



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

8.19.7

MAY 13, 2025

EFFECTIVE DATE

(05-13-2025)

PURPOSE

- (1) This transmits revised IRM 8.19.7, *Administrative Adjustment Request*.

MATERIAL CHANGES

- (1) Added new IRM section, Program Scope and Objectives, and its related subsections to comply with the Deputy Commissioner of Services and Enforcement and Operations Support memo, dated September 14, 2016, entitled Heightened Awareness, Sensitivity and Understanding of Internal Controls.
- (2) Added Taxpayer Bill of Rights (TBOR) content based on guidance from the Division Counsel/ Associate Chief Counsel (National Taxpayer Advocate Program) and Branch 3 of the Associate Chief Counsel (Procedure and Administration) to the Related Resources section of the Internal Controls.
- (3) Added the following statement to the Related Resources section of the Internal Controls: "In accordance with IRM 25.30.2.3, Statement of Commitment, Appeals will work collaboratively with the Taxpayer Advocate Service (TAS) to enhance the taxpayer experience. For more information, see IRM 25.30.2, Service Level Agreement between the IRS Independent Office of Appeals and the Taxpayer Advocate Service."

EFFECT ON OTHER DOCUMENTS

IRM 8.19.7 dated March 19, 2015 is superseded.

AUDIENCE

All IRS Independent Office of Appeals employees working with TEFRA partnership returns and TEFRA partners.

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Director, Specialized Examination Programs and Referrals

8.19.7

Administrative Adjustment Request

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8.19.7.1
(05-13-2025)
Program Scope and Objectives

- (1) Purpose: This IRM section describes the statute processes and procedures for working TEFRA Key and Partner Cases in the IRS Independent Office of Appeals (Appeals).
- (2) Audience: Appeals Technical Employees and Appeals Team Managers that work TEFRA cases.
- (3) Policy Owner: Appeals Technical Guidance is under the Director, Specialized Examination Programs and Referrals.
- (4) Program Owner: Appeals Technical Guidance is the program office responsible for providing technical and Procedural Guidance to Appeals employees for TEFRA issues.
- (5) Contact information: Appeals should follow established procedures on *How to Contact an Analyst*. Other employees should contact the Product Content Owner shown on the Product Catalog Information Page for this IRM.

8.19.7.1.1
(05-13-2025)
Background

- (1) The Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was enacted for partnership-level audit procedures under IRC 6221 through 6234. Under the TEFRA unified proceeding, all administrative and judicial proceedings to determine the correct treatment of partnership items were conducted at the partnership level. TEFRA was in effect for 35 years, until its repeal and replacement by the Bipartisan Budget Act (BBA) of 2015 partnership audit regime which applies to all partnership returns beginning after December 31, 2017.

8.19.7.1.2
(05-13-2025)
Authority

- (1) TEFRA was codified under pre-2018 IRC 6221 through 6234 and provides authority for this IRM.
- (2) Section 1101 of the Bipartisan Budget Act (BBA) of 2015 repealed TEFRA partnership and Electing Large Partnership (ELP) provisions for tax years beginning after December 31, 2017, and replaced it with a new centralized partnership audit regime. The new regime provides for determination, assessment and collection of underpayments at the partnership level unless certain elections are made by the partnership.

8.19.7.1.3
(05-13-2025)
Responsibilities

- (1) The author of this IRM is shown on the Product Catalog Page as the originator.

8.19.7.1.4
(05-13-2025)
Program Reports

- (1) Policy, Planning, Quality, and Analysis (PPQA) provides trend and data analyses and detailed summary reports for Appeals.

8.19.7.1.5
(05-13-2025)
Terms and Acronyms

- (1) See IRM 8.1.1-1, Common Terms Used in Appeals, for common terms and definitions used in IRM Part 8. Terms listed in this exhibit are not included in this section.

8.19.7.1.6
(05-13-2025)

Related Resources

- (1) The Taxpayer Bill of Rights (TBOR) lists rights that already existed in the tax code, putting them in simple language and grouping them into 10 fundamental rights. Employees are responsible for being familiar with and acting in accord with taxpayer rights. See IRC 7803(a)(3), Execution of Duties in Accord with Taxpayer Rights. For additional information about the TBOR, see <https://www.irs.gov/taxpayer-bill-of-rights>.
- (2) In accordance with IRM 25.30.2.3, Statement of Commitment, Appeals will work collaboratively with the Taxpayer Advocate Service (TAS) to enhance the taxpayer experience. For more information, see IRM 25.30.2, Service Level Agreement between the IRS Independent Office of Appeals and the Taxpayer Advocate Service.

8.19.7.2
(03-19-2015)

Overview

- (1) IRC 6227 allows any partner to change the reporting of partnership items by filing an Administrative Adjustment Request (AAR). An Administrative Adjustment Request (AAR) is an amended return with Form 1065X (Amended Return or Administrative Adjustment Request (AAR)) or Form 8082 (Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR)) as a cover sheet.
- (2) The Form 8082 is a dual purpose form. Partners also use the form to notify the Service when they have taken a position on their return that is inconsistent with the reporting on the partnership tax return. IRM 8.19.1.6.2, Consistent Reporting on Investor Return, describes the consistent reporting requirements. An AAR filed on behalf of a partner affects only the partner filing the AAR, unless the IRS begins a partnership proceeding. See IRC 6227(c) and IRC 6227(d) and Treasury Reg. sections 301.6227(c)-1 and 301.6227(d)-1.
- (3) A Form 1065X filed by the Tax Matters Partner (TMP) on behalf of the partnership may allow the Service to make a direct change to the tax liability of the partners without securing an amended return or a waiver from each partner. Judicial review of AARs is governed by IRC 6228.
- (4) This represents a substantial improvement over the procedures for non-TEFRA partnerships. If a non-TEFRA partnership wants to change the reporting of a partnership item, each partner must file an amended return. For a comparison of claim and AAR procedures, see Figure 7-1.

Comparison of Claim and AAR Procedures

Filing Amended Returns:	Claim (Non-TEFRA)	AAR (TEFRA)
Partnership level	Partnership files amended income tax return Form 1065X	TMP files amended Form 1065X if not filing electronically, or a Form 1065 with Form 8082, if filing electronically
Partner level	Partner files amended income tax return (such as Forms 1040X or 1120X)	Partner files amended income tax return with Form 8082

Filing Amended Returns:	Claim (Non-TEFRA)	AAR (TEFRA)
Period for filing claim/AAR	Later of: 3 years from later of filing date or due date of partner return plus extensions, if any, 2 years from date of payment, OR if assessment statute extended, within 6 months after expiration	Three years from filing date of Form 1065 or last date for filing the return, whichever is later - if the partnership statute has been extended under IRC 6229(b), 6 months after the extension expires
Petitioning Courts:	Claim (Non-TEFRA)	AAR (TEFRA)
Partnership level	None	File a petition for adjustment in Tax Court, U. S. District Court, or United States Court of Federal Claims - see IRC 6228(a)(1)
Partner level	File a suit in U. S. District Court or United States Court of Federal Claims - see IRC 7422 – or raised in existing deficiency procedures pursuant to section 6512(b)(3)	File a suit in U. S. District Court or United States Court of Federal Claims - see IRC 7422 as modified by IRC 6228(b) (or raised in an existing deficiency procedures pursuant to IRC 6512(b))
Period for partnership petition	None	Eighteen month period beginning 6 months after AAR filed and ending before the date which is 2 years after AAR filed, unless there is a written agreement to extend this period
Period for partner suit	Six months after claim filed, or if claim was disallowed, within 2 years from the mailing of a statutory notice of claim disallowance or from the filing of a Form 2297. This period may be extended.	Period stated above for partnership, or, if IRC 6231(b)(1)(A) notice is issued, within 2 years after issuance of notice of non-partnership treatment

Filing Amended Returns:	Claim (Non-TEFRA)	AAR (TEFRA)
Effect of initiation of examination	None	Issuance of NBAP prevents petition unless Service fails to send FPAA

Figure 8.19.7-1

- (5) All guidance in this section concerning the Campus TEFRA Functions (CTFs) is for cases controlled on the Partnership Control System (PCS). The CTFs only work with key cases and partners controlled on the PCS.

