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From:

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To:

Cc:

Subject: RE: Partnership Penalties

Since the partnership pays no tax, there is typically no "underpayment of tax" by the partnership that could be subject to the negligence penalty. I.R.C. 6662(a). Instead, in a TEFRA proceeding we are determining penalties against the partners based on partnership-level determinations, e.g., the negligence of the partnership acting through its managers.

There is an underpayment of tax by the partnership, however, under sections 1446 and 1461 for certain withholding taxes. That could be subject to a negligence penalty directly assessable against the partnership. Outside of this limited exception, I am not aware of other circumstances for assessing the negligence penalty against the partnership.