

CCH® AnswerConnect

Virtual Coffee Talk

A discussion of the latest tax updates

An Update on Partnership Audits and the IRS Campaigns Saga

Kevin M. Jacobs, Managing Director
at Alvarez & Marsal Taxand, LLC

Kat Gregor, Partner at Skadden, Arps,
Slate, Meagher & Flom LLP

Kevin DeYoung, Lead Product Manager
at Wolters Kluwer

August 25, 2022



Skadden

Earning CPE credit

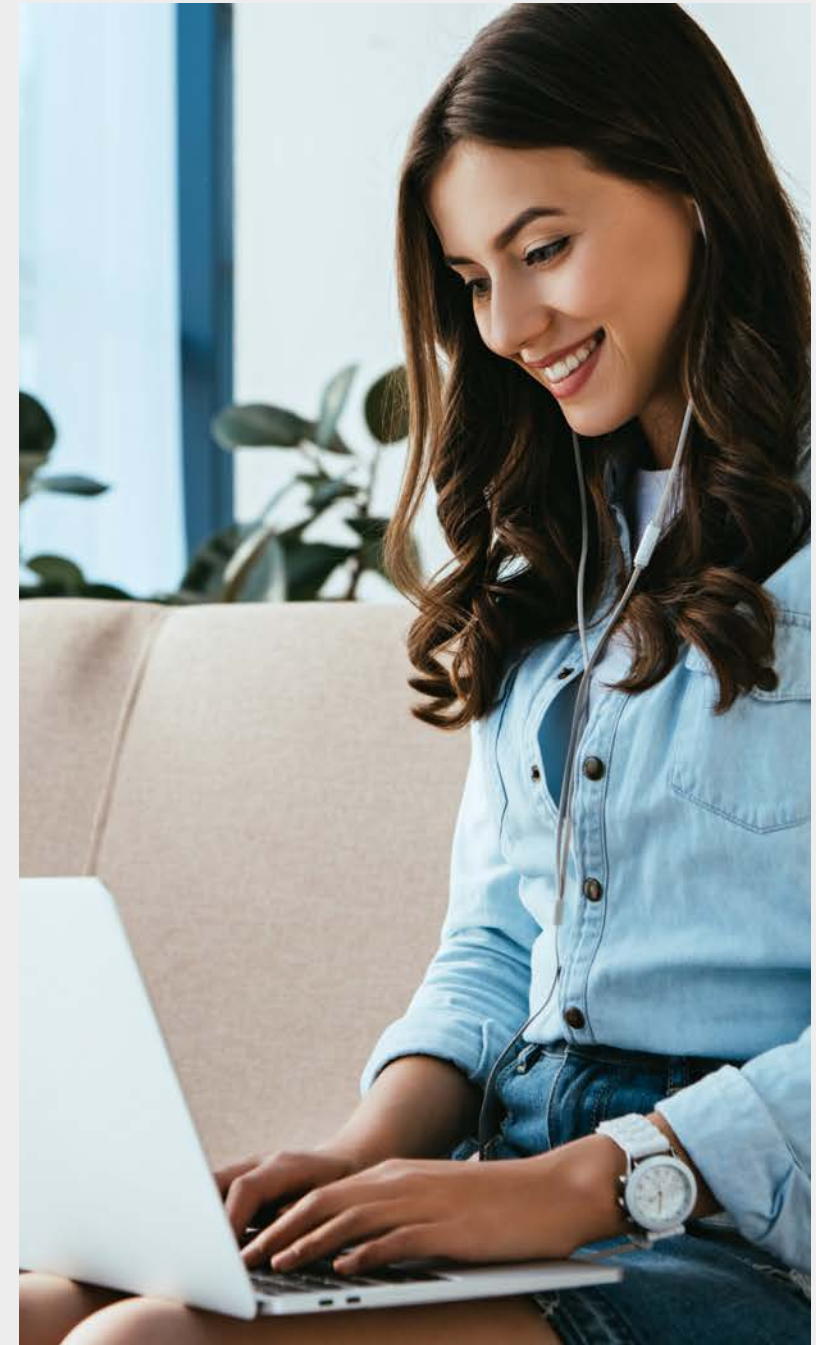
Wolters Kluwer, CCH is registered with NASBA as a sponsor of continuing professional education on the National Registry of CPE sponsors. State Boards of Accountancy have the final authority on the acceptance of individual course for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org

Today's webinar is worth a total of one (1) CPE. A total of 4 polls will be conducted throughout the presentation, and you will need to participate in 3 of them in order to receive CPE credit.

