

114TH CONGRESS
1ST SESSION

H. R. 2821

To amend the Internal Revenue Code of 1986 to reform partnership audit rules.

IN THE HOUSE OF REPRESENTATIVES

JUNE 18, 2015

Mr. RENACCI (for himself and Mr. KIND) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to reform partnership audit rules.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Partnership Audit
5 Simplification Act of 2015”.

6 **SEC. 2. PARTNERSHIP AUDITS AND ADJUSTMENTS.**

7 (a) REPEAL OF TEFRA PARTNERSHIP AUDIT
8 RULES.—Chapter 63 of the Internal Revenue Code of
9 1986 is amended by striking subchapter C (and by strik-

1 ing the item relating to such subchapter in the table of
 2 subchapters for such chapter).

3 (b) REPEAL OF ELECTING LARGE PARTNERSHIP
 4 RULES.—

5 (1) IN GENERAL.—Subchapter K of chapter 1
 6 of such Code is amended by striking part IV (and
 7 by striking the item relating to such part in the
 8 table of parts for such subchapter).

9 (2) ASSESSMENT RULES RELATING TO ELECT-
 10 ING LARGE PARTNERSHIPS.—Chapter 63 of such
 11 Code is amended by striking subchapter D (and by
 12 striking the item relating to such subchapter in the
 13 table of subchapters for such chapter).

14 (c) PARTNERSHIP AUDIT REFORM.—

15 (1) IN GENERAL.—Chapter 63 of such Code, as
 16 amended by the preceding provisions of this section,
 17 is amended by inserting after subchapter B the fol-
 18 lowing new subchapter:

19 **“Subchapter C—Treatment of Partnerships**

“PART I—IN GENERAL

“PART II—PARTNERSHIP ADJUSTMENTS

“PART III—PROCEDURE

“PART IV—DEFINITIONS AND SPECIAL RULES

20 **“PART I—IN GENERAL**

“Sec. 6221. Determination at partnership level.

“Sec. 6222. Partner’s return must be consistent with partnership return.

“Sec. 6223. Designation of partnership representative.

1 **“SEC. 6221. DETERMINATION AT PARTNERSHIP LEVEL.**

2 “(a) IN GENERAL.—Items of income, gain, loss, de-
3 duction, or credit of a partnership for a partnership tax-
4 able year (and any partner’s distributive share thereof)
5 shall be audited, any tax attributable thereto shall be as-
6 sessed and collected, and the applicability of any penalty,
7 addition to tax, or additional amount which relates to an
8 adjustment to any such item or share shall be determined,
9 at the partnership level pursuant to this subchapter.

10 “(b) ELECTION OUT FOR CERTAIN PARTNERSHIPS
11 WITH 100 OR FEWER PARTNERS.—This subchapter shall
12 not apply with respect to any partnership for any taxable
13 year if—

14 “(1) the partnership elects the application of
15 this subsection for such taxable year,

16 “(2) the partnership has 100 or fewer partners
17 on the last day of such taxable year,

18 “(3) each of the partners of such partnership is
19 an individual, a C corporation (other than a real es-
20 tate investment trust or a regulated investment com-
21 pany), any foreign entity that would be treated as a
22 C corporation were it domestic, or an estate of a de-
23 ceased partner,

24 “(4) the election—

25 “(A) is made with a timely filed return for
26 such taxable year, and

1 “(B) includes (in the manner prescribed by
2 the Secretary) a disclosure of the name and
3 taxpayer identification number of each partner
4 of such partnership, and

5 “(5) the partnership notifies each such partner
6 of such election in the manner prescribed by the
7 Secretary.

8 For purposes of paragraph (4)(B), the Secretary may pro-
9 vide for alternative identification of any foreign partners.

10 **“SEC. 6222. PARTNER’S RETURN MUST BE CONSISTENT**
11 **WITH PARTNERSHIP RETURN.**

12 “(a) IN GENERAL.—A partner of any partnership
13 shall, on the partner’s return, treat each item of income,
14 gain, loss, deduction, or credit attributable to such part-
15 nership in a manner which is consistent with the treat-
16 ment of such income, gain, loss, deduction, or credit on
17 the partnership return.

18 “(b) UNDERPAYMENT DUE TO INCONSISTENT
19 TREATMENT ASSESSED AS MATH ERROR.—Any under-
20 payment of tax by a partner by reason of failing to comply
21 with the requirements of subsection (a) shall be assessed
22 and collected in the same manner as if such underpayment
23 were on account of a mathematical or clerical error ap-
24 pearing on the partner’s return. Paragraph (2) of section

1 6213(b) shall not apply to any assessment of an under-
 2 payment referred to in the preceding sentence.

3 “(c) ADDITION TO TAX FOR FAILURE TO COMPLY
 4 WITH SECTION.—For addition to tax in the case of part-
 5 ner’s disregard of the requirements of this section, see
 6 part II of subchapter A of chapter 68.

7 **“SEC. 6223. PARTNERS BOUND BY ACTIONS OF PARTNER-**
 8 **SHIP.**

9 “(a) DESIGNATION OF PARTNER.—Each partnership
 10 shall designate (in the manner prescribed by the Sec-
 11 retary) a partner (or other person) as the partnership rep-
 12 resentative who shall have the sole authority to act on be-
 13 half of the partnership under this subchapter. In any case
 14 in which such a designation is not in effect, the Secretary
 15 may select any partner as the partnership representative.

16 “(b) BINDING EFFECT.—A partnership and all part-
 17 ners of such partnership shall be bound—

18 “(1) by actions taken under this subchapter by
 19 the partnership, and

20 “(2) by any decision in a proceeding brought
 21 under this subchapter.

22 **“PART II—PARTNERSHIP ADJUSTMENTS**

“Sec. 6225. Partnership adjustment by Secretary.

“Sec. 6226. Administrative adjustment request by partnership.

1 **“SEC. 6225. PARTNERSHIP ADJUSTMENT BY SECRETARY.**

2 “(a) IN GENERAL.—In the case of any adjustment
3 by the Secretary in the amount of any item of income,
4 gain, loss, deduction, or credit of a partnership, or any
5 partner’s distributive share thereof—

6 “(1) the partnership shall pay any imputed un-
7 derpayment with respect to such adjustment in the
8 adjustment year as provided in section 6232, and

9 “(2) any imputed overpayment shall be taken
10 into account by the partnership in the adjustment
11 year as a reduction in non-separately stated income
12 or an increase in non-separately stated loss (which-
13 ever is appropriate) under section 702(a)(8).

14 “(b) DETERMINATION OF IMPUTED UNDERPAY-
15 MENTS AND OVERPAYMENTS.—For purposes of this sub-
16 chapter—

17 “(1) IN GENERAL.—Except as provided in sub-
18 section (c), any imputed underpayment or imputed
19 overpayment with respect to any partnership adjust-
20 ment for any reviewed year shall be determined—

21 “(A) by netting all adjustments of items of
22 income, gain, loss, or deduction and multiplying
23 such net amount by the highest rate of tax in
24 effect for the reviewed year under section 1 or
25 11,

1 “(B) by treating any net increase or de-
 2 crease in loss under subparagraph (A) as a de-
 3 crease or increase, respectively, in income, and

4 “(C) by taking into account any adjust-
 5 ments to items of credit as an increase or de-
 6 crease, as the case may be, in the amount de-
 7 termined under subparagraph (A).

8 “(2) ADJUSTMENTS TO DISTRIBUTIVE SHARES
 9 OF PARTNERS NOT NETTED.—In the case of any ad-
 10 justment which reallocates the distributive share of
 11 any item from one partner to another, such adjust-
 12 ment shall be taken into account under paragraph
 13 (1) by disregarding—

14 “(A) any decrease in any item of income or
 15 gain, and

16 “(B) any increase in any item of deduc-
 17 tion, loss, or credit.

18 “(c) MODIFICATION OF IMPUTED UNDERPAY-
 19 MENTS.—

20 “(1) METHOD IN GENERAL.—The Secretary
 21 shall establish procedures under which the imputed
 22 underpayment amount may be modified consistent
 23 with the requirements of this subsection.

