



### DETERMINATION OF ADJUSTED COST BASE OF A PARTNERSHIP INTEREST

- For use by a partner, who has been a member of a partnership from December 31, 1971, continuously until the "Transaction Date", when determining the adjusted cost base of his partnership interest, under subsection 26(9) of the Income Tax Application Rules, 1971 (the "ITAR'S").
- The "Adjusted Cost Base" of a taxpayer's partnership interest will be required:
  - (a) at the time of the disposition or deemed disposition of part or all of the partnership interest. In this case the "Transaction Date" would be the date of disposition of the interest.
  - (b) if the taxpayer is a member of a professional partnership and he still has outstanding deferred income in respect of the transition made from "cash" to "accrual" accounting at the end of the 1971 fiscal period. In this case the "Transaction Date" would be the last day of the partnership's last fiscal period ending in the current taxation year.
- The "Key Date" is the first day of the partnership's first fiscal period which ended after 1971. This means that where the partnership's fiscal period ended on December 31, 1971 the "Key Date" is January 1, 1972, otherwise the "Key Date" will fall sometime in 1971. Where the "Key Date" falls in 1971, the interval beginning with the "Key Date" and ending December 31, 1971 is referred to as the "Stub Period", but when the "Key Date" is January 1, 1972 the partnership will not have a "Stub Period".  
Example: If the 1972 fiscal period is October 1, 1971 to September 30, 1972, the Stub Period is October 1, 1971 to December 31, 1971.
- If the partner is an individual, one completed copy of this form should be filed with the T1 return and, if the partner is a corporation, one completed copy should be filed with the Corporation Income Tax Return (form T2).
- Instructions to assist you in the completion of Areas "A", "B" and "C" are on pages 3 and 4.

NAME OF PARTNER (PRINT)		SOCIAL INSURANCE NUMBER : :   : :   : :   : :   : :   : :
ADDRESS		CORPORATION ACCOUNT NUMBER : :   : :   : :   : :   : :   : :
NAME OF PARTNERSHIP (PRINT)		PARTNERSHIP NUMBER : :   : :   : :   : :   : :   : :
ADDRESS		
TRANSACTION DATE	KEY DATE	

#### Summary of Areas "A", "B" and "C"

1. Actual Cost (from Area "A" on page 2) _____	\$ _____
2. Adjusted Fair Market Value (from Area "B" on page 2) _____	_____
3. Tax Equity Value (from Area "C" on page 2) _____	_____
<b>Deemed Cost</b> – Enter the amount which is neither the least nor the greatest of the above three amounts. If two of the amounts are the same, use that amount.	
	\$ _____

#### Adjusted Cost Base

Deemed Cost as determined above _____	\$ _____
Add: Additions to Adjusted Cost Base per subsection 53(1) of the Income Tax Act (the "Act") (attach schedule) _____	_____*
	<b>Total</b> \$ _____
Deduct: Deductions from Adjusted Cost Base per subsection 53(2) of the Act (attach schedule) _____	\$ _____
Amounts deemed to be required to be deducted per subsection 26(9.3) of the ITAR'S (attach schedule) _____	_____
<b>Total deductions</b> \$ _____	▷ \$ _____
<b>Adjusted Cost Base of Partnership Interest at Transaction Date</b> _____	\$ _____

- Notes:**
- Subsection 26(9.3) of the ITAR's applies where both the actual cost and the tax equity value are zero or negative amounts in computing the adjusted cost base of an interest in a partnership for a taxpayer who has been a partner continuously since before January 1, 1972.
  - Subsection 26(9.4) of the ITAR's applies where there has been a disposition of eligible capital property and provides adjustments to the adjusted cost base under clauses 53(1)(e)(i)(B) and 53(2)(c)(i)(B) of the Act for a taxpayer who has been a partner continuously since before January 1, 1972.

