



Wiley Rein Tax Lawyer Michael Grace to Speak on New Partnership Auditing Procedures

[Michael J. Grace](#), Consulting Counsel in Wiley Rein's [Corporate Practice](#), will speak June 8 at the [Taxation on Real Estate Conference](#) in Chicago on updated rules under which the IRS soon will audit partnerships including most limited liability companies (LLCs). Mr. Grace will speak at the session titled "Howdy Partner! New IRS Partnership Audit Rules are Riding into Town," held from 11:40 a.m. – 12:30 p.m. CDT. Sponsored by the Illinois CPA Society, this annual conference attracts financial and tax professionals from companies, accounting firms, and law firms.

The Bipartisan Budget Act of 2015 (Pub. L. 114-74) added to the Internal Revenue Code new rules that significantly change how the IRS will audit partnerships. Generally starting in 2018, the IRS will both examine partnerships and collect directly from partnerships themselves any determined underpayments of tax, penalties, and interest. Currently, under the "TEFRA" Rules dating from 1982, the IRS generally can audit partnerships. However, the IRS then must attempt to collect any determined underpayments from the partners themselves. Under the updated rules, the IRS generally will collect directly from partnerships.

Significant issues Mr. Grace will address on June 8 include:

- Election to apply the new rules before 2018
- Election out of the new rules (partnerships having 100 or fewer partners)
- Choices for satisfying a partnership underpayment of tax, penalties, and interests, and implications of those choices
- Selecting and appointing a partnership representative (similar, but not identical, to a "tax matters partner")
- Judicial review of IRS adjustments
- What people now should do to prepare for the new rules

Mr. Grace also has published a *Bloomberg BNA* Tax Management Memorandum on the new partnership auditing rules: "New Partnership Auditing Procedures: Practical Responses and Drafting Strategies," 57 Tax Management Memorandum (*Bloomberg BNA*) 403 (September 19, 2016).

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