

ID: CCA_2024081410324348 [Third Party Communication:
UILC: 754.00-00, 741.00-00, 6221.00-00, Date of Communication: Month DD, YYYY]
6241.00-00

Number: **202452012**
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From: [REDACTED]
Sent: Monday, May 1, 2023 2:21:19 PM
To:
Cc:
Bcc:
Subject: RE: 2023 Case Study - Ready for Counsel Review

Hi [REDACTED],

Attached please find our comments to the slides and the factual summary document. Our main concern is that the example appears to be assessing tax on the partners as a result of the adjustments made in the BBA exam after the partnership pays the IU. Generally when the partnership pays the IU, if a partner level tax results because of the PRI adjustments, the Service cannot assess/collect against the partner for that tax.

We think it may be helpful to schedule a call discuss our comments, and I am happy to set up a call at a time / day convenient for you. Thank you!

[REDACTED]

[REDACTED]

[REDACTED]

Slide 8

HMMO Caution - 6103 prohibits disclosure of return information amongst some of these entities unless the taxpayer consents or some other exception to 6103 applies
Howard Meghan M, 2023-05-01T15:09:19.034

Slide 16

HMMO O/B is not a PRI, but if tax is attributable as a result of an adjustment to a PRI, it cannot be assessed/collected at the partner level if the partnership pays the IU. See IRC 6221(a)
Howard Meghan M, 2023-04-30T21:19:17.301

Slide 46

HMMO Why is there an exam of the partner's 1040 as well? Under BBA, partnership adjustments would be made at the partnership level

Howard Meghan M, 2023-04-30T21:29:01.271

Slide 52

HMMO Again, if tax is attributable as a result of an adjustment to a PRI, it cannot be assessed/collected at the partner level if the partnership pays the IU. There are no longer computational adjustments as there were under TEFRA. See IRC 6221(a). There should not be separate partner audits for these items.

A "partnership related item" is: (A) Any item or amount with respect to the partnership (as defined in paragraph (a)(6)(iii) of this section) which is relevant in determining the tax liability of any person under chapter 1 of the Code (chapter 1) (as defined in paragraph (a)(6)(iv) of this section);

(B) Any partner's distributive share of any such item or amount; and

(C) Any imputed underpayment determined under subchapter C of chapter 63 of the Code (subchapter C of chapter 63).

An item or amount is with respect to the partnership if the item or amount is shown or reflected, or required to be shown or reflected, on a return of the partnership under section 6031 or the forms and instructions prescribed by the Internal Revenue Service (IRS) for the partnership's taxable year or is required to be maintained in the partnership's books or records. Treas. Reg. 301.6241-1(a)(6)(ii)

Howard Meghan M, 2023-04-30T21:37:56.463

Slide 68

HMMO If tax is attributable as a result of an adjustment to a PRI, it cannot be assessed/collected at the partner level if the partnership pays the IU.

Howard Meghan M, 2023-04-30T21:45:07.974

Slide 73

HMMO These corrections cannot go out on partner level SNODs per section 6221
Howard Meghan M, 2023-04-30T21:46:04.763

Slide 95

HMMO Remember - to the extent any tax is attributable to adjustments to PRIS, that cannot be assessed/collected at the partner (Wolf) level if the partnership pays the IU

Howard Meghan M, 2023-04-30T21:50:20.153

Slide 100

HMMO To the extent any tax is attributable to adjustments made to PRIs, it cannot be assessed/collected at the partner level if the partnership pays the IU

Howard Meghan M, 2023-04-30T21:53:40.679

Slide 102

HMMO Is 704© a PRI? Is it required to be reported on the partnership's return or kept in the partnership's books/records?

Howard Meghan M, 2023-05-01T15:20:18.036

Slide 103

HMMO To the extent any tax is attributable to adjustments made to PRIs, it cannot be assessed/collected at the partner level if the partnership pays the IU

Howard Meghan M, 2023-04-30T21:52:29.684

Commented [AJE1]: Consider mentioning examples of ineligible partners: partnerships, trusts, disregarded entities, and ineligible foreign entities. Reg. Section 301.6221(b)-1(b)(3)(ii).

