

Part III – Administrative, Procedural, and Miscellaneous

Dividends as a Separately Stated Item

Notice 2004-5

Section 772(a)(11) of the Internal Revenue Code provides that, in determining the income tax of a partner of an electing large partnership (ELP), the partner shall take into account separately the partner's distributive share of partnership items (in addition to those listed in § 772(a)(1) through (10)) to the extent that the Secretary determines that the separate treatment of these items is appropriate.

Pursuant to this authority, the Secretary has determined that it is appropriate for a partner of an ELP to take into account separately the partner's distributive share of the partnership's dividends received that are qualified dividend income (QDI) as defined in § 1(h)(11)(B). This requirement to separately account for QDI takes into account the changes in the taxation of QDI under § 302 of the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27, 117 Stat. 752. This requirement is effective for dividends received by a partnership after December 31, 2002.

The principal author of this notice is Bradford R. Poston of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Bradford R. Poston at (202) 622-3060 (not a toll-free call).