

SEC. 107. AMENDMENT RELATING TO UNITED STATES-KOREA FREE TRADE AGREEMENT IMPLEMENTATION ACT.

(a) **AMENDMENT RELATING TO SECTION 501.**—Section 501(b) of the United States-Korea Free Trade Agreement Implementation Act is amended by striking “returns required to be filed” and inserting “documents prepared”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect as if included in section 501 of the United States-Korea Free Trade Agreement Implementation Act.

SEC. 108. AMENDMENT RELATING TO SAFETEA-LU.

(a) **AMENDMENT RELATING TO SECTION 11125.**—Section 5681(b) is amended by striking “who has paid the special tax (or who is exempt from payment of such special tax by reason of the provisions of section 5113(a))” and inserting “who meets the requirements of section 5121(a) and section 5124 (or who is exempt from such requirements by reason of section 5121(b))”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect as if included in section 11125 of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users.

SEC. 109. AMENDMENTS RELATING TO THE AMERICAN JOBS CREATION ACT OF 2004.

(a) **AMENDMENT RELATING TO SECTION 233.**—Section 1361(c)(2)(B)(vi) is amended by striking “a shareholder” and inserting “the shareholder”.

(b) **AMENDMENT RELATING TO SECTION 319.**—Section 501(c)(12)(E) is amended by striking “means the Federal Energy Regulatory Commission” and all that follows and inserting: “means—

“(i) the Federal Energy Regulatory Commission,

or

“(ii) in the case of any utility with respect to which all of the electricity generated, transmitted, or distributed by such utility is generated, transmitted, distributed, and consumed in the same State, the State agency of such State with the authority to regulate electric utilities.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in section 319 of the American Jobs Creation Act of 2004.

**TITLE II—TECHNICAL CORRECTIONS
RELATED TO PARTNERSHIP AUDIT
RULES**

SEC. 201. SCOPE OF ADJUSTMENTS SUBJECT TO PARTNERSHIP AUDIT RULES.

(a) **IN GENERAL.**—Section 6241(2) is amended to read as follows:

“(2) **PARTNERSHIP ADJUSTMENT.**—

“(A) **IN GENERAL.**—The term ‘partnership adjustment’ means any adjustment to a partnership-related item.

“(B) **PARTNERSHIP-RELATED ITEM.**—The term ‘partnership-related item’ means—

“(i) any item or amount with respect to the partnership (without regard to whether or not such item or amount appears on the partnership’s return and including an imputed underpayment and any item or amount relating to any transaction with, basis in, or liability of, the partnership) which is relevant (determined without regard to this subchapter) in determining the tax liability of any person under chapter 1, and

“(ii) any partner’s distributive share of any item or amount described in clause (i).”

(b) COORDINATION WITH OTHER CHAPTERS.—

(1) IN GENERAL.—Section 6241 is amended by adding at the end the following new paragraph:

“(9) COORDINATION WITH OTHER CHAPTERS.—

“(A) IN GENERAL.—This subchapter shall not apply with respect to any tax imposed (including any amount required to be deducted or withheld) under chapter 2, 2A, 3, or 4, except that any partnership adjustment determined under this subchapter for purposes of chapter 1 shall be taken into account for purposes of determining any such tax to the extent that such adjustment is relevant to such determination.

“(B) TIMING OF WITHHOLDING.—In the case of any tax imposed (including any amount required to be deducted or withheld) under chapter 3 or 4, which is determined with respect to an adjustment described in subparagraph (A), such tax—

“(i) shall be so determined with respect to the reviewed year, and

“(ii) shall be so imposed (or so required to be deducted or withheld) with respect to the adjustment year.

“(C) STATUTE OF LIMITATION ON ASSESSMENT.—For special rule with respect to limitation on assessment of taxes under chapter 2 or 2A which are attributable to any partnership adjustment, see section 6501(c)(12).”

(2) SPECIAL RULE.—Section 6501(c) is amended by adding at the end the following new paragraph:

“(12) CERTAIN TAXES ATTRIBUTABLE TO PARTNERSHIP ADJUSTMENTS.—In the case of any partnership adjustment determined under subchapter C of chapter 63, the period for assessment of any tax imposed under chapter 2 or 2A which is attributable to such adjustment shall not expire before the date that is 1 year after—

“(A) in the case of an adjustment pursuant to the decision of a court in a proceeding brought under section 6234, such decision becomes final, or

“(B) in any other case, 90 days after the date on which the notice of the final partnership adjustment is mailed under section 6231.”

(c) CONFORMING AMENDMENTS.—

(1) Section 6211(c) is amended to read as follows:

“(c) COORDINATION WITH SUBCHAPTER C.—In determining the amount of any deficiency for purposes of this subchapter, adjustments to partnership-related items shall be made only as provided in subchapter C.”

(2) Section 6221(a) is amended to read as follows:

“(a) IN GENERAL.—Any adjustment to a partnership-related item shall be determined, and any tax attributable thereto shall be assessed and collected, and the applicability of any penalty, addition to tax, or additional amount which relates to an adjustment to any such item shall be determined, at the partnership level, except to the extent otherwise provided in this subchapter.”

(3) Section 6222(a) is amended to read as follows:

“(a) IN GENERAL.—A partner shall, on the partner’s return, treat any partnership-related item in a manner which is consistent with the treatment of such item on the partnership return.”

(4) Section 6226(a)(2) is amended by striking “any adjustment to income, gain, loss, deduction, or credit” and inserting “any adjustment to a partnership-related item”.

(5) Section 6227(a) is amended by striking “items of income, gain, loss, deduction, or credit of the partnership” and inserting “partnership-related items”.

(6) Section 6231(a)(1) is amended by striking “any item of income, gain, loss, deduction, or credit of a partnership for a partnership taxable year” and inserting “any partnership-related item for any partnership taxable year”.

(7) Section 6234(c) is amended by striking “all items of income, gain, loss, deduction, or credit of the partnership” and inserting “all partnership-related items”.

(8) Section 7485(b) is amended by striking “partnership items” and inserting “partnership-related items (as defined in section 6241)”.

SEC. 202. DETERMINATION OF IMPUTED UNDERPAYMENTS.

(a) IN GENERAL.—Section 6225(b) is amended to read as follows:

“(b) DETERMINATION OF IMPUTED UNDERPAYMENTS.—For purposes of this subchapter—

“(1) IN GENERAL.—Except as otherwise provided in this section, any imputed underpayment with respect to any reviewed year shall be determined by the Secretary by—

“(A) appropriately netting all partnership adjustments with respect to such reviewed year, and

“(B) applying the highest rate of tax in effect for the reviewed year under section 1 or 11.

“(2) ADJUSTMENTS TO DISTRIBUTIVE SHARES OF PARTNERS NOT NETTED.—In the case of any adjustment which reallocates the distributive share of any item from one partner to another, such adjustment shall be taken into account by disregarding so much of such adjustment as results in a decrease in the amount of the imputed underpayment.

“(3) ADJUSTMENTS SEPARATELY NETTED BY CATEGORY.—For purposes of paragraph (1)(A), partnership adjustments for any reviewed year shall first be separately determined (and netted as appropriate) within each category of items that are required to be taken into account separately under section 702(a) or other provision of this title.

“(4) LIMITATION ON ADJUSTMENTS THAT MAY BE TAKEN INTO ACCOUNT.—If any adjustment would (but for this paragraph)—

“(A) result in a decrease in the amount of the imputed underpayment, and

“(B) could be subject to any additional limitation under the provisions of this title (or not allowed, in whole or

in part, against ordinary income) if such adjustment were taken into account by any person, such adjustment shall not be taken into account under paragraph (1)(A) except to the extent otherwise provided by the Secretary.”

(b) MODIFICATIONS OF IMPUTED UNDERPAYMENTS.—

(1) Section 6225(c)(3) is amended by striking “without regard to the portion thereof” and inserting “without regard to the portion of the adjustment”.

(2) Section 6225(c)(4)(A) is amended by striking “with respect to any portion of the imputed underpayment” and inserting “with respect to any portion of the adjustment”.

(3) Section 6225(c)(5)(A)(i) is amended by striking “without regard to the portion thereof” and inserting “without regard to the portion of the adjustment”.