24 “(2) AMENDED RETURNS OF PARTNERS.—Such
 25 procedures shall provide that if—

1 “(A) one or more partners file returns for
2 the taxable year of the partners which includes
3 the end of the reviewed year of the partnership,

4 “(B) such returns take into account all ad-
5 justments under subsection (a) properly allo-
6 cable to such partners (and for any other tax-
7 able year with respect to which any tax at-
8 tribute is affected by reason of such adjust-
9 ments), and

10 “(C) payment of any tax due is included
11 with such return,

12 then the imputed underpayment amount shall be de-
13 termined without regard to the portion of the adjust-
14 ments so taken into account.

15 “(3) REALLOCATION OF DISTRIBUTIVE
16 SHARE.—In the case of any adjustment which reallo-
17 cates the distributive share of any item from one
18 partner to another, paragraph (2) shall apply only if
19 returns are filed by all partners affected by such ad-
20 justment.

21 “(4) YEAR AND DAY FOR SUBMISSION TO SEC-
22 RETARY.—Anything required to be submitted pursu-
23 ant to paragraph (1) shall be submitted to the Sec-
24 retary not later than the close the 270-day period
25 beginning on the date on which the notice of a pro-

posed partnership adjustment is mailed under section 6231 unless such period is extended with the consent of the Secretary.

“(5) DECISION OF SECRETARY.—Any modification of the imputed underpayment amount under this subsection shall be made only upon approval of such modification by the Secretary.

“(d) DEFINITIONS AND SPECIAL RULE.—For purposes of this subchapter—

“(1) REVIEWED YEAR.—The term ‘reviewed year’ means the partnership taxable year to which the item being adjusted relates.

“(2) ADJUSTMENT YEAR.—The term ‘adjustment year’ means the partnership taxable year in which—

“(A) in the case of an adjustment pursuant to the decision of a court in a proceeding brought under section 6234, such decision becomes final,

“(B) in the case of an administrative adjustment request under section 6226, such administrative adjustment request is made, or

“(C) in any other case, notice of the final partnership adjustment is mailed under section 6231.

1 **“SEC. 6226. ADMINISTRATIVE ADJUSTMENT REQUEST BY**
2 **PARTNERSHIP.**

3 “(a) IN GENERAL.—A partnership may file a request
4 for an administrative adjustment in the amount of any
5 item of income, gain, loss, deduction, or credit of the part-
6 nership for any partnership taxable year, but only to the
7 extent the adjustment results in an imputed under-
8 payment.

9 “(b) ADJUSTMENT.—Any such adjustment under
10 subsection (a) shall be determined and taken into account
11 by the partnership under rules similar to the rules of sec-
12 tion 6225 (other than subsection (c) thereof) for the part-
13 nership taxable year in which the administrative adjust-
14 ment request is made.

15 “(c) PERIOD OF LIMITATIONS.—A partnership may
16 not file such a request—

17 “(1) more than 3 years after the later of—

18 “(A) the date on which the partnership re-
19 turn for such year is filed, or

20 “(B) the last day for filing the partnership
21 return for such year (determined without re-
22 gard to extensions), and

23 “(2) after any notice of an administrative pro-
24 ceeding with respect to the taxable year is mailed
25 under section 6231.

1 **“PART III—PROCEDURE**

“Sec. 6231. Notice of proceedings and adjustment.

“Sec. 6232. Assessment, collection, and payment.

“Sec. 6233. Penalties and interest.

“Sec. 6234. Judicial review of partnership adjustment.

“Sec. 6235. Period of limitations on making adjustments.

2 **“SEC. 6231. NOTICE OF PROCEEDINGS AND ADJUSTMENT.**

3 “(a) IN GENERAL.—The Secretary shall mail to the
4 partnership and the partnership representative—

5 “(1) notice of any administrative proceeding
6 initiated at the partnership level with respect to an
7 adjustment of any item of income, gain, loss, deduc-
8 tion, or credit of a partnership for a partnership tax-
9 able year, or any partner’s distributive share thereof,

10 “(2) notice of any proposed partnership adjust-
11 ment resulting from such proceeding, and

12 “(3) notice of any final partnership adjustment
13 resulting from such proceeding.