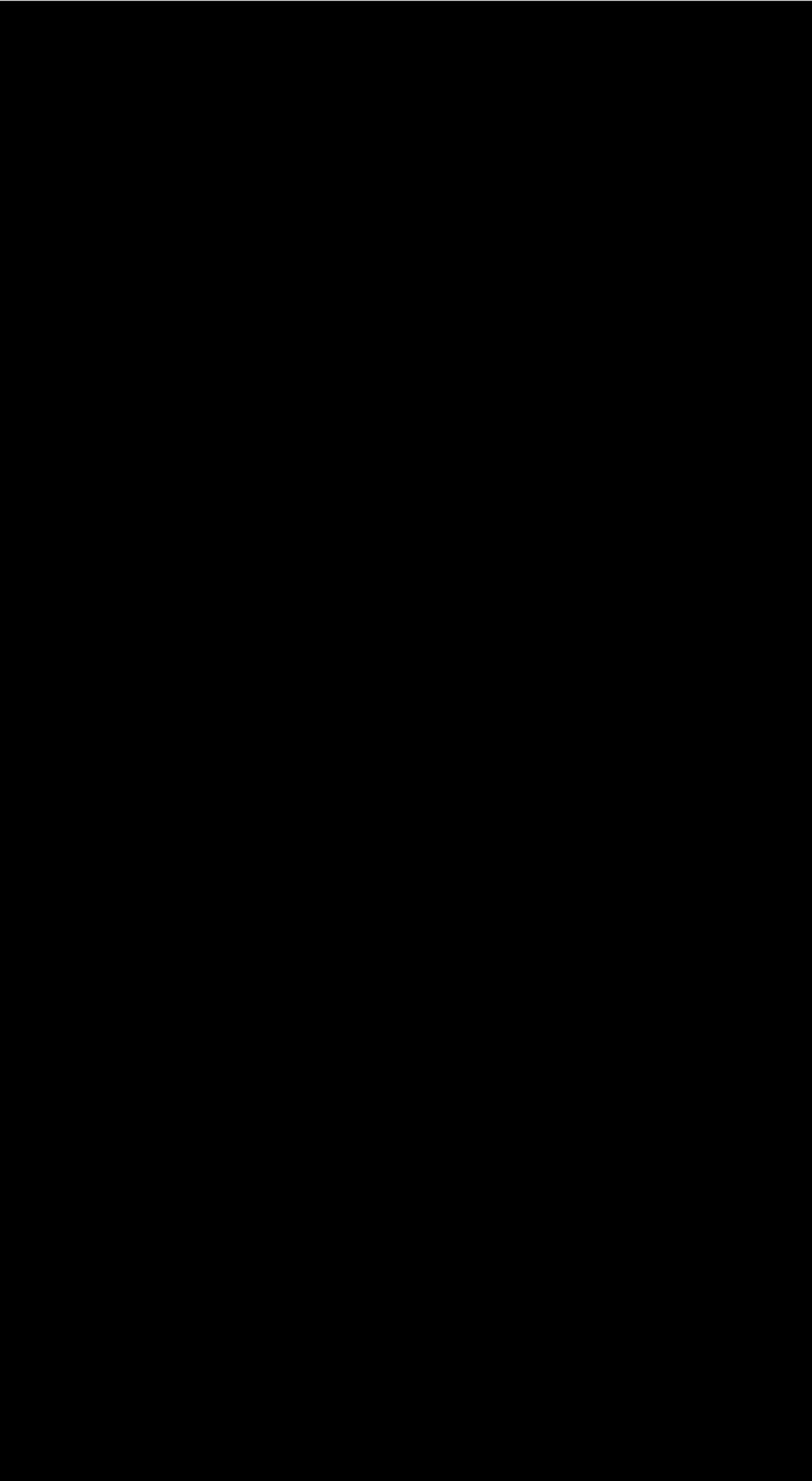
Commented [HMM2R1]: May also want to mirror instructions in the form 1065 Instructions:

A partnership is an eligible partnership for the tax year if it has 100 or fewer eligible partners in that year. Eligible partners are individuals, C corporations, S corporations, foreign entities that would be C corporations if they were domestic entities, and estates of deceased partners. The determination as to whether the partnership has 100 or fewer partners is made by adding the number of Schedules K-1 required to be issued by the partnership for the tax year to the number of Schedules K-1 required to be issued by any partner that is an S corporation to its shareholders for the tax year of the S corporation ending with or within the partnership tax year. A partnership isn't eligible to elect out of the centralized partnership audit regime if it is required to issue a Schedule K-1 to any of the following partners.