**Area "A" – Actual Cost**

- 1. Your cost of all interests in the partnership purchased from other persons prior to "Transaction Date" \_\_\_\_\_ \$ \_\_\_\_\_
  - 2. Your capital contribution to the partnership before January 1, 1972 \_\_\_\_\_
  - 3. Your income for income tax purposes from the partnership for fiscal periods ending prior to 1972 \_\_\_\_\_
  - 4. Your share of partnership gains resulting from dispositions of capital assets not included for income tax purposes for fiscal periods ending prior to 1972 \_\_\_\_\_
  - 5. For a Professional Partnership, your share of accounts receivable at the end of the 1971 fiscal period if you reported income from the partnership on the "cash" basis \_\_\_\_\_
- Total** \$ \_\_\_\_\_

*Deduct:*

- 6. The "Adjusted Cost Base" of part interests disposed of after 1971 \_\_\_\_\_ \$ \_\_\_\_\_
  - 7. The "Actual Cost" of part interests disposed of before January 1, 1972 \_\_\_\_\_
  - 8. Your share of losses for income tax purposes from partnership for fiscal periods ending prior to 1972 \_\_\_\_\_
  - 9. Your share of partnership losses resulting from dispositions of capital assets not deducted for income tax purposes for fiscal periods ending prior to 1972 \_\_\_\_\_
  - 10. Your drawings before January 1, 1972 \_\_\_\_\_
- Total deductions** \$ \_\_\_\_\_ ▷ \$ \_\_\_\_\_

**Actual Cost** – Enter this amount in item 1 of "Summary" on page 1 (if amount is negative, enter zero). \_\_\_\_\_ \$ \_\_\_\_\_

**Area "B" – Adjusted Fair Market Value**

- 1. Fair market value of your partnership interest at "Transaction Date" \_\_\_\_\_ \$ \_\_\_\_\_
  - 2. Add: "Adjusted Cost Base" deductions pursuant to subsection 53(2) of the Act \_\_\_\_\_
- Total** \$ \_\_\_\_\_
- 3. Deduct: "Adjusted Cost Base" additions pursuant to subsection 53(1) of the Act \_\_\_\_\_

**Adjusted Fair Market Value** – Enter this amount in item 2 of "Summary" on page 1 (if amount is negative, enter zero). \_\_\_\_\_ \$ \_\_\_\_\_

**Area "C" – Tax Equity Value**

- 1. Money on hand at "Key Date" \_\_\_\_\_ \$ \_\_\_\_\_
- 2. Partnership Property at "Key Date" (except Capital Property and Eligible Capital Property)
  - Funds on deposit \_\_\_\_\_ \$ \_\_\_\_\_
  - Accounts receivable \_\_\_\_\_
  - Inventory \_\_\_\_\_
  - Other (Specify) \_\_\_\_\_

**Total** \$ \_\_\_\_\_ ▷ \$ \_\_\_\_\_
- 3. Non-depreciable Capital Property (complete Schedule 1 on page 4 and enter "Total") \_\_\_\_\_
- 4. Depreciable Capital Property (complete Schedules 2, 3 and 4 on page 4 and enter "Total" from each)
  - (a) "Total" from Schedule 2 \_\_\_\_\_ \$ \_\_\_\_\_
  - (b) "Total" from Schedule 3 \_\_\_\_\_
  - (c) "Total" from Schedule 4 \_\_\_\_\_

**Total Depreciable Capital Property** \$ \_\_\_\_\_ ▷ \$ \_\_\_\_\_

5. *Deduct:* All amounts owing by the partnership at "Key Date" less any amount that would have been deductible in computing its income for that fiscal period, if the amount had been paid in the fiscal period. (If the partnership income was reported on a "cash" basis in 1971 **do not** include debts deductible in computing income in subsequent years.) \_\_\_\_\_

**Difference (if amount is negative, enter zero)** \$ \_\_\_\_\_

- 6. Your proportionate share in partnership at "Key Date" (e.g. 1/3 or 33%) \_\_\_\_\_ X "Difference" above \$ \_\_\_\_\_
  - 7. Your cost of all interests in the partnership purchased from other persons after 1971 \_\_\_\_\_
  - 8. Your capital contributions to the partnership in "Stub Period", if partnership's fiscal period **did not** end on December 31, 1971 \_\_\_\_\_
- Total** \$ \_\_\_\_\_

*Deduct:*

- 9. Your drawings in the "Stub Period", if partnership's fiscal period **did not** end on December 31, 1971 \_\_\_\_\_ \$ \_\_\_\_\_
  - 10. "Adjusted Cost Base" of part interests sold after 1971 \_\_\_\_\_
- Total deductions** \$ \_\_\_\_\_ ▷ \$ \_\_\_\_\_

**Tax Equity Value** – Enter this amount in item 3 of "Summary" on page 1 (if amount is negative, enter zero). \_\_\_\_\_ \$ \_\_\_\_\_

## Instructions for Completion of Areas "A", "B" and "C"

### Area "A"

**Item 1** – Enter the total cost to you of all interests in the partnership that, up to the "Transaction Date", you have purchased from other persons, whether before or after January 1, 1972, without excluding interests which have since been disposed of, if any. This includes amounts paid and payable to other persons as the price of a purchased interest, but does not include amounts that you paid into the partnership itself which were credited to your account.