(c) CONFORMING AMENDMENTS.—

(1) Section 6225(a) is amended to read as follows:

“(a) IN GENERAL.—In the case of any adjustments by the Secretary to any partnership-related items with respect to any reviewed year of a partnership—

“(1) if such adjustments result in an imputed underpayment, the partnership shall pay an amount equal to such imputed underpayment in the adjustment year as provided in section 6232, and

“(2) if such adjustments do not result in an imputed underpayment, such adjustments shall be taken into account by the partnership in the adjustment year.”

(2) Section 6225(c) is amended by adding at the end the following new paragraph:

“(9) MODIFICATION OF ADJUSTMENTS NOT RESULTING IN AN IMPUTED UNDERPAYMENT.—The Secretary shall establish procedures under which the adjustments described in subsection (a)(2) may be modified in such manner as the Secretary determines appropriate.”

SEC. 203. ALTERNATIVE PROCEDURE TO FILING AMENDED RETURNS FOR PURPOSES OF MODIFYING IMPUTED UNDERPAYMENT.

(a) IN GENERAL.—Section 6225(c)(2) is amended to read as follows:

“(2) PROCEDURES FOR PARTNERS TO TAKE ADJUSTMENTS INTO ACCOUNT.—

“(A) AMENDED RETURNS OF PARTNERS.—Such procedures shall provide that if—

“(i) one or more partners file returns for the taxable year of the partners which includes the end of the reviewed year of the partnership (and for any taxable year with respect to which any tax attribute is affected by reason of any adjustment referred to in clause (ii)),

“(ii) such returns take into account all adjustments under subsection (a) properly allocable to such partners (and the effect of such adjustments on any tax attributes), and

“(iii) payment of any tax due is included with such returns,

then the imputed underpayment amount shall be determined without regard to the portion of the adjustments so taken into account.

“(B) ALTERNATIVE PROCEDURE TO FILING AMENDED RETURNS.—Such procedures shall provide that, with respect to any partner referred to in subparagraph (A), the requirements of subparagraph (A) shall be treated as satisfied with respect to adjustments properly allocable to such partner if, in lieu of filing the returns described in such subparagraph—

“(i) the amounts described in subparagraph (A)(iii) are paid by the partner,

“(ii) the partner agrees to take into account, in the form and manner prescribed by the Secretary, the adjustments to the tax attributes of such partner referred to in subparagraph (A)(ii), and

“(iii) such partner provides, in the form and manner specified by the Secretary (including, if the Secretary so specifies, in the same form as on an amended return), such information as the Secretary may require to carry out this subparagraph.

“(C) REALLOCATION OF DISTRIBUTIVE SHARE.—In the case of any adjustment which reallocates the distributive share of any item from one partner to another, this paragraph shall apply with respect to any such partner only if the requirements of subparagraph (A) or (B) are satisfied with respect to all partners affected by such adjustment.

“(D) APPLICATION OF STATUTE OF LIMITATIONS.—In the case of adjustments referred to in subparagraph (A)(ii), sections 6501 and 6511 shall not apply with respect to any return filed for purposes of subparagraph (A)(i) or any amount paid under subparagraph (A)(iii) or (B)(i).

“(E) ADJUSTMENTS TO TAX ATTRIBUTES BINDING FOR AFFECTED TAXABLE YEARS OF PARTNER.—The adjustments to the tax attributes of any partner provided for in subparagraph (A)(ii) or (B)(ii) shall be binding with respect to the taxable year of the partner which includes the end of the reviewed year of the partnership and any taxable years for which any tax attribute is affected by such adjustment. Any failure to so treat any such tax attribute shall be treated for purposes of this title in the same manner as a failure to treat a partnership-related item in a manner which is consistent with the treatment of such item on the partnership return within the meaning of section 6222.

“(F) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS IN TIERED STRUCTURES.—

“(i) IN GENERAL.—In the case of any partnership any partner of which is a partnership, subparagraph (A) or (B) may apply with respect to any partner (hereafter in this subparagraph referred to as the ‘relevant partner’) in the chain of ownership of such partnerships if—

“(I) such information as the Secretary may require is furnished to the Secretary for purposes of carrying out this paragraph with respect to such

partnerships (including any information the Secretary may require with respect to any chain of ownership of the relevant partner), and

“(II) to such extent as the Secretary may require, each partnership in the chain of ownership between the relevant partner and the audited partnership satisfies the requirements of subparagraph (A) or (B).

