



COMMISSIONER  
LARGE BUSINESS AND  
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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MEMORANDUM FOR ALL LB&I AND SB/SE FRONTLINE MANAGERS AND  
EXAMINERS

FROM: Douglas W. O'Donnell /s/ Douglas W. O'Donnell  
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SUBJECT: Interim Guidance on Administrative Adjustment Requests  
(AAR) under the Bipartisan Budget Act of 2015 (BBA)  
Centralized Partnership Audit Regime

**Purpose:** The purpose of this memorandum is to issue interim guidance to LB&I and SB/SE employees on the process of filing and examining an Administrative Adjustment Request (AAR) under the BBA centralized partnership audit regime.

**Background/Source(s) of Authority:** Section 1101 of the BBA repealed the TEFRA partnership procedures and the Electing Large Partnership provisions replacing them with an entirely new centralized partnership audit regime. The centralized partnership audit regime generally provides for determination of adjustments, and assessment and collection of tax attributable to such adjustments, at the partnership level. In general, the centralized partnership audit regime is effective for tax years beginning on or after January 1, 2018. Section 1101(g)(4) of the BBA further provides that partnerships may elect to have the BBA centralized partnership audit regime apply to partnership returns filed for tax periods beginning after November 2, 2015 and before January 1, 2018.

**Procedural Change:** See the attached *Revenue Agent Guidance for Administrative Adjustment Requests (AAR) under the Bipartisan Budget Act of 2015 (BBA) Centralized Partnership Audit Regime*.

**Effect on Other Documents:** This guidance will be incorporated into IRM 4.31 and 4.46 by a date not to exceed two years from the date of this memorandum.

If you have questions or need additional information, please contact David Caizzi, LB&I or Janice Mueller, SB/SE.

Attachment:

*Revenue Agent Guidance for Administrative Adjustment Requests (AAR) under the Bipartisan Budget Act of 2015 (BBA) Centralized Partnership Audit Regime.*

Distribution:

[IRS.gov \(http://www.irs.gov\)](http://www.irs.gov)

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## **Revenue Agent Guidance for Administrative Adjustment Requests (AAR) under the Bipartisan Budget Act of 2015 (BBA) Centralized Partnership Audit Regime**

This interim guidance describes procedures for revenue agents and managers when an AAR is filed under the BBA centralized partnership audit regime (BBA AAR). This interim guidance will focus on the procedures for AARs filed for tax periods beginning and ending during 2018 as well as with respect to partnership taxable years beginning after November 2, 2015 and before January 1, 2018 where the partnership elects to be subject to the BBA centralized partnership audit regime for such taxable year.

### **Background**

Section 1101 of the BBA repealed the TEFRA partnership procedures and the Electing Large Partnership provisions and replaced them with an entirely new centralized partnership audit regime. The centralized partnership audit regime generally provides for determination of adjustments, and assessment and collection of tax attributable to such adjustments, at the partnership level unless certain elections are made by the partnership.

Under Section 6227 as amended by the BBA, partnerships that are subject to the centralized partnership audit regime and that become aware of incorrect items of income, gain, loss, deduction, or credit and any partner's distributive share thereof may file an AAR to correct their previously filed partnership return.

In general, the centralized partnership audit regime is effective for tax years beginning on or after January 1, 2018.

Section 1101(g)(4) of the BBA provides that a partnership may elect for the centralized partnership audit regime to apply to any return of the partnership filed for an eligible tax year. An eligible tax year is any tax period beginning after November 2, 2015 and before January 1, 2018. Temporary regulations §301.9100-22T provide that a partnership may make the election under Section 1101(g)(4). In June 2017, [Interim Guidance #LB&I-04-0617-003](#) was issued to provide Revenue Agents guidance to examine partnerships making an election into BBA under §301.9100-22T.

Section 301.9100-22T and Interim Guidance #LB&I-04-0617-003 provide that a partnership may file a BBA AAR for an eligible tax year to have the BBA centralized partnership audit regime apply to that tax year. A partnership may not file a BBA AAR solely for the purpose of changing the designation of the partnership representative as described in Section 6223 as amended by the BBA.

### **Who may file a BBA AAR?**

Only partnerships may file a BBA AAR. A partner may not file a BBA AAR unless the partner is acting in the capacity of the partnership representative for the partnership as described in Section 6223 as amended by the BBA or the partner is the Tax Matters Partner filing an AAR

## **Attachment - IG Control # LB&I-04-0418-009**

for an eligible tax year together with an election into the centralized partnership audit regime. See §301.9100-22T(b)(2)(ii).

### **What is the time period for filing a BBA AAR?**

Generally, under Section 6227(c) as amended by BBA, a partnership may file a BBA AAR within 3 years after the later of (1) the date of filing the partnership return, or (2) the due date of the return without regard to extensions.

A partnership that receives a notification of selection for examination (Letter 2205-D) for partnership taxable years beginning after November 2, 2015 and before January 1, 2018 may elect to apply the centralized partnership audit regime to the partnership return filed for that tax year within 30 days from the date of the Letter 2205-D. Once a valid election is made, the partnership may then file a BBA AAR.