14 Any notice of a final partnership adjustment shall not be
15 mailed earlier than 270 days after the date on which the
16 notice of the proposed partnership adjustment is mailed.
17 Such notices shall be sufficient if mailed to the last known
18 address of the partnership representative or the partner-
19 ship (even if the partnership has terminated its existence).
20 The first sentence shall apply to any proceeding with re-
21 spect to an administrative adjustment request filed by a
22 partnership under section 6226.

1 “(b) FURTHER NOTICES RESTRICTED.—If the Sec-
 2 retary mails a notice of a final partnership adjustment to
 3 any partnership for any partnership taxable year and the
 4 partnership files a petition under section 6234 with re-
 5 spect to such notice, in the absence of a showing of fraud,
 6 malfeasance, or misrepresentation of a material fact, the
 7 Secretary shall not mail another such notice to such part-
 8 nership with respect to such taxable year.

9 “(c) AUTHORITY TO RESCIND NOTICE WITH PART-
 10 NERSHIP CONSENT.—The Secretary may, with the con-
 11 sent of the partnership, rescind any notice of a partner-
 12 ship adjustment mailed to such partnership. Any notice
 13 so rescinded shall not be treated as a notice of a partner-
 14 ship adjustment for purposes of this subchapter, and the
 15 taxpayer shall have no right to bring a proceeding under
 16 section 6234 with respect to such notice.

17 **“SEC. 6232. ASSESSMENT, COLLECTION, AND PAYMENT.**

18 “(a) IN GENERAL.—Any imputed underpayment—
 19 “(1) shall be assessed and collected in the same
 20 manner as if it were a tax imposed for the adjust-
 21 ment year by subtitle A, and

22 “(2) shall be paid on or before the partnership
 23 return due date for the adjustment year.

24 “(b) LIMITATION ON ASSESSMENT.—Except as oth-
 25 erwise provided in this chapter, no assessment of a defi-

1 ciency may be made (and no levy or proceeding in any
2 court for the collection of any amount resulting from such
3 adjustment may be made, begun or prosecuted) before—

4 “(1) the close of the 90th day after the day on
5 which a notice of a final partnership adjustment was
6 mailed, and

7 “(2) if a petition is filed under section 6234
8 with respect to such notice, the decision of the court
9 has become final.

10 “(c) PREMATURE ACTION MAY BE ENJOINED.—Not-
11 withstanding section 7421(a), any action which violates
12 subsection (b) may be enjoined in the proper court, includ-
13 ing the Tax Court. The Tax Court shall have no jurisdic-
14 tion to enjoin any action under this subsection unless a
15 timely petition has been filed under section 6234 and then
16 only in respect of the adjustments that are the subject
17 of such petition.

18 “(d) EXCEPTIONS TO RESTRICTIONS ON ADJUST-
19 MENTS.—

20 “(1) ADJUSTMENTS ARISING OUT OF MATH OR
21 CLERICAL ERRORS.—

22 “(A) IN GENERAL.— If the partnership is
23 notified that, on account of a mathematical or
24 clerical error appearing on the partnership re-
25 turn, an adjustment to a item is required, rules

1 similar to the rules of paragraphs (1) and (2)
2 of section 6213(b) shall apply to such adjust-
3 ment.

4 “(B) SPECIAL RULE.—If a partnership is
5 a partner in another partnership, any adjust-
6 ment on account of such partnership’s failure to
7 comply with the requirements of section
8 6222(a) with respect to its interest in such
9 other partnership shall be treated as an adjust-
10 ment referred to in subparagraph (A), except
11 that paragraph (2) of section 6213(b) shall not
12 apply to such adjustment.

13 “(2) PARTNERSHIP MAY WAIVE RESTRIC-
14 TIONS.—The partnership may at any time (whether
15 or not any notice of partnership adjustment has
16 been issued), by a signed notice in writing filed with
17 the Secretary, waive the restrictions provided in sub-
18 section (b) on the making of any partnership adjust-
19 ment.