8.19.7.2.1
(03-09-2009)
Filing Limits

- (1) Generally, an AAR must be filed within 3 years after the later of the date that the partnership return was filed or the last day for filing the return (determined without regard for extensions). The filing period is extended from 3 years to 7 years for claims relating to bad debts or worthless securities. If the partnership statute has been extended under IRC 6229(b), the period for filing an AAR is extended until 6 months after the extension expires. See IRCs 6227(a), (b), and (e).
- (2) An AAR cannot be filed after a Final Partnership Administrative Adjustment (FPAA) has been mailed to the TMP for the same tax year because any issue that could be raised in an AAR may be raised in a petition of the FPAA. Once an FPAA is issued, all adjustments will be fixed and determined by the FPAA (if no petition is filed) or a court decision.
- (3) Although an AAR may be filed after a Notice of Beginning of Administrative Proceeding (NBAP) is issued, it cannot be petitioned unless the Service fails to send an FPAA.

Caution: An AAR that is filed by a partner after the partner has entered into a settlement agreement should not be considered or allowed as IRC 6224(c)(1) provides that a settlement agreement is binding on all parties to that agreement with respect to partnership items for that tax year. The settlement agreement provide that “the treatment of partnership items will not be reopened in the absence of fraud, malfeasance, or misrepresentation of fact; and no claim for an adjustment of partnership items, or for a refund or credit based on any change in the treatment of partnership items may be filed or prosecuted.”

8.19.7.2.2
(03-09-2009)
No Action by Service

- (1) A major difference between Claim and AAR procedures is found in the time the partner is given to file a petition for adjustment or a suit for refund.
- (2) For non-TEFRA cases, under IRC 6532(a), the time to file suit for refund ends two years from the date the Service mails a certified notice of claim disallowance or a Form 2297 is filed. If the Service fails to properly notify the taxpayer of the claim disallowance or takes no action on the claim, the taxpayer has an unlimited time in which to file suit. In both instances, however, a suit cannot be filed before six months have passed since the taxpayer filed a claim for refund or a partner filed an AAR. The two year period may be extended by agreement.

- (3) For TEFRA cases, there is no requirement that the Service send a notice of denial of all or a portion of the adjustments reported on the AAR. The time to file a suit for refund by a partner, or a petition for adjustment by the TMP, is based on the date the AAR was filed, not the date of a claim disallowance letter. Inaction by the Service effectively disallows the AAR and requires legal action by the partner or TMP to secure the requested changes.

8.19.7.3
(03-19-2015)
**AAR Filed by TMP on
Behalf of the
Partnership**

- (1) Treas. Reg. section 301.6227(c)-1 provides that an AAR filed by the TMP on behalf of the partnership “shall be filed on the form prescribed by the Internal Revenue Service for that purpose and in accordance with that form’s instructions”.
- Use Form 1065X, if the partnership does not file electronically, to correct items on a previously filed Form 1065, Form 1065-B, or Form 1066 or to make an AAR for a previously filed Form 1065, Form 1065-B, or Form 1066.
 - Use Form 8082, if the partnership files electronically, to file an amended return or make an AAR
- (2) All TMP filed AARs must include revised schedules showing the effect of the request on the distributive shares of the partners. If the information is not attached to the AAR, the Service will generally assume the AAR applies to the TMP only in the individual capacity of a partner.
- (3) When the AAR is filed, the TMP must decide whether the partnership wants the Service to assess the tax liability of the partners. If so, the TMP must request that the treatment shown on the AAR be substituted for the treatment of partnership items on the original partnership return.
- To request substituted return treatment using Form 8082, the TMP must attach a statement to Form 8082 indicating that it is a request for substituted return treatment.
 - To request substituted return treatment using Form 1065X, the TMP must check the “Yes” box on line “G”
 - If the request for substituted return treatment is not made on the AAR, the AAR will be treated as if it were not a substituted return.
 - Figure 7-2 compares AARs that are substituted returns with AARs that are not substituted returns.

***AAR Filed by the Tax Matters Partner on Behalf of the Partnership
Comparison of Substituted Return and Not Substituted Return***

Substituted Return		Not a Substituted Return
Form to file	Form 8082 and amended Form 1065, if filing electronically, (See Form 8082 instructions for information to include on amended Form 1065); or Form 1065X, if not filing electronically	Form 8082 and amended Form 1065, if filing electronically (See Form 8082 instructions for information to include on amended Form 1065); Form 1065X, if not filing electronically

	Substituted Return	Not a Substituted Return
Designation on Form 8082	The TMP must attach a statement to Form 8082 indicating that it is a request for substituted return treatment	No statement is required
Designation on Form 1065X	Item G - If you are a Tax Matters Partner (TMP) or a Partner With Authority (PWA) filing an AAR on behalf of the pass-through entity, are you requesting substituted return treatment? The TMP checks the "Yes" box	The TMP responds "No" to the question in Item G.
Options available to the Service	1. Open a partnership proceeding 2. Take no action 3. Make refunds to all partners 4. Assess additional tax as a mathematical or clerical error—all partners (partner may object to assessment)	1. Open a partnership proceeding 2. Take no action 3. Make refunds to all partners 4. Cannot assess additional tax for any partners

Figure 8.19.7-2

8.19.7.3.1 (03-19-2015)

Appeals Centralized Database System (ACDS) Processing

- (1) Account and Processing Support (APS) must update ACDS to reflect case level information and return level information.
- (2) When an AAR filed by the TMP on behalf of the partnership is received in Appeals, it will be carded in as a TEFRA key case (Type Code "TEFRA").
- (3) The entry in the statute date field on CASES depends on whether the IRC 6229(a) and/or IRC 6228(a)(2) statutes are open at the time the case is received and whether the case is docketed or non-docketed.
 - a. If the IRC 6229(a) statute is open when the case is received, this statute date should be shown in the statute date field, even on docketed cases. For non-docketed cases, the IRC 6228(a)(2) statute should be reflected as a memo entry on the Case Summary Card in the NOTE section.
 - b. If the IRC 6229(a) statute was expired when the case was received in Appeals, no entry is needed in the statute date field for docketed cases. For non-docketed cases, the IRC 6228(a)(2) statute should be shown in the statute date field.

Note: If APS has difficulty determining either the IRC 6229(a) or IRC 6228(a)(2) statute dates, it should be determined by the appeals officer and later provided to Account and Processing Support.

- c. If the appeals officer decides not to extend the IRC 6229(a) statute, refer to IRM 8.21.3.1.3.7, Cases Where a Consent is Not Necessary. If no partnership proceeding will begin, and the decision is made not to extend the IRC 6229(a) statute, the appeals officer should instruct the Campus TEFRA Function (CTF) to conform all partner returns to the Schedules K-1 on the original return before the IRC 6229(a) statute expires. In addition, the appeals officer should instruct APS to remove the IRC 6229(a) statute from the statute date field and input the IRC 6228(a)(2) statute in the statute date field on non-docketed cases.
- d. Figures 7-3 and 7-4 provide guidelines for updating ACDS for an AAR file by the tax matters partner.