Your certificate will be sent to the email used to register for the webinar within five (5) business days after the session. If you do not receive your certificate, please email us at TAANA-Webinars@wolterskluwer.com. Please note, CPE is not available when viewing the on-demand version of this webinar.

Please complete the course evaluation, which will open in a new window upon exiting the webcast at the end of the program.

This presentation is provided solely for educational purposes; it does not take into account any specific individual's or entity's facts and circumstances. It is not intended, and should not be relied upon, as tax, accounting, or legal advice. Alvarez & Marsal Taxand, LLC; Skadden, Arps, Slate, Meagher & Flom LLP; and Wolters Kluwer expressly disclaim any liability in connection with the use of this presentation or its contents by any third party.



Today's speakers



Kevin M. Jacobs
Managing Director
Alvarez & Marsal Taxand, LLC



Kat Gregor
Partner
Skadden, Arps, Slate,
Meagher & Flom LLP



Kevin DeYoung
Lead Product Manager
Wolters Kluwer TAA North America

Agenda

- Review of the Partnership Audit Rules
- IRS and Partnership Compliance
 - Large Partnership Compliance Program
 - Key IRS Campaigns
- What to do when an audit starts?

Polling Question #1

Have you been involved in a partnership audit for a taxable year that began after December 31, 2017?

- Yes
- No



Review of the Partnership Audit Rules



Why are the new rules important?



- May change the risk analysis in evaluating uncertain tax positions
- Impact on due diligence
- May require changes to partnership agreements and related documents
- Tax protection agreements will be impacted
- May affect financial statement reporting

“Highlights” of the New Partnership Audit Rules

- Centralized: all adjustments and collection consolidated at partnership level
- Applies to taxable years beginning after 12/31/2017 (i.e., 2018 calendar year for most)
- Limited ability to opt out of centralized proceedings
- Items subject to the partnership audit rules are extremely broad

Polling Question #2

True or False: If I do not work for or represent a partnership, then I do not need to be worried about these rules?



- True
- False

Adjustments



- Partnership-Level Adjustments (section 6225)
 - Partnership, not partner, liable in the partnership adjustment year for any imputed underpayment
- Push-Out Election (section 6226)
 - Reviewed year partners take into account adjustments, including penalties and interest
 - Partner consent not required
 - Interest charged on deficiency is 2% higher
- IRS discretion to divide adjustments into groupings or subgroupings
 - Two types of imputed underpayments – general and specific
 - Partnership may make different decisions (use of section 6225 or 6226) with respect to different imputed underpayments

Administrative Adjustment Requests (AAR) (section 6227)

- Partnerships may file an AAR
 - No longer allowed to file amended partnership returns
 - Partnership must determine whether the adjustments result in an “imputed underpayment”
 - If **yes**, then must either have partnership-level adjustments or a push-out election
 - If **no**, then must push out the adjustments

IRS and Partnership Compliance



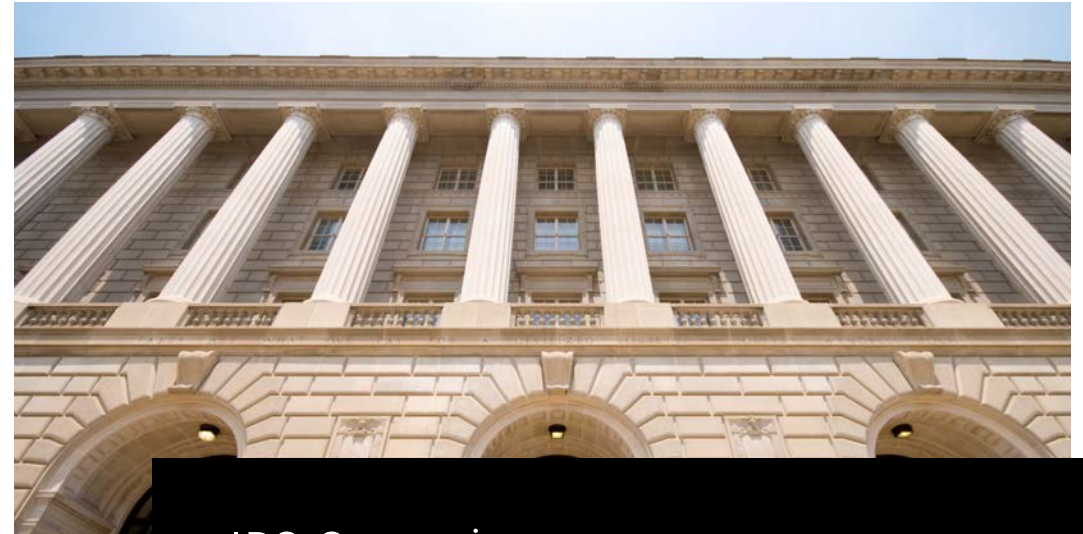
IRS Audits of Partnerships

Two Main Prongs:



Large Partnership Compliance Program (LPCP)

- Similar to Large Corporation Compliance Program (LCCP)
- Returns selected based on data analytics to select largest partnerships
- Issues might cover campaign topics, but not limited



IRS Campaigns

- Coordinated efforts to audit, educate and issue guidance around a specific issue
- Audits can focus on education, but also can evolve into coordinated-style positions by the IRS (e.g., SECA campaign)
- Many can include partnerships but are not limited to partnerships

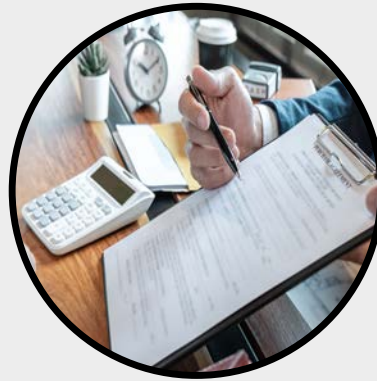
Key Campaigns



965



Sale of
Partnership
Interest



Lending Activities/
ECI



SECA Tax

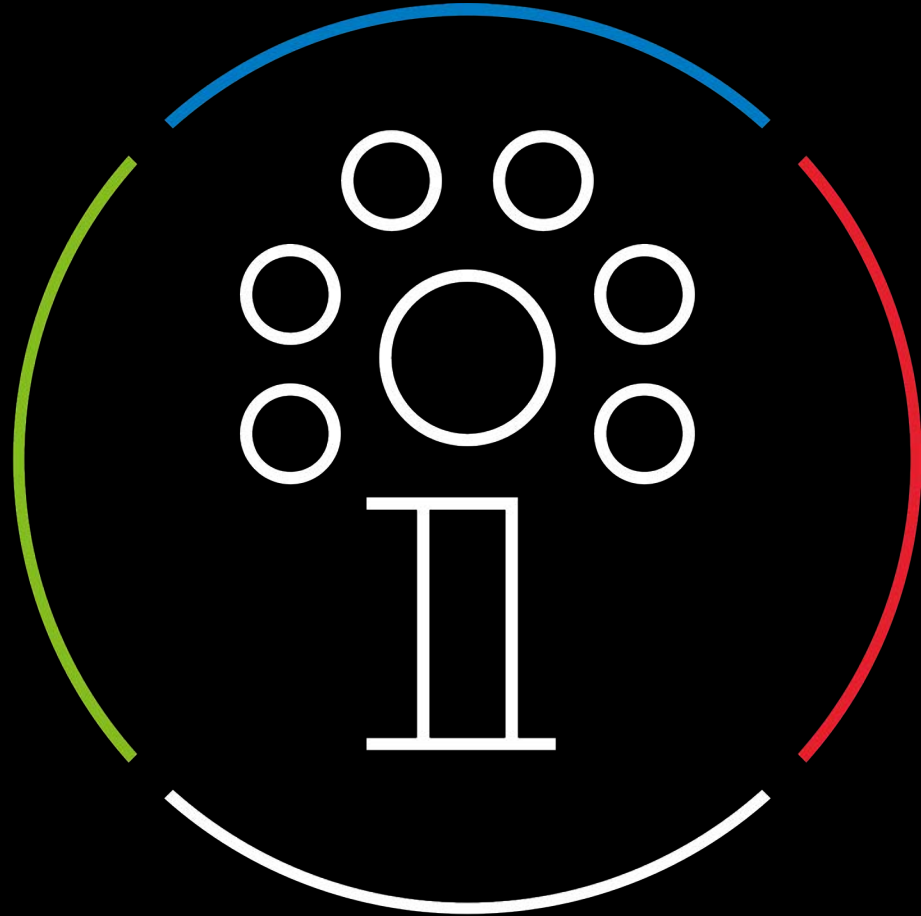


Losses/Distributions
in Excess of
Partner's Basis



Withholding
Compliance

What to do when
an audit starts?