**Item 2** – Enter the total amount of all your contributions of capital (other than by way of loan) to the partnership made before January 1, 1972. Include contributions which were credited to your partnership account, but not those amounts which were contributed by you and credited to other partners nor any part of a contribution that is a benefit to a related person.

**Item 3** – Enter the amount of your share of the income of the partnership from any source for all fiscal periods ended before January 1, 1972, computed without reference to the exemption for new mines under subsection 83(5) of the former Income Tax Act. Also make a deduction for any Capital Cost Allowance you claimed personally on depreciable property of the partnership.

**Item 4** – Enter your share of any partnership gains on disposal of capital assets for all fiscal periods ended before January 1, 1972, which were not included in your income or loss for income tax purposes.

**Item 5** – If this is a professional partnership which reported on the "cash" basis in the 1971 fiscal period, enter the amount of your share, as determined under subparagraph 23(5)(c)(ii) of the ITAR's, of the accounts receivable of the partnership as at the end of the partnership's 1971 fiscal period.

**Item 6** – If at a time after December 31, 1971, you disposed of part of your interest in the partnership, enter the amount of the portion of the "Adjusted Cost Base" that was used in computing the gain or loss on disposal at the time of each such disposal. Include only cases where the "Adjusted Cost Base" was positive – ignore cases where the "Adjusted Cost Base" was negative at date of the disposal.

**Item 7** – If at a time before January 1, 1972 you disposed of a portion of your interest in the partnership, enter the proportionate amount of the "Actual Cost" at that particular time. The "Actual Cost" would be the original cost of the interest adjusted for each applicable item in Area "A" up to the date of the disposal. Item 6 would never be applicable for this purpose.

**Item 8** – Enter your share of losses of the partnership from any source for all fiscal periods ended before January 1, 1972 computed without reference to the exemption for new mines under subsection 83(5) of the former Income Tax Act. Such losses are to be computed after deduction of any Capital Cost Allowance you claimed personally on depreciable property of the partnership. Include all such losses, whether or not they have been applied against income, including losses which you have been unable to apply due to the statutory limitation on application of losses.

**Item 9** – Enter your share of any partnership losses on disposal of capital assets, incurred in fiscal periods of the partnership which ended before 1972. This refers to losses on disposal of capital assets which were not deductible for income tax purposes. Also include your share of any drilling and exploration expenses incurred by the partnership while you were a member thereof in exploring or drilling for petroleum or natural gas in Canada after 1948 and in fiscal periods ended before 1972; however, you may exclude from this amount expenses which have been deducted in 1971 or previous taxation years.

**Item 10** – Enter the total of all your drawings before January 1, 1972 of your share of the partnership's income and capital. Include your share of the partnership's charitable donations for fiscal periods ended before January 1, 1972 if they were not deducted in the partnership as an expense in calculating income for income tax purposes, i.e. they were charged directly to the partners' accounts.

### Area "B"

**Item 1** – Enter the estimated fair market value of your interest in the partnership as at the "Transaction Date".

**Item 2** – Enter the total amount of the "Adjusted Cost Base" deductions required by subsection 53(2) of the Act for the period from the "Key Date" until the "Transaction Date".

**Item 3** – Enter the total amount of the "Adjusted Cost Base" additions required by subsection 53(1) of the Act for the period from the "Key Date" until the "Transaction Date".

### Area "C"

**Item 1** – Enter the amount of the partnership's money on hand at the "Key Date".

**Item 2** – Enter the "cost amount" of the various assets of the partnership, other than eligible capital property (goodwill, etc.) and capital properties, at "Key Date".

*Example:*

Asset	"Cost Amount"
Accounts Receivable	– The total amount receivable at "Key Date" less bad accounts previously written off.
Inventory	– The value as determined at "Key Date" for the purpose of computing income.
Other	– The cost of the asset, as determined for purposes of computing income, minus amounts deducted before "Key Date" for purposes of computing income.