ACDS Entries for TMP Filed AAR Cases (Docketed)

ACDS Field	IRC 6229(a) Statute is open when the case is received in Appeals	IRC 6229(a) Statute was expired when the case was received in Appeals
Type Code	TEFRA	TEFRA
Statute Date ("STATDATE")	The IRC 6229(a) statute date	No entry
Statute Code ("CODE")	DOCKT	DOCKT
Amount of claim ("TOTCLM")	Use Formula in Exhibit 8.19.10-1	Use Formula in Exhibit 8.19.10-1

Figure 8.19.7-3

ACDS Entries for TMP Filed AAR Cases (Non-Docketed)

ACDS Field	IRC 6229(a) Statute is open when the case is received in Appeals	IRC 6229(a) Statute was expired when the case was received in Appeals
Type Code	TEFRA	TEFRA
Statute Date ("STATDATE")	The IRC 6229(a) statute date	The IRC 6228(a)(2) statute date
Statute Code ("CODE")	CLAIM	CLAIM
Note Section ("NOTE")	The IRC 6228(a)(2) statute date	No entry
Amount of claim ("TOTCLM")	Use Formula in Exhibit 8.19.10-1	Use Formula in Exhibit 8.19.10-1

Figure 8.19.7-4

8.19.7.3.2
(01-01-2007)
Substituted Return

- (1) The distinguishing feature of a substituted return is that it allows the Service to treat the changes shown on the AAR as mathematical or clerical errors. Deficiency procedures are not required for assessments of mathematical or clerical errors. The Service will determine the tax effect on each partner and make the assessment. This option is particularly important when the AAR shows an increase to partnership income. Even if the partnership reports an increase in a partnership item, the effect on the partner may be a no-change, a deficiency, or a refund, depending on the share of partnership income that was reported on the partner's return. The Service can make the necessary adjustments to partner returns in all 3 circumstances.

Note: No deficiency may be assessed if both the IRC 6229(a) and IRC 6501 statutes have expired for a partner.

- (2) The disadvantage of this type of assessment is that the partner can request abatement. Within 60 days after the date that the notice of correction of error is mailed, the partner can request that the correction not be made. The Service must then abate the assessment, and any reassessment must be preceded by the issuance of an FPAA.
- (3) If the Service does not consider the changes shown on the AAR as mathematical or clerical errors, or the partners request abatement of assessments made as mathematical or clerical errors, the Service may begin a partnership proceeding or take no action.

8.19.7.3.3
(01-01-2007)
Not a Substituted Return

- (1) If the AAR filed by the TMP is not designated as a substituted return, it generally serves as a claim for refund or credit. The Service is permitted to take no action on the AAR, begin a partnership proceeding, or make the refunds that result from the issues identified in the AAR.

Note: If the adjustments shown on an AAR which is not a substituted return would create a tax deficiency for a partner, the Service cannot assess the deficiency without a partnership proceeding.

- (2) The option of making refunds to all partners does not apply to a partner whose partnership items were converted to nonpartnership items by reason of 1 or more events described in IRC 6231(b). See IRC 6227(c)(2)(B).

8.19.7.3.4
(03-19-2015)
Processing of AARs

- (1) Campus TEFRA Function (CTF) and Compliance procedures for processing AARs filed by the TMP are outlined in IRM 4.31.4, Administrative Adjustment Request (AAR). The Campus screens the AAR for timeliness, completeness, purpose, and, in some cases, materiality. AARs requiring further examination action are routed to the Centralized Workload Selection and Delivery (CWSD) along with the original entity return. CWSD determines whether the AAR should be sent for examination, allowed in whole or in part, or returned to the CTF with no action taken.
- (2) If the AAR is allowed in whole or in part, individual partner schedules of adjustment (Forms 886-Z) will be completed and forwarded to the key case CTF for processing. If no action is to be taken, the reason for the inaction should be explained on Form 4318.

8.19.7.3.5
(03-19-2015)
**Judicial Review of AARs
Made on Behalf of the
Partnership**

- (3) When the AAR is received in the CTF, Code 971 should be posted to the key case Master File record. If the return is sent to the CWSD, the transcript should show a 420 posting when it is sent and a 421 posting when the case is returned to files.

- (1) If any part of an AAR filed by the TMP is not allowed, the TMP may file a petition for adjustment with respect to partnership items to either the Tax Court, the United States Court of Federal Claims, or the appropriate U. S. District Court. This differs from the petition of an FPAA, which is called a petition for readjustment.
- (2) The petition for adjustment must be filed in the 18 month period beginning 6 months after the date the AAR is filed and ending before the date which is 2 years after the AAR is filed. See IRC 6228(a)(2).

Example: Fred Larkspur, as the TMP of Rose Partnership, files an AAR on October 1, 1998. The TMP is able to file a petition for adjustment between April 1, 1999 and September 30, 2000.

- (3) The period for a petition for adjustment for an AAR differs substantially from the period for filing suit for refund attributable to non-partnership items, which begins six months after the claim is filed and ends two years from the date the IRS mails a certified notice of claim disallowance or the taxpayer files a Form 2297 which waives the requirement that the IRS mails the notice to the taxpayer). See IRC 6532(a). There is no certified notice of AAR disallowance.
- (4) This period for filing a petition for adjustment after an AAR is filed may be extended using Form 9248 (Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items).

Caution: See Delegation Order 4-19, IRM 1.2.43.17, for the officials authorized to extend the period for filing a petition for adjustment of partnership item. In Appeals, appeals team managers, appeals team case leaders, and appeals officers have this authority.

- (5) No credit or refund of an overpayment attributable to a partnership item (or an affected item) for a particular tax year shall be allowed or made to any partner after the expiration of the period of limitations prescribed in IRC 6229 with respect to such partner for assessment of any tax attributable to such item. However, the Service may issue a partner a refund as long as the TMP who filed the AAR is able to file a petition for adjustment . See IRC 6230(d)(2). If a petition for adjustment is not filed, and the refund is not made before the time to file the petition for adjustment has expired, the Service has no authority to make the refund.

Example: The AAR filed by the TMP of Rose Partnership in the example in (2) above is determined to be correct, and the Service intends to allow the partner refunds. If the TMP does not file a petition for adjustment and if the IRC 6229 limitations period has expired, the Service has no authority to make the refunds after September 30, 2000.

- (6) If an NBAP is issued to the partnership for the same year as the AAR, the TMP cannot file a petition for adjustment until the Service issues an FPAA. However, if the IRC 6229(a) statute expires before the Service issues an

FPAA, the TMP may file a petition for adjustment. The two year period in which to file the petition shall not expire before 6 months after the IRC 6229(a) statute expires.

- (7) Tax Court Rules for petitions for adjustment are the same as the rules for petitions for readjustment. Cases will be closed by decision document following Tax Court Rules 248(a) or 248(b). However, the IRC 6229(a) statute is NOT suspended during the time that the Tax Court has jurisdiction.
- (8) AARs petitioned in U. S. District Court or the United States Court of Federal Claims are under the jurisdiction of the Department of Justice. Appeals will not have jurisdiction in such cases.

8.19.7.3.6
(01-01-2007)
Allocation Issues

- (1) An AAR may change the allocation of income, loss, or credit among the partners. The reallocation will likely result in a refund for at least one partner and a deficiency for another.
- (2) If the AAR is a substituted return, the Service must first determine whether there is sufficient time on the IRC 6229(a) statute to assess the partners. If an AAR is filed one day before the time period for filing the AAR expires, it is considered timely filed. However, no tax could be assessed because the IRC 6229(a) statute would expire before the Campus could locate the partner returns, compute the tax liability, and make the assessment.

Note: Arguably, under IRC 6501(c)(7) the statute for assessing tax does not expire before 60 days after the day the Service receives the document. Similarly, an assessment may be made if a partner's unextended section 6501 period is open or the statute has been extended for partnership items. Contact the area counsel if reliance on either of these provisions is contemplated.

- (3) If the AAR is a substituted return and the IRC 6229(a) statute is open, the Service will either treat the changes shown on the AAR as corrections of mathematical or clerical errors appearing on the partnership return, take no action, or open a partnership proceeding. If the Service is unable to assess the deficiency, it will take no action or allow the AAR as filed.
- (4) If the AAR is not a substituted return and the IRC 6229(a) statute is open, the Service will allow the AAR as filed, take no action, or open a partnership proceeding. If the IRC 6229(a) statute has expired, the Service will take no action or allow the AAR as filed.

8.19.7.3.7
(01-01-2007)
AAR Received in Appeals

- (1) If there has been no examination activity, the file may only contain the AAR and either a petition for adjustment or a protest. If the original return is not included with the AAR, it should be requested from the Campus. The original return is preferable to a copy because any comments made by the Compliance CWSD function would be attached to the original return.