20 “(e) LIMIT WHERE NO PROCEEDING BEGUN.—If no
21 proceeding under section 6234 is begun with respect to
22 any notice of a final partnership adjustment during the
23 90-day period described in subsection (b) thereof, the
24 amount for which the partnership is liable under section

1 6225 shall not exceed the amount determined in accord-
 2 ance with such notice.

3 **“SEC. 6233. PENALTIES AND INTEREST.**

4 “(a) PENALTIES AND INTEREST DETERMINED FROM
 5 REVIEWED YEAR.—

6 “(1) IN GENERAL.—In the case of an imputed
 7 underpayment with respect to a partnership adjust-
 8 ment for a reviewed year, the partnership—

9 “(A) shall pay to the Secretary interest
 10 computed under paragraph (2), and

11 “(B) shall be liable for any penalty, addi-
 12 tion to tax, or additional amount as provided in
 13 paragraph (3).

14 “(2) DETERMINATION OF AMOUNT OF INTER-
 15 EST.—The interest computed under this paragraph
 16 with respect to any partnership adjustment is the in-
 17 terest which would be determined under chapter
 18 67—

19 “(A) on the imputed underpayment deter-
 20 mined with respect to such adjustment,

21 “(B) for the period beginning on the day
 22 after the return due date for the reviewed year
 23 and ending on the return due date for the ad-
 24 justment year (or, if earlier, the date payment
 25 of the imputed underpayment is made).

1 Proper adjustments in the amount determined under
2 the preceding sentence shall be made for adjust-
3 ments required for partnership taxable years after
4 the reviewed year and before the adjustment year by
5 reason of such partnership adjustment.

6 “(3) PENALTIES.—A partnership shall be liable
7 for any penalty, addition to tax, or additional
8 amount for which it would have been liable if such
9 partnership had been an individual subject to tax
10 under chapter 1 for the reviewed year and the im-
11 puted underpayment were an actual underpayment
12 (or understatement) for such year.

13 “(b) INTEREST AND PENALTIES WITH RESPECT TO
14 ADJUSTMENT YEAR RETURN.—

15 “(1) IN GENERAL.—In the case of any failure
16 to pay an imputed underpayment on the date pre-
17 scribed therefor, the partnership shall be liable—

18 “(A) for interest as determined under
19 paragraph (2), and

20 “(B) for any penalty, addition to tax, or
21 additional amount as determined under para-
22 graph (3).

23 “(2) INTEREST.—Interest determined under
24 this paragraph is the interest that would be deter-
25 mined by treating the imputed underpayment as an

1 underpayment of tax imposed in the adjustment
2 year.

3 “(3) PENALTIES.—Penalties, additions to tax,
4 or additional amounts determined under this para-
5 graph are the penalties, additions to tax, or addi-
6 tional amounts that would be determined—

7 “(A) by applying section 6651(a)(2) to
8 such failure to pay.

9 “(B) by treating the imputed under-
10 payment as an underpayment of tax for pur-
11 poses of part II of subchapter A of chapter 68.

12 **“SEC. 6234. JUDICIAL REVIEW OF PARTNERSHIP ADJUST-**
13 **MENT.**

14 “(a) IN GENERAL.—Within 90 days after the date
15 on which a notice of a final partnership adjustment is
16 mailed under section 6231 with respect to any partnership
17 taxable year, the partnership may file a petition for a re-
18 adjustment for such taxable year with—

19 “(1) the Tax Court,

20 “(2) the district court of the United States for
21 the district in which the partnership’s principal place
22 of business is located, or

23 “(3) the Claims Court.

24 “(b) JURISDICTIONAL REQUIREMENT FOR BRINGING
25 ACTION IN DISTRICT COURT OR CLAIMS COURT.—

1 “(1) IN GENERAL.—A readjustment petition
2 under this section may be filed in a district court of
3 the United States or the Claims Court only if the
4 partnership filing the petition deposits with the Sec-
5 retary, on or before the date the petition is filed, the
6 amount of the imputed underpayment (as of the
7 date of the filing of the petition) if the partnership
8 adjustment was made as provided by the notice of
9 final partnership adjustment. The court may by
10 order provide that the jurisdictional requirements of
11 this paragraph are satisfied where there has been a
12 good faith attempt to satisfy such requirement and
13 any shortfall of the amount required to be deposited
14 is timely corrected.

