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[Third Party Communication:

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**From:** [REDACTED]

**Sent:** Friday, May 10, 2024 8:55:06 AM

**To:** [REDACTED]

**Cc:** [REDACTED]

**Bcc:**

**Subject:** RE: BBA and SECA Adjustments - Included in BBA or Not?

Hi [REDACTED],

SECA tax is not a PRI. What is a PRI is net earnings from self-employment as reported on the Form 1065 and it does go into the calculation of the IU. If you are changing a partner from general to limited, that is also a PRI. There are two ways to handle issues that impact chapter 2 taxes under BBA.

1. You could do a BBA exam and make adjustments to NESE and general/limited (plus anything else that needs to change). The NESE adjustment would result in an IU. If you look at the IRM, it goes into the calculation of the IU when there is an adjustment to NESE and how it interplays with chapter 2 tax. I believe it is in Part 9 but don't quote me. After the partnership-proceeding is over, the IRS has a minimum of 1 year to go after chapter 2 or 2A tax on the partnership adjustments. See IRC 6501(c)(12). The benefit here is that the adjustments apply to all partners.
  - a. Note that we often treat the NESE adjustment as zero for purposes of calculating the IU but that's in cases where the NESE adjustment is caused by adjustments to other things, like ordinary income. Not as much when it is a standalone adjustment. That's all in the IRM.
2. Under 301.6241-6 we can adjust PRIs in a partner level exam but ONLY for non-chapter 1 purposes. In this case we could adjust the partner's SECA tax at the partner level and make adjustments to any of the items of the partnership for purposes of adjusting that SECA tax (NESE, general/limited) but we cannot get any chapter 1 tax as a result of those adjustments. You would have to audit each partner you wanted to assess.

Please let me know if you have any questions or would like to discuss.

Thanks,  
Jenni

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