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[Third Party Communication:

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Number: **202444006**

Release Date: 11/1/2024

From: [REDACTED]

Sent: Thursday, March 21, 2024 8:33:59 AM

To: [REDACTED]

Cc: [REDACTED]

Bcc:

Subject: RE: OB as a PRI--Contribution Case

Hi [REDACTED],

As an initial matter, there is nothing in this email that suggests to me outside basis is a PRI. It's not on the Form 1065 nor is there any indication that Dad's outside basis was required to be maintained in the partnership's books/records so it is not a PRI. From the email below it looks like you are asking whether the contribution of the note which generated the alleged outside basis is a PRI. As you note, contributions are PRIs. While this seems to relate to whether the note was bona fide before it was contributed to the partnership, [REDACTED]

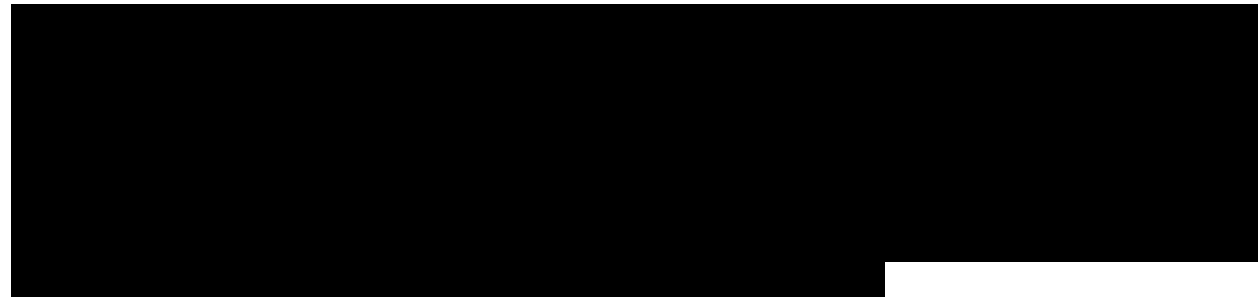
BUT, we have a special enforcement provision for this. Under 301.6241-7(b), the IRS may adjust/determine the amount of a PRI as part of an adjustment to a non-PRI if the following conditions are met:

1. There is an exam being done of someone other than the partnership
 - a. Check
2. A determination regarding a PRI is made as part of an adjustment to a non-PRI
 - a. Check, adjusting a contribution as part of outside basis/gain (which are non-PRIs)
3. The treatment of the PRI by the partnership on its return/books/records is based in whole or in part on information provided by the person under audit
 - a. Check, Dad contributed the loan and the partnership based its inside basis and the contribution amount on what Dad told it

The example in 301.6241-7(b)(2) is a contribution of property [REDACTED]. In this scenario, the adjustment actually being made at the partner level is to non-PRIs like his outside basis and how much his gain/loss is on the sale of the partnership interest. To utilize the special enforcement provision the IRS would need to notify the partner in writing. There is no specified form or time [REDACTED]

[REDACTED] We do not have a standard form/letter for this. It is clear that any determination about a PRI made at the partner

level is not binding on the partnership. Treas. Reg. 301.6241-7(h)(2). So this will not change anything at the partnership level. Of course, the partner is free to tell the partnership and the partnership can voluntarily adjust it's books/records.



Another note – it can be adjusted at the partnership level, just not as outside basis. If the IRS had the partnership open for audit, the adjustment would be to reduce the loan to zero, which would result in an IU of . If the partnership elected to push out, this would result in a change in outside basis at the partner level which would impact his gain. It comes to the same thing, just from a different point of view.

Please let me know if you have any questions.

Thanks,
Jenni

Jenni Black (she/her)
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