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[Third Party Communication:

UILC: 6226B.00-00, 6226B.01-00

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Number: **202346026**

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**From:** [REDACTED]

**Sent:** Friday, September 29, 2023 1:38:35 PM

**To:** [REDACTED]

**Cc:** [REDACTED]

**Bcc:**

**Subject:** RE: question on Example in F3800 instructions

Hi [REDACTED],

In your calculation, it looks like you are applying the remaining credit carryover before the additional reporting year tax. This is not correct. The additional reporting year tax is an increase/decrease in a partner's chapter 1 tax for the reporting year (in this example, 2023). It is part of tax, it is not a credit against tax. The additional reporting year tax is a tax imposed under chapter 1 for the 2023 taxable year. Although this 2023 tax is computed by reference to what the decrease/increase in the partner's tax would have been in 2020, 2021, and 2022, it is not a tax for 2020, 2021, or 2022. You apply the credits after tax is calculated. In addition, the additional reporting year tax is not refundable. Chapter 1 tax cannot be negative. As the additional reporting year tax is part of chapter 1 tax for (in this case) 2023, a negative additional reporting year tax can reduce other chapter 1 taxes to zero but not below. Congress did not make it refundable/create an overpayment. We have asked for a legislative fix.

[REDACTED]

Section 6226(b)(1):

**(1) TAX IMPOSED IN YEAR OF STATEMENT**

Except as provided in paragraph (4), each partner's tax imposed by chapter 1 for the taxable year which includes the date the statement was furnished under subsection (a) shall be adjusted by the aggregate of the correction amounts determined under paragraph (2) for the taxable years referred to therein.

Paragraph (4) is about partners that are partnerships and S corps. The correction amount is the amount by which the partner's chapter 1 tax would have increased/decreased if the partner had reported the adjustment correctly to begin with.

Treas. Reg. 301.6226-3(a):

(a) Effect of taking adjustments into account on tax imposed by chapter 1. Except as otherwise provided in this section, the tax imposed by chapter 1 of the Internal Revenue Code (chapter 1 tax) for each reviewed year partner (as defined in §301.6241-1(a)(9)) for the taxable year that includes the date a statement was furnished in accordance with §301.6226-2 (the reporting year) is increased by the additional reporting year tax, or if the additional reporting year tax is less than zero, decreased by such amount. The additional reporting year tax is the aggregate of the correction amounts (determined in accordance with paragraph (b) of this section). In addition to being liable for the additional reporting year tax, a reviewed year partner must also calculate and pay for the reporting year any penalties, additions to tax, and additional amounts (as determined under paragraph (d) of this section). Finally, a reviewed year partner must also calculate and pay for the reporting year any interest (as determined under paragraph (c) of this section).

Please let me know if you have any questions.

Thanks,  
Jenni

Jenni Black (she/her)  
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CC:PA:06  
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