“(ii) TREATMENT OF S CORPORATIONS.—For purposes of clause (i), an S corporation and its shareholders shall be treated in the same manner as a partnership and its partners.”.

(b) CONFORMING AMENDMENT.—Section 6201(a)(1) is amended by inserting “(or payments under section 6225(c)(2)(B)(i))” after “returns or lists”.

SEC. 204. TREATMENT OF PASSTHROUGH PARTNERS IN TIERED STRUCTURES.

(a) IN GENERAL.—Section 6226(b) is amended by adding at the end the following new paragraph:

“(4) TREATMENT OF PARTNERSHIPS AND S CORPORATIONS IN TIERED STRUCTURES.—

“(A) IN GENERAL.—If a partner which receives a statement under subsection (a)(2) is a partnership or an S corporation, such partner shall, with respect to the partner’s share of the adjustment—

“(i) file with the Secretary a partnership adjustment tracking report which includes such information as the Secretary may require, and

“(ii)(I) furnish statements under rules similar to the rules of subsection (a)(2), or

“(II) if no such statements are furnished, compute and pay an imputed underpayment under rules similar to the rules of section 6225 (other than paragraphs (2), (7), and (9) of subsection (c) thereof).

“(B) DUE DATE.—For purposes of subparagraph (A), with respect to a partner’s share of the adjustment, the partnership adjustment tracking report shall be filed, and the imputed underpayment shall be paid or statements shall be furnished, not later than the due date for the return for the adjustment year of the audited partnership.

“(C) PARTNERSHIP PAYMENT OF TAX IF ELECTED OUT OF SUBCHAPTER.—In the case of a partnership which has elected the application of section 6221(b) with respect to the taxable year of the partnership which includes the end of the reviewed year of the audited partnership, this paragraph shall apply notwithstanding such election.

“(D) AUDITED PARTNERSHIP.—For purposes of this paragraph, the term ‘audited partnership’ means, with respect to any partner described in subparagraph (A), the partnership in the chain of ownership originally electing the application of this section.

“(E) TREATMENT OF TRUSTS.—The Secretary shall prescribe such rules as may be necessary with respect to trusts which receive a statement under subsection (a)(2).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 6226(b)(1) is amended by striking “Each partner’s” and inserting “Except as provided in paragraph (4), each partner’s”.

(2) Section 6226(c)(2) is amended by inserting “or which is described in subsection (b)(4)(A)(ii)(I),” after “is elected,”.

SEC. 205. TREATMENT OF FAILURE OF PARTNERSHIP TO PAY IMPUTED UNDERPAYMENT.

(a) IN GENERAL.—Section 6232 is amended by adding at the end the following new subsection:

“(f) FAILURE TO PAY IMPUTED UNDERPAYMENT.—

“(1) IN GENERAL.—If any amount of any imputed underpayment to which section 6225 applies or any specified similar amount (or any interest or penalties with respect to any such amount) has not been paid by the date which is 10 days after the date on which the Secretary provides notice and demand for such payment—

“(A) section 6621(a)(2)(B) shall be applied by substituting ‘5 percentage points’ for ‘3 percentage points’ with respect to such amount, and

“(B) the Secretary may assess upon each partner of the partnership (determined as of the close of the adjustment year or, if the partnership has ceased to exist as of such time, the former partners of the partnership as determined for purposes of section 6241(7)) a tax equal to such partner’s proportionate share of such amount (including any such interest or penalties, determined after application of subparagraph (A)).

“(2) SPECIFIED SIMILAR AMOUNT.—For purposes of this subsection, the term ‘specified similar amount’ means—

“(A) the amount described in subclause (II) of section 6226(b)(4)(A)(ii) (including any failure to satisfy the requirement of subclause (I) of such section which is treated as a failure to pay such amount under section 6651(i)), and

“(B) any amount assessed under paragraph (1)(B) upon a partner which is a partnership.

“(3) PROPORTIONATE SHARE.—For purposes of paragraph (1), a partner’s proportionate share is such percentage as the Secretary may determine on the basis of such partner’s distributive share. The Secretary shall make determinations under the preceding sentence such that the aggregate proportionate shares so determined total 100 percent.