8.19.7.3.7.1
(01-01-2007)
Partnership Proceeding Begun

- (1) If, in response to an AAR, the Service begins a partnership proceeding, the issues raised in the AAR will be considered along with any other issues raised during the proceeding. The case will be processed in the same manner as any examined TEFRA key case. It will not be treated as an AAR. The key case may be non-docketed or docketed. Keep the IRC 6229(a) statute open. Any court action will result from the issuance of an FPAA.

8.19.7.3.7.2
(01-01-2007)
**No Partnership
Proceeding**

- (1) AARs may be received in Appeals in both docketed and non-docketed status.
- (2) In some cases, the only information sent to Appeals may be a petition to the Tax Court and a copy of the AAR.
- (3) When an AAR is received in Appeals, the appeals officer should first determine the correct TMP. The selection of the TMP is made annually. See Treasury Reg. sections 301.6231(a)(7)-1 and 301.6231(a)(7)-2. See also IRM 8.19.1.6.5. If an ineligible partner is selected as TMP, the AAR will be considered to be filed on behalf of the partner who filed the AAR, not the partnership.
- (4) Cases that have not been reviewed by an examiner should be sent to the Compliance function for further development or comment. Appeals will retain jurisdiction of docketed AARs.
- (5) Even if there has been no audit, the Compliance CWSD function may have inspected the AAR and made comments. IRM 8.19.7.2.3 describes the transcript postings that will assist in the determination of actions taken by the Compliance function.
- (6) Even though no partnership proceeding is commenced, the Service may examine the partnership return. This technique will be especially useful when the IRC 6229(a) statute expired before a partnership proceeding could be started. (Generally the Service cannot send an FPAA unless the IRC 6229(a) statute is open.)
 - a. If the IRC 6229(a) statute is open, a partnership proceeding may be commenced.
 - b. If the section 6229(a) statute has expired, the Service can determine the merits of the issues raised in the AAR and determine whether there are any offsetting adjustments.

8.19.7.3.8
(03-07-2008)
**Statutes – Period of
Limitations - AAR**

- (1) Two separate statutes affect TMP filed AARs:
 - a. IRC 6229(a) – the period for assessing any tax attributable to partnership items and affected items
 - b. IRC 6228(a)(2) - the period for filing a petition for adjustment.

Note: The period for filing a suit for refund by any other partner is under IRC 6228(b)(2)(B)

8.19.7.3.8.1
(03-19-2015)
IRC 6229(a) Statute

- (1) The IRC 6229(a) statute is not suspended when an AAR is petitioned to the Tax Court, the United States Court of Federal Claims, or a U. S. District Court. IRC 6229(d) suspends the IRC 6229(a) statute only after an FPAA is issued. Keeping the IRC 6229(a) statute open has important benefits.
 - a. When the partner-level computations are made, a partner may have a deficiency instead of a refund, even if there is a reduction in partnership income. The partner may not have properly reported the distributive share of income, expense or credit, or the adjustments may increase the alternative minimum tax. If the IRC 6229(a) statute has expired, the deficiency cannot be assessed.
 - b. The AAR may raise an allocation issue that will decrease the income of one partner and increase the income of a different partner. The Service cannot make a deficiency assessment if the IRC 6229(a) statute has expired.

- c. A partnership proceeding may be commenced if the IRC 6229(a) statute is open.

- (2) See IRM 8.19.1.6.6.8, *Partnership Level Extensions*, for the forms and procedures used to extend the statute at the partnership level.

8.19.7.3.8.2
(03-19-2015)
IRC 6228(a) Statute

- (1) IRC 6228(a)(2) provides that the TMP may file a petition for adjustment with regard to the AAR during the eighteen month period which begins 6 months after the AAR is filed and ends 2 years after the AAR is filed.
- (2) Be aware of the IRC 6228(a)(2) statute on non-docketed cases because the Service cannot make any refunds once the period for filing a petition for adjustment and the IRC 6229 period for making assessments have passed, unless a timely petition for adjustment is filed.
- (3) The decision to extend the period to file a petition for adjustment will be made on a case by case basis. For example, if there is a reasonable expectation that the issues raised in the AAR will be resolved, the statute may be extended. If a resolution of the issues is unlikely, the Service should not offer an extension. The TMP is responsible for timely filing a petition for adjustment.
- (4) If the decision to allow the AAR in whole or in part is made when there is less than one year left on the time to file a petition for adjustment, extend the statute on Form 9248 to allow sufficient time for the partner returns to be processed.

Caution: See Delegation Order 4-19, IRM 1.2.43.17 for the officials authorized to extend the period for filing a petition for adjustment of partnership items. In Appeals, appeals team managers, appeals team case leaders, and appeals officers have this authority.

8.19.7.3.9
(03-19-2015)
Partnership Control System (PCS)

- (1) When a case is received in Appeals, determine whether the key case is linked on the PCS. If there has been no examination action prior to the receipt in Appeals, it will probably not be linked. TEFRA partnership cases that are received in Appeals must be linked on PCS.
- (2) If the case is docketed, prepare and send Form 8341 (PCS TEFRA Establish or Add Without Notice Generation) and the information described in IRM 4.31.4.6.1.2.1 to the PCS Coordinator at the CTF after the case is established on AIMS. The transmittal should clearly inform the CTF that the linkage is being requested because of the AAR. NBAPs should generally not be sent to the partners. See a sample Form 3210 (Document Transmittal) transmitting the appropriate documents to the CTF in Exhibit 8.19.7-1. The Compliance function may agree to perform the linking procedure for Appeals.
- (3) If the case is non-docketed, it is recommended that the case be returned to the examiner as a premature referral in order that it may be properly linked on PCS.

8.19.7.3.10
(03-09-2009)
Case Conclusion and Dispositions

- (1) The appeals officer considers the issues and discusses the facts, law, and arguments of the case with the Tax Matters Partner (TMP). The TMP is required to tell the partners that the AAR was filed and must inform them of subsequent actions taken with regard to the AAR. See Treasury Reg. section 301.6223(g)-1.

- (2) The Service can recommend acceptance, partial acceptance, offset with other issues, or rejection of the AAR.
 - a. The Service may adjust partnership items of the same or a different character as the adjustments in the AAR. For example, if the AAR shows additional business expenses of \$250,000, the Service may offset this adjustment with adjustments to income, deductions, capital gain, credits, or any other partnership items taken into account in the determination of the taxable income of the partner.
 - b. In some cases, the Service may readily determine the effect on a partner return. For example, if the \$250,000 additional business expenses are allowed, but gross receipts are increased by at least \$250,000, it is clear that there will be no refund to the partners.

Note: The effect of offsetting adjustments may not be determinable at the partnership level. For example, the \$250,000 additional business expenses may be allowed but the energy tax credit may be reduced. The CTF should determine the partner's corrected taxable income based on all of the partnership adjustments. If the effect at the partner level is an overassessment, the refund should be paid. If the result is a deficiency, it should not be assessed.

- (3) If no part of the AAR is allowed, notify the CTF if the case is linked on PCS. If there are no adjustments to the partner returns, the CTF must unlink the partners. The partner returns are surveyed. See Exhibit 8.19.7-2 for a sample Form 3210 transmitting the appropriate documents to the CTF for a non-docketed AAR with no petition expected.

Note: If the AAR is non-docketed, but it is likely that the AAR will be petitioned, the CTF will want to keep the partners linked until the time to file the petition for adjustment has passed. If the partner returns were unlinked, the partner returns would be sent back to the files. When the TMP filed a petition, the CTF would have to re-link the cases and retrieve the partner returns. See Exhibit 8.19.7-3 for a sample Form 3210 transmitting the appropriate documents to the CTF.

- (4) At the conclusion of the settlement negotiations, the appeals officer will prepare an Appeals Case Memo (ACM) reflecting the revised adjustments and any settlement recommended. The appeals officer will follow the usual format in preparing the ACM.
- (5) The appeals officer will also prepare a Form 5402. The "TEFRA" type code on ACDS will allow a customized Form 5402 for TEFRA key cases to be generated. The appeals officer should ensure that the proposed and revised dollars are included on the Form 5402 in the "AAR Refund Amount" and "Disallowed AAR Refund Amount" fields.

8.19.7.3.10.1
(03-19-2015)
Docketed AARs

- (1) The Service may begin a partnership proceeding after the TMP petitions an AAR. If an FPAA is mailed before the hearing of the petition for adjustment, the petitioner will amend the petition for adjustment within 90 days after the date the FPAA is mailed to the TMP. The petition for adjustment will be treated as an action for readjustment of partnership items. See Tax Court Rule 249.
- (2) The procedures for closing a docketed AAR are the same as for closing a docketed FPAA. See IRM 8.19.13.2.9, IRM 8.19.13.2.10, and IRM 8.19.13.2.11 for a discussion of appeals officer responsibilities when closing a case using

Tax Court Rule 248 and for the documentation needed to close the case and notify the CTF of the outcome. Also see IRM 8.20.

- (3) If the Service fails to make the refund that results from a court decision, the partner may file a claim for refund within 2 years of the date that the decision of the court is final. See IRC 6230(c)(1)(B) and IRC 6230(c)(2)(B).

8.19.7.3.10.2
(03-19-2015)

Non-docketed AARs

- (1) If a settlement in a non-docketed case is reached that will disallow any part of the AAR, use Form 870-PT(AD) for partnership tax years ending after August 5, 1997 to ensure that the TMP will not later file a petition for adjustment.
 - a. The Partner Name on Page 1 of Form 870-PT(AD) should show the TMP's name followed by the Title, "Tax Matters Partner."
 - b. The TMP should sign the agreement form as TMP.
 - c. The Remarks section of the Schedule of Adjustments should include the following language, "The treatment of partnership items shown above resolves with finality the administrative adjustment request filed by [name of tax matters partner], as tax matters partner, on behalf of [name of partnership], on [date AAR was filed]."
- (2) See Exhibit 8.19.7-4 for an example of the agreement form presentation.
- (3) An alternative approach to using Form 870-PT(AD) or Form 870-LT(AD) is to use a specific matters closing agreement, Form 906, to reflect the partial allowance of the AAR. If this approach is adopted, the AAR should be referenced in the Whereas clauses. Additionally, a provision indicating the TMP's agreement not to file a petition for adjustment regarding the disallowed portion of the AAR should be included in the body of the closing agreement.
- (4) The agreement by the TMP does not preclude individual partners from filing AARs on their own behalf. If the time for filing an AAR has not expired, each partner may file an AAR and later file a suit for refund if the Service does not make the refund. If this is perceived to be a significant problem, the case should be sent to Compliance with the recommendation that a partnership proceeding be conducted.
- (5) No agreement form is necessary if the AAR is allowed in full.

8.19.7.3.10.3
(03-19-2015)

Forms 4605-A and 886-Z(C)

- (1) If revised tax computations are needed based on the settlement, the appeals officer should request that a tax computation specialist prepare revised Form 4605-A and Form 886-Z.
- (2) If revised tax computations are not needed, the file copies of these forms may be used.

8.19.7.3.10.4
(03-19-2015)

Closing Package

- (1) For cases linked on PCS, a closing package must be prepared and mailed to the key case CTF. This ensures that the Appeals findings will be associated with any partners that are in suspense at the CTF and that the findings are included in the CTF centralized RAR files. If the case is not linked on PCS, a copy of the closing package must be mailed to the examiner if any of the partners are being held in suspense in the field group.

Note: For cases that are linked on PCS, in order to determine which CTF is the key case CTF, follow these steps:

- a. Order IDRS Command Code TSINQP on each year of the key case.
 - b. Look in the "CTF" field for either "OSC" (Ogden) or "BSC" (Brookhaven).
 - c. If the TSINQP shows Ogden, then Ogden is the key case Campus.
 - d. If the TSINQP shows Brookhaven, then order IDRS Command Code TXMODC on the key case; if there is no data, then Ogden is the key case Campus; if there is data, look in the "Control Base and History Information" section; if the "Assign To" column has numbers that begin with 0179, then Brookhaven is the key case Campus; if there are no numbers in the "Assign To" column, then Ogden is the key case Campus.
- (2) In addition to the Form 3210, the closing package will consist of the following:
 - a. Form 5402 marked "INFORMATION ONLY-DO NOT MAIL TO TAXPAYER"
 - b. Appeals Case Memorandum marked "INFORMATION ONLY-DO NOT MAIL TO TAXPAYER"
 - c. Form 886-Z showing the settlement position, marked "INFORMATION ONLY-DO NOT MAIL TO TAXPAYER"
 - d. Form 4605-A showing the settlement position, marked "INFORMATION ONLY-DO NOT MAIL TO TAXPAYER"; for a docketed case, "decision entered" and "date" should also be included
 - e. Copy of Form 870-PT(AD) signed by the TMP (if applicable)
 - f. Copy of entered decision (for docketed cases)
- (3) If revised tax computations are needed based on the settlement, the appeals officer is responsible for requesting the tax computation specialist to begin preparing the closing package and Form 3210.

Note: If at the time that the tax computation specialist prepares the closing package and the Form 3210, some of the documents have not yet been prepared by the appeals officer (for example, the ACM or Form 5402) or information is not yet available, the appeals officer will complete the preparation of the closing package.
- (4) If revised tax computations are not needed based on the settlement, the appeals officer is responsible for preparing the closing package and Form 3210.
- (5) The appeals officer, secretary, clerk, or APS (as determined locally) will make photocopies of the documents to be included in the completed closing package.
- (6) In all situations, the appeals officer is responsible for:
 - a. the accuracy and completeness of the Form 3210,
 - b. reviewing the completed closing package, and
 - c. submitting it to APS.
- (7) APS is responsible for:
 - a. ensuring all documents listed on the Form 3210 are attached,
 - b. sending the completed package to the CTF and/or examiner by controlled mail, and
 - c. monitoring the return of the acknowledged Form 3210.
 1. APS will maintain suspense copies of Forms 3210 with instructions to the mail room for the acknowledgement copy to be returned.

2. Place suspense copies of Forms 3210 in a review file and check daily to verify the document has been received.
 3. The acknowledgement copies of all Forms 3210 must be documented with the date received.
 4. If after ten (10) business days the receipt has not been acknowledged, the originator must follow-up to resolve the missing acknowledgement and document the actions taken.
 5. The documentation must either be recorded on or attached to the originator's copy of the Forms 3210.
 6. When items are determined to be lost in transit, APS should notify the appeals officer who will determine the appropriate procedures to follow.
- (8) See Exhibit 8.19.7-5 for a sample Form 3210 transmitting the appropriate documents to the CTF for a non-docketed AAR.

8.19.7.3.10.5
(03-19-2015)

ACDS and AIMS Closing

- (1) If the case was linked on PCS:
 - a. It may be closed from ACDS once the closing package has been mailed to the CTF and the Form 3210 has been acknowledged. See instructions above for monitoring the return of the Form 3210.
 - b. It may be closed from AIMS once the CTF inputs the one-year statute dates for the linked partners and releases the AIMS "H" freeze. Item 802 of the Form 5403 should have an "Appeals Adjustment Amount Non-Taxable" computed. Refer to Exhibit 8.20.7-1 (cont.14). In addition, "TEFRA Key Case Closing" should be entered in the "Other" box in Section A (Special Handling Instructions).
- (2) If the case was not linked on PCS:
 - a. It may be closed from ACDS (and from AIMS if open on AIMS) once a copy of the closing package has been mailed to the examiner and the Form 3210 has been acknowledged (if any of the partners are in suspense in the field group). See instructions above for monitoring the return of the Form 3210.
 - b. If open on AIMS, Item 802 of the Form 5403 should have an "Appeals Adjustment Amount Non-Taxable" computed. Refer to Exhibit 8.20.7-1 (cont.14). In addition, "TEFRA Key Case Closing" should be entered in the "Other" box in Section A (Special Handling Instructions).

