

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.601. Rules and regulations.  
(Also Part I, §§ 6031, 6222, 6227.)

Rev. Proc. 2021-50

#### **SECTION 1. PURPOSE**

This revenue procedure allows eligible partnerships to file amended partnership returns for taxable years ending after March 27, 2020 using a Form 1065, *U.S. Return of Partnership Income* (Form 1065), with the “Amended Return” box checked, and issue an amended Schedule K-1, *Partner’s Share of Income, Deductions, Credits, etc.* (Schedule K-1), to each of its partners. An eligible partnership may file an amended return under Rev. Proc. 2021-48, 2021-49 I.R.B. \_\_\_\_, or Rev. Proc. 2021-49, 2021-49 I.R.B. \_\_\_\_, if the requirements of section 3 of this revenue procedure are met. In order to take advantage of the option to amend provided in this revenue procedure, amended partnership returns must be filed, and corresponding Schedules K-1 must be furnished, on or before December 31, 2021.

## **SECTION 2. BACKGROUND**

### .01 Bipartisan Budget Act of 2015.

(1) Section 1101(a) of the Bipartisan Budget Act of 2015 (BBA), P.L. 114-74, Title XI (November 2, 2015), replaced subchapter C of chapter 63 of subtitle F of the Internal Revenue Code (Code) effective for partnership taxable years beginning after December 31, 2017. Prior to the enactment of the BBA, subchapter C of chapter 63 contained the unified partnership audit and litigation rules enacted by the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), P.L. 97-248 (September 3, 1982), that were commonly referred to as the TEFRA partnership procedures. Section 1101(c) of the BBA replaced the TEFRA partnership procedures with a centralized partnership audit regime that, in general, determines, assesses, and collects tax at the partnership level. The centralized partnership audit procedures enacted by the BBA are found at §§ 6221 through 6241 of the Code. The centralized partnership audit procedures apply to all partnerships, unless the partnership makes a valid election under § 6221(b) not to have those procedures apply. Partnerships subject to the centralized partnership audit regime are referred to as BBA partnerships.

(2) Section 6031(a) of the Code requires every partnership to file a return for each taxable year stating the items of its gross income and the deductions allowable by subtitle A of the Code and such other information as required by forms and regulations, including information about the partners in the partnership. For a partnership, the return required by § 6031(a) is Form 1065, which includes Schedules K-1. Each Schedule K-1 reports a partner's name, taxpayer identification number, and distributive share of partnership-related items and other information related to the partner's interest in the

partnership. Section 6031(b) requires that a partnership required to file a return under § 6031(a) furnish a copy of the Schedule K-1 to each partner that includes such information as may be required to be shown by regulations. In general, § 6031(b) also prohibits BBA partnerships from amending the information required to be furnished to their partners after the due date of the return, unless specifically provided by the Secretary of the Treasury or her delegate. This revenue procedure exercises that authority to allow a BBA partnership to file an amended partnership return and furnish amended Schedules K-1 under the circumstances described in this revenue procedure.

(3) Section 6222(a) of the Code requires partners in a BBA partnership to treat partnership-related items, as defined in § 6241 and the corresponding regulations, consistently on the partner's return with how the BBA partnership treated the items on its return. This consistency requirement generally applies to all partners. Treatment with the partnership return generally requires that a partner in a BBA partnership file a return consistent with the information reported to the partner on the partner's Schedule K-1.

#### .02 PPP Loan Forgiveness Treatment.

(1) Rev. Proc. 2021-49, released on November 18, 2021, provides guidance for partners and partnerships regarding:

(a) allocations under § 704(b) of the Code of amounts excluded from gross income (tax-exempt income), as described in sections 2.03 and 2.04 of Rev. Proc. 2021-49, arising from the forgiveness of Payroll Protection Program (PPP) Loans, as described in section 2.02 of Rev. Proc. 2021-49, certain grant proceeds, or the subsidized payment of certain principal, interest, and fees;

(b) allocations under § 704(b) of the Code of deductions resulting from expenditures attributable to the use of forgiven PPP Loans, certain grant proceeds, or the subsidized payments of certain interest and fees described in sections 2.03 and 2.04 of Rev. Proc. 2021-49; and

(c) the corresponding adjustments to be made with respect to the partners' bases in their partnership interests under § 705 of the Code.

(2) Rev. Proc. 2021-48, released on November 18, 2021, provides that taxpayers may treat tax-exempt income resulting from the forgiveness of PPP Loans, as described in section 2.01 of Rev. Proc. 2021-48, as received or accrued: (1) as, and to the extent that, the taxpayer pays or incurs eligible expenses described in section 2.01(2) of Rev. Proc. 2021-48, (2) when the taxpayer files an application for forgiveness of the PPP Loan, or (3) when the PPP Loan forgiveness is granted.

#### .03 Amended Returns.

(1) This revenue procedure explains how a BBA partnership that wishes to take advantage of Rev. Proc. 2021-48 or Rev. Proc. 2021-49 may do so without filing an administrative adjustment request (AAR) under § 6227 of the Code, which is the process prescribed for a partnership to make partnership adjustments to a partnership return after it is filed.

(2) This revenue procedure allows BBA partnerships the option to file an amended return instead of an AAR, though it does not prevent a partnership from filing an AAR to obtain the benefits of Rev. Proc. 2021-48, Rev. Proc. 2021-49, or any other tax benefits to which the partnership is entitled. A BBA partnership that files an amended return

pursuant to this revenue procedure is still subject to the centralized partnership audit procedures enacted by the BBA.