“(4) COORDINATION WITH PARTNERSHIP LIABILITY.—The liability of the partnership for any amount with respect to which a partner is made liable under paragraph (1) shall be reduced upon payment by the partner of such amount. Paragraph (1)(B) shall not apply with respect to any amount after the date on which such amount is paid by the partnership.

“(5) S CORPORATIONS.—For purposes of this subsection, an S corporation and its shareholders shall be treated in the same manner as a partnership and its partners.

“(6) RULES RELATED TO ASSESSMENT AND COLLECTION.—

“(A) DEFICIENCY PROCEDURES NOT APPLICABLE.—Subchapter B shall not apply to any assessment or collection under this paragraph.

“(B) LIMITATION ON ASSESSMENT.—Except as otherwise provided in this subtitle, no assessment may be made (or proceeding in court begun without assessment) with respect to any partner with respect to an amount under paragraph (1) after the date which is 2 years after the date on which the Secretary provides the notice and demand referred to in paragraph (1) with respect to such amount.”.

(b) CONFORMING AMENDMENT.—Section 6501(c)(4)(A) is amended by striking “in this section”.

SEC. 206. OTHER TECHNICAL CORRECTIONS RELATED TO PARTNERSHIP AUDIT RULES.

(a) LIMITATION ON AMENDMENT OF STATEMENTS FURNISHED TO PARTNERS NOT APPLICABLE TO PARTNERSHIPS ELECTING OUT OF PARTNERSHIP AUDIT RULES.—Section 6031(b) is amended by striking the last sentence and inserting the following: “Information required to be furnished by the partnership under this subsection may not be amended after the due date of the return under subsection (a) to which such information relates, except—

“(1) in the case of a partnership which has elected the application of section 6221(b) for the taxable year,

“(2) as provided in the procedures under section 6225(c),

“(3) with respect to statements under section 6226, or

“(4) as otherwise provided by the Secretary.”.

(b) ADMINISTRATIVE ADJUSTMENT REQUEST AND PARTNERSHIP ADJUSTMENT TRACKING REPORT NOT TREATED AS AMENDED RETURN FOR PURPOSES OF MODIFICATION OF IMPUTED UNDERPAYMENTS.—Section 6225(c)(2), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subparagraph:

“(F) ADJUSTMENTS NOT TREATED AS AMENDED RETURN.—An administrative adjustment request under section 6227 and a partnership adjustment tracking report under section 6226(b)(4)(A) shall not be treated as a return for purposes of this paragraph.”.

(c) AUTHORITY TO REQUIRE E-FILED OF MATERIALS IN CONNECTION WITH MODIFICATION OF IMPUTED UNDERPAYMENTS, ETC.—Section 6241, as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(10) AUTHORITY TO REQUIRE ELECTRONIC FILING.—Notwithstanding section 6011(e), the Secretary may require that anything required to be filed or submitted under section 6225(c), or to be furnished to or filed with the Secretary under section 6226, be so filed, submitted, or furnished by magnetic media or in other machine-readable form.”.

(d) CLARIFICATION OF ASSESSMENT AUTHORITY.—Section 6226(a) is amended by inserting “(and no assessment of tax, levy, or proceeding in any court for the collection of such underpayment shall be made against such partnership)” after “section 6225 shall not apply with respect to such underpayment”.

(e) TREATMENT OF PARTNERSHIP ADJUSTMENTS THAT RESULT IN DECREASE IN TAX IN CASE OF ELECTION TO PUSH OUT ADJUSTMENTS.—Section 6226(b) is amended—

(1) by striking “increased” in paragraph (1) and inserting “adjusted”,

(2) by striking “adjustment amounts” each place it appears in paragraphs (1) and (2) and inserting “correction amounts”,

(3) by striking “increase” each place it appears in subparagraphs (A) and (B) of paragraph (2) and inserting “increase or decrease”,

(4) by striking “plus” at the end of paragraph (2)(A) and inserting “and”, and

(5) by striking “ADJUSTMENT AMOUNTS” in the heading of paragraph (2) and inserting “CORRECTION AMOUNTS”.