8.19.7.3.10.6
(03-19-2015)

**Petition to District Court
or United States Court
of Federal Claims**

- (1) If the AAR is under Appeals jurisdiction at the time a petition is filed with a U. S. District Court or the United States Court of Federal Claims, the Appeals office will transfer the case file to associate area counsel for processing to the Department of Justice. See IRM 8.19.13.3 for these procedures. The appeals officer should notify the CTF that the case is petitioned. If it was not previously linked, notify the CTF to link the partners on PCS. See IRM 8.19.7.2.8 for instructions.
- (2) When a decision on a case petitioned to a U. S. District Court or the United States Court of Federal Claims is final, the Department of Justice may return the case to Appeals through associate area counsel to complete the processing of the partner returns. For cases linked on PCS, Form 4605-A and Form 886-Z will be completed and forwarded to the key case CTF as part of a closing package. Request that the CTF complete the processing of the partnership items of the partners .

8.19.7.3.11
(01-01-2007)

**AAR Filed While Key
Case Under Appeals
Jurisdiction**

- (1) The TMP may file an AAR while the key case return is in Appeals jurisdiction.

8.19.7.3.11.1
(01-01-2007)

AAR for Same Tax Year

- (1) The TMP may file an AAR with the Service after a TEFRA administrative proceeding has begun but not after an FPAA has been issued.
 - a. If the case is docketed because of an FPAA, the TMP must raise all issues in the petition or must amend the petition to include the new issues raised in the AAR.
 - b. If the case is non-docketed, the issues raised in the AAR should be considered along with any issues raised in the 60-day letter.
- (2) The AAR may be given directly to the appeals officer by the TMP or his representative. In the event that the AAR is filed with the Campus, the AAR will be sent to the Appeals office controlling the partnership return for review by the appeals officer. See IRM 4.31.4.9.2(2)(f).
- (3) The appeals officer will send the AAR to Compliance for comment. Jurisdiction should remain with Appeals.
- (4) The ACM should include a comment on the issues raised in the AAR and the disposition of those issues.

8.19.7.3.11.2
(01-01-2007)

**AAR for Subsequent
Year – Unrelated to
Current Year**

- (1) If the TMP files an AAR for a year subsequent to the year under Appeals jurisdiction, and the issues of the AAR have no connection to the issues raised in the current year, the AAR should be reviewed for timeliness and completeness. Determine whether the return is under examination.
- (2) If it is timely and complete, and the year is not currently under examination, it should be sent under controlled correspondence (Form 3210) to the CTF of the key case Campus. The Form 3210 should include a statement that the AAR is unrelated to the year under Appeals jurisdiction.
- (3) If the AAR is not timely or complete, return the AAR to the TMP without further processing.

8.19.7.3.11.3
(01-01-2007)

**AAR for Subsequent
Year – Related to
Current Year**

- (1) The TMP may file an AAR for a subsequent year which relates to issues under consideration in Appeals. For example, the issue in the current year may be to capitalize certain expenditures. The AAR may request that depreciation be allowed in the subsequent year.
- (2) The appeals officer may retain jurisdiction of the AAR. Follow the procedures for non-docketed AARs received in Appeals. See IRM 8.19.7.2.10.2.

Caution: If the adjustments increase partnership income passed through to the partners and if the AAR is a substituted return, then the Service may treat the changes shown on the AAR as corrections of mathematical or clerical errors appearing on the partnership return. The risk that partners may not accept the assessment of a mathematical or clerical error should be considered before accepting the AAR. The IRC 6229(a) statute MUST be extended so that there is time to assess additional tax or open a partnership proceeding if any partner objects to an assessment.

8.19.7.4
(10-01-2012)
AAR Filed on Behalf of a Partner

- (1) Any partner may file an AAR that only affects that partner. An AAR filed by a partner is made by filing a completed Form 8082 and attaching an amended return. The instructions for Form 8082 include the requirements for an amended return.
- (2) An amended return without Form 8082 will generally not be an acceptable AAR. *Phillips*, 106 T.C. 176 (1995); *Rothstein*, U.S. Court of Federal Claims, 98-1 USTC 50,435. However, see *Wall*, 96-1 USTC 50,307 (9th Cir. 1996), where it was held that an amended return substantially complied with the procedures for AARs because it provided all required information.
- (3) No credit or refund of an overpayment attributable to a partnership item (or an affected item) for a particular tax year shall be allowed or made to any partner after the expiration of the period of limitations prescribed in IRC 6229 with respect to such partner for assessment of any tax attributable to such item. However, the Service may issue a partner a refund as long as the partner who filed the AAR is able to file a suit for refund. See IRC 6230(d)(2). If a suit for refund is not filed, and the refund is not made before the time to file the suit has expired, the Service has no authority to make the refund.
- (4) The service has the following options for a partner filed AAR:
 - a. Process the AAR in the same manner as a claim for credit or refund.
 - b. Assess any additional tax that would result from the requested adjustment.
 - c. Conduct a partnership proceeding.
 - d. Mail to the partner a notice that all partnership items of the partner for the year of the request shall be treated as non-partnership items.
- (5) See Delegation Order 4-19 for the officials authorized to sign the notice converting partnership items to nonpartnership items. In Appeals, the Director, Specialty Operations and the Directors, Field Operations have this authority.
- (6) Campus and Compliance procedures for processing AARs filed on behalf of the partner are outlined in IRM 4.31.4.9. These procedures are for Campus and Compliance personnel when an AAR is received at the Campus.

8.19.7.4.1
(03-19-2015)
Appeals Centralized Database System (ACDS) Processing

- (1) Account and Processing Support must update ACDS to reflect case level information and return level information.
- (2) When an AAR filed by a partner is received in Appeals, it will be carded in as a TEFRA investor case (Type Code "TEFRAI").
- (3) The entry in the statute date field on CASES depends on whether the Service has converted the partner's partnership items to non-partnership items under IRC 6231(b)(1)(A).
- (4) If partnership items were converted to non-partnership items, the section 6229(f) statute date should be shown in the statute date field.
 - a. For non-docketed cases, the date is one year after the notice converting partnership items to non-partnership items was mailed.
 - b. For docketed cases, the filing of a petition automatically converts partnership items to non-partnership items, therefore the date is one year from the date of the petition.

- c. For non-docketed cases, the IRC 6228(b)(1)(B) statute should also be reflected as a memo entry on the Case Summary Card in the NOTE section.

Note: If APS has difficulty determining either the IRC 6229(f) or IRC 6228(b)(1)(B) statute dates, it should be determined by the appeals officer and later provided to APS.

- (5) If partnership items were not converted to non-partnership items, the issue will be a refund of tax and the case will be in Appeals in non-docketed status. The IRC 6228(b)(2)(B) statute should be shown in the statute date field.

Note: If APS has difficulty determining the section 6228(b)(2)(B) statute date, it should be determined by the appeals officer and later provided to APS.

- (6) If partnership items were converted to non-partnership items and the appeals officer decides not to extend the IRC 6229(f) statute, refer to IRM 8.21.3.1.3.7, Cases Where a Consent is Not Necessary. The appeals officer should instruct APS to:
- Remove the IRC 6229(f) statute from the statute date field, and
 - Input the IRC 6228(b)(1)(B) statute in the statute date field for non-docketed cases.
- (7) Figures 8.19.7-5 and 8.19.7-6 provide guidelines for updating ACDS for an AAR filed by a partner.

