?		Individu	al
b Value of contributed property in "a"		J Partn	er's sh	iare of liabilitie	s (see page	7 of Inst	ructions):	
above as reflected in the partner's		Nonred	001750	(i) I	None	1/1/77	(ii) Incurred af	ler 12/31/76
(ii) Did partner ever receive a distribution other than money from the partnership?		Other	-	\$	None		a Non	e
(ii) Did partner ever receive a distribution other than money from the partnership?	X	K Enter	total	amount of lia	hilities other	than	φ <u>NON</u>	<u>e</u>
If "Yes," enter:		Parting	. 13 H	orecten agains	LIOSS INFOILER	CHARANT	age cton lace	ATTENDED A . A .
Basis to partnership of distributed		01 51111		rangements of	which the pa	rtnership	has knowledg	2:
property (other than money) at time(s) of distribution to the part-		tneurre	d bel	ore 1/1/77 .	• • •	:	\$N/A	
ner \$ 850,419		incurre	o an	er 12/31/76 .		• •	\$N/A	
b Value of distributed property in "a"		L Partne	r's sha	re of any pre-	1976 Inse/as)	from		
above as reflected in the partner's		a secti	on 46:	o(c)(I) activity	Cie film or	video		
capital account \$ 850,419		and ga	s prop	1245 property erty) for which	there existed	a cor.		
E Was any part of the partner's interest ever acquired from		respon	ding :	amount of no	Drecourse lia	hilitu		
another partner?	X	occurre	d .	of the year	in which los	s(es)	s N/A	
M Reconciliation of partner's capital account:  a. Capital account at   b. Capital contributed   c. Ordinary income	d. Income n	ot included	e. Loss	ses not included olumn c, plus	f. Withdraws		g. Capital	
(101 131) during year (loss) from line 1b	taxable	income	unallov	vable deductions	distributi		at end o	year
(101,131)   1,161,294   (1,464)					1,058,6	599	-0-	
. Distributive share item		3#01 7#44		b. Am	ount	c. 1040	filers enter t	he amount
1 a Guaranteed navments to nection (1) Post (1)		_				1	in column b o	n;
1 a Guaranteed payments to partner: (1) Deductible by (2) Capitalized by the partnership	the partne	rship . :	00-1941			Sch. I	E, Part III	
b Ordinary income (loss)						1	E, Part III	
2 Additional first-year depreciation (Basis			•	(1,	464)	Sch. E	E, Part III	
3 Gross farming or fishing income.	)		•			Sch. E	E, Part III	
4 Dividends qualifying for exclusion			•				E, Part IV	
5 Net short-term capital gain (loss)	851.000		. 1				3, Part II, line	
6 Net long-term capital gain (loss)	V	A.		Feet	144	Sch. I	D, line 3, co	l. f.org
7 Net gain (loss) from involuntary conversions due to ca	sualty or	heft		······································			D, line 10; &	cl. forg Wi
8 Other net gain (loss) under section 1231							4684	4.4 = :
9 Net earnings (loss) from self-employment		• • •	•	*****************			4797, line 1	
O a Charitable contributions: 50%	20%	1 N (1) A	. 1	5 11 .	·, J., s		E, Part I or I	
b Other itemized deductions (attach list)	,	,	1		*********	See Se	Line 21 or 2	220 330
1 Expense account allowance						/////////		
2 Jobs credit	*		9.			`Form	588À	Million &
3 Taxes paid by regulated investment company			. [			Form 1	040, line 61, a n 1065"	dd words
4 a Payments for partner to a Keogh Plan (Type of plan	<b>&gt;</b>	)					n 1065" 1040, line 2	
D Payments for partner to an IRA				*******************	***********		1040, line 2 1040, line 2	
c Payments for partner to Simplified Employee Pensio	n (SEP).		. [				1040, line 2	

## EUGENE D. DI SABATINO

# SALE OF PLAZA, L.P. INTEREST

# AUGUST 18, 1981

#### COMPUTATION OF BASIS

	at 25%	at 100%
BASIS IN PARTNERSHIP INTEREST		
Capital Account Balance 1/1/81	(\$ 101,131)	(\$ 404,525)
Add: Liabilities at 8/18/81  Note payable  Expenses paid by partners  Payroll taxes liability  Mortgage on property	322,036 14,479 311 809,285 1,146,111	1,288,144 57,917 1,246 3,237,141 4,584,448
Subtract: Cash and receivables distributed Note receivable assigned to partners Loss for period 1/1/81-8/18/81	58,028 150,000 1,464 209,492	232,115 600,000 5,855 837,970
BASIS IN PARTNERSHIP INTEREST 8/18/81	\$ 835,488	\$3,341,953

A CONTRACTOR OF THE CONTRACTOR

Plaza, L.P. 2601 West 4th Street Wifmington, DE 19805 State of Delaware Division of Revenue 9th and French Streets Wilmington, DE 19899