(f) COORDINATION OF STATUTE OF LIMITATION ON FILING ADMINISTRATION ADJUSTMENT REQUEST WITH ADJUSTMENTS RELATED TO FOREIGN TAX CREDITS.—Section 6227 is amended by adding at the end the following new subsection:

“(d) COORDINATION WITH ADJUSTMENTS RELATED TO FOREIGN TAX CREDITS.—The Secretary shall issue regulations or other guidance which provide for the proper coordination of this section and section 905(c).”.

(g) CLARIFICATION OF ASSESSMENT OF IMPUTED UNDERPAYMENTS.—

(1) IN GENERAL.—Section 6232(a) is amended by striking “except that in the case of” and all that follows and inserting the following: “except that—

“(1) subchapter B of chapter 63 shall not apply, and

“(2) in the case of an administrative adjustment request to which section 6227(b)(1) applies, the underpayment shall be paid and may be assessed when the request is filed.”.

(2) CONFORMING AMENDMENT.—Section 6232(b) is amended—

(A) by striking “assessment of a deficiency” and inserting “assessment of an imputed underpayment”, and

(B) by adding at the end the following new flush matter:

“The preceding sentence shall not apply in the case of a specified similar amount (as defined in subsection (f)(2)).”.

(h) TIME LIMITATION FOR NOTICE OF PROPOSED ADJUSTMENT.—

(1) IN GENERAL.—Section 6231 is amended by redesignating subsections (b) and (c) as subsections (c) and (d), respectively, and by inserting after subsection (a) the following new subsection:

“(b) TIMING OF NOTICES.—

“(1) NOTICE OF PROPOSED PARTNERSHIP ADJUSTMENT.—Any notice of a proposed partnership adjustment shall not be mailed later than the date determined under section 6235 (determined without regard to paragraphs (2) and (3) of subsection (a) thereof).

“(2) NOTICE OF FINAL PARTNERSHIP ADJUSTMENT.—

“(A) IN GENERAL.—Except to the extent that the partnership elects to waive the application of this subparagraph, any notice of a final partnership adjustment shall not be mailed earlier than 270 days after the date on which the notice of the proposed partnership adjustment is mailed.

“(B) STATUTE OF LIMITATIONS ON ADJUSTMENT.—For the period of limitations on making adjustments, see section 6235.”.

(2) CONFORMING AMENDMENT.—Section 6231(a) is amended by striking “Any notice of a final partnership adjustment” and all that follows through “Such notices” and inserting “Any notice of a final partnership adjustment”.

(i) DEPOSIT TO SUSPEND INTEREST ON IMPUTED UNDERPAYMENT.—Section 6233 is amended by adding at the end the following new subsection:

“(c) DEPOSIT TO SUSPEND INTEREST.—For rules allowing deposits to suspend running of interest on potential underpayments, see section 6603.”.

(j) DEPOSIT TO MEET JURISDICTIONAL REQUIREMENT.—The first sentence of section 6234(b) is amended by striking “the amount of the imputed underpayment (as of the date of the filing of the petition)” and inserting “the amount of (as of the date of the filing of the petition) the imputed underpayment, penalties, additions to tax, and additional amounts with respect to such imputed underpayment”.

(k) CORRECTIONS RELATED TO PERIOD OF LIMITATION ON MAKING ADJUSTMENTS.—

(1) Section 6235(a) is amended—

(A) by inserting “or section 905(c)” after “Except as otherwise provided in this section”, and

(B) by striking “subpart” and inserting “subchapter”.

(2) Section 6235(a)(3) is amended by striking “section 6225(c)(7)” and inserting “section 6225(c)(7)”.

(3) Section 6235(c)(2) is amended by striking “section 6501(e)(1)(A)” and inserting “subparagraph (A) or (C) of section 6501(e)(1)”.

(4) Section 6235(c) is amended by adding at the end the following new subparagraphs:

“(5) INFORMATION REQUIRED TO BE REPORTED.—In the case of a partnership that is required to report any information described in section 6501(c)(8), the time for making any adjustment under this subchapter with respect to any tax return, event, or period to which such information relates shall not expire before the date that is determined under section 6501(c)(8).