ACDS Entries for Partner Filed AAR Cases (Docketed)

ACDS Field	Partnership Items Were Converted When the Case Was Received in Appeals
Type Code	TEFRAI
Statute Date ("STATDATE")	The Section 6229(a) statute date
Statute Code ("CODE")	DOCKT
Amount of claim ("TOTCLM")	The amount of the claim

Figure 8.19.7-5

ACDS Entries for Partner Filed AAR Cases (Non-Docketed)

ACDS Field	Partnership Items Were Converted When the Case Was Received in Appeals	Partnership Items Were Not Converted When the Case Was Received in Appeals
Type Code	TEFRAI	TEFRAI
Statute Date ("STATDATE")	The IRC 6229(f) statute date	The IRC 6228(b)(2)(B) statute date

ACDS Field	Partnership Items Were Converted When the Case Was Received in Appeals	Partnership Items Were <i>Not</i> Converted When the Case Was Received in Appeals
Statute Code ("CODE")	CLAIM	CLAIM
Note Section ("NOTE")	The IRC 6228(b)(1)(B) statute date	No entry
Amount of claim ("TOTCLM")	The amount of the claim	The amount of the claim

Figure 8.19.7-6

8.19.7.4.2
(03-19-2015)

**Service Issues
Conversion Notice to
Partner**

- (1) If the Service has mailed a notice to the partner that the partnership items are treated as non-partnership items, the AAR is treated as a claim for credit or refund of an overpayment attributable to non-partnership items with respect to that year.
- (2) The partner may file a suit for refund under IRC 7422 within 2 years of the date the notice is mailed to the partner. A suit for refund is filed in the appropriate U. S. District Court or the United States Court of Federal Claims. A claim for refund may also be raised in a pending Tax Court deficiency proceeding under IRC 6512(b).
 - a. The limitations period for filing suit may not be extended.
- (3) The notice converting partnership items to nonpartnership items must be included in the case file when the case is received in Appeals.

8.19.7.4.2.1
(03-19-2015)

**Statute for Converted
Partners**

- (1) The Service may wish to examine the issues raised in the AAR. The examination may result in an increase to tax liability. Because the conversion notice is made pursuant to IRC 6231(b)(1), the assessment statute is controlled by IRC 6229(f). The statute is open for one year from the date of the conversion. If the only issues are those raised in the AAR, the statute may be extended using Form 872-F, Form 872 (Revision 07-2014), or Form 872-A (Revision 01-2014). Form 872-I and Form 872-IA formerly used for this purpose are now obsolete.
- (2) If the IRC 6501 statute is open at the time that the AAR is converted, the Service may examine other non-TEFRA issues. Form 872 (Revision 07-2014) and Form 872-A (Revision 01-2014) should be used to extend the IRC 6501 and IRC 6229 statutes for nonpartnership, partnership, and converted items.

8.19.7.4.2.2
(03-19-2015)

**Conclusion of Case –
Non-Docketed Cases**

- (1) If the case is agreed, secure an agreement form using the standards for agreements in a pre-90 day non-TEFRA case. Do not secure Form 2297, Waiver of Statutory Notice of Claim Disallowance. Do not send a statutory notice of claim disallowance. The time to file a suit for refund regarding the converted AAR differs from the time for filing suit in non-TEFRA cases, which is based on Form 2297 or the statutory notice of claim disallowance.

- (2) The disposition of unagreed cases depends on whether there are adjustments other than the ones raised in the AAR.
 - a. If there are no issues other than those raised in the AAR, the case is closed without securing the taxpayer's agreement on any forms or waivers. Do not send a statutory notice of claim disallowance. No audit statement is needed if the AAR is allowed or denied in full. Prepare an audit statement if there is a partial allowance.
 - b. Adjustments to other issues may create a deficiency, even if the issues raised in the AAR are allowed as claimed. The appeals officer should attach a statement with respect to the claim to the statutory notice of deficiency. See IRM 8.17.4.11.8, Claims for Refund When Notice of Deficiency is Issued.
- (3) It is possible for a taxpayer to file a suit for refund regarding the AAR after an agreement is made on all of the issues. If, in the judgment of the appeals officer, this is a potential outcome, secure a specific matters closing agreement on Form 906.
 - a. The Whereas clause of the closing agreement should clearly state the date of the AAR, the amount claimed, the tax period, the partnership to which the AAR relates, the partnership tax period, and the date the conversion notice was mailed.
 - b. The body of the closing agreement should include the disposition of the issues raised in the AAR, the reason for a disallowance, if any, and a statement that the taxpayer agrees not to file a suit for refund with regard to the AAR.

8.19.7.4.2.3
(01-01-2007)
**Conclusion of Case –
Docketed Cases**

- (1) Cases will only be docketed in Tax Court if issues were raised that created a deficiency. Follow normal Tax Court procedures in completing the case. If there is no deficiency, the taxpayer must petition the appropriate U. S. District Court or the United States Court of Federal Claims. Appeals will not have jurisdiction of those cases.

8.19.7.4.3
(03-19-2015)
**Service Does NOT Issue
Conversion Notice to
Partner**

- (1) The partnership items convert to non-partnership items when the partner begins the civil action for refund. A suit for refund is not allowed if an NBAP has been issued, unless the Service fails to issue a timely FPAA.
- (2) The suit for refund must be filed in the 18 month period beginning 6 months after the date the AAR is filed and ending before the date which is 2 years after the AAR is filed. See IRC 6228(b)(2)(B). This period may be extended using Form 9247 (Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items). If the Service issues an NBAP but then fails to issue a timely FPAA, then the 18 month period will not expire before the date 6 months after the date by which the Service was required to issue an FPAA.

Caution: See Delegation Order 4-19 for the officials authorized to extend the period for filing a suit for refund attributable to partnership items. In Appeals, appeals team managers, appeals team case leaders, and appeals officers have this authority.

- (3) The decision to extend the period to file a suit for refund will be made on a case by case basis. For example, if there is a reasonable expectation that the

issues raised in the AAR will be resolved, the statute may be extended. If a resolution of the issues is unlikely, the Service should not offer an extension. The partner is responsible for timely filing suit.

- (4) If the decision to allow the AAR in whole or in part is made when there is less than 180 days left on the time to file suit, extend the statute for filing suit on Form 9247 to allow sufficient time for the partner return to be processed.

8.19.7.4.3.1
(03-19-2015)
Partner AAR Not Allowed

- (1) If a settlement is reached that will disallow any part of the AAR, use Form 870-PT(AD) for partnership tax years ending after August 5, 1997, to ensure that the partner will not later file suit for refund.
 - a. The partner name on page 1 of Form 870-PT(AD) should include the name of the spouse, if a joint return was filed.
 - b. The Remarks section of the Schedule of Adjustments should include the following language, "The treatment of partnership items shown above resolves with finality the administrative adjustment request filed by [name of partner] on [date AAR was filed]."
 - c. Other partners may be entitled to receive similar treatment if they filed their own AAR. Those that filed timely AARs may invoke the consistent agreement requirement under IRC 6224(c).
 - d. See Exhibit 8.19.7-6 for an example of the agreement form presentation.

8.19.7.5
(01-01-2007)
AARs Received During Appeal of Non-Partnership Issues

- (1) This section explains the procedures for an appeals officer when a taxpayer who is in Appeals for consideration of non-TEFRA issues files an AAR with the appeals officer.
- (2) If the issues in an AAR filed by a partner generate a deficiency, the appeals officer should request assessment of the tax shown on the AAR.
- (3) For all AARs, the appeals officer should determine whether there is an ongoing partnership proceeding.
 - a. If a partnership proceeding has started, advise the partner that final action regarding the issues raised in the AAR must be taken through the partnership proceeding.
 - b. If there is no ongoing partnership proceeding, send the AAR to the partner Campus with instructions to follow IRM 4.31.4.6.1.2.1. Advise the partner of the action taken and the time during which a petition for adjustment (for a TMP filed AAR) or a suit for refund (for a partner filed AAR) may be filed.
 - c. Compliance associates the partner AAR with the partnership tax return and reviews it. Then Compliance decides whether to allow the request in full or in part (as partnership or non-partnership items), to assign the partnership return and the AAR for examination, or to take no action.

8.19.7.6
(10-01-2012)
Protective AARs

- (1) As noted earlier, a major difference between a claim for refund and an AAR is the time for filing a petition for adjustment (for a TMP filed AAR) or a suit for refund (for a partner filed AAR). The date by which a suit must be filed for a non-TEFRA claim for refund depends on the date the Service mails a notice of claim disallowance or a Form 2297 is filed. In contrast, the statute for filing a petition for adjustment or a suit for refund regarding an AAR depends solely on the date that the AAR is filed.