15 “(2) INTEREST PAYABLE.—Any amount depos-
16 ited under paragraph (1), while deposited, shall not
17 be treated as a payment of tax for purposes of this
18 title (other than chapter 67).

19 “(c) SCOPE OF JUDICIAL REVIEW.—A court with
20 which a petition is filed in accordance with this section
21 shall have jurisdiction to determine all items of income,
22 gain, loss, deduction, or credit of the partnership for the
23 partnership taxable year to which the notice of final part-
24 nership adjustment relates, the proper allocation of such
25 items among the partners, and the applicability of any

1 penalty, addition to tax, or additional amount for which
 2 the partnership may be liable under this subchapter.

3 “(d) DETERMINATION OF COURT REVIEWABLE.—

4 Any determination by a court under this section shall have
 5 the force and effect of a decision of the Tax Court or a
 6 final judgment or decree of the district court or the Claims
 7 Court, as the case may be, and shall be reviewable as such.
 8 The date of any such determination shall be treated as
 9 being the date of the court’s order entering the decision.

10 “(e) EFFECT OF DECISION DISMISSING ACTION.—If

11 an action brought under this section is dismissed other
 12 than by reason of a rescission under section 6231(c), the
 13 decision of the court dismissing the action shall be consid-
 14 ered as its decision that the notice of final partnership
 15 adjustment is correct, and an appropriate order shall be
 16 entered in the records of the court.

17 **“SEC. 6235. PERIOD OF LIMITATIONS ON MAKING ADJUST-**
 18 **MENTS.**

19 “(a) IN GENERAL.—Except as otherwise provided in
 20 this section, no adjustment under this subpart for any
 21 partnership taxable year may be made after the later of—

22 “(1) the date which is 3 years after the latest
 23 of—

24 “(A) the date on which the partnership re-
 25 turn for such taxable year was filed,

1 “(B) the return due date for the taxable
2 year, or

3 “(C) the date on which the partnership
4 filed an administrative adjustment request with
5 respect to such year under section 6226, or

6 “(2) in the case of any modification of an im-
7 puted underpayment under section 6225(c), the date
8 that is 270 days (plus the number of days of any ex-
9 tension consented to by the Secretary under para-
10 graph (4) thereof) after the date on which every-
11 thing required to be submitted to the Secretary pur-
12 suant to such section is so submitted.

13 “(b) EXTENSION BY AGREEMENT.—The period de-
14 scribed in subsection (a) (including an extension period
15 under this subsection) may be extended by an agreement
16 entered into by the Secretary and the partnership before
17 the expiration of such period.

18 “(c) SPECIAL RULE IN CASE OF FRAUD, ETC.—

19 “(1) FALSE RETURN.—In the case of a false or
20 fraudulent partnership return with intent to evade
21 tax, the adjustment may be made at any time.

22 “(2) SUBSTANTIAL OMISSION OF INCOME.—If
23 any partnership omits from gross income an amount
24 properly includible therein and such amount is de-

1 scribed in section 6501(e)(1)(A), subsection (a) shall
 2 be applied by substituting ‘6 years’ for ‘3 years’.

3 “(3) NO RETURN.—In the case of a failure by
 4 a partnership to file a return for any taxable year,
 5 the adjustment may be made at any time.

6 “(4) RETURN FILED BY SECRETARY.—For pur-
 7 poses of this section, a return executed by the Sec-
 8 retary under subsection (b) of section 6020 on be-
 9 half of the partnership shall not be treated as a re-
 10 turn of the partnership.

11 “(d) SUSPENSION WHEN SECRETARY MAILED NOTICE
 12 OF ADJUSTMENT.—If notice of a final partnership adjust-
 13 ment with respect to any taxable year is mailed under sec-
 14 tion 6231, the running of the period specified in sub-
 15 section (a) (as modified by the other provisions of this sec-
 16 tion) shall be suspended—

17 “(1) for the period during which an action may
 18 be brought under section 6234 (and, if a petition is
 19 filed under such section with respect to such notice,
 20 until the decision of the court becomes final), and

21 “(2) for 1 year thereafter.

22 **“PART IV—DEFINITIONS AND SPECIAL RULES**

“Sec. 6241. Definitions and special rules.

1 **“SEC. 6241. DEFINITIONS AND SPECIAL RULES.**

2 “(a) DEFINITIONS AND SPECIAL RULES.—For pur-
3 poses of this subchapter—

4 “(1) PARTNERSHIP.—The term ‘partnership’
5 means any partnership required to file a return
6 under section 6031(a).

7 “(2) PARTNER.—The term ‘partner’ means—

8 “(A) a partner in the partnership, and

9 “(B) any other person whose income tax li-
10 ability under subtitle A is determined in whole
11 or in part by taking into account directly or in-
12 directly income, gain, deduction, or loss of the
13 partnership.

14 “(b) PARTNERSHIP ADJUSTMENT.—The term ‘part-
15 nership adjustment’ means any adjustment in the amount
16 of any item of income, gain, loss, deduction, or credit of
17 a partnership, or any partner’s distributive share thereof.

18 “(c) RETURN DUE DATE.—The term ‘return due
19 date’ means, with respect to the taxable year, the date
20 prescribed for filing the partnership return for such tax-
21 able year (determined without regard to extensions).

22 “(d) JOINT AND SEVERAL LIABILITY.—

23 “(1) IN GENERAL.—The partnership and any
24 partner of the partnership shall be jointly and sever-
25 ally liable for any imputed underpayment and any

1 penalty, addition to tax, or additional amount attrib-
2 utable thereto.

3 “(2) PERIOD FOR ASSESSMENT OF PART-
4 NERS.—The period for assessment of an imputed
5 underpayment with respect to a partner of a part-
6 nership shall not expire earlier than 3 years after
7 the date on which an assessment of such imputed
8 underpayment was made with respect to the partner-
9 ship.

10 “(3) DETERMINING PARTNERS.—A person shall
11 be treated as partner of the partnership if such per-
12 son is a partner of such partnership at any time
13 during the reviewed or adjustment year.

14 “(e) PAYMENTS NONDEDUCTIBLE.—No deduction
15 shall be allowed under subtitle A for any payment required
16 to be made by a partnership under this subchapter.

17 “(f) SPECIAL RULE FOR DEDUCTIONS, LOSSES, AND
18 CREDITS OF FOREIGN PARTNERSHIPS.—Except to the ex-
19 tent otherwise provided in regulations, in the case of any
20 partnership the partnership representative of which re-
21 sides outside the United States or the books of which are
22 maintained outside the United States, no deduction, loss,
23 or credit shall be allowable to any partner unless section
24 6031 is complied with for the partnership’s taxable year

1 in which such deduction, loss, or credit arose at such time
2 as the Secretary prescribes by regulations.

3 “(g) PARTNERSHIPS HAVING PRINCIPAL PLACE OF
4 BUSINESS OUTSIDE UNITED STATES.—For purposes of
5 sections 6234, a principal place of business located outside
6 the United States shall be treated as located in the Dis-
7 trict of Columbia.

8 “(h) PARTNERSHIPS IN CASES UNDER TITLE 11 OF
9 UNITED STATES CODE.—

10 “(1) SUSPENSION OF PERIOD OF LIMITATIONS
11 ON MAKING ADJUSTMENT, ASSESSMENT, OR COLLEC-
12 TION.—The running of any period of limitations pro-
13 vided in this subchapter on making a partnership
14 adjustment (or provided by section 6501 or 6502 on
15 the assessment or collection of any imputed under-
16 payment determined under this subchapter) shall, in
17 a case under title 11 of the United States Code, be
18 suspended during the period during which the Sec-
19 retary is prohibited by reason of such case from
20 making the adjustment (or assessment or collection)
21 and—

22 “(A) for adjustment or assessment, 60
23 days thereafter, and

24 “(B) for collection, 6 months thereafter.

