

Chapter 3: Partnership Audit Procedures Under the Bipartisan Budget Act of 2015

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In this [chapter](#) for *Major Tax Planning 2017*, James Gadwood discusses recently proposed Treasury regulations that, if finalized, would provide guidance on how the Internal Revenue Service (IRS) will implement partnership audit procedures enacted under the Bipartisan Budget Act of 2015 (BBA). Gadwood reviews the scope of the BBA's partnership audit rules, which partnerships may elect out of those rules, and the role of the partnership representative (PR) those rules, among other aspects of the proposed regulations. "The BBA's partnership audit rules constitute a paradigm shift in partnership taxation because the PR has sole authority to act for the partnership and its partners during an IRS audit and, under the default rule, the partnership is liable for any deficiency that results from an IRS audit," Gadwood wrote. "Accordingly, existing partnership agreements should be reviewed and amended to reflect the new partnership audit rules even though uncertainties remain. In particular, each partnership should consider whether the partnership is eligible to elect out of the BBA regime and, if not, who will be the PR and what checks will the partners have on the PR's authority during an IRS audit. Additional amendments to partnership agreements may be required if and when the Technical Corrections bill is enacted and final Treasury regulations interpreting the BBA are issued."