- (2) There are times when a partner does not have the information needed to timely file a complete AAR. This is only one example of the use of the protective claim in refund cases. The filing of a protective AAR does not extend the period of time for filing a petition for adjustment or a suit for refund.
- (3) IRM 4.31.4.2.6 explains AARs filed for protective purposes. If a protective AAR is filed with Appeals, contact the Appeals Technical Specialist(s) for TEFRA.

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Form 3210, Document Transmittal Linking AAR to PCS

Form **3210** (Rev. 4-2010)

Exhibit 8.19.7-2 (03-19-2015)

Form 3210, Document Transmittal Closing Non-Docketed AAR - No Petition Expected

Document Transmittal		To <i>(Show complete and correct address)</i> KEY CASE CTF ADDRESS		Release Date		Page ___ of ___	
				Transmittal Code <i>(From-Serial no.-To)</i>			
				Numbered		Unnumbered	
Document Identification			Remarks Non-docketed AAR Closed – No Adjustments No Petition Expected			Shipment Information	
Quantity	Code or Type	Instructions: When transmitting reports, please show the type of report and the period covered. For other items, show identifying information such as blocks, DLN, EIN, the last four digits of the SSN, etc.				Container No.	Rec'd (✓)
		Name of Partnership: EIN: Year(s):	IRC 6229(a) Statute Date: IRC 6228(a)(2) Form 1065 MFT: 06				
		ENCLOSURES: The following enclosed forms are marked "Information Only--Do Not Mail to Taxpayer" Copy of Form 5402 Copy of Appeals Case Memo Small Envelope					
		NECESSARY ACTIONS: (1) Acknowledge receipt by returning Part 3 of Form 3210 within 10 days (2) Conform partner returns to Schedules K-1 from original Form 1065 if partner has not accurately reported partnership items by IRC 6229(a) statute date. (3) Unlink and survey partner cases for partners that have accurately reported partnership items per original Form 1065. We do NOT expect the TMP to petition the AAR.					
From <i>(Originator must supply complete return address below)</i> Appeals Office Address				Releasing official <i>(Signature and title)</i> Appeals Officer or Other Releasing Official			
				Received and verified <i>(Signature and title)</i>			
				Originator Telephone Number			
				Date acknowledged >			

Exhibit 8.19.7-3 (03-19-2015)

Form 3210, Document Transmittal Closing Non-Docketed AAR - TMP Petition Expected

Document Transmittal		To <i>(Show complete and correct address)</i> KEY CASE CTF ADDRESS		Release Date		Page <u> </u> of <u> </u>	
				Transmittal Code <i>(From-Serial no.-To)</i>			
				Numbered		Unnumbered	
Document Identification				Remarks Non-docketed AAR Closed – No Adjustments Expect TMP Petition		Shipment Information	
Quantity	Code or Type	Instructions: When transmitting reports, please show the type of report and the period covered. For other items, show identifying information such as blocks, DLN, EIN, the last four digits of the SSN, etc.				Con-tainer No.	Rec'd (✓)
		Name of Partnership: EIN: Year(s):		IRC 6229(a) Statute Date: IRC 6228(a)(2) Form 1065 MFT: 06			
		ENCLOSURES: The following enclosed forms are marked "Information Only-Do Not Mail to Taxpayer" Copy of Form 5402 Copy of Appeals Case Memo Small Envelope					
		NECESSARY ACTIONS: (1) Acknowledge receipt by returning Part 3 of Form 3210 within 10 days (2) Conform partner returns to Schedules K-1 from original Form 1065 if partner has not accurately reported partnership items by IRC 6229(a) statute date. (3) Do not unlink partner cases. The TMP will probably petition the AAR.					
From <i>(Originator must supply complete return address below)</i> Appeals Office Address				Releasing official (Signature and title) Appeals Officer or Other Releasing Official Received and verified (Signature and title) Originator Telephone Number Date acknowledged >			

Form **3210** (Rev. 4-2010)Department of the Treasury
Internal Revenue Service

Exhibit 8.19.7-4 (01-01-2007)**TMP Agreement Resolving TMP Filed AAR, Form 870-PT(AD)**

Department of the Treasury - Internal Revenue Service			
Settlement Agreement For Partnership			
Items and Partnership Level Determinations as to Penalties,			
Additions to Tax and Additional Amounts			
SCHEDULE OF ADJUSTMENTS			
Name of Partnership	Tax Year(s) Ended		
Violet Partnership	12/31/1999		
EIN: Y2-0123456			
Detail of Adjustments to Ordinary Income			
Other Income	(\$90,000.00)		
Depreciation Expense	\$30,000.00		
Repair Expense	\$12,000.00		
Total Adjustments to Ordinary Income	(\$48,000.00)		
Other Adjustments			
A.			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
B.			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
Remarks:			

The treatment of partnership items shown above resolves with finality the administrative adjustment request filed by Paul Petunia, as tax matters partner, on behalf of Violet Partnership on June 1, 2000.

Exhibit 8.19.7-5 (03-19-2015)

Form 3210, Document Transmittal Allowing AAR in Full or Part

Document Transmittal		To <i>(Show complete and correct address)</i> KEY CASE CTF ADDRESS Attn: PCS Coordinator		Release Date	Page ___ of ___		
				Transmittal Code <i>(From-Serial no.-To)</i>			
				Numbered		Unnumbered	
Document Identification			Remarks		Shipment Information		
Quantity	Code or Type	Instructions: When transmitting reports, please show the type of report and the period covered. For other items, show identifying information such as blocks, DLN, EIN, the last four digits of the SSN, etc.	Non-docketed AAR Allowed in full (or part)		Con-tainer No.	Rec'd (✓)	
		Name of Partnership: EIN: Year(s):	IRC 6229(a) Statute Date: IRC 6229(a)(2) Statute Date: Form 1065 MFT: 06				
		ENCLOSURES: The following enclosed forms are marked "Information Only-Do Not Mail to Taxpayer" Copy of Form 870-PT(AD) executed by the TMP (if applicable) Copy of Form 5402 Copy of Appeals Case Memo Form 4605-A Form 886-Z Small Envelope					
		NECESSARY ACTIONS: (1) Acknowledge receipt by returning Part 3 of Form 3210 within 10 days (2) Input IRC 6229(a) statute date as one-year date (if not expired). If the IRC 6229(a) statute has expired, use IRC 6228(a) date. (3) Process partner returns based on Forms 4605-A and 886-Z – AAR is allowed in full (or part) (4) Release "H" freeze					
From <i>(Originator must supply complete return address below)</i>			Releasing official <i>(Signature and title)</i> Appeals Officer or Other Releasing Official				
Appeals Office Address			Received and verified <i>(Signature and title)</i>				
			Originator Telephone Number				
			Date acknowledged >				

Form **3210** (Rev. 4-2010)Department of the Treasury
Internal Revenue Service

Exhibit 8.19.7-6 (01-01-2007)**Partner Agreement Resolving Partner Filed AAR, Form 870-PT(AD)**

Department of the Treasury - Internal Revenue Service			
Settlement Agreement For Partnership			
Items and Partnership Level Determinations as to Penalties,			
Additions to Tax and Additional Amounts			
SCHEDULE OF ADJUSTMENTS			
Name of Partnership	Tax Year(s) Ended		
Violet Partnership	12/31/1999		
EIN: Y2-0123456			
Detail of Adjustments to Ordinary Income			
Other Income	(\$90,000.00)		
Depreciation Expense	\$30,000.00		
Repair Expense	\$12,000.00		
Total Adjustments to Ordinary Income	(\$48,000.00)		
Other Adjustments			
A.			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
B.			
(1) Adjustment			
(2) As Reported			
(3) Corrected			
Remarks:			

The treatment of partnership items shown above resolves with finality the administrative adjustment request filed by Robert Marigold on June 1, 2000.