

ID: CCA_2021112409224143

[Third Party Communication:

UILC: 6225.01-00

Date of Communication: Month DD, YYYY]

Number: **202148006**

Release Date: 12/3/2021

From: [REDACTED]

Sent: Wednesday, November 24, 2021 9:22:41 AM

To: [REDACTED]

Cc: [REDACTED]

Bcc:

Subject: RE: Basis Adjustment

Good morning!

If we adjust any partnership-related item (PRI) that is a “money number” on the Form 1065 or in the partnership’s books and records, it goes into the calculation of the IU. An adjustment to an item that is not an item of income, gain, loss, deduction, or credit (i.e. “non-income item”) is always a positive adjustment. See 301.6225-1(d)(2) (definition of positive and negative adjustments). Under BBA, all adjustments are adjustments and whether an adjustment is included in the IU calculation does not at all depend on whether/how/if the item would be taxed at the partner level. It only matters if we make a change to a “money number” (adjustments to “non-money numbers” like gallons for the fuel credit are always adjustments that do not result in an IU). If any adjustment is duplicative or included within another adjustment (ex. a reduction in an expense and an increase in assets if an item was expensed instead of capitalized), the IRS can treat one of those adjustments as zero, solely for purposes of calculating the IU, if it makes sense to do so in that case. See 301.6225-1(b)(4).

If you are adjusting the partnership’s inside basis in its assets (i.e. the amounts on the Sch L of the Form 1065 and/or in its books and records), that is a non-income item adjustment and it would be a positive adjustment going into the calculation of the IU. A partner’s outside basis in the partnership is not a PRI as it is not on the partnership return nor it is required to be maintained in the partnership’s books and records. See 301.6241-1(a)(6)(iii). So if you want to adjust the partner’s outside basis, that would be done outside of BBA (if you are going to do this, call me).

You will need to say which specific adjustments are subject to which penalty unless a penalty is applicable to all the adjustments.

Please let me know if you have any additional questions.

Happy Thanksgiving!

Thanks,
Jenni

Jenni Black
Senior Counsel
CC:PA:07
Phone: