



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.31.3

JANUARY 13, 2023

EFFECTIVE DATE

(01-13-2023)

PURPOSE

- (1) This transmits revised IRM 4.31.3, Pass-Through Entity Handbook, TEFRA Examinations - CPF Procedures.

MATERIAL CHANGES

- (1) References to the Campus TEFRA/Pass-through Coordinator were changed throughout to Campus TEFRA Coordinator.
- (2) IRM 4.31.3.1 - Program Scope and Objectives. Audience was revised to be more specific and the reference to LB&I plans to develop a separate IRM was removed.
- (3) IRM 4.31.3.1.6 - TERMS/Definitions/Acronyms. Added a reference to Large Corporate Compliance (LCC) Corporations. Revised to remove the reference to Electing Large Partnerships (ELP) and Partnership Level Statute Control (PLSC) that no longer applies. Other minor clarifications.
- (4) IRM 4.31.3.1.7 - Related Resources. Revised to add a reference to the Partnership Knowledge Base and remove the reference to the TEFRA website.
- (5) IRM 4.31.3.2 - Overview section. Removed reference to Form 5546, Examination Return Charge Out, since it is mentioned elsewhere.
- (6) IRM 4.31.3.2.2 - TEFRA Corporate Data Initiative (CDI) Application. Removed text regarding some functionality and paragraph (3) regarding PCS redesign.
- (7) IRM 4.31.3.3 - Screening Incoming Mail. Removed the note from paragraph (3)(a) regarding Forms 870-P and 870-L as they are no longer relevant and reference to Form 6657 in paragraph (3)(j) as it no longer used for TEFRA cases.
- (8) IRM 4.31.3.4.2 - Linking Partners. Removed the reference in paragraph (4) checking the CDI TEFRA application large case box as it no longer applies. Added a note in paragraph (13) regarding using AM424 to establish AIMS rather than CC TSLD to allow an electronic blocking closure.
- (9) IRM 4.31.3.4.2.5 - TE/GE Partners. Added new paragraph (2) defining Exempt Organizations and Employee plans. Removed prior paragraph (3) regarding preparing Form 5666, Specialist referral as that applies to the field examiners. Removed the requirement in (4) to send a listing to TE/GE monthly and replaced with sending Schedule K-1 to designated Point of Contact.
- (10) IRM 4.31.3.4.2.6 - Linking Partners to Returns that are in Appeals. Corrected reference, PCS CTF Indicator was incorrectly referred to as the CPF Indicator. Added reference to PCS 4.4 statute report.
- (11) IRM 4.31.3.4.2.9 - Non Filers. Added clarifying text regarding when IRC 6229 extends the statute.
- (12) IRM 4.31.3.4.2.11 - No-Load Tiers. Added clarification regarding the No Load Tier Indicator to paragraph (3).
- (13) IRM 4.31.3.4.2.14 - Linking Returns Where there is a Technical Termination in the Same Month. Add clarifying instructions to paragraph (1) if only examining the short period return.

- (14) IRM 4.31.3.4.3 - Follow-Up on Establishment of Key Case and Partner Linkages. Revised paragraph (1) to add clarity and removed the requirement to keep Form 5546 in file or send to the other CPF or field group.
- (15) IRM 4.31.3.4.4 - Key Case Reports. Changed requirement for PCS Report 22-3 to be worked quarterly rather than weekly. Updated paragraph (2) retention period to be 90 days rather than 60 which was incorrect. Added paragraph (4) IRM PCS report reference.
- (16) IRM 4.31.3.4.4.1 - Key Case Administrative File Maintenance. Added electronic case file information. Revised paragraphs (1)(h) to reference Forms 14434 and 14298 and added (1)(i) Notice package information and (1)(j) Mailing lists. Moved sequence information for paper returns to paragraph (2).
- (17) IRM 4.31.3.5 - CPF Partner Procedures. Revised section to include information specific to paper or electronic return requests. Moved IRM 4.31.3.5.10 (1) to this section and revised to add clarity.
- (18) IRM 4.31.3.5.1 - CPF Employee Group Codes (EGCs). Removed reference to EGC 5700-5799 for Pre Filing Notification (PFN). Revised paragraph (5) to reference BBA Chapter 2/2A. Corrected EGC 5815 to be for Exhausted BMF Partners.
- (19) IRM 4.31.3.5.2 - Returns Controlled Outside the CPF. Changed title from Return Charge-Out Documents to Returns Controlled Outside the CPF to better describe the content. Revised throughout section to distinguish tasks for paper or electronically filed returns. Removed references to Form 5546 in paragraphs (1) - (3) and added reference to using EGCs 57XX. Moved IRM 4.31.3.5.10 (2) to the section and revised to add clarity.
- (20) IRM 4.31.3.5.3 - Distributing Schedules K-1. Added instruction to paragraph (2) on where the Form 6658 should be filed.
- (21) IRM 4.31.3.5.4 - Receipt of Schedules K-1 From Another Campus. Removed (2) requirement to update the database, which was an error and added requirement to notate the case history of K-1 receipt.
- (22) IRM 4.31.3.5.5 - Case Building of Material Partner Returns. To paragraph (1) added (e)-(g) for additional items to be kept with case file. Removed paragraphs (4) and (5) because securing returns within the 26-27 month examination cycle is no longer possible for TEFRA partners.
- (23) IRM 4.31.3.5.5.4 - Unperfected but Exhausted. Added EGC 5814 as another EGC for an exhausted partner.
- (24) IRM 4.31.3.5.6 - Verification of Distributable Income (Loss). Revised the text in paragraph (1)(c) to refer to direct partners controlled by the other CPF.
- (25) IRM 4.31.3.5.7.1 - Case Set up. Removed PICF 0 or blank and replaced with carryover or carryback to create more clarity.
- (26) IRM 4.31.3.5.7.1.1 - Foldering Paper Case Files. Removed subsection, because references to Form 4607 and Form 12600 are obsolete the remaining information is in IRM 4.31.3.5 and does not need to be repeated.
- (27) IRM 4.31.3.5.8 - Passing Through Adjustments to the Related Partner Returns. Revised paragraph (2) for tiering and (3) for multiple linkages. Moved information previously in paragraph (3) to new paragraph (4). Added new paragraph (5) to include directions on sending Form 14671. Added paragraph (6) on the acknowledgement of Form 14671.
- (28) IRM 4.31.3.5.8.1 - TEFRA Partnership Examination With Unresolved SB/SE Partner Examination. Changed the title of the subsection from ILSC to SB/SE and revised the sub-section and paragraphs to give instruction specific to SB/SE partner examinations.

- (29) IRM 4.31.3.5.8.2 - TEFRA Partnership Examination With Unresolved LB&I Partner Examination. Changed the title of the subsection from ILSC to LB&I and modified the sub-section and paragraphs to give instructions specific to LB&I partner examinations.
- (30) IRM 4.31.3.5.8.3 - Partner Examination With Unresolved TEFRA Partnership Examination. New section.
- (31) IRM 4.31.3.5.9 - Suspension of TEFRA Related Partners. Removed the references to exceptions from paragraphs (2) and (3). Added a note to paragraph (4) as a reminder to update the PCS CTF code.
- (32) IRM 4.31.3.5.9.1 - Field Suspense of SB/SE Partners. Removed paragraphs (3) and (4) because they were not relevant to SB/SE field cases.
- (33) IRM 4.31.3.5.9.2 - Field Suspense of LB&I Partners. Added reference for Large Corporate Compliance (LCC) corporations throughout. Removed paragraph (4) and instructed employees to follow the guidance in IRM 4.31.3.5.8.3.
- (34) IRM 4.31.3.5.10 - Follow-Up Procedures for Returns. Moved the content in paragraph (1) to 4.31.3.5.2 and paragraph (2) to 4.31.3.5.4. Added new paragraph (1) and (2) regarding the need for follow up actions and monitoring incomplete files.
- (35) IRM 4.31.3.5.13.1 - Electing Large Partnership (ELP). Removed paragraph (2), this reference is for the field examiner not the CPF. Revised paragraph (3) to establish PCS linkages per build out.
- (36) IRM 4.31.3.5.14 - Responding to Field Requests for Returns. Revised paragraph (1) to include the requirement and proper use of Form 15277 and instructions. Added AIMS transfer information to ensure AIMS status and EGC are updated properly. (2) Removed the requirement for Form 3210, this is not necessary with Form 15277. To paragraph (4) added IRM reference for Blue Ribbon copies.
- (37) IRM 4.31.3.5.18 - PCS 4-4 Report. Updated paragraph (4) to show it is the PCS Coordinator who sends the report out and corrected the timeframe from monthly to weekly.
- (38) IRM 4.31.3.5.20 - Power of Attorney (POA) for Partners in a TEFRA Partnership. Revised paragraph (4) to add better instructions for retaining the Form 2848 with TEFRA language. Other modifications throughout.
- (39) IRM 4.31.3.6.1 - Settlement Agreements Secured on District Court or Court of Federal Claims Cases. Added paragraph (3) to site the authority for partner settlement agreements. Added a reference to paragraph (2)(h) for managerial approval of penalties
- (40) IRM 4.31.3.6.2 - Processing of 60 day Letter. Revised sentences throughout to add clarity.
- (41) IRM 4.31.3.6.6 - FPAA. Revised sentence throughout to add clarity. Added a reference to paragraph (2)(j) to include penalties and managerial approval of penalties.
- (42) IRM 4.31.3.7 - Closing Packages. Revised and added instructions for preparing a partner closing package.
- (43) IRM 4.31.3.7.1 - FPAA Default. Modified paragraph (3) for clarity. Removed paragraphs (4) to (9) because information was referred to in other places of this IRM. Added a new paragraph (4) about forwarding information to the partners and suspending key case file.
- (44) IRM 4.31.3.7.2.2 - Tax Court Decision Appealed. New section.
- (45) IRM 4.31.3.7.2.3 - Petitioned District Court and Court of Federal Claims Cases. Modified throughout to add addition clarity and remove redundant content.

- (46) IRM 4.31.3.7.2.4 - Court Decisions Finalized. Modified throughout to add additional clarity and remove redundant content.
- (47) IRM 4.31.3.7.3.2 - Agreements Received at the Closing Conference. Modified throughout to add additional clarity and remove redundant content.
- (48) IRM 4.31.3.7.3.3 - Agreements Received as a Result of a 60 day Letter or FPAA. Removed reference to shareholders in paragraph (1) because it does not apply. Removed paragraph (4) this information was moved to 4.31.3.7.3.5 (4) and modified paragraph (5) and added a reference to IRM 4.31.3.7.3.5 (4) for instructions.
- (49) IRM 4.31.3.7.3.4 - Settlement Agreements Received by Appeals. New Section.
- (50) IRM 4.31.3.7.3.5 - Settlement Agreements Received as a Result of Appeals Letters. Modified all paragraphs to add clarity.
- (51) IRM 4.31.3.7.3.6 - Settlement Agreements in Docketed Cases. Added clarifying instructions to paragraph (1) and added a reference to 4.31.3.7.3.5(4) for processing instructions. Removed reference to TMP notification that is not necessary.
- (52) IRM 4.31.3.8.1 - Refund Letters 4505-A and 4505-E. Removed the reference to Letter 4505 which has been obsoleted and replaced the correct reference either Letter 4505-A or 4505-E. Moved the note in paragraph (4) to the body of paragraph (4).
- (53) IRM 4.31.3.8.1.1 - Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR. Clarified paragraph (1) that the letter goes to the TMP of the Partnership.
- (54) IRM 4.31.3.8.1.2 - Letter 4505-E, Notification of Potential Refunds Resulting from a Partnership Exam. Added to paragraph (1) the requirement to send Form 886-A so partnership knows their share of the adjustment. Added to paragraph (4) that letters do not need to be sent to all tier partnerships.
- (55) IRM 4.31.3.9 - H Freeze Release. Added a note to paragraph (1) on what closing packages should not have the H Freeze released.
- (56) IRM 4.31.3.13.4.3 - Check for Penalties and Affected Items. Removed paragraph (1) reference to penalty application prior to August 5, 1997, as this is no longer relevant and reference to Letter 3219 which is no longer used for TEFRA cases. Added new note to paragraph (1) regarding if a pass-through entity signs page 2, of Form 870-LT.
- (57) IRM 4.31.3.13.5 - Tier Report Writing. Modifications throughout to add clarity. In paragraph (3) removed the reference to Form 4318 as only the Form 4700-T should be used. Moved the note in paragraph (6) to new paragraph (6)(e).
- (58) IRM 4.31.3.13.5.1 - Tier Partners Requesting Partnership Level Assessments. Added to paragraph (1) tier partnership AIMS must be transferred to field examiner or appeals officer and H freeze is added to prevent closure. Added instructions to (4) on receiving a Form 906 Tier closing package.
- (59) IRM 4.31.3.13.6.1 - Determining Adjustments. Removed the reference to penalties in paragraph (4) and added affected items and carryover from a prior year. Removed paragraph (6) as the ARDI was retired in 2001 and replaced by Unpaid Assessments which are not considered by the CPF.
- (60) IRM 4.31.3.13.6.3 - Examination Report with Affected Items or Partner Level Penalties. Changed the reference to Letter 525 in paragraphs (2) & (5) to 525-D, a new 30 day letter specific to pass-through examinations. Changed the reference from Letter 3219 to Letter 531 for Notice of Deficiency since recent revision to Letter 3219 will not work for TEFRA cases.

-
- (61) IRM 4.31.3.13.6.4 - Protest received after the receipt of a 30 day letter on affected items. Correct IRC reference in (1) from 6501 to 6229, to show the IRC 6229 statute extends the IRC 6501 statute.
 - (62) IRM 4.31.3.13.6.5 - IRC Section 6404(g), Suspension of Interest and Certain Penalties. Added paragraph (10) to reference IRM 20.2.5.7 and the need to do May/Sequa calculations.
 - (63) IRM 4.31.3.13.6.6 - Completion of Workpapers. Modified the entire section to add clarity and bullet list of required entries. Removed the references to IRMs 4.10.9 and 4.19.13 which are used by field examiners and did not provide the specifics needed for TEFRA pass-through adjustments.
 - (64) IRM 4.31.3.13.6.6.1 - Report Generation System (RGS). Added to paragraph (1) the requirement to prepare BMF reports in RGS.
 - (65) IRM 4.31.3.13.6.10 - Qualified Business Income Deduction (QBID). New section incorporates IGM.
 - (66) IRM 4.31.3.13.8 - Completion of Form 5344 - Examination Closing Record. Added new paragraph (1)(k) correct blocking for electronic closures.
 - (67) IRM 4.31.3.13.8.1 - Case File Assembly. Added new paragraph (3) to explain when to use the electronic closure blocking code. Added new paragraph (4) which gives instructions if the TE is unable to close using electronic blocking code.
 - (68) IRM 4.31.3.13.8.1.1 - Streamlined No Change Closures. Modified throughout to allow for electronic case files rather than just paper.
 - (69) IRM 4.31.3.13.9 - TEFRA Assessment Prior to Partnership Examination Closing. Revised paragraph (1) and added new paragraph (2) to refer to revised sections IRM 4.31.3.5.8.1 and 4.31.3.5.8.2. Added a note to paragraph (2) as a reminder to coordinate with the field examiner or appeals officer if preparing a report when the case is not controlled by the CPF.
 - (70) IRM 4.31.3.13.9.1 - TEFRA Partners in SB/SE, W&I, or Appeals. The material relating to partner examinations was moved to IRM 4.31.3.5.8.1 so it was all in one section and not repeated.
 - (71) IRM 4.31.3.13.9.2 - TEFRA Partners in LB&I. The material relating to partner examinations was moved to IRM 4.31.3.5.8.2 so it was all in one section and not repeated.
 - (72) IRM 4.31.3.13.13 - No Change Partner Returns. Revised paragraph (3) if there was a prior adjustment the partner can't be closed with a DC 02. Removed the note from paragraph (3) and created a new paragraph (4).
 - (73) IRM 4.31.3.13.13.1 - Special Processing for Tax Changes over \$10 Million. Removed the reference to Form 4318 in paragraph (3) which was not correct the Form 4700-T should be used and sent to Office of Unpaid Assessment Analysis. Removed paragraph (4) which was restating information in paragraph (3).
 - (74) IRM 4.31.3.13.18.1 - Reports. Modifications in paragraphs (1) - (3) to add clarity. Change paragraph (3) (a) to new paragraph (4). Removed paragraph (3) (b) - (d) because they were not report related. Added new paragraphs (5) - (13) to list specific reports and their function. Added table with information on ORCAS data.
 - (75) IRM 4.31.3.13.18.2 - Accomplishments and Inventory. Moved paragraph (2)(d) PCS Report 4-4 to 4.31.3.13.18.1 (7)
 - (76) IRM 4.31.3.14 - Key Case Administrative File Suspense. Added new paragraph (2) on electronic key case administrative file in RGS and when it can be archived.

EFFECT ON OTHER DOCUMENTS

This IRM incorporates Interim Guidance Memorandum SBSE-01-1021-0051, Handling of the qualified business income deduction on investor returns controlled by examination field support groups in LB&I and SB/SE Campus; IPU 22U0881 TEFRA Examinations - CPF Procedures. IRM 4.31.3, Pass-Through Entity Handbook, TEFRA Examinations - CPF Procedures, dated 04-10-2019, (effective MM-DD-YYYY) is superseded.

AUDIENCE

Small Business/Self-Employed (SB/SE) and Large Business & International (LB&I) Campus Revenue Agents (RAs), Tax Compliance Officers (TCO), Tax Examiners (TE) and Clerks working TEFRA pass-through entities and/or their investors linked on the Pass-through Control System (PCS) (formally known as the Partnership Control System).

Heather J Yocum,
Acting Director, Examination - Field and Campus Policy
Small Business/Self-Employed Division (SB/SE)

4.31.3

TEFRA Examinations - CPF Procedures

Table of Contents

4.31.3.1 Program Scope and Objectives

4.31.3.1.1 Background

4.31.3.1.2 Authority

4.31.3.1.3 Roles and Responsibilities

4.31.3.1.4 Program Management and Review

4.31.3.1.5 Program Controls

4.31.3.1.6 Terms/Definitions/Acronyms

4.31.3.1.7 Related Resources

4.31.3.2 Overview

4.31.3.2.1 Pass-through Control System (PCS)

4.31.3.2.2 TEFRA Corporate Data Initiative (CDI) Application

4.31.3.2.3 Integrated Automation Technologies (IAT)

4.31.3.2.4 Contact with Potentially Dangerous Taxpayers (PDT) or Caution Upon Contact (CAU) Taxpayers

4.31.3.3 Screening Incoming Mail

4.31.3.4 CPF Key Case Procedures

4.31.3.4.1 Receipt of an NBAP Package

4.31.3.4.1.1 Administration of the Group Email Box

4.31.3.4.2 Linking Partners

4.31.3.4.2.1 Using Dummy Numbers and Non-Master File Linkages

4.31.3.4.2.2 Identifying a Parent Return

4.31.3.4.2.2.1 Linking Parent/Subsidiary Partners

4.31.3.4.2.3 Limited Liability Companies That are Disregarded Entities

4.31.3.4.2.4 Grantor Trusts

4.31.3.4.2.5 TE/GE Partners

4.31.3.4.2.5.1 Individual Retirement Accounts (IRA)

4.31.3.4.2.6 Linking Partners to Returns that are in Appeals

4.31.3.4.2.7 Foreign Partners

4.31.3.4.2.8 Partnerships Filing a 761 Election

4.31.3.4.2.9 Non-Filers

4.31.3.4.2.9.1 SFR Procedures

4.31.3.4.2.9.2 Delinquent Return Procedures

4.31.3.4.2.10 Pass-Through Partners

4.31.3.4.2.11 No-Load Tiers

4.31.3.4.2.12 Partners of Large and Publicly Traded Partnerships (PTP)

4.31.3.4.2.13 Linking for Foreign Withholding

-
- 4.31.3.4.2.14 Linking Returns Where there is a Technical Termination in the Same Month
 - 4.31.3.4.2.15 IRA Partners
 - 4.31.3.4.3 Follow-Up on Establishment of Key Case and Partner Linkage
 - 4.31.3.4.4 Key Case Reports
 - 4.31.3.4.4.1 Key Case Administrative File Maintenance
 - 4.31.3.5 CPF Partner Procedures
 - 4.31.3.5.1 CPF Employee Group Codes (EGCs)
 - 4.31.3.5.2 Returns Controlled Outside the CPF
 - 4.31.3.5.3 Distributing Schedules K-1
 - 4.31.3.5.4 Receipt of Schedules K-1 From Another Campus
 - 4.31.3.5.5 Case Building of Material Partner Returns
 - 4.31.3.5.5.1 LB&I Imaging Network (LIN)
 - 4.31.3.5.5.2 Schedule K-1 Discrepancy
 - 4.31.3.5.5.2.1 Direct Partners
 - 4.31.3.5.5.2.2 Indirect Partners
 - 4.31.3.5.5.3 Failure of a TEFRA Partner to File a Return
 - 4.31.3.5.5.4 Unperfected but Exhausted
 - 4.31.3.5.6 Verification of Distributable Income (Loss)
 - 4.31.3.5.7 Control of Partner Returns
 - 4.31.3.5.7.1 Case Set up
 - 4.31.3.5.8 Passing Through Adjustments to the Related Partner Returns
 - 4.31.3.5.8.1 TEFRA Partnership Examination With Unresolved SB/SE Partner Examination
 - 4.31.3.5.8.2 TEFRA Partnership Examination With Unresolved LB&I Partner Examination
 - 4.31.3.5.8.3 Partner Examination With Unresolved TEFRA Partnership Examination
 - 4.31.3.5.9 Suspension of TEFRA Related Partners
 - 4.31.3.5.9.1 Field Suspense of SB/SE Partners
 - 4.31.3.5.9.2 Field Suspense of LB&I Partners
 - 4.31.3.5.9.3 Carryback and Carryover Returns
 - 4.31.3.5.9.4 Partners Linked to a Key Case Partnership with an AC Statute
 - 4.31.3.5.10 Follow-Up Procedures for Returns
 - 4.31.3.5.11 Partner Cases Transferred to CPF
 - 4.31.3.5.12 Receipt of Amended Returns and Claims
 - 4.31.3.5.13 Tiers
 - 4.31.3.5.13.1 Electing Large Partnerships (ELP)
 - 4.31.3.5.14 Responding to Field Requests for Returns
 - 4.31.3.5.15 Notice of Bankruptcy
 - 4.31.3.5.16 Fraud Considerations (-Z Freeze)
 - 4.31.3.5.17 Form 906
 - 4.31.3.5.18 PCS 4-4 Report

- 4.31.3.5.19 Combat Zone
- 4.31.3.5.20 Power of Attorney (POA) for Partners in a TEFRA Partnership
 - 4.31.3.5.20.1 Form 2848, Part 1 (TEFRA Partner POA)
 - 4.31.3.5.20.2 Form 2848, Part 3 (TEFRA Partner POA)
 - 4.31.3.5.20.3 Form 2848, Part 5 (TEFRA Partner POA)
 - 4.31.3.5.20.4 Form 2848, Part 7 (TEFRA Partner POA)
- 4.31.3.5.21 Killed in Terrorist Action/Killed in Action Indicator
- 4.31.3.6 Notice Packages
 - 4.31.3.6.1 60 Day Letter
 - 4.31.3.6.2 Processing of 60-Day Letter
 - 4.31.3.6.3 Protest of 60-Day Letter
 - 4.31.3.6.4 Appeals Settlement Letter
 - 4.31.3.6.5 No Adjustments
 - 4.31.3.6.6 FPAA
 - 4.31.3.6.7 Untimely Notice Procedures
 - 4.31.3.6.7.1 TEFRA Proceedings Ongoing
 - 4.31.3.6.7.2 TEFRA Proceedings Completed
- 4.31.3.7 Closing Packages
 - 4.31.3.7.1 FPAA Default
 - 4.31.3.7.2 Petitioned Key Cases
 - 4.31.3.7.2.1 Petitioned Tax Court Cases
 - 4.31.3.7.2.2 Tax Court Decision Appealed
 - 4.31.3.7.2.3 Petitioned District Court and Court of Federal Claims Cases
 - 4.31.3.7.2.4 Court Decisions Finalized
 - 4.31.3.7.3 Agreed Cases
 - 4.31.3.7.3.1 Consistent Settlement
 - 4.31.3.7.3.2 Agreements Received at the Closing Conference
 - 4.31.3.7.3.3 Agreements Received as a Result of a 60 Day Letter or FPAA
 - 4.31.3.7.3.4 Settlement Agreements Received by Appeals
 - 4.31.3.7.3.5 Settlement Agreements Received as a Result of Appeals Letters
 - 4.31.3.7.3.6 Settlement Agreements in Docketed Cases
 - 4.31.3.7.3.6.1 Settlement Agreements Secured on District Court or Court of Federal Claims Cases
 - 4.31.3.7.3.7 Execution of Agreements
 - 4.31.3.7.3.8 Acceptance of Faxed Agreements and Statute Extensions
 - 4.31.3.7.3.9 Closing Packages With Agreed and No Change Investors
- 4.31.3.8 Closing Packages Resulting in Refunds
 - 4.31.3.8.1 Refund Letters 4505-A and 4505-E
 - 4.31.3.8.1.1 Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR
 - 4.31.3.8.1.1.1 Deadline for Filing Partner Amended Returns Based Upon Letter 4505-A

- 4.31.3.8.1.2 Letter 4505-E, Notification of Potential Refunds Resulting from a Partnership Exam
 - 4.31.3.8.1.2.1 Deadline for Filing Partner Amended Returns Based Upon Letter 4505-E
- 4.31.3.9 H Freeze Release
- 4.31.3.10 Partial Agreements
- 4.31.3.11 One-Year Assessment Dates
 - 4.31.3.11.1 Seven Month Assessment (SMD) Dates (Chief Counsel Notice 2009-011)
 - 4.31.3.11.2 Updating the OYD when Issuing Statutory Notices of Deficiency
 - 4.31.3.11.3 Suspension of OYD Due to Combat Zone
- 4.31.3.12 Undeliverable Correspondence
 - 4.31.3.12.1 Undeliverable TMP Letters
- 4.31.3.13 TEFRA Report Writing Procedures
- 4.31.3.13.4 Processing Closing Packages
 - 4.31.3.13.4.1 Report Writing Review of Closing Package
 - 4.31.3.13.4.2 Verify Statute
 - 4.31.3.13.4.3 Check for Penalties and Affected Items
 - 4.31.3.13.4.4 Schedule K-1 Accuracy Related Penalty
 - 4.31.3.13.4.5 Referring Complex SB/SE Issues to the Field
- 4.31.3.13.5 Tier Report Writing
 - 4.31.3.13.5.1 Tier Partners Requesting Partnership Level Assessments
- 4.31.3.13.6 Preparation of Partner Examination Report
 - 4.31.3.13.6.1 Determining Adjustments
 - 4.31.3.13.6.2 Report Preparation for Previously Adjusted, Large or Complex LB&I Returns
 - 4.31.3.13.6.3 Examination Report with Affected Items or Partner Level Penalties
 - 4.31.3.13.6.4 Protest Received after the Receipt of a 30 Day Letter on Affected Items
 - 4.31.3.13.6.5 IRC Section 6404(g), Suspension of Interest and Certain Penalties
 - 4.31.3.13.6.6 Completion of Workpapers
 - 4.31.3.13.6.6.1 Report Generation System (RGS)
 - 4.31.3.13.6.7 Innocent Spouse Relief - TEFRA
 - 4.31.3.13.6.8 Passive Activity Losses (PAL)
 - 4.31.3.13.6.9 Carryover/Carryback Adjustments
 - 4.31.3.13.6.10 Qualified Business Income Deductions (QBID)
- 4.31.3.13.7 Processing of Adjustments
- 4.31.3.13.8 Completion of Form 5344 – Examination Closing Record
 - 4.31.3.13.8.1 Case File Assembly
 - 4.31.3.13.8.1.1 Streamlined No Change Closures
- 4.31.3.13.9 TEFRA Assessment Prior to Partner Examination Closing

#

-
- 4.31.3.13.10 Processing Partial Agreements
 - 4.31.3.13.11 Non-Filer TEFRA Closing
 - 4.31.3.13.12 Closing Employee Returns with TEFRA Links
 - 4.31.3.13.13 No Change Partner Returns
 - 4.31.3.13.13.1 Special Processing for Tax Changes over \$10 Million
 - 4.31.3.13.14 Quality Responsibilities
 - 4.31.3.13.15 Barred Statute Reports
 - 4.31.3.13.16 Erroneous Refunds
 - 4.31.3.13.17 Training
 - 4.31.3.13.18 Reports and Accomplishments
 - 4.31.3.13.18.1 Reports
 - 4.31.3.13.18.2 Accomplishments and Inventory
 - 4.31.3.13.18.3 Inventory Validation Listing (IVL)
 - 4.31.3.14 Key Case Administrative File Suspense

Exhibits

- 4.31.3-1 IAT Tools

4.31.3.1
(01-13-2023)
Program Scope and Objectives

- (1) This Internal Revenue Manual (IRM) section provides guidance on campus support procedures related to examinations of partnerships subject to provisions of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. This section is valid for partnership returns with tax years beginning before January 1, 2018.
- (2) **Purpose:** This handbook describes:
 - Screening incoming mail;
 - Campus key case procedures;
 - Campus partner procedures;
 - Notice package procedures;
 - Closing package procedures;
 - Releasing an H freeze;
 - Partial agreements;
 - One-year assessment dates;
 - Undeliverable correspondence;
 - TEFRA report writing procedures; and
 - Key case administrative file suspense.
- (3) **Audience:** Small Business/Self-Employed (SB/SE) and Large Business & International (LB&I) campus personnel working TEFRA pass-through entities and /or their partners linked on the Pass-through Control System (PCS) (formally known as the Partnership Control System).
- (4) **Policy Owner:** Director, Small Business/Self-Employed (SB/SE), Headquarters, Examination Field and Campus Policy (SE:S:E:HQ:EFCP)
- (5) **Program Owner:** Program Manager, Campus Examination and Field Support (SE:S:E:HQ:EFCP:CEFS)
- (6) **Primary Stakeholders:** SB/SE, Large Business and International (LB&I), and Appeals
- (7) **Program Goals:** Establish an electronic linkage between the partnership being examined and its underlying partners in order to generate notices required by statute, monitor and control statutes, and gather closing information.
- (8) **Contact Information:** To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance.

4.31.3.1.1
(01-13-2023)
Background

- (1) TEFRA was passed in 1982 to allow examinations and statutes to be controlled at the partnership level. This eliminated the need to control each individual partner statute. It also unified the litigation process whereby the tax matters partner (TMP) or a notice partner may commence such litigation at the partnership level by filing a petition rather than each individual partner. The PCS was created to establish an electronic linkage between the partnerships and their underlying partners. This helps ensure that partners, no matter how complex the partnership structure, are issued notices and adjusted in a timely manner. PCS linkage allows the campus to work the partners so examiners can focus on partnership examinations. PCS also allows the campus to systematically generate notices, control statutes, and gather closing information.
- (2) Section 1101 of the Bipartisan Budget Act (BBA) of 2015 repealed TEFRA partnership and Electing Large Partnership (ELP) provisions beginning with tax

years beginning on or after 1/1/2018. BBA has replaced TEFRA and ELP procedures with entirely new partnership audit provisions. The new regime provides for determination, assessment and collection of underpayments at the partnership level unless certain elections are made by the partnership.

- (3) Generally, all partnerships with tax years beginning 1/1/2018 or after will be subject to the BBA centralized partnership audit regime. Certain eligible partnerships may make an election out of the BBA regime. However, the law allows eligible partnerships with tax years that begin 11/3/2015 to 12/31/2017 to elect into the BBA regime when they are initially notified of selection for audit (Early Election). Temporary regulations (§301.9100-22T) that provide the time, form and manner for making the election were published on August 5, 2016 as Treasury Decision (TD) 9780.
- (4) This IRM is still in effect for all TEFRA partnerships and remains in effect for partnership years beginning before January 1, 2018.

4.31.3.1.2
(01-13-2023)
Authority

- (1) TEFRA policy was established in response to the partnership provisions of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and remains in effect for partnership years beginning before January 1, 2018.

4.31.3.1.3
(01-13-2023)
Roles and Responsibilities

- (1) The Director, SB/SE, Headquarters Examination, Field and Campus Policy (SE:S:E:HQ:EFCP) is responsible for:
 - a. Coordinating and implementing TEFRA policy changes;
 - b. Coordinating resolutions for TEFRA related problems; and
 - c. Updating this handbook.
- (2) The SB/SE Program Manager, Examination Field and Campus Policy, Campus Exam and Field Support (SE:S:E:HQ:EFCP:CEFS) is responsible for:
 - a. Ensuring that TEFRA procedural changes and computer program changes are implemented and coordinated with area office and campus examination personnel; and
 - b. Monitoring and evaluating area office and campus examination PCS quality control procedures.
- (3) Field Territory Managers, Field Area Directors, Director over LB&I Ogden and Director, Examination - Brookhaven, are responsible for ensuring that TEFRA policies and procedures are followed.
- (4) Field Examination Managers and Campus Field Support Operations managers are responsible for:
 - a. Maintaining an updated copy of IRM 4.29, Partnership Control System (PCS) Handbook, in their respective functions;
 - b. Ensuring the training of technical and clerical employees in TEFRA procedures; and
 - c. Establishing PCS records and acting on PCS reports in a timely manner to assure an accurate PCS database.
- (5) The Campus TEFRA Coordinator works with:
 - The other TEFRA coordinator(s)
 - Their local employees

- Other campus functional areas to ensure timely processing of TEFRA related returns
- (6) The campus PCS Coordinator is charged with:
- Identifying and resolving technical problems
 - Identifying and coordinating the resolution of PCS systemic problems
- (7) Following are specific Campus TEFRA Coordinator responsibilities:
- a. Coordinate with campus pass-through coordinators, Technical Services Pass-through Coordinators (TSPC) and the Appeals TEFRA/BBA Team on case processing issues;
 - b. Coordinate with Headquarters on any legal issues that need to be addressed by Chief Counsel;
 - c. Review closing packages for completeness;
 - d. Provide technical support to employees and management.

4.31.3.1.4
(04-10-2019)
**Program Management
and Review**

- (1) **Program Reports:** Each year a closure goal is established for the campus.
- (2) **Program Effectiveness:** The closure goal is monitored monthly to ensure the objectives are met. Since the campus does not control the number of partner returns closed each year, the closures are evaluated throughout the year and the goal is adjusted as needed.

4.31.3.1.5
(04-10-2019)
Program Controls

- (1) The number of one-year assessment statute dates are monitored to determine if the closure goal is attainable, or if it needs to be increased.

4.31.3.1.6
(01-13-2023)
**Terms/Definitions/
Acronyms**

- (1) There are several terms unique to TEFRA. Examples of these terms:

Defined Terms and Acronyms

Term	Definition
AAR	Administrative Adjustment Request (AAR) - Notification to the IRS of any subsequent change by a TMP or partner, to the treatment of a partnership item. The AAR is filed by checking the appropriate boxes on Form 1065X, Amended Partnership Return, or by submitting Form 8082 (partnership level), Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), along with a claim for refund or an amended return. AAR procedures are in IRM 4.31.4.
AC Statute	AC is the alpha code used when a TEFRA partnership statute will be controlled at the partner level. This keeps the partnership from showing as an expired statute on statute reports. It also helps identify when the statute is being controlled at the partner level.

Term	Definition
Affected Item	Any item that requires adjustment as a result of an adjustment made to a partnership item. There are two types of affected items: computational and factual. Factual affected items are those that require a determination at the partner level.
AIMS	Audit Information Management System (AIMS) provides inventory and activity controls of active Examination cases. It uses linkage to Integrated Data Retrieval System (IDRS) to input status changes, adjustments, and case closing actions.
BBA	Bipartisan Budget Act of 2015 (BBA). The centralized partnership audit regime affects all partnerships filed with tax years beginning on or after January 1, 2018.
Campus TEFRA Coordinator	Campus TEFRA Coordinator acts as a liaison between the Campus Pass-through Function (CPF) and the field offices, Appeals and Counsel for TEFRA cases. They also provide technical support for the CPF.
CC	Command Code (CC). A five-character command code (CC) must be entered with every IDRS screen transmission. The CC will indicate what function is to be performed.
CCP	Centralized Case Processing (CCP) - This function processes assessments and abatements and closes or transfers cases from the area to the campus or to files.
CPF (Formally CTF)	Campus Pass-through Function (CPF) - The CPF is the suspense unit for investor returns located in the Brookhaven and Ogden campuses. The two CPFs will be maintained to obtain and control, through the AIMS and Partnership Control System (PCS), any partner, shareholder or investor returns related to key cases within their jurisdiction. For details see CPF IRM 4.31.3 and IRM 4.31.6.
EIN	Employer Identification Number. (EIN)
EUP	The Employee User Portal (EUP) is a Web hosting infrastructure. It supports an Intranet portal that allows IRS employees to access business applications and data [e.g., e-Services and Modernized e-file (MeF)]. The EUP communicates with MeF via Application Message and Data Access Service (AMDAS). The EUP infrastructure is located on the IRS Intranet.

Term	Definition
FPAA	Notice of Final Partnership Administrative Adjustment (FPAA) - The statutory notice of adjustments (as distinguished from a statutory notice of deficiency) in a partnership proceeding that is subject to judicial review if a petition is filed under Internal Revenue Code (IRC) 6226 in the Tax Court, the Court of Federal Claims, or the District Court of the United States where the partnership's principal place of business is located. Only partnership adjustments are identified. An FPAA may also include penalties the applicability of which is determined at the partnership level. FPAAs should only be issued by the Technical Services Pass-Through Coordinator or the CPF, and not field agents.
IAT	Integrated Automation Technologies (IAT). IAT provides tools to IRS employees that simplify research, reduce keystrokes and increase the accuracy of regular work processes. When used with IRS systems, it eliminates repetitive typing and assists in making precise decisions.
ILSC	Investor Level Statute Control (ILSC) - These are pass-through entities (Form 1120-S and Form 1065) where the assessment periods are controlled at the investor level. Proceedings involve investors in S corporations and partnerships that elect out of BBA (tax year beginning 01/01/2018) or that are not subject to the TEFRA (tax year beginning prior to 01/01/2018).
IMS	Issue Management System (IMS) is a computer application used by LB&I that supports existing and new examination processes. It captures information from Industry Cases (IC) and Coordinated Industry Cases (CIC), all specialist work, open cases, and closed cases. The information captured is related to cases, returns, issues, and cycles.
Investor	Partner, Shareholder, or Beneficiary - An investor return that reflects pass-through items from a pass-through entity return, which is controlled (via PCS and AIMS). Examples of investor returns include, but are not limited to, Form 1040, Form 1041, Form 1120, Form 1120-S and Form 1065.
IRC	Internal Revenue Code (IRC).

Term	Definition
Key Case	An examined pass-through return established on PCS. For TEFRA this is a Form 1065, U.S. Return of Partnership Income, which passes partnership results on pass-through items to its partners on Schedules K-1.
KIN	K-1 Imaging Network (KIN) stores Schedule K-1 images from the Service Center Recognition/ Image Processing System (SCRIPS).
LB&I	Large Business and International (LB&I). Generally, serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million.
LCC	Large Corporate Compliance (LCC) Program replaced Coordinated Industry Cases (CIC). In May 2019 the Large Business and International Division (LB&I) replace the CIC program that covers compliance oversight for LB&I's largest corporate taxpayers.
LIN	LB&I Imaging Network (LIN) is a system used by LB&I to store images of returns.
Linkage	The electronic relationship between a pass-through entity and its investor on PCS.
NBAP	Notice of Beginning of Administrative Proceeding (NBAP) - The required notice sent at the start of an examination of a TEFRA partnership to the TMP and all notice partners which officially begins the examination of the partnership under TEFRA proceedings. IRC 6223(a)(1)
NMF	Non-Master File (NMF) is a system of accounting which provides for not only outstanding liabilities but for all types of return and tax adjustment processing that cannot be processed on Master File.
Notice Partner	Every direct partner in a partnership under examination is a notice partner unless that partnership has more than 100 partners. When there are more than 100 partners, only partners with ownership of 1% or more and those partners with less than 1% that form a notice group are notice partners. Those partners with less than 1%, and are not part of a notice group, are non-notice partners.
OYD	One-Year Date (OYD). This is a statute date applicable to TEFRA partnerships. Adjustments to the partner returns must be made within one year of a final partnership determination that finalizes the key case adjustments.

Term	Definition
PCS	Pass-through Control System (PCS) (formerly, Partnership Control System) - Database used to establish an electronic linkage between a key case pass-through entity and its underlying investors. The database is used to manage inventory, systemically generate notices, and control statutes.
RA	Revenue Agent (RA)
Record	Information stored on the PCS database for a key case or an investor.
SB/SE	Small Business and Self-Employed (SB/SE). Generally, serves taxpayers who file Form 1040, Schedules C, E, F or Form 2106, as well as small businesses with assets under \$10 million.
SNOD	Statutory Notice of Deficiency (SNOD). A notice of deficiency, also called a "statutory notice of deficiency" or "90 day letter," is a legal notice in which the Commissioner determines the taxpayer's tax deficiency.
TCO	Tax Compliance Officer (TCO)
TE	Tax Examiner (TE)
TE/GE	Tax Exempt/Government Entities (TE/GE) division.
TIN	A taxpayer identification number (TIN) is a nine digit identification number required on all documents. The TIN can be either a social security number (SSN) or an employer identification number (EIN).
TMP	Tax Matters Partner (TMP) - The TMP is the partner designated to represent the partnership in all TEFRA proceedings before the Service and the courts.
TS	Technical Services (TS) is the field review staff.
Technical Services Pass-through Coordinator (TSPC)	The Technical Services Pass-through Coordinator (TSPC) in Technical Services acts as a liaison between the field examiners and the CPFs for TEFRA linked cases. The field examiner can locate their TSPC listing on the Partnership Knowledge Base, TEFRA Overview, Other Related Resources.
TEFRA	Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).
Tier	A pass-through entity that is a partner of a pass-through entity. An S-corporation would be a tier partner of a partnership.

Term	Definition
60 Day Letter Package	Contains the letter (1827 or 1829) sent to the TMP and notice partners proposing adjustments to partnership items, notifying them of their right to file a protest to Appeals, the schedule of adjustments, and an agreement Form 870-PT or a Form 870-LT. 60 day letters should only be issued by the TSPC or the CPF, and not field agents.

4.31.3.1.7
(01-13-2023)

Related Resources

- (1) The following IRM cross-references may be helpful:
 - a. IRM 4.31, Pass-Through Entity Handbook
 - b. IRM 4.4, Audit Information Management System (AIMS) - Validity and Consistency
 - c. IRM 4.29, Pass-Through Control System
 - d. IRM 8.19, Appeal Pass-Through Entity Handbook
 - e. IRM 25.6.23, Statute of Limitations, Examination Process-Assessment Statute of Limitations Controls

4.31.3.2
(01-13-2023)

Overview

- (1) In IRM 4.31.2 of this Handbook, procedures for TEFRA examinations and support for those examinations by Technical Services are discussed.
- (2) This section contains the TEFRA procedures required to pass the results from the key case examination to the partner returns and provides an overview of the processes completed by the Campus Pass-through Function (CPF). The CPF may create local desk instructions to provide more detailed guidance to these procedures.
- (3) The Internal Revenue Code (IRC) references in this IRM are reflective of the TEFRA law, and not the BBA law passed in 2015 that used the same IRC code sections (6221 through 6248).

4.31.3.2.1
(04-26-2017)

Pass-through Control System (PCS)

- (1) PCS is the system of record for controlling pass-through returns. The PCS database establishes an electronic linkage between a pass-through and all partners linked to it. This linkage ensures the correct partners are properly provided notices and allows the campus to monitor statutes unique to TEFRA. Statutorily required TEFRA notices are systemically generated through PCS, as well as mailing lists. The system also generates several static inventory and statute reports. All returns assigned to the campus TEFRA program inventory must be linked on PCS if possible.

4.31.3.2.2
(01-13-2023)

TEFRA Corporate Data Initiative (CDI) Application

- (1) The TEFRA CDI Application is a valid substitute for IDRS TXMOD controls. The campus will load all returns onto the CDI application to assist with processing and statute control. Local procedures will be developed regarding the proper use and function of the CDI application.
- (2) IDRS TXMOD controls are used to assist in inventory management and statute control. See IRM 4.31.3.13.18.1(13), CCA 42-43 (ORCAS).

4.31.3.2.3
(06-11-2013)
**Integrated Automation
Technologies (IAT)**

- (1) Employees must use the Integrated Automation Technologies (IAT) tools shown in Exhibit 4.31.3-1 whenever possible. The use of some of the tools is mandatory when applicable for use. The IAT tools simplify processing by assisting the user with IDRS research and input. The tools reduce the chance of errors and improve productivity. They are desktop productivity enhancing tools. The IAT Web site should be checked periodically for new tools that may assist in processing cases. Descriptions of each tool as well as job aids for each tool can be found on the web site.
- (2) If a mandated tool is not used because it was determined not to be appropriate due to a specific situation, those circumstances should be documented in the case file.
- (3) If an IAT tool is not available, or an employee has a problem with the IAT Task Manager, the case should be processed through IDRS following established procedures. Make a note in the case file if an IAT tool is not used.
- (4) IAT tool users can visit the IAT Web site, where you can sign up to become a subscriber to the IAT newsletter. The iNews details all ongoing IAT activity with tool retirements and rollouts.

4.31.3.2.4
(04-26-2017)
**Contact with Potentially
Dangerous Taxpayers
(PDT) or Caution Upon
Contact (CAU)
Taxpayers**

- (1) If you need to contact a taxpayer designated as Potentially Dangerous Taxpayers (PDT) or Caution Upon Contact (CAU), please refer to IRM 25.4, Employee Protection, for the most current guidance.

4.31.3.3
(01-13-2023)
Screening Incoming Mail

- (1) The CPF will screen all incoming mail to determine routing, priority handling, and to ensure that all documents affecting the CPF inventory are processed.
- (2) All incoming mail will be stamped to reflect the date received.

Note: Care should be taken not to stamp any documents sent to the CPF by the field that are intended to be sent to taxpayers. An example of this is the TMP letter. It is also important to stamp documents in areas where the least amount of information will be stamped upon.

- (3) Correspondence normally received in the CPF includes the following:
 - a. Form 870-PT, Form 870-LT, Form 870-PT(AD), or Form 870-LT(AD);
 - b. Form 4549, Report of Income Tax Examination Changes;
 - c. Form 906;
 - d. Advance payments;
 - e. Checks;
 - f. Cash bonds (these must have a "999" blocking series to preclude the assessment of interest);
 - g. Taxpayer protests;
 - h. Form 1040-X and Form 8082;
 - i. Copies of tax returns;
 - j. Form 5546 and Schedules K-1;
 - k. Form 6658, Related TEFRA Pass-Through Examination Information;
 - l. Default notices;
 - m. Court decisions;

- n. Account maintenance transactions;
 - o. CP 2000 notices;
 - p. Taxpayer correspondence or inquiries; and
 - q. Appeals settlements.
- (4) Screening of incoming mail will be performed by Tax Examiners or qualified clerical personnel trained to be familiar with and knowledgeable about handling of the documents listed above.
- (5) The Tax Examiners should be familiar with the Taxpayer Advocate Service (TAS) criteria in order to correctly identify those cases that should be referred to TAS. See IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria.

4.31.3.4
(06-04-2004)
**CPF Key Case
Procedures**

- (1) The key case CPF provides support assistance for each key case examination.

4.31.3.4.1
(01-13-2023)
**Receipt of an NBAP
Package**

- (1) The key case examiner will forward the Form 14090, TEFRA Linkage Request Check Sheet (LB&I) or Form 14091, TEFRA Linkage Request Check Sheet (SB/SE), directly to the CPF through the group email box shown on the form. A complete linkage package includes:
- a. A scanned or electronic return. Schedules K-1 must be included with the scanned or LIN image. If the return has a LIN image, the LIN link will need to be included on the check sheet. For paper returns, fax to the number provided on the check sheet. If the return is too large, it may be mailed to the address on the check sheet.
 - b. A copy of the election Form 8893, Election of Partnership Level Tax Treatment, or other election statement if the partnership elected to be covered by TEFRA proceedings.
 - c. Electronic files of the TMP Notice of Beginning of Administrative Proceeding (NBAP) letters.
 - d. The date the TMP NBAP letter(s) were mailed and the Certified Mailing Number.
 - e. A spreadsheet file verifying the reconciliation of the Schedules K-1 percentages of profits.
 - f. Scanned images of all Form 872-P or other authority used to extend the key case statute.
 - g. Form 15034, PCS Limited Linkage Approval - TEFRA (if applicable).
- (2) The TEFRA partnership must be fully established in status 12 on AIMS prior to submitting the linkage package.
- (3) If any partner returns will be examined in the field, those returns must also be established on AIMS prior to linkage.
- (4) An analysis of the entire partnership structure should be completed to determine the impact of any adjustments. If potential partnership adjustments will not result in material assessments to the underlying partners, then linkage should be reconsidered. Limited linkage may be an option and Form 15034, PCS Limited Linkage Approval, should be included.
- (5) There must be at least seven months on the key case statute when the campus receives the package. If less than seven months remain, reject the

package to the agent to follow the TEFRA procedures in IRM 4.31.2.3.1, Initiating Timely Examination of Key Case Returns.

4.31.3.4.1.1
(06-11-2013)
**Administration of the
Group Email Box**

- (1) It is recommended that access to the group email box be limited for inventory control purposes.
- (2) Users are added or removed by the owner of the mailbox. User changes can be made by opening the Outlook address book and typing in "Access to" followed by the name of the email box without the "@". Right click on the name and open properties. A box on the right will allow the owner to modify the users.
- (3) The group email box will accept secure email.
- (4) The owners need to ensure the secure messaging certificates are renewed timely.
- (5) An ITAMS ticket must be submitted to request a new certificate.
- (6) The certificate expiration date can be found by looking up the group email box on the Global Address Locator (GAL). Look up the mailbox in the GAL, right click on it and go to Properties. Click on the Add to Contacts button at the bottom of the properties and then click on the certificates tab. Click on the Properties button along the right hand side of the box. A box will open reflecting the certificate information and expiration date.
- (7) A new certificate can be requested up to 30 days prior to expiration date.

4.31.3.4.2
(01-13-2023)
Linking Partners

- (1) The field will submit linkage packages to the campus the earlier of 120 days of the NBAP being sent to the partnership or when the adjustments are known. The package requests the campus to establish the key case partnership on PCS, and begin establishing an electronic link, via PCS, between the key case and the underlying partners.

Note: An NBAP may only be withdrawn within 45 days. The 45 day period is established by regulation.

- (2) Prior to linking the partners, a Revenue Agent Reviewer will complete a preliminary build-out using the Tier Structuring Tool (TST). This could include:

- a. Analyzing the build-out to identify the material partners throughout the partnership structure.

ality.

- b. Identify any unknown partners and look for special allocations.
- c. Direct any Schedule K-1 perfection that needs to be started immediately. For example, identifying an unknown partner that has a large percentage of ownership, or reconciliation of the K-1 to the return.
- d. Determine if there will be more than 100 material partners (direct and indirect).
- e. Determine the suspense period (3-12 months) before indirect linkage or follow up. The suspense period is subjective. The purpose is to delay linkage when possible to avoid establishing returns on PCS/AIMS that

#

may have immaterial adjustments and result in no changes. The age of the case, statute or other special circumstances need to be considered when determining the length of the suspense period.

Note: You may need to contact the field agent to determine their proposed adjustments if those weren't provided on the linkage request form.

The campus should begin linking and issuing notices to all material notice partners before adjustments are known in order to avoid untimely notice procedures. Any immaterial notice partners that will not be linked should be communicated to the field agent using Form 15034, PCS Limited Linkage Approval - TEFRA. The campus should delay linking the material non-notice and indirect partners until adjustments are known. It may be necessary to begin some limited linkage before adjustments are known in order to ensure there is enough time to process any partner adjustments, or to secure returns before they are destroyed.

Note: Start linking all material partners three years from the date the key case was filed. (Confirm with agent that adjustments are still being pursued.)

- (3) The CPF will research and verify the material Schedules K-1 Taxpayer Identification Numbers (TINs) are correct. If a TIN is incorrect, the CPF will attempt to obtain the correct TIN. If the CPF is unsuccessful, the field agent may be contacted for assistance on direct level partners. The preliminary build-out will be updated as new information is received.
- (4) Key cases with more than 100 material partners will be flagged as a large case. Input ">100" on PCS using the special user message (Command Code (CC) TSCHG Item 07).
- (5) The CPF Inventory Control Manager (ICM) will monitor the key cases for movement into status 27 by using PCS Weekly Report 21-3. The ICM will alert the responsible campus agent that adjustments are known.
- (6) Once adjustments are known, or a determination is made to begin linking the remaining material partners, the Revenue Agent Reviewer will prepare a final build-out spreadsheet. The adjustment amount used to create the final build-out will be entered onto PCS (CC TSCHG Item 08). The build-out will be used as a guide for linking all material partners. Once linkage is complete, the partners linked on PCS should match the build-out spreadsheet. Revenue Agent Reviewer will initiate partner linkages by providing the final build-outs to the linkage tax examiners.

Note: If adjustments are known at the time of linkage, immaterial notice partners should not be linked. Notice partners are only required to be linked and noticed if we intend to make an adjustment.

- (7) The key case CPF will perform the research to verify that a partner return has been filed by using CC IMFOL or CC BMFOL. If no TC 150 is posted on Master File and the partner is material then non-filer procedures should be followed (see IRM 4.31.3.4.2.9, Non Filers, and IRM 4.31.3.5.5.3 Failure of a TEFRA Partner to File a Return,). A non-Master File AIMS will need to be established prior to linkage. If the partner is direct to the key case and their percentage of ownership is substantial, contact the Campus TEFRA Coordina-

tor as they may want to contact the field Revenue Agent to see if they want to control the partner and do the SFR.

- (8) If the information available from the partner indicates the pass-through entity Employer Identification Number (EIN) is “applied for”, the examiner should request NAMEE research to verify that the return was filed.
- (9) If the taxpayer (partner) leaves the pass-through entity EIN blank, the examiner should ask the taxpayer for the EIN. If the taxpayer provides an EIN, no further action will be taken. If an EIN is not provided, the examiner will verify that the return was filed by requesting the research in (3) above.
- (10) Special consideration needs to be given to non-filers, parent/subsidiary partners, and Tax Exempt/Government Entities (TE/GE) partners. For procedures for these partners see IRM 4.31.3.4.2.1, Using Dummy Numbers and Non-Master File Linkages. All partners will be linked as needed based upon the impact of the adjustments to those partners.
- (11) Only the remaining partners identified as material should be linked. No partner (direct or indirect) should be linked if they are not on the build out spreadsheet. Linkage of additional partners should only be done after consultation and approval of the Linkage Agent.
- (12) The Revenue Agent Reviewer will ensure Schedule K-1 perfection is complete. A perfected Schedule K-1 is one that has the correct entity information. Schedules K-1 may be secured using K-1 Imaging Network (KIN), Employee User Portal (EUP) or using data from yK1.
- (13) The CPF inputs CC TSLODK when linking the notice partners. Material non-notice partners and indirect partners will be loaded onto the PCS using CC TSLOD, using Form 8341, PCS Establish or Add.

Note: A non-notice partner exists when a partnership has more than 100 direct partners, and a partner owns less than a one percent interest in the profits of the partnership. A TMP is generally responsible for forwarding copies of all notices to each partner not entitled to notice. See Treas. Reg. 301.6223(g)-1.

Note: PCS CC TSLOD will request returns from files at the time of linkage, this puts the literal “**RETURN REQUESTED**” on AIMS page 2, even though the return may be electronically filed. The “**RETURN REQUESTED**” will not allow an electronic blocking closure. To allow an electronic blocking closure, establish AIMS using CC AM424 rather than establishing AIMS using PCS CC TSLOD.

- (14) After loading compare partners linked to CC TSUMYP and build out to verify that all material partner linkages are established and the structure is complete.
- (15) Monitor to ensure AIMS controls are fully established.
- (16) The partner’s percentage of profits will be entered on all linked material direct and indirect partners. (CC TSCHG Item 06). The input of the percentage of profits are important as they will be used to determine materiality once the partnership adjustments are finalized.
- (17) To expedite linking of the indirect partners, AM424 may be done prior to linkage.

- (18) When complete, PCS linkage must match the build out. Verify that all AIMS is fully established before building case files for the partner returns.
- (19) NBAPs should be sent using the partner's name and TIN on the Schedule K-1 along with the partner's most current address on Master File (CC INOLES). Spouses are not required to be sent a separate NBAP unless the spouse is listed separately as a partner on the Schedule K-1, otherwise identified as a partner on the partnership return, or identified as a partner entitled to notice as provided in Treas. Reg. § 301.6223(c)-1(b).
- (20) An employee mailing the partner NBAPs via regular mail must sign the mailing list of the partners that were sent NBAPs. The statement is part of the mailing list that is generated through PCS. The employee signing the mailing list is attesting to the mailing of all notices included on the listing. This mailing list could be used in court to verify that the Service issued the notices as required by law.

Note: Typographical errors (Scrivener Errors) such as a mistyped name or EIN will not invalidate a notice. However, care should be taken to ensure the notices are correct.

- (21) Within 10 days after mailing of the NBAP, a copy of the mailing list will be sent to the field Revenue Agent. A copy of the mailing list will be placed in the CPF key case administrative file, and another will be added to the Mail List Book maintained by the campus indefinitely. The Mail List Books should never be destroyed without approval from Headquarter TEFRA Analyst(s).
- (22) The CPF will update the key case 120 day date on the PCS using CC TSCHG, item number 13. The 120 day date is computed by adding 120 days to the date the last NBAP was mailed to any partner.

4.31.3.4.2.1
(04-26-2017)
**Using Dummy Numbers
and Non-Master File
Linkages**

- (1) Several instances could arise where a non-Master File AIMS (NMF) data base is necessary to link the partner to the key case. For example, the entity could be a grantor trust and not required to file a return and the ultimate beneficiary has not filed either. In that case, use the trust's EIN when creating the non-Master File AIMS data base and link the trust to the key case. If the trust does not have an EIN, then the CPF will secure a "dummy" number using CC AMNON and that is used for the EIN of the trust.
- (2) Exempt organizations will also require a non-Master File AIMS data base be created prior to linking. The PCS will not allow for a link to an exempt organization Master File account. Use the exempt organization's EIN when creating the account.
- (3) A non-Master File AIMS must be created when there is no record of a partner return being filed. See IRM 4.4.23, AIMS Procedures and Processing Instructions, Openings.
- (4) The AIMS non-Master File database is retained in the key case CPF, and research performed utilizing National Access Information (NAI), CFOL command codes, and CC NAMEE or NAMES.

4.31.3.4.2.2
(04-10-2019)
**Identifying a Parent
Return**

- (1) When a subsidiary is a direct partner, only the parent needs to be linked.
- (2) When trying to identify a parent corporation of a subsidiary, CC INOLES may be used but it may not always be accurate. INOLE may show who the parent is currently, but that may not be the same parent for the year under examination. A better means to identify the parent for the year under examination is to use CC BMFOL.
- (3) Request CC BMFOLI on the subsidiary EIN. Find the taxpayer record with the same year-end as the key case or the proper year-end of the subsidiary for which the key case Schedule K-1 information would pass to the subsidiary.
- (4) Request CC BMFOLT for the module identified in (2) as being the correct one for the year in question.
- (5) The BMFOLT should reflect a TC 590 and an EIN of the parent for that tax period. If more than one EIN is shown, an inspection of the prior and subsequent year taxpayer records may provide the answer. Contact the Revenue Agent Reviewer for assistance. If still unable to make a determination, the Revenue Agent Reviewer may need to contact the key case examiner for clarification.
- (6) If no taxpayer record was identified in (2) above, check BMFOLT for the years before and after. If the same parent is identified in those two records, it is reasonable to conclude that the parent will be the same in the middle year. If the parent indicated is not the same in both years, contact the key case examiner for clarification.
- (7) Once the parent EIN is determined, a BMFOLT is requested to verify the parent filed a return. If the parent did not file, further research should be conducted to determine if the parent is also a subsidiary. If it is determined the parent is also a subsidiary, the research will continue until the "ultimate" parent is determined. The ultimate parent will be linked to the key case. Any intervening levels of parent corporations will not be linked.
- (8) Once the ultimate parent of the subsidiary is identified, use CC TSCHG item 04, to add a secondary name line which identifies the ultimate parent of the subsidiary. For example, the secondary name line would show ABC Corp, parent of XYZ, Corp.
- (9) If the parent did not file, and is not a subsidiary, contact the Revenue Agent Reviewer for assistance.

4.31.3.4.2.2.1
(04-26-2017)
**Linking
Parent/Subsidiary
Partners**

- (1) When a subsidiary return is identified, only the parent needs to be linked.
Note: If the parent entity no longer exists, there is no entity to assess and the subsidiary will have to be linked NMF.
- (2) The PCS User Special Message can be used to identify specific problems or unique situations. An example would be to enter the literal "Parent" and its TIN where a subsidiary has to be linked as the partner in a pass-through entity because the parent no longer exists.

4.31.3.4.2.3
(01-13-2023)
**Limited Liability
Companies That are
Disregarded Entities**

- (1) If a Limited Liability Company (LLC) that is a disregarded entity is a direct partner, that entity may be bypassed and the owner of the disregarded entity should be linked as the direct partner instead.
- (2) If the owner cannot be identified, then the disregarded entity will be linked non-Master File. Letter 5640, Schedules K-1 Verification, will be sent to the Schedule K-1 address asking where the partnership items were reported.
- (3) While the disregarded entity does not file a return, it should have an EIN. If the disregarded entity's EIN is not shown on the Schedule K-1, and the disregarded entity is a direct partner, the field RA may be contacted for assistance. A dummy number will be used as a last resort.
- (4) When the disregarded entity is not linked directly to the key case, but is itself an indirect partner, the owner/member should be linked directly and ignore the disregarded entity. The file should be notated.
- (5) If the ultimate owner of the disregarded entity is later identified, use CC TSCHG item 04, to add a secondary name line which identifies the ultimate partner of the disregarded entity. For example, the secondary name line would show John Doe, single member of XYZ, LLC.

4.31.3.4.2.4
(04-10-2019)
Grantor Trusts

- (1) A grantor trust that is a partner in a key case may be bypassed and the beneficiary directly linked to the key case and notices sent to the beneficiary.
- (2) If the beneficiary cannot be identified, then the grantor trust will be linked.
- (3) If the beneficiary of the grantor trust is later identified, use CC TSCHG item 04 to add a secondary name line which identifies the beneficiary of the trust. For example, the second name line would show John Doe, beneficiary. This additional line is needed for notice purposes.
- (4) The best practice is to link the beneficiary directly and ignore the trust. The beneficiary should also be linked to the tier in place of the grantor trust.

4.31.3.4.2.5
(01-13-2023)
TE/GE Partners

- (1) TE/GE partners include employee plans and exempt organizations. This may include charities, pensions, Individual Retirement Accounts (IRAs), etc.
- (2) Research CC INOLES to determine if an investor is EP or EO. If the investor has a "P" at the end of the TIN, or the screen goes directly to CC INOLET, the investor is EP. The return filed gives an indication as well.
 - a. EO - 990 series (schools, churches, police organizations, fire departments, Indian tribes, foundations, charities, etc.)
 - b. EP - 945, 1042 (pension, retirement plan, 401K, profit sharing trust, etc.)
- (3) Material TE/GE partners must be established on NMF prior to linkage
- (4) TE/GE will be forwarded a copy of the Schedule K-1 for all material TE/GE partners linked to TEFRA key cases. The Schedules K-1 will be sent to the point of contacts (POC) provided by the SB/SE HQ TEFRA Analyst.
- (5) TE/GE will be forwarded closing packages as the related key cases close to the POC.
- (6) TE/GE will be responsible to make any pass-through adjustments affecting their partners.

4.31.3.4.2.5.1
(04-26-2017)
**Individual Retirement
Accounts (IRA)**

- (1) Some taxpayers invest in partnerships through their IRAs. Usually the Schedule K-1 will reflect that the partner is an IRA, but may show the taxpayers SSN. These returns should also be referred to TE/GE if there will likely be a material adjustment.
- (2) If the IRA partner is invested directly in the key case, then the IRA partner will be linked for notice purposes. The notice should be addressed to Joe Partner, IRA with Joe's SSN. The IRA may be subject to excise tax so it should not be bypassed as a partner.

4.31.3.4.2.6
(04-26-2017)
**Linking Partners to
Returns that are in
Appeals**

- (1) The input of CC TSLOD on a partner when the pass-through return is in Appeals (PBC 6XX) will result in the partner being established in a 295 PBC with a BSC CTF Indicator. If the partner is controlled by the Ogden campus, the partner should be established on AIMS in PBC 398 prior to the TSLOD. That will allow the partner to be established under the jurisdiction of the correct campus.
- (2) If a partner establishes under a 295 PBC in error, the partner database must be AMSOC'd back to PBC 398. A TSCHG will also have to be input to change the CPF indicator from BSC to OSC.
- (3) Updating the CTF indicator is important because it allows Appeals to determine which campus controls the partner. If the CTF indicator is not updated properly, Appeals will likely send the closing package to the wrong campus. It also ensures the partner return appears on the PCS 4-4 statute report in the correct campus.

4.31.3.4.2.7
(04-26-2017)
Foreign Partners

- (1) When a foreign partner is identified as a material partner in a TEFRA partnership key case and has filed a return, link the filed return.
- (2) If the return is not filed, check NMF database for an NR return. If an NR return exists, link the return. Contact may need to be made with an international specialist.
- (3) The examining agent will be sent a memo stating that there is a foreign partner linked to the key case. The memo will be sent with the mailing list.
- (4) If a material foreign partner is identified in an underlying tier, then a memo should be prepared and sent separately to the agent.

4.31.3.4.2.8
(04-26-2017)
**Partnerships Filing a 761
Election**

- (1) Certain partnerships may file an election to be excluded from all of Subchapter K as provided in Treas. Reg. 1.761-2. This election is made with the first return, and then future Form 1065 filing requirements are removed. However, the partnership still exists and can invest in other entities. As a result, these entities may be partners in TEFRA partnerships. In that event, a NMF record will be created. The partners will need to be linked to the NMF entity under MFT 35.
- (2) These returns present another problem in that identifying the partners requires taxpayer contact. Because there are no filing requirements, Schedules K-1 are not available. In some cases, the originally filed return may be secured but the taxpayer should still be contacted to ensure there are no changes.

4.31.3.4.2.9
(01-13-2023)
Non-Filers

- (1) The key case CPF will send a non-filer letter to obtain information regarding the loss, income, or deduction taken on the partnership, trust or individual return. Do not contact the taxpayer if there is a "Z" Freeze or a TC 914 on the taxpayer account. If there is a "Z" Freeze or a TC 914 on the taxpayer account, give the partner information to the Campus TEFRA Coordinator for immediate, appropriate action. If the Campus TEFRA Coordinator learns the taxpayer is the subject of a criminal investigation, and that the taxpayer was sent notification that their partnership items have converted to nonpartnership items, that removes the taxpayer from the TEFRA proceeding. The Campus TEFRA Coordinator will inform the cooperating agent (or Special Agent) of the TEFRA proceeding of the related key case and the cooperating agent or Special Agent will take the appropriate necessary action.
- (2) For taxable IMF and BMF non-filers, a review of IRPTR transcripts needs to be completed to determine if a referral as an SFR is warranted.
- (3) In the case of non-filing trusts, every attempt will be made to determine if the trust is a pass-through entity, either through research or through contact with the taxpayer. If the trust is linked directly to the partnership, the key case agent may be contacted for assistance.
- (4) If the non-filing entity is identified as a Form 1120-S (filing requirement 1120-02 on INOLE) or a Form 1065, research should be done to determine the shareholders or partners. Every effort should be made to have material partners identified and linked as soon as possible. Taxpayer contact may be necessary.
- (5) The filing date of a partner's return is the beginning of the three year IRC 6501 statute. IRC 6629 is an extension of the IRC 6501 statute. The IRC 6501 will not be shortened by the earlier running of the IRC 6229.
- (6) TEFRA partnership items from an ongoing proceeding (e.g., DOJ cases) cannot be assessed by computational adjustment until after an SFR assessment is made. Where a taxpayer has not filed a tax return, there is no return information to which the partnership items can be computationally applied. Unsettled partnership items and affected item adjustments may be included as part of the SFR and stat notice if the SFR is not processed until after the TEFRA proceedings are complete.

4.31.3.4.2.9.1
(04-26-2017)
SFR Procedures

- (1) Research to see if a return was established on Master File.
 - a. IMF - ENMOD or INOLES
 - b. BMF - ENMOD, IMFOLE, or INOLES
- (2) The entity does not exist on Master File. TC 150 has not posted.
 - a. Input AM424 with a push code 036 using "EE" in the day field of the statute.
 - b. Joint filing status is not permitted under SFR procedures. Taxpayers must file a delinquent return to elect Joint filing status.
 - c. If a Criminal Investigation (CI) freeze code "-Z" is present, the SFR will not post.
 - d. If CI agrees to allow the SFR to post, reinput the AM424 using Push Code 049.
- (3) If a return is received, a TC 971 with action code 282 needs to be input. This will set the numeric ASER at Master File.

- (4) Refer to IRM 4.4.9, Substitute for Return, for more information.

4.31.3.4.2.9.2
(04-26-2017)
**Delinquent Return
Procedures**

- (1) Upon receipt of a delinquent return where no TC 150 has posted, follow the procedures in IRM 4.4.9.4, Delinquent Return Secured - No TC 150 Posted.

4.31.3.4.2.10
(04-26-2017)
Pass-Through Partners

- (1) Pass-through partners should only be loaded if they have material partners as explained in IRM 4.31.3.4.2. An exception would be a pass-through notice partner loaded to generate a notice where firm adjustments are not yet known.
- (2) All partners in a pass-through partner are not required to be linked. Only those partners that will be subject to an adjustment above tolerance should be linked. It may be necessary to link more partners if the impact of the adjustment is not determinable.
- (3) Initial loading may have been completed based upon estimated adjustments. The final adjustment numbers may result in a change to the build out. This may result in a change in the number of partners linked.
- (4) Changes to the linkage plan will be directed by a Revenue Agent Reviewer.

4.31.3.4.2.11
(01-13-2023)
No-Load Tiers

- (1) Some partnerships may have been designated as no load tiers. Those were tiers where no underlying partners were loaded because the adjustments became immaterial. With the application of AM2015-003 those tiers will no longer be loaded if they are immaterial.
- (2) No load tiers could still exist if an immaterial tier is loaded to generate a notice. This can occur when notices are sent before adjustments are known.
- (3) When a no load determination is made, it is important to remember to update the no load tier indicator on the PCS. Inputting the no load indicator on PCS will remove the tier from the PCS 8-7 Report, Unperfected Tier Report, and add it to the PCS 8-6 Report, No-load Report. The no load indicator (display as 'X') is added using PCS CC TSCHG item 35-X.
- (4) Paragraphs 5 through 12, below, are the explanation and procedures of no-load tiers for reference only. These were the procedures used prior to the release of this IRM when it was the practice to load all partners in a tier without regard to materiality.
- (5) Some partnerships have many levels of tiering. As a result, the percentage of any potential key case adjustment that may impact some lower level tiers becomes very diluted. When this occurs, the campus should review the tier to determine if resources should be expended to link its partners. There is no sense linking the tier partners if it is very likely that any adjustments will fall below tolerance. If there is any question as to whether the key case adjustment will impact the lower partners, then the tier investors should be linked.
- (6) The determination on whether or not to link should be made by a campus RA and may require discussions with the key case agent.

#

the tier level (see prior IRM revision). This should be a straight percentage. For example, a partnership adjustment (or potential adjustment) of \$x divided by

the number of partners. If the average adjustment will result in tax below tolerance, then no load the tier.

- (8) An exception to that rule occurs when the overall adjustment is very large. For example, if the overall adjustment is \$50,000, then it may be worth the effort to check the Schedules K-1 for a taxpayer with a large percentage of ownership. If the Schedules K-1 indicate that a taxpayer will receive a large percentage of the adjustment, then a check for special allocations should be made. We should only work a partner if they are going to receive a large enough percentage of the adjustment that it will make it worth our investment in processing.
- (9) The significance of the adjustment will vary from case to case depending on the size of the adjustment compared to a partner's allocation. RAs making the determination must use their best judgment in making the determination. The decision to load or not load should be documented in the case file.
- (10) When making a no load determination, you should not attempt to determine if a partner has multiple linkages. If we already have that information, then it should be considered. No load determinations should be made as quickly as possible to avoid loading as many downstream partners as possible.
- (11) Making a no load determination is an imperfect process, and decisions will be made based upon the facts at that time. The agent needs to document the case file to support their determination. Incorrect determinations based upon reasonable judgment may occur from time to time. A barred statute report will not be prepared if, based upon new information, a properly documented no load tier or underlying partner is later found to fall above tolerance.
- (12) Tier Structuring Tool (TST) and related tools should be used when making the no load determination. These tools can greatly assist in the decision making process.

4.31.3.4.2.12
(04-26-2017)
Partners of Large and Publicly Traded Partnerships (PTP)

- (1) Generally, a large partnership is considered to have more than 100 direct or indirect partners. The definition of a large partnership may be adjusted locally but must be documented in local procedures.
- (2) A PTP is a publicly traded partnership with a very large number of partners. They often have tens of thousands of partners. As a result, it is unlikely that all partners will be impacted significantly by any adjustment made at the partnership level.
- (3) A complete evaluation of the potential adjustments should be made before linking the large partnership or any partners beyond the direct level. Contact with the field will be necessary to determine the extent of potential adjustments.

4.31.3.4.2.13
(04-26-2017)
Linking for Foreign Withholding

- (1) Taxes withheld on a foreign partner's income under IRC 1441, IRC 1442, and IRC 1446 are considered Partnership items. An examination of a TEFRA partnership with respect to these withholding tax sections is subject to the TEFRA partnership procedures. IRC 6231(a)(3); Treas. Reg. 301.6231(a) (3)-1(a)(1) and (b).
- (2) The linkage package must clearly state that the partnership is being linked strictly for pursuing foreign withholding. If foreign withholding is the only issue, then the campus will only link the notice partners. No indirect partners will be

linked. The notice partners need to remain open for notice purposes only. This is one of the few exceptions where all notice partners may need to be liked regardless of materiality. Contact your HQ analyst if you have a large number of notice partners and have concerns.

4.31.3.4.2.14
(01-13-2023)

**Linking Returns Where
there is a Technical
Termination in the Same
Month**

- (1) A technical termination can create situations where more than one partnership return is filed in the same month. If the field is examining both returns, only the first return filed in the month will have a TC 150 posting. Subsequent filings in the same month will be reflected as a TC 976. The field will need to establish the short period key cases on NMF and submit separate linkage packages to the CPF if more than one return filed in the same month is examined. If both returns are not being examined and only the TC 976 is being examined, AIMS should be set up on Master File and not NMF, this will prevent closing issues later on. NMF is only needed if both returns filed in the same month are being examined.
- (2) Multiple filings in the same month can also result in a subsequent return being filed as a TC 976. If there are multiple filings in the same month, the first return received can be established on AIMS, but only one other year may be established NMF. All returns filed in the same month should be documented in the MF return. The NMF return and all other subsequent filings in that month should be kept together.

Note: The first return received may not be the first short period chronologically. For example, if returns are filed weeks apart, the second week may get processed before the first week. The second week will have a TC 150 and appear to be the first short period.

4.31.3.4.2.15
(01-13-2023)

IRA Partners

- (1) IRAs can be partners in a partnership.
- (2) Some IRA partners may be subject to excise tax adjustments. The key case examiner should be alerted to submit a specialist referral if the IRA partner will have material adjustments. Adjustments to IRAs will be made as affected item adjustments. The agent will need to inform the campus, if the campus controls the partner, of the result of their referral so statutes can be protected if needed.
- (3) If the IRA partner previously filed an excise tax return Form 5329, Additional Taxes on Qualified Plans (Including IRAs) and Tax-Favored Accounts, then a partner level statute extension Form 872, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, will be needed. The Form 872-P does not extend the statute for excise taxes. If a consent to extend the statute of limitations is being prepared and an excise tax related to an IRA may be assessed, complete the "kind of tax" line on the consent form, by inserting "income and excise". The excise tax statute must also be extended in addition to the income tax statute if there is a possibility that an excise tax may be assessed. If the normal individual income tax statute is expired but you have an excise tax statute due to failure to file Form 5329, the individual 1040 (MFT 30) should be controlled with "II" alpha statute code.

4.31.3.4.3
(01-13-2023)

**Follow-Up on
Establishment of Key
Case and Partner
Linkage**

- (1) A Form 5546 labeled "Flow Through Notification" is generated for each partner that is successfully linked on PCS and AIMS is fully established.
- (2) Rejects are perfected using the TC 424 Reject Register. When accounts established through CC TSLOD do not match at Master File, they are listed on the TC 424 Reject Register as status 99 rejects.
 - a. These accounts do not establish on AIMS and no Form 5546 is produced.
 - b. This condition may be caused by an input error, an incorrect MFT, tax period, or name control. This condition may also be caused by the lack of a TC 150 or the requested module is on retention.
 - c. The TC 424 Reject Register is distributed weekly to each CPF.
 - d. Status code 99 rejects must be worked promptly by each CPF.
 - e. TSUMYP can be used to check if linked partners match Schedules K-1, (See IRM 4.29.2.2, Establishing Investor Records on PCS (TSLOD)).

4.31.3.4.4
(01-13-2023)

Key Case Reports

- (1) Quarterly, each CPF will review their linkages for each pass-through record for which it has an administrative file and for which one or more investors were linked. The linkages should be compared to the build out. There are several PCS reports that can be used for this purpose which are created weekly, monthly or quarterly on Control-D. The PCS 22-3 Report is generated quarterly on Control-D for all pass-through entities even if no new investors were linked to that pass-through entity during that quarter. Report 22-3 is used to monitor AIMS controls and must be worked as follows:
 - a. Partner linkages without a full AIMS data base which appear with a name control and no statute date (424 Reject) should be reviewed to ensure the correct taxpayer was linked before they drop off AIMS or PCS;
 - b. Each Schedule K-1 partner that does not appear per the build out must be researched to determine if it needs to be re-established;
 - c. Key Case and partners TEFRA indicators must be checked; and
 - d. Investors in status 90 must be checked to ensure they have not closed prematurely.
- (2) The Report 22-3 should be retained for 90 days.
- (3) Report 21-3, TEFRA Key Case Action Report CPF, is a weekly report listing key cases whose status codes have been updated to 27, 28, 29, 8X or 90.
 - a. The CPFs will follow up on key cases that were updated to status 90 to ensure that all partners have agreed or that notice of a defaulted Final Partnership Administrative Adjustment (FPAA) was received from the field.
 - b. The administrative files of key cases that have been updated to status 82 must be flagged to show that the case is in docketed status.
- (4) PCS reports are covered in IRM 4.29.4, PCS Reports.

4.31.3.4.4.1
(01-13-2023)

**Key Case Administrative
File Maintenance**

- (1) A key case administrative file contains the pertinent information related to the key case entity as it relates to the actions in CPF. The key case file can be an RGS electronic key case file or a paper file. RGS files must contain the same information as a paper file and documents should be properly designated so they can be located. Regardless of whether the key case file is electronic or paper. The key case administrative file must include the following:

- a. A history sheet must be included to show significant dates of the key case and investor actions
- b. Return and Schedules K-1s included with linkage package
- c. Form 14090/Form 14091, TEFRA Linkage Request Check Sheet
- d. Schedule K-1 Reconciliation
- e. Build Out
- f. Partner Settlement Agreements
- g. NBAP
- h. Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice Package Check Sheet, received from Technical Services or Form 14298, Appeals Notice Package Check Sheet received from Appeals. There can be multiple notice packages.
- i. Copies of Notices sent and mail listing (certified if FPAA)
- j. Related Closing information
- k. AMDISA and TSUMYP/TSINQP

(2) Key case administrative files must be filed in EIN sequence if paper.

4.31.3.5
(01-13-2023)
CPF Partner Procedures

- (1) Securing paper returns. Paper returns are requested from files systemically when the cases are loaded onto PCS which establishes AIMS controls. The return request is not completed until AIMS is fully established.
- a. If AIMS is fully established and a return is not received within 60 days, research to determine if the return was electronically filed or if there is a better DLN. If not, a second request should be made using CC ESTAB or a Form 2275, Records Request, Charge and Recharge.
 - b. If there is no return or no Form 4251, Return Charge-Out, is received from Files (or the Form 4251 indicates the return cannot be found) after the second request, conduct additional research to see if there is another DLN that should be requested.
 - c. Research IDRS using CC TXMOD with a definer "A" to identify an open case control in an area other than Examination.
 - d. Research the taxpayer record for a TC 922; if present, contact the Automated Underreporter Function for a copy of the return and coordination of any proposed assessments.
 - e. If you are unable to locate the return, taxpayer contact may be needed. The Letter 5639, Return Information Request Letter, should be used. Do not contact the taxpayer if there is a "Z" Freeze or a TC 914 on the taxpayer account. If there is a Z Freeze or TC 914 on the taxpayer account, give the file to the Campus TEFRA Coordinator for immediate, appropriate action.

Note: In the event a taxpayer questions if our request for information means they are under audit, we need to be clear that the inspection of a Schedule K-1 or retention of a return does not constitute a formal examination. The taxpayer should be made aware that a pass-through adjustment may be required at the completion of the partnership examination.

- (2) Securing electronic returns. If the DLN suggests an electronic return was filed, check EUP for a copy of the return. See the **Document 6209**, IRS Processing Codes and Information, for DLN information.

Note: PCS CC TSL0D will request returns from files at the time of linkage, this puts the literal "**RETURN REQUESTED**" on AIMS page