1 A rule similar to the rule of section 6213(f)(2) shall
 2 apply for purposes of section 6232(b).

3 “(2) SUSPENSION OF PERIOD OF LIMITATION
 4 FOR FILING FOR JUDICIAL REVIEW.—The running
 5 of the period specified in section 6234 shall, in a
 6 case under title 11 of the United States Code, be
 7 suspended during the period during which the part-
 8 nership is prohibited by reason of such case from fil-
 9 ing a petition under section 6234 and for 60 days
 10 thereafter.

11 “(i) TREATMENT WHERE PARTNERSHIP CEASES TO
 12 EXIST.—If a partnership ceases to exist before a partner-
 13 ship adjustment under this subchapter takes effect, such
 14 adjustment shall be taken into account by the former part-
 15 ners of such partnership under regulations prescribed by
 16 the Secretary.”.

17 (2) CLERICAL AMENDMENT.—The table of sub-
 18 chapters for chapter 63 of such Code, as amended
 19 by the preceding provisions of this section, is amend-
 20 ed by inserting after the item relating to subchapter
 21 B the following new items:

“SUBCHAPTER C. TREATMENT OF PARTNERSHIPS.”.

22 (d) CONFORMING AMENDMENTS.—

23 (1) Section 6031(b) of such Code is amended
 24 by striking the last sentence.

1 (2) Section 6422 of such Code is amended by
2 striking paragraph (12).

3 (3) Section 6501(n) of such Code is amended
4 by striking paragraphs (2) and (3) and by striking
5 “CROSS REFERENCES” and all that follows through
6 “For period of limitations” and inserting “CROSS
7 REFERENCE.—For period of limitations”.

8 (4) Section 6503(a)(1) of such Code is amended
9 by striking “(or section 6229” and all that follows
10 through “of section 6230(a))”.

11 (5) Section 6504 of such Code is amended by
12 striking paragraph (11).

13 (6) Section 6511 of such Code is amended by
14 striking subsection (g).

15 (7) Section 6512(b)(3) of such Code is amend-
16 ed by striking the second sentence.

17 (8) Section 6515 of such Code is amended by
18 striking paragraph (6).

19 (9) Section 6601(c) of such Code is amended by
20 striking the last sentence.

21 (10) Section 7421(a) of such Code is amended
22 by striking “6225(b), 6246(b)” and inserting
23 “6232(c)”.

24 (11) Section 7422 of such Code is amended by
25 striking subsection (h).

1 (12) Section 7459(c) of such Code is amended
 2 by striking “section 6226” and all that follows
 3 through “or 6252” and inserting “section 6234”.

4 (13) Section 7482(b)(1) of such Code is amend-
 5 ed—

6 (A) in subparagraph (E), by striking “sec-
 7 tion 6226, 6228, 6247, or 6252” and inserting
 8 “section 6234”,

9 (B) by striking subparagraph (F), by strik-
 10 ing “or” at the end of subparagraph (E) and
 11 inserting a period, and by inserting “or” at the
 12 end of subparagraph (D), and

13 (C) in the last sentence, by striking “sec-
 14 tion 6226, 6228(a), or 6234(c)” and inserting
 15 “section 6234”.

16 (14) Section 7485(b) of such Code is amended
 17 by striking “section 6226, 6228(a), 6247, or 6252”
 18 and inserting “section 6234”.

19 (e) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-
 21 graph (2), the amendments made by this section
 22 shall apply to returns filed for partnership taxable
 23 years ending after December 31, 2018.

24 (2) ELECTION.—A partnership may elect (at
 25 such time and in such form and manner as the Sec-

1 retary of the Treasury may prescribe) for the
2 amendments made by this section (other than the
3 election under section 6221(b) of such Code (as
4 added by this Act)) to apply to any return of the
5 partnership filed for partnership taxable years end-
6 ing after the date of the enactment of this Act and
7 before January 1, 2019.

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