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Proposed regulations: Centralized partnership audit regime

The U.S. Treasury Department and IRS late this afternoon released for publication in the Federal Register proposed regulations (REG-136118-15) regarding implementation of the centralized partnership audit regime that, in general, assesses and collects tax at the partnership level.

The proposed regulations—while not yet released by the Federal Register—provide rules for partnerships subject to the new regime, including:

- Procedures for electing out of the centralized partnership audit regime
- Procedures for filing administrative adjustment requests
- Rules for determining amounts owed by the partnership or its partners attributable to adjustments that arise out of an examination of a partnership

The proposed regulations address the scope of the centralized partnership audit regime and provide definitions and special rules that govern its application, including the designation of a partnership representative.

The purpose of this release simply is to provide text of the 277-page proposed regulations.

Effective date, public hearing

The proposed regulations would affect partnerships for tax years beginning after December 31, 2017 and any partnerships that elect application of the centralized partnership audit regime for tax years beginning after November 2, 2015, and before January 1, 2018.

Apparently there is a public hearing scheduled for May 10, 2017, and the release will withdraw a notice of proposed rulemaking from February 2009 regarding the conversion of partnership items related to listed transactions.

KPMG observation

The IRS had posted a version of the proposed regulations on its website, but subsequently removed that version of the regulations. Publication of the proposed regulations in the Federal Register was still pending as of January 20, 2017.

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