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[Third Party Communication:

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From:

Sent: Thursday, January 11, 2024 8:33:24 AM

To:

Cc:

Bcc:

Subject: RE: Penalty question

Hi [REDACTED],

Not a bother at all!

Penalties are handled differently under section 6232(f) and push out. Under section 6232(f) the partners are liable for what the partnership has not paid. It takes the balance of what the partnership owes (the imputed underpayment, penalties, interest) and splits it amongst the partners based on their proportionate share. So in that case, the penalty has already been assessed at the partnership level (the imputed underpayment x the penalty rate).

For push out, it's like TEFRA, the applicability of the penalty and what adjustments it applies to are pushed out to the reviewed year partners. For example, that the section 6662 substantial understatement penalty of 20% applies to the adjustment to X. When the partners compute what their change in tax would have been if they had reported to begin with, they will compute the penalty as well, based on the partner's own facts and circumstances (including any thresholds, etc.).

Please let me know if you have any questions.

Thanks,
Jenni

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