



# TaxNewsFlash

## United States

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### **Proposed regulations: Centralized partnership audit rules, initial impressions**

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-136118-15) regarding implementation of the centralized partnership audit rules that, in general, concern the assessment and collection of tax at the partnership level.

Today's [proposed regulations](#) [PDF 500 KB] provide in 69 pages, rules for partnerships subject to new partnership audit rules, and include:

- 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

Today's release withdraws prior proposed regulations.

#### **KPMG observation**

Today's proposed regulations for implementing a centralized partnership audit regime are substantially the same as proposed regulations that were posted on the IRS website in January 2017 and then almost immediately removed. Read [TaxNewsFlash-United States](#). The only significant change in these proposed regulations from the draft posted in January 2017 concerns the "push out" election under section 6226.

The January 2017 draft "reserved" on the issue as to whether a pass-through partner could elect to push out the adjustment to higher tiers. Today's proposed regulations also reserve on this issue, but add that Treasury and the IRS are considering allowing such a push-out of the adjustment beyond the first tier partners and that proposed

regulations addressing that issue will be published "in the near future." The [preamble](#) [PDF 984 KB] also requests comments as to how the IRS might administer section 6226 in a tiered structure.

## **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 (date of enactment), and before January 1, 2018.

Today's release also provides a notice of a public hearing scheduled for September 18, 2017, on the proposed regulations. Written or electronic comments must be received by 60 days after publication in the Federal Register, which is scheduled for June 14, 2017.

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