Polling Question #3



In the following sentence, Their are nine dogs, and there all chasing they're tails, which is your favorite?

- Their
- There
- They're

Key First Step — Examine the Partnership Agreement



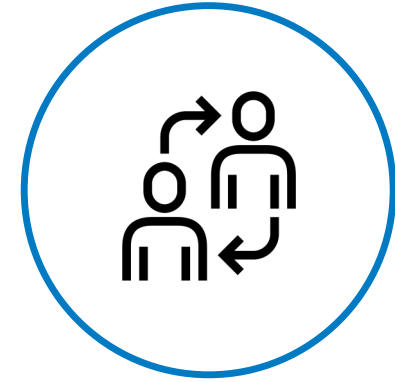
Partnership Representative

Who is it?

What can they do?



Partners' Rights



Information Sharing

Both directions

Time Sensitive Actions with the IRS



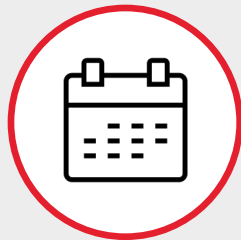
Redesignate PR or designated individual?



Limited window between notice of intent to audit and actual notice of beginning of audit — file an AAR?



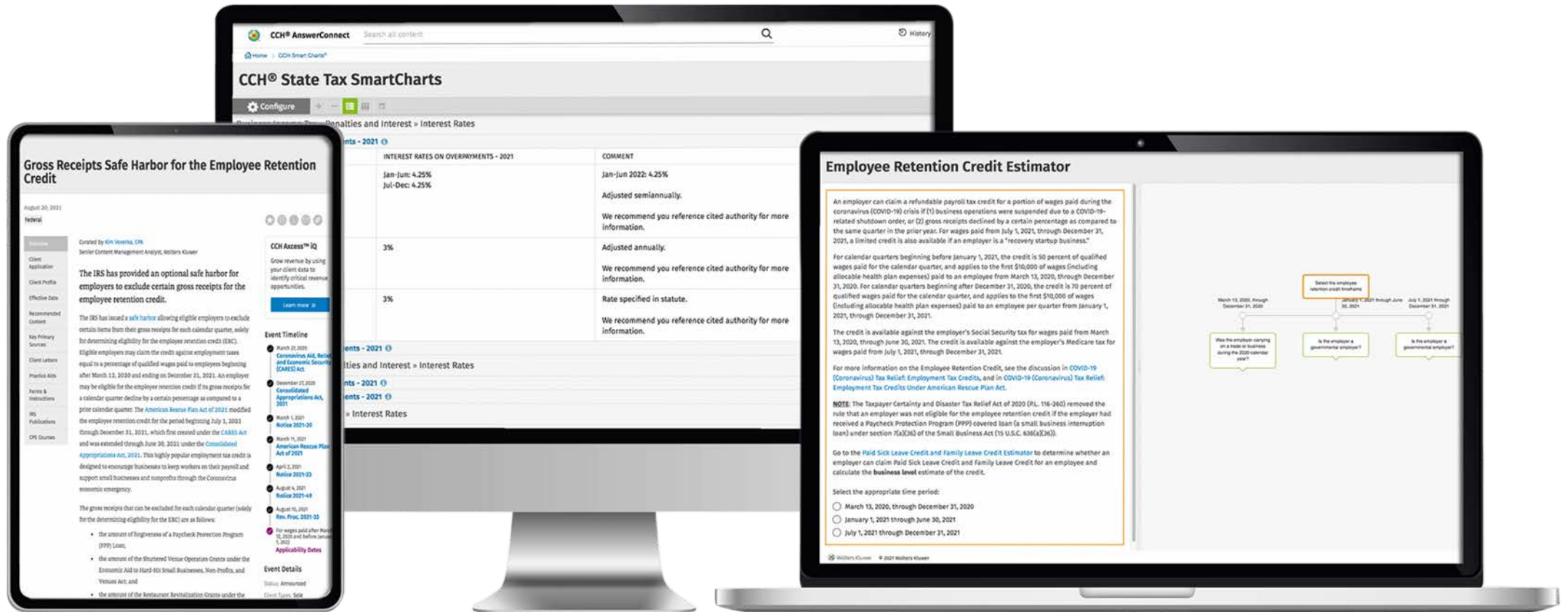
Allows partnerships to make affirmative adjustments up front (comparable to procedure allowing affirmative amendments at outset of corporation audits)



Once audit begins, AARs are no longer permitted

- Plan for dealing with partners
- Learn more from the examiner: LPCP? Campaign-related?