“(6) LISTED TRANSACTIONS.—If a partnership fails to include on any return or statement any information with respect to a listed transaction as described in section 6501(c)(10), the time for making any adjustment under this subchapter with respect to such transaction shall not expire before the date that is determined under section 6501(c)(10).”.

(5) Section 6235 is amended by striking subsection (d).

(l) TREATMENT OF SPECIAL ENFORCEMENT MATTERS.—Section 6241, as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(11) TREATMENT OF SPECIAL ENFORCEMENT MATTERS.—

“(A) IN GENERAL.—In the case of partnership-related items which involve special enforcement matters, the Secretary may prescribe regulations pursuant to which—

“(i) this subchapter (or any portion thereof) does not apply to such items, and

“(ii) such items are subject to such special rules (including rules related to assessment and collection) as the Secretary determines to be necessary for the effective and efficient enforcement of this title.

“(B) SPECIAL ENFORCEMENT MATTERS.—For purposes of subparagraph (A), the term ‘special enforcement matters’ means—

“(i) failure to comply with the requirements of section 6226(b)(4)(A)(ii),

“(ii) assessments under section 6851 (relating to termination assessments of income tax) or section 6861 (relating to jeopardy assessments of income, estate, gift, and certain excise taxes),

“(iii) criminal investigations,

“(iv) indirect methods of proof of income,

“(v) foreign partners or partnerships, and

“(vi) other matters that the Secretary determines by regulation present special enforcement considerations.”

(m) UNITED STATES SHAREHOLDERS AND CERTAIN OTHER PERSONS TREATED AS PARTNERS.—Section 6241, as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

“(12) UNITED STATES SHAREHOLDERS AND CERTAIN OTHER PERSONS TREATED AS PARTNERS.—

“(A) IN GENERAL.—Except as otherwise provided by the Secretary, in the case of any controlled foreign corporation (as defined in section 957 or 953(c)(1)) which is a partner of a partnership, each United States shareholder (as defined in section 951(b) or 953(c)(1)) with respect to such controlled foreign corporation shall be treated for purposes of this subchapter as a partner of such partnership. For purposes of the preceding sentence, any distributive share of any such United States shareholder with respect to such partnership shall, except as otherwise provided by the Secretary, be equal to such United States shareholder’s pro rata share with respect to such controlled foreign corporation (determined under rules similar to the rules of section 951(a)(2)).

“(B) PASSIVE FOREIGN INVESTMENT COMPANIES.—For purposes of subparagraph (A), in the case of a passive foreign investment company (as defined in section 1297), each taxpayer that makes an election under section 1295 with respect to such company shall be treated in the same manner as United States shareholders under subparagraph (A), except that such taxpayer’s pro rata share with respect to the passive foreign investment company shall be determined under rules similar to the rules of section 1293(b).

“(C) REGULATIONS OR OTHER GUIDANCE.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this paragraph, including regulations which apply the rules of subparagraph (A) in similar circumstances or with respect to similarly situated persons.”

(n) PENALTIES RELATED TO ADMINISTRATIVE ADJUSTMENT REQUESTS AND PARTNERSHIP ADJUSTMENT TRACKING REPORTS.—

(1) FAILURE TO PAY.—Section 6651 is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) APPLICATION TO IMPUTED UNDERPAYMENT.—For purposes of this section, any failure to comply with section 6226(b)(4)(A)(ii) shall be treated as a failure to pay the amount described in subclause (II) thereof and such amount shall be treated for purposes

of this section as an amount shown as tax on a return specified in subsection (a)(1).”.

(2) FAILURE TO FILE PARTNERSHIP ADJUSTMENT TRACKING REPORT.—Section 6698(a) is amended—

(A) in the matter preceding paragraph (1) by inserting “, or a partnership adjustment tracking report under section 6226(b)(4)(A),” after “under section 6031”,

(B) in paragraph (1) by inserting “, or such report,” after “such return”, and

(C) in paragraph (2)—

(i) by inserting “or a report” after “a return”, and

(ii) by inserting “or 6226(b)(4)(A), respectively”

before the comma at the end.

(3) TAX RETURN PREPARER RELATED PENALTIES.—Section 6696(e)(1) is amended by inserting “, any administrative adjustment request under section 6227, and any partnership adjustment tracking report under section 6226(b)(4)(A)” before the period at the end.

