

US Corporate Law News: IRS adopts new regulations governing the audit of tiered partnerships

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On December 19, 2017, the IRS published new regulations implementing a centralized partnership tax audit regime under the Bipartisan Budget Act of 2015. Under prior law, the IRS had the burden of auditing partnerships at both the entity and individual partner levels, and where any individual partner was also a pass-through entity, the IRS was required to move through each “tier” to assess the ultimate taxpayer. The new audit regime reverses this burden and allows the IRS to perform a “centralized” audit of a partnership at a single tier. Further, if the partnership is subject to additional assessments, the entity can respond by paying the tax due or making a “pushout” election wherein the entity's tax liabilities are imposed on partners at the individual level. Prior to the new regulations, it was unclear whether additional pushout elections could be made. The IRS has now clarified that each tier is permitted to make further pushout elections, and so on, until the ultimate individual or corporate taxpayer bears responsibility for the tax. For more information, see: <https://www.federalregister.gov/documents/2017/12/19/2017-27071/centralized-partnership-audit-regime-rules-for-election-under-sections-6226-and-6227-including-rules>.


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