CCH® AnswerConnect



Additional information in CCH[®] AnswerConnect



Kevin DeYoung

Lead Product Manager

Wolters Kluwer TAA North America

Polling Question #4

Would you like a more in-depth demo or further details on the resources and tools available in CCH[®] AnswerConnect?



- Yes
- No

CCH[®] AnswerConnect

Register to try it for free:

<https://engagetax.wolterskluwer.com/TryCCHAnswerConnectAug2022>

Learn more about CCH AnswerConnect:

<https://engagetax.wolterskluwer.com/CCHAnswerConnectAug2022>



Thank you for
attending the Virtual
Coffee Talk — An
Update on Partnership
Audits and the IRS
Campaigns Saga



Kevin M. Jacobs

Kevin M. Jacobs is a Managing Director with Alvarez & Marsal Taxand, LLC in Washington D.C. and the National Tax Office Practice Leader. He brings more than 15 years of experience in tax matters in both the public and the private sectors.

Prior to joining A&M, Mr. Jacobs was a Senior Technician Reviewer (TCJA) with the IRS Office of Associate Chief Counsel (Corporate) for more than six years, where he advised on tax issues such as corporate re-organizations and corporation-shareholder issues, earning and profits, recovery and allocation of stock basis, liquidations, redemptions, bankruptcies, spin-offs and consolidated returns.

Mr. Jacobs was the principal Associate Chief Counsel (Corporate) attorney on several regulatory projects including the proposed section 382(h) regulations on built-in gains and losses, the global intangible low-taxed income regulations, and debt-equity regulations. He provided substantial contributions to numerous other guidance projects, such as the limitation on interest deductions regulations, and assisted in overseeing the Corporate Division's response to TCJA, including the coordination with Treasury's Offices of Tax Legislative Counsel and International Tax Counsel.

Mr. Jacobs earned a bachelor's degree in accounting, a master's degree in accounting (with a concentration in taxation), a J.D. (*magna cum laude*) from the University of Florida and an LL.M. in taxation from New York University. He is admitted to practice before multiple courts and to the District of Columbia and Florida Bars. He is also a licensed Certified Public Accountant (CPA) in Florida and Colorado. Mr. Jacobs is a member of several organizations including the American Bar Association, the American Institute of Certified Public Accountants, the International Fiscal Association, and the New York State Bar Association.



Managing Director
Alvarez & Marsal Taxand, LLC
kjacobs@alvarezandmarsal.com
202.729.2084

Kat Gregor

Repeatedly recognized by *Chambers USA: America's Leading Lawyers for Business* and *The Best Lawyers in America*, Ms. Gregor represents corporate clients spanning a broad range of industries, including retail, entertainment, energy, technology, communications, financial services and manufacturing. Her work in the financial services industry includes counseling fintech and other blockchain companies, asset managers (and related investment funds) and financial institutions. She also advises high-net-worth individuals to resolve inquiries by tax authorities into matters involving estate tax, residency and domicile, and reporting of foreign and digital assets. Known for her innovative approach to resolving tax disputes, clients regularly turn to Ms. Gregor for achieving favorable negotiated outcomes beyond traditional paths to court.

Ms. Gregor also is experienced in advising on complex cross-border investment structures in the context of tax disputes, which she frequently encounters when counseling on bilateral and multilateral investment treaty disputes with non-U.S. tax authorities and overseeing strategy for managing controversies involving foreign tax authorities. In connection with these types of disputes, she has been involved in several major international arbitration matters. She also works closely with non-U.S. counsel in coordinating the defense of multijurisdictional inquiries, including through competent authority proceedings.

Ms. Gregor earned a bachelor's degree (*magna cum laude*) from Georgetown University and an J.D. (*cum laude*) from Harvard Law School.



Partner

Skadden, Arps, Slate,
Meagher & Flom LLP

kat.gregor@skadden.com

617.573.4808

Thank you for joining us today!

Contact:



Kevin M. Jacobs
Alvarez & Marsal Taxand, LLC
Phone: 202.729.2084
kjacobs@alvarezandmarsal.com

Kat Gregor
Skadden, Arps, Slate, Meagher & Flom LLP
Phone: 617.573.4808
kat.gregor@skadden.com

Kevin DeYoung
Wolters Kluwer Tax & Accounting North America
kevin.deyoung@wolterskluwer.com