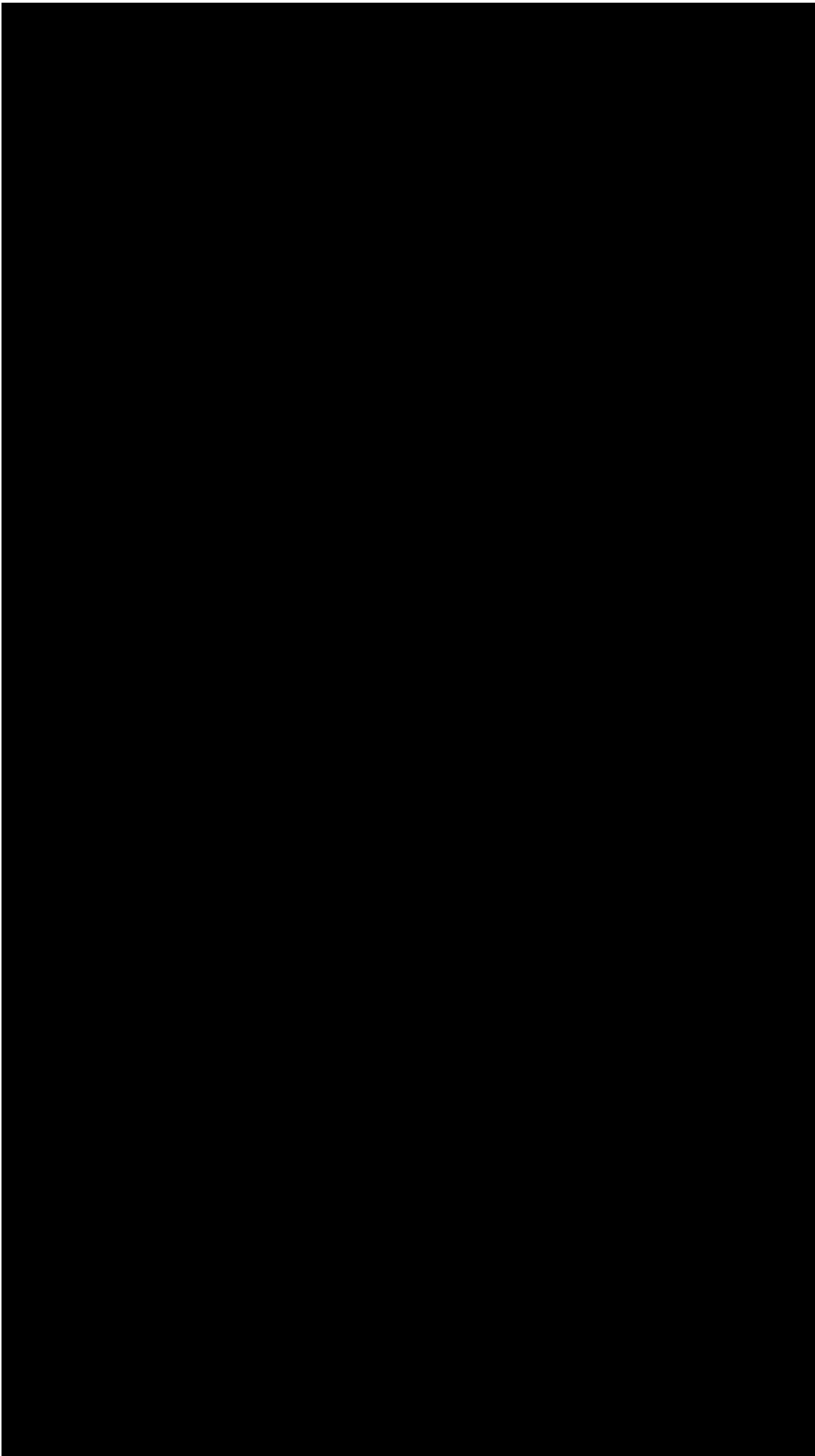
- A partnership.
- A trust.
- A foreign entity that would not be treated as a C corporation if it were a domestic entity.
- A DE described in Regulations section 301.7701-2(c)(2)(i).
- An estate of an individual other than a deceased partner.
- Any person that holds an interest in the partnership on behalf of another person.

Commented [AJE3]: Partnership Representative (PR) can also be designated on Form 8979, Partnership Representative Revocation, Designation, and Resignation. If no PR is designated, the IRS can appoint a PR.

Commented [HMM4R3]: Hi Julie- I removed the portion about Form 7036, Election under Section 1101(g)(4) of the Bipartisan Budget Act of 2015 because this was only used if the partnership did an early election in prior to 2018. I don't think it is relevant for this example



Commented [HMMSJ]: It should be noted that a partner's outside basis in a partnership is not a partnership related item and cannot be adjusted as part of the BBA exam.



Commented [HMM6]: 751 gain is only a PRI for tax years 2019 and forward when it was required to be listed on the Form 1065.