(4) FRIVOLOUS TAX SUBMISSIONS.—Section 6702 is amended by adding at the end the following new subsection:

“(f) PARTNERSHIP ADJUSTMENTS.—An administrative adjustment request under section 6227 and a partnership adjustment tracking report under section 6226(b)(4)(A) shall be treated as a return for purposes of this section.”.

(o) ADJUSTED SCHEDULE K-1 TREATED AS PAYEE STATEMENT.—Section 6724(d)(2) is amended by striking “or” at the end of subparagraph (HH), by striking the period at the end of subparagraph (II) and inserting “, or”, and by inserting after subparagraph (II) the following new subparagraph:

“(JJ) section 6226(a)(2) (relating to statements relating to alternative to payment of imputed underpayment by partnership) or under any other provision of this title which provides for the application of rules similar to such section.”.

(p) OTHER CLERICAL CORRECTIONS.—

(1) Section 6225(c)(7) is amended by striking “submitted pursuant to paragraph (1)” and inserting “filed or submitted under this subsection”.

(2) Section 6227(b) is amended by striking “is made” both places it appears and inserting “is filed”.

(3) Section 6227(b)(1) is amended by striking “paragraphs (2), (6), and (7)” and inserting “paragraphs (2), (7), and (9)”.

(4) Section 6232(b) is amended by striking “this chapter” and inserting “this subtitle (other than subchapter B of this chapter)”.

(5) Section 6232(d)(1)(A) is amended by striking “a item” and inserting “an item”.

(6) Section 6232(e) is amended by striking “thereof”.

(7) Section 6241(5) is amended by striking “sections 6234” and inserting “section 6234”.

(8) Section 7485(b) is amended by striking “a partner” and inserting “the partnership”.

(9) The heading of the first part of subchapter C of chapter 63 is amended to read as follows:

“PART I—IN GENERAL”.

(10) The heading of the second part of subchapter C of chapter 63 is amended to read as follows:

“PART II—PARTNERSHIP ADJUSTMENTS”.

(11) The heading of the third part of subchapter C of chapter 63 is amended to read as follows:

“PART III—PROCEDURE”.

(12) The heading of the fourth part of subchapter C of chapter 63 is amended to read as follows:

“PART IV—DEFINITIONS AND SPECIAL RULES”.

SEC. 207. EFFECTIVE DATE.

The amendments made by this title shall take effect as if included in section 1101 of the Bipartisan Budget Act of 2015.

TITLE III—OTHER CORRECTIONS

SEC. 301. AMENDMENTS RELATING TO THE BIPARTISAN BUDGET ACT OF 2015.

(a) AMENDMENTS RELATING TO SECTION 1101.—

(1) Section 6011(e) is amended by adding at the end the following new paragraph:

“(5) SPECIAL RULES FOR PARTNERSHIPS.—

“(A) PARTNERSHIPS PERMITTED TO BE REQUIRED TO FILE ON MAGNETIC MEDIA.—In the case of a partnership, paragraph (2)(A) shall be applied by substituting for ‘250’ the following amount:

“(i) In the case of returns and statements relating to calendar year 2018, ‘200’.

“(ii) In the case of returns and statements relating to calendar year 2019, ‘150’.

“(iii) In the case of returns and statements relating to calendar year 2020, ‘100’.

“(iv) In the case of returns and statements relating to calendar year 2021, ‘50’.

“(v) In the case of returns and statements relating to calendar years after 2021, ‘20’.

“(B) PARTNERSHIPS REQUIRED TO FILE ON MAGNETIC MEDIA.—Notwithstanding subparagraph (A) and paragraph (2)(A), the Secretary shall require partnerships having more than 100 partners to file returns on magnetic media.”.

(2) Section 6011(e)(2) is amended by striking the last sentence.

(b) **EFFECTIVE DATE.—**The amendments made by this section shall take effect as if included in section 1101 of the Bipartisan Budget Act of 2015.

SEC. 302. AMENDMENTS RELATING TO THE ENERGY POLICY ACT OF 2005.

(a) AMENDMENTS RELATING TO SECTION 1253.—