**SECTION 3. AMENDED RETURN OPTION PROVIDED TO ELIGIBLE BBA PARTNERSHIPS FOR TAXABLE YEARS ENDING AFTER MARCH 27, 2020**

.01 Scope. The filing and furnishing option provided by section 3.02 of this revenue procedure applies to BBA partnerships described in section 3.03 of this revenue procedure for the taxable years described in section 3.04 of this revenue procedure.

.02 Option to file amended return. BBA partnerships that filed a Form 1065 and furnished all required Schedules K-1 for taxable years ending after March 27, 2020 and did so prior to the issuance of this revenue procedure may file amended partnership returns and furnish corresponding amended Schedules K-1 on or before December 31, 2021. The amended returns must take into account tax changes under Rev. Proc. 2021-48 or Rev. Proc. 2021-49, but eligible BBA partnerships under section 3.03 of this revenue procedure may make any additional changes on their amended returns.

.03 Eligible BBA partnerships.

(1) The filing and furnishing option provided in section 3.02 of this revenue procedure is available only to BBA partnerships that filed Forms 1065 and furnished Schedules K-1 for the partnership taxable years ending after March 27, 2020 and prior to the issuance of Rev. Proc. 2021-48 or Rev. Proc. 2021-49. Additionally, to be eligible for the filing and furnishing option in section 3.02 of this revenue procedure, BBA partnerships must:

(a) Be within the scope of section 3 of Rev. Proc. 2021-49 and meet the requirements of section 4.02(1), 4.02(2), 4.02(3), or 4.02(4) of Rev. Proc. 2021-49 by

filing an amended Form 1065 in accordance with procedures in section 6 of Rev. Proc. 2021-49, or

(b) Treat tax-exempt income resulting from the forgiveness of a PPP Loan, at a time described in section 3.01(1), (2) or (3) of Rev. Proc. 2021-48 by filing an amended Form 1065 in accordance with procedures in section 3.02 of Rev. Proc. 2021-48, as applicable.

(2) For purposes of § 6222, the amended return replaces any prior return (including any AAR filed by the partnership) for the taxable year for purposes of determining the partnership's treatment of partnership-related items. See section 4.03 of this revenue procedure for a special rule regarding partnerships who have previously filed AARs for an affected taxable year.

.04 Eligible taxable years. The filing and furnishing option provided in this revenue procedure applies to any partnership taxable year ending after March 27, 2020 and prior to the issuance of Rev. Proc. 2021-48 and Rev. Proc. 2021-49.

#### **SECTION 4. PROCEDURE**

.01 Filing requirements. To take advantage of the option to file an amended return provided by section 3 of this revenue procedure, a BBA partnership must file a Form 1065 (with the "Amended Return" box checked) and furnish corresponding amended Schedules K-1 to its partners. The BBA partnership must clearly indicate the application of this revenue procedure on the amended return and write "FILED PURSUANT TO REV PROC 2021-50" at the top of the amended return and attach a statement with each amended Schedule K-1 furnished to its partners with the same notation. The BBA partnership may file electronically or by mail but filing electronically

may allow for faster processing of the amended return. The BBA partnership filing an amended return pursuant to this revenue procedure should not include any forms that are normally only filed with an AAR, such as Form 8985, *Pass-Through Statement-Transmittal/Partnership Adjustment Tracking Report (Required Under Sections 6226 and 6227)* or Form 8986, *Partner's Share of Adjustment(s) to Partnership-Related Item(s) (Required Under Sections 6226 and 6227)*.

.02 Special rule for BBA partnerships whose returns are under examination. If a BBA partnership is currently under examination for a taxable year ending after March 27, 2020, and wishes to take advantage of the option to file an amended return provided by section 3 of this revenue procedure, the partnership may only do so if the partnership sends notice in writing to the revenue agent coordinating the partnership's examination that the partnership seeks to use the amended return option described in this revenue procedure prior to or contemporaneously with filing the amended return as described in section 4.01 of this revenue procedure. The partnership must also provide the revenue agent with a copy of the amended return and amended Schedules K-1 upon filing.

.03 Special rule for BBA partnerships who have previously filed an AAR. If a BBA partnership has previously filed an AAR and wishes to file an amended return pursuant to this revenue procedure for the same taxable year, the partnership should use the items as adjusted in the AAR, where applicable, in lieu of any reporting from the originally filed partnership return.

.04 Special rule for a pass-through partner that is a BBA partnership. If a pass-through partner (as defined in § 301.6241-1(a)(5) of the Procedure and Administration Regulations) that is also a BBA partnership receives an amended Schedule K-1 issued

pursuant to this revenue procedure, the pass-through partner may file an amended return in lieu of filing an AAR, but only with respect to the items included on the K-1 it received, using the procedures described in section 4.01 of this revenue procedure.

(1) The time limit to file an amended return, as discussed in sections 3.02 and 5 of this revenue procedure, is not applicable to pass-through partners within the scope of this section 4.04 of this revenue procedure.

(2) This section 4.04 also applies to BBA partnerships that received an amended Schedule K-1 under any other previously issued revenue procedure allowing BBA partnerships to issue amended Schedules K-1.

## **SECTION 5. EFFECTIVE DATE**

An eligible BBA partnership may apply this revenue procedure for eligible taxable years by filing amended Forms 1065, and furnishing corresponding amended Schedules K-1, on or before December 31, 2021.

## **SECTION 6. DRAFTING INFORMATION**

The principal author of this revenue procedure is Nikki Bossert of the Office of the Associate Chief Counsel (Procedure and Administration). For further information, please contact 202-317-5185 (not a toll-free call).