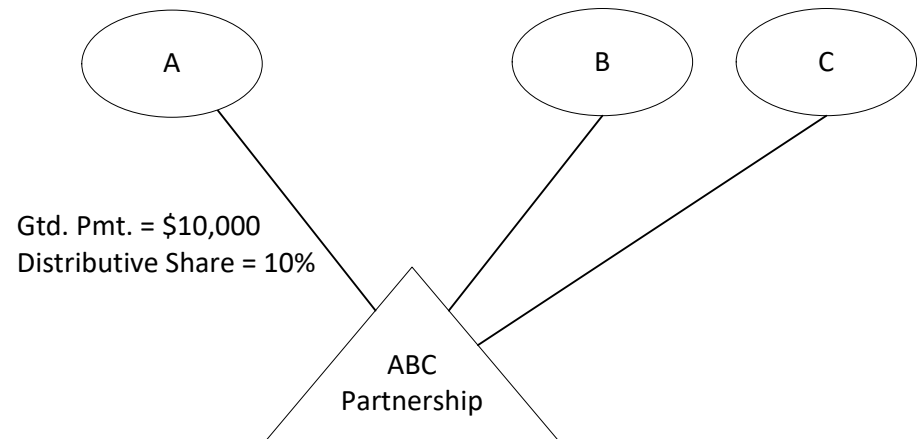


Fixed Guaranteed Payment
For Services

Ordinary Income Before Gtd. Pmt.	\$60,000
Guaranteed Payment to A	<u>(10,000)</u>
Ordinary Income after Gtd. Pmt.	50,000
Distributive Share to A – Percentage	10%
Distributive Share to A – Dollars	<u>5,000</u>
Total Ord. Inc (Gtd. Pmt. + Dist. Share)	15,000



Under the ABC partnership agreement, partner A is entitled to a fixed annual payment of \$10,000 for services, without regard to the income of the partnership. His distributive share is 10 percent. After deducting the guaranteed payment, the partnership has \$50,000 ordinary income. A must include \$15,000 as ordinary income for his taxable year within or with which the partnership taxable year ends (\$10,000 guaranteed payment plus \$5,000 distributive share).