"Cost amount" of a property is defined in section 248 of the Act.

**Item 3** – Complete Schedule 1(a) on page 4 for all non-depreciable capital properties (e.g. land, securities) which the partnership owned on "Key Date" and which are still owned on "Transaction Date" or which were disposed of after December 31, 1971. Group identical properties on a FIFO basis for purposes of the "Key Date" entry. Do not list properties owned on "Key Date" and disposed of before January 1, 1972, since such properties will be listed separately on Schedule 1(b). "Cost" refers to original cost of acquiring the property. "Valuation Day Value" refers to the fair market value of the property on December 31, 1971 (December 22, 1971 for publicly-traded shares, rights and warrants). If the property is still owned on "Transaction Date" enter its fair market value at that date in Column 4. If the property was sold after December 31, 1971 and before "Transaction Date" enter the proceeds of disposition in Column 4. In Column 5 enter the amount that is neither the greatest nor the least (i.e. the median amount) of the amounts entered for the property in Columns 2, 3 and 4.

Schedule 1(b) is a listing of the proceeds of disposition of any non-depreciable capital properties which were owned by the partnership on "Key Date" and disposed of before January 1, 1972. This part of the schedule is not applicable in cases where the "Key Date" is January 1, 1972.

**Item 4(a) Schedule 2** – Complete Schedule 2 on page 4 listing the undepreciated capital cost at January 1, 1972 or in the case of farming and fishing assets (Part XVII of the Regulations) the capital cost less the amount claimed as a deduction to January 1, 1972 of each depreciable property of the partnership. In Column 3 enter the total cost of any additions to the class which occurred from the "Key Date" to December 31, 1971. If Column 3 does not apply because "Key Date" is January 1, 1972, zeros should be entered in Column 3. Deduct the amount in Column 3 from any amount in Column 2 and enter the result in Column 4. If the result is a negative amount, enter zero in Column 4.

**(b) Schedule 3** – Complete Schedule 3 on page 4 listing each depreciable property (this includes farming and fishing assets that were depreciated on the straight-line basis) owned by the partnership on "Key Date" which is still owned on the "Transaction Date", or which was disposed of after December 31, 1971. This schedule need include only those assets which have, since acquisition, appreciated in value over capital cost, e.g. buildings. Do not list properties owned on "Key Date" and disposed of before January 1, 1972. If the property is still held on "Transaction Date", enter its fair market value at that date in Column 2. If the property was sold after December 31, 1971 and before "Transaction Date", enter the proceeds of disposition in Column 2. In Column 3 enter the fair market value of the property on December 31, 1971. In Column 4 enter the lesser of the amount in Column 2 or the amount in Column 3, in respect of the property. In Column 5 enter the capital cost of the property to the partnership. Deduct the amount in Column 5 from any amount in Column 4 and enter the result in Column 6. If the result is a negative amount, enter zero in Column 6.

**(c) Schedule 4** – This schedule is required only for partnerships whose "Key Date" is a date other than January 1, 1972. Complete Schedule 4 on page 4 listing any depreciable properties of prescribed class (this does not include farming and fishing assets being depreciated on the straight-line basis) which were owned by the partnership on "Key Date" and disposed of before January 1, 1972. In Column 2 enter the proceeds of disposal of the property. In Column 3 enter the capital cost of the property to the partnership. In Column 4 enter the lesser of the amount in Column 2 or the amount in Column 3 in respect of the property. In Column 5 enter either the amount of the Undepreciated Capital Cost of the prescribed class or in the case of farming and fishing assets (Part XVII of the Regulations) the capital cost less the amount claimed immediately before the property was disposed of. Deduct the amount in Column 5 from any amount in Column 4 and enter the result in Column 6. If the result is a negative amount, enter zero in Column 6. Deduct the amount in Column 6 from any amount in Column 2 and enter the result in Column 7. If the result is a negative amount, enter zero in Column 7.

**Item 5** – Enter the total amount of the outstanding debts of the partnership at "Key Date", less any amount that would have been deductible in computing its income for that fiscal period, if the amount had been paid in the fiscal period. If the partnership reported on the "cash" basis in the fiscal period ending at the "Key Date", do not include the accounts payable which were deductible for income tax purposes in a subsequent fiscal period.

**Item 6** – Enter your share or percentage (1/3, 1/2, 40%, etc.) of ownership of the partnership as at "Key Date". Multiply, to determine the amount of your share of the tax equity of the partnership at "Key Date". If the "Key Date" falls in 1971 and you acquired an interest in the partnership from another person after the "Key Date" and before January 1, 1972, you are considered to have owned that interest on the "Key Date" for the purpose of determining your share or percentage of ownership at "Key Date".

**Item 7** – Enter the amount of the costs of all separate purchases after 1971 of additional interests in the partnership. Include here only the cost of those interests acquired from other persons, but not amounts you have invested in the partnership itself and which have been credited to your partnership account.

**Item 8** – If the "Key Date" of the partnership was not January 1, 1972, enter the total amount of all your contributions of capital (other than by way of loan) to the partnership from the "Key Date" to December 31, 1971. Include contributions which have been credited to your partnership account, but not those amounts which were contributed by you and credited to other partners nor any part of a contribution that is a benefit to a related person.

**Item 9** – If the "Key Date" of the partnership was not January 1, 1972, enter the total amount of your withdrawals of capital and income from the partnership during the period from "Key Date" to December 31, 1971.

**Note:** If the "Key Date" falls in 1971 and you acquired an interest in the partnership from another person after the "Key Date" and before January 1, 1972, the contributions of capital and the drawings of that person in respect of that interest during the period from the "Key Date" until the date you acquired his interest will be

considered for the purpose of items 8 and 9 above, to be your own contributions and drawings.

**Item 10** – Enter the total amount of the portions of the "Adjusted Cost Base" of the partnership interest deducted before this particular time in calculation of the gain or loss on disposal after December 31, 1971 of part of your partnership interest. Ignore cases where the "Adjusted Cost Base" was negative at the time of the partial disposition.

**Non-depreciable Capital Property**

**Schedule 1**

(a) List only assets owned at "Key Date" and still held or disposed of after 1971. If space is insufficient, attach statements.

Column 1 Description of Assets	Column 2 Cost	Column 3 Valuation Day Fair Market Value	Column 4 Fair Market Value at Transaction Date or Proceeds if sold after 1971	Column 5 Select Middle Amount
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

(b) List only assets owned at "Key Date" and disposed of during "Stub Period".

Description of Assets	Proceeds
_____	\$ _____
_____	_____
_____	_____
<b>Total Proceeds</b>	
	\$ _____
<b>Total – Enter this amount in item 3 of Area "C" on page 2</b>	
	\$ _____

**Depreciable Property**

**Schedule 2**

List asset classes, or in the case of assets claimed under Part XVII of the Regulations, the description thereof, as at January 1, 1972. If space is insufficient, attach statement.

Column 1 Class Number or Description of Assets	Column 2 Part XI Assets Undepreciated Capital Cost as at January 1, 1972	Column 3 Part XVII Assets Capital Cost less amounts claimed as a deduction to January 1, 1972	Column 4 Capital Cost of Additions in "Stub Period"	Column 5 Excess of Col. 2 over Col. 3, if any
_____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
<b>Total – Enter this amount in item 4(a) of Area "C" on page 2</b>				\$ _____

**Schedule 3**

List only assets owned at "Key Date" and still held or disposed of after 1971. If space is insufficient, attach statement.

Column 1 Description of Assets	Column 2 Fair Market Value at Transaction Date or Proceeds if sold after 1971	Column 3 Valuation Day Fair Market Value	Column 4 Lesser of Col. 2 or Col. 3	Column 5 Capital Cost	Column 6 Excess of Col. 4 over Col. 5, if any
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
<b>Total – Enter this amount in item 4(b) of Area "C" on page 2</b>					\$ _____

**Schedule 4**

List only assets owned at "Key Date" and disposed of in "Stub Period", if applicable. If space is insufficient, attach statement.

Column 1 Description of Assets	Column 2 Proceeds	Column 3 Capital Cost	Column 4 Lesser of Col. 2 or Col. 3	Column 5 Part XI Assets Undepreciated Capital Cost of Class at time of Asset Disposal	Column 6 Part XVII Assets Capital Cost less amounts claimed as a deduction to the time of Asset Disposal	Column 7 Excess of Col. 4 over Col. 5, if any	Column 8 Excess of Col. 2 over Col. 6, if any
_____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
<b>Total – Enter this amount in item 4(c) of Area "C" on page 2</b>							\$ _____