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[Third Party Communication:

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Number: **202436012**

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**From:** [REDACTED]

**Sent:** Wednesday, April 10, 2024 12:14:08 PM

**To:** [REDACTED]

**Cc:** [REDACTED]

**Bcc:**

**Subject:** RE: Partnership Contribution Adjustment under BBA - Request for Review

Hi [REDACTED],

If the adjustment is being made at the partnership level, the IRS would adjust contributions by \$45M and this would result in an imputed underpayment of ( $\$45M \times 37\%$ ) = \$16,650,000. Contributions to partnerships are partnership-related items and because they don't meet the definition of negative adjustment (decrease in income/gain, increase in an expense/loss, increase in a credit) it is a positive adjustment (all adjustments to non-income items are positive). If the partner files an amended return as part of modification or if the partnership elects to push out the adjustments instead the partner would recalculate what her change in chapter 1 tax would have been without the \$45M contribution for 2020 through whatever year the adjustments become final and report that change in tax on her next filed return. This would include adjusting her outside basis for all of those years and going forward.

[REDACTED] Under section 6221(a) any tax attributable to an adjustment to a partnership-related item must be assessed and collected at the partnership level unless an exception applies. The exceptions are amended return modification and push out (and one other not relevant here). [REDACTED]

[REDACTED] Outside basis is not a partnership-related item and cannot be adjusted under BBA.

There are special enforcement regulations which would allow the IRS to make this entire adjustment at the partner level. Under 301.6241-7(b) if – 1) the IRS is auditing the partner; 2) the IRS is adjusting a non-partnership-related item (e.g., outside basis);

and 3) the treatment of the partnership-related item on the partnership's return is caused by the partner – then the IRS can adjust the partnership-related item at the partner level as part of the adjustment to the non-partnership-related item. The example in that regulation [REDACTED]

[REDACTED] is a contribution of property to the partnership. However, I note that nothing in BBA holds open the partner's section 6501 period. If you are dealing with the 2020 tax year and the partner timely filed on extension then the partner's section 6501 period expires on 10/15/2024 (unless a special rule applies). [REDACTED]

[REDACTED] The IRS would have to open an exam of the partner. This provision was designed to deal with situations where the IRS already had the partner open when they discovered the issue. But, it's technically an option. The IRS could not adjust it at both levels. [REDACTED]

Please let me know if you have any questions.

Thanks,  
Jenni

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