A partnership that receives a Letter 2205-D for a tax year beginning on or after January 1, 2018 may also file a BBA AAR.

However, in no event, may a partnership file a BBA AAR after a Notice of Administrative Proceeding (Letters 5893 and 5893-A) has been mailed by the IRS for that partnership taxable year.

### **Where should a BBA AAR be filed?**

A BBA AAR should be filed with the IRS service center where the original return was filed. In the case of a BBA AAR filed for a tax year selected for examination, the agent may request that the partnership provide a copy of the filed BBA AAR to the examiner or inform the examiner that an BBA AAR has been filed.

### **Special rule when filing an AAR to elect into BBA for tax periods beginning after November 2, 2015 and before January 1, 2018**

If the AAR is filed electronically, the partnership uses Form 1065, U.S. Return of Partnership Income, and Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), includes the statement "Election under Section 1101(g)(4)" and attaches a statement with the required information. The 2017 instructions to Form 8082 provide details on requirements.

If the AAR is filed on paper, the partnership uses Form 1065X, Amended Return or Administrative Adjustment Request (AAR), writes across the top of the Form 1065X "Election under Section 1101(g)(4)", and attaches a statement with the required information. The 2017 instructions to Form 1065X provide details on requirements.

For information regarding eligibility to elect into the centralized partnership audit procedures and for how to make an election, see §301.9100-22T and [Interim Guidance #LB&I-04-0617-003](#).

**Form and manner for filing a BBA AAR for tax periods beginning and ending during 2018 before publication of 2018 forms and instructions**

A partnership with a short period partnership tax year that both begins and ends in 2018 may file a BBA AAR as long as the partnership did not make an election out of the centralized partnership audit regime under Section 6221(b) as amended by the BBA on its 2018 Form 1065. The 2018 instructions to the Form 8082 (if filing an electronic AAR) and Form 1065X (if filing a paper AAR) provide details on the form and manner for filing a BBA AAR for a 2018 short period.

**Audit Regime Scenarios**

The following table describes the various scenarios for which an AAR may be filed on or after January 1, 2018 and the applicable audit regime to be applied.

<u>Scenario</u>	<u>Tax Periods Beginning</u>	<u>Filing Date</u>	<u>IRS Audit Regime</u>
(1) AAR/Amended Return filed <b>without</b> an election into the BBA centralized partnership audit regime	After 11/2/15 and Before 1/1/18	On or After 1/1/2018	TEFRA/NonTEFRA regime <i>Refer to AAR help file 12-22-2012-TEFRA on TEFRA Website</i>
(2) AAR filed <b>with</b> a valid election into the BBA centralized partnership audit regime and tax year has not received a notification of selection for examination	After 11/2/15 and Before 1/1/18	On or After 1/1/2018	The BBA centralized partnership audit regime
(3) AAR filed by a partnership that made a valid election into the BBA centralized partnership audit regime upon notification of selection for examination	After 11/2/15 and Before 1/1/18	Before the Notice of Administrative Proceeding is mailed	The BBA centralized partnership audit regime
(4) AAR filed by a partnership that <b>did not</b> elect out of the BBA centralized partnership audit regime under Section 6221(b)	On or After 1/1/2018	On or After 1/1/2018	The BBA centralized partnership audit regime

<u>Scenario</u>	<u>Tax Periods Beginning</u>	<u>Filing Date</u>	<u>IRS Audit Regime</u>
(5) Amended return filed by a partnership that <b>did</b> elect out of the BBA centralized partnership audit regime under Section 6221(b)	On or After 1/1/2018	On or After 1/1/2018	The Non-BBA partnership audit regime <i>Taxpayer cannot file an AAR, they must file amended returns.</i>

**What should a revenue agent do if they are assigned a BBA AAR for examination that was filed with the service center on or after 1/1/2018?**

- Immediately notify the IRS “BBA Point(s) of Contact (BBA POC)”. The BBA POC will assist the examiner on how to:
  - Confirm that the BBA AAR is valid and includes all of the information required by the statute and applicable regulations.
  - Confirm that the BBA AAR is timely filed. Ensure that the BBA AAR was filed before the issuance of the NAP when the tax year is under examination.
  - Proceed with the examination.

**What should a revenue agent do if they receive a BBA AAR directly from the taxpayer they are auditing?**

- Immediately notify the BBA POC. The BBA POC will assist the examiner on how to do the following and determine next steps:
  - Confirm that the BBA AAR was filed with the Service Center and assist the agent with requesting a copy from the Service Center for reconciliation purposes.
  - Confirm that the BBA AAR is valid and includes all the information required by the statute and applicable regulations.
  - Confirm that the BBA AAR is timely filed. Ensure that the BBA AAR was filed before the issuance of the NAP when the tax year is under examination.

**What is the role of the BBA POC?**

- Monitor elections; and/or
- Provide subject matter expertise regarding all aspects of the BBA centralized partnership audit regime.

**Where does a revenue agent find the BBA POC?**

The link below provides the list of current BBA POCs  
 IRS “BBA Point(s) of Contact ([BBA POC](#))”