



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

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SUBJECT: Updated Interim Guidance on Administrative Adjustment Requests (AAR) under the Bipartisan Budget Act of 2015 (BBA) Centralized Partnership Audit Regime

This memorandum supersedes Interim Guidance Memo LB&I-04-0418-009, Interim Guidance of Administrative Adjustment Requests (AAR) under the Bipartisan Budget Act of 2015 (BBA) Centralized Partnership Audit Regime. With the issuance of this guidance, that Interim Guidance Memo LB&I-04-0418-009 is now obsolete.

Due to the fact that all BBA AARs examined require a BBA POC mandatory referral, statute control and update should be considered as part of that consultation.

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Background/Source(s) of Authority: Section 1101 of the BBA repealed the TEFRA partnership procedures and the Electing Large Partnership provisions replacing them with an entirely new centralized partnership audit regime.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 4.31.9 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 your Technical Services Passthrough Coordinator, 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)

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 applies to partnerships for taxable years beginning after December 31, 2017 and partnerships that elect into the BBA regime for taxable years beginning after November 2, 2015 and before January 1, 2018.

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 and related subsequent legislation, partnerships that are subject to the centralized partnership audit regime may file a request for an administrative adjustment of one or more partnership-related items 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. Treas. Reg. §301.9100-22 provides that a partnership may make the election under Section 1101(g)(4). In July 2019, Interim Guidance LB&I-04-0719-006 was issued to provide revenue agents guidance to examine partnerships making an election into BBA under §301.9100-22.

Within certain parameters, Treas. Reg. §301.9100-22 and Interim Guidance LB&I-04-0719-006 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 for an eligible tax year together with an election into the centralized partnership audit regime. See §301.9100-22(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 has not received 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 by filing a BBA AAR (with an appropriate statement) on or after January 1, 2018.

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 has not validly elected out of the centralized partnership audit regime and 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 after being selected for examination (but before a notice of administrative proceeding or “NAP” has been issued), the partnership should also provide a copy of the BBA AAR to the revenue agent.

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, marks the amended return box, and Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), marks the BBA AAR box in Part I, completes the appropriate items a-e, includes the statement “Election under Section 1101(g)(4)” and attaches a statement with the required information. Other areas of both forms should be completed as appropriate and required. The 2019 instructions to Forms 1065 and 8082 provide details on requirements.

If the AAR is filed on paper, the partnership uses Form 1065X, Amended Return or Administrative Adjustment Request (AAR), marks the BBA AAR box in Part I, completes the

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appropriate items a-e in Section 2, completes Part IV (if necessary), writes across the top of the Form 1065X "Election under Section 1101(g)(4)", and attaches a statement with the required information. Other areas of the Form 1065X should be completed as appropriate and required. The 2019 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 Treas. Reg. §301.9100-22 and Interim Guidance LB&I-04-0719-006. (Note: Interim Guidance LB&I-04-0719-006 will expire on July 3, 2020. After that date, consult IRM 4.31.9.)

Form and manner for filing a short-period BBA AAR for tax periods beginning after December 31, 2017

A partnership with a short period partnership tax year that begins after December 31, 2017 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 tax return for the short year filing.

Audit Regime Scenarios

The following table describes the various scenarios for which an AAR may be filed 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 without 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
(2) AAR filed with 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

<u>Scenario</u>	<u>Tax Periods Beginning</u>	<u>Filing Date</u>	<u>IRS Audit Regime</u>
(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 did not 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
(5) Amended return filed by a partnership that validly elected 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/ILSC* partnership audit regime <i>Taxpayer cannot file an AAR, they must file amended returns.</i> *ILSC means investor level statute control

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.
 - Discuss if an update to the statute of limitations (SOL) on making adjustments under IRC §6235(a)(1)(C) is appropriate and if so, how to update that SOL.
 - 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 whether the BBA AAR was filed with the Service Center and if so, assist the agent with requesting a copy from the Service Center for reconciliation purposes. If the taxpayer files the original BBA AAR directly with the examining

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- agent, the agent should date stamp the AAR, make a copy for the case file and forward the AAR to the Service Center where the original return was filed.
- 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.
 - Discuss if an update to the statute of limitations (SOL) on making adjustments under IRC §6235(a)(1)(C) is appropriate and if so, how to update that SOL.

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 \(BBA POC\)](#)"