



TaxNewsFlash

United States

No. 2024-266
July 8, 2024

KPMG reports: Application of BBA centralized partnership audit regime

As the IRS continues to ramp up its enforcement efforts against partnerships, more and more partnerships will enter the tax procedure thicket that is known as the centralized partnership audit regime (CPAR). Enacted almost 10 years ago as part of the Bipartisan Budget Act of 2015 (BBA), CPAR (also known as the BBA rules) empowers the IRS to pursue the partnership itself for any tax resulting from an adjustment to the partnership return, rather than seeking out and collecting tax from each of the partnership's partners. Although CPAR governs partnership returns filed for the past handful of tax years, we have yet to see a court weigh in on the thorny application of the BBA rules, until now.

The U.S. Tax Court in May 2024 held, in a case of first impression, that the IRS should have followed the BBA procedures in conducting an exam of the partnership's 2016 tax year. *SN Worthington Holdings LLC v. Commissioner*, 162 T.C. No. 10 (2024). Because the IRS incorrectly applied the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) procedures to that exam, the Tax Court found the notice of final partnership administrative adjustment (FPAA) issued by the IRS was invalid and ordered the case dismissed for lack of jurisdiction. At the heart of the dispute was the partnership's ability, or lack thereof, to pay a potential partnership-level liability determined under the BBA.

KPMG LLP has prepared two articles* that summarize the facts that led to the dispute between the IRS and the partnership, discuss the Tax Court's holdings, and offer some observations on the opinion, including how the court's opinion fits within the BBA context more broadly.

- [Part 1](#): "*SN Worthington*: Electing Into the Centralized Partnership Audit Regime"
- [Part 2](#): "Lessons from *SN Worthington*"

*These articles originally appeared in *Tax Notes: Procedurally Taxing* (June 21, 2024, and June 24, 2024) and are provided with permission.

kpmg.com/socialmedia



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)