

## AICPA Offers Comments/Recommendations to New Partnership Audit Regime

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The AICPA recently released comments and recommendations in response to Notice 2016-23, *Request for Comments Regarding Implementation of the New Partnership Audit Regime Enacted as Part of the Bipartisan Budget Act of 2015*, issued on March 4, 2016. Visit this link for the expanded version. Below is an outline of the AICPA comments and recommendations.

### Section 6221

1. For purposes of the opt-out election, expand the list of eligible partners to include additional entity types.
2. Use Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc. (Schedule K-1) to satisfy disclosure requirements.
3. Use a check-box to indicate a partnership's opt-out election.
4. Do not require a partnership which chooses to elect out of the Regime to designate a Partnership Representative.
5. Allow taxpayers to provide required information on pass-through partners using attached schedule.

### Section 6223

1. Identify the current Partnership Representative on Form 1065.
2. Develop a Designation of Partnership Representative form.
3. Recognize only the most recently appointed Partnership Representative for all purposes.
4. Provide guidance on the definition of substantial United States (U.S.) presence for the Partnership Representative.
5. Limit IRS designation of Partnership Representative to specific eligible group.

### Section 6225

1. Specific recommendations regarding calculation of net adjustments.
2. Requirements when filing amended returns
3. Develop standardized allocation forms to provide information to partners and the IRS.
4. Proof of amended return filings.
5. Amended return filings by upper-tier partnerships.
6. Proof of tax-exempt entity as partner.
7. Proof of C corporation as partner.

8. Proof of qualification for lower capital gain or qualified dividend rate.
9. Appeal proposed partnership adjustments.
10. IRS review of requested modifications.
11. IRS denial of requested modifications.
12. Consolidated appeals hearing for multiple requested modifications.
13. Automatic extension of the 270-day period between issuance of FOPPA and issuance of a notice of final partnership adjustment (FPA).
14. Modification of imputed underpayment based on upper-tier partners.
15. Option to file AAR in lieu of adjustment year inclusion.
16. Additions to types of allowable modifications.

## Section 6226

1. Election of push-out option.
2. Allow a reasonable cause exception for late elections under section 6226(a)(1).
3. Assign a unique control number to the FPA.
4. Adjustment statements provided to partners.
5. Optional revocation of a push-out election.
6. Modification of an FPA.
7. Elections by upper-tier partnerships.
8. Timing of push-out statements by upper-tier partnerships.
9. Push-out election by opted-out partnerships.
10. S Corporation treatment of received Adjustment K-1s.
11. Failure of partners to report Adjustment K-1.
12. Electronic submission of Adjustment K-1s.
13. Tax-exempt partners and penalties.

## Section 6227

1. Push-out election for an AAR.
2. AARs which reduce taxable income.
3. AARs and upper-tier partnerships.
4. AARs and modifications of imputed underpayments.
5. Appeal of an AAR denial.
6. Amended returns for partnerships electing out.

## **Attorneys**

Charles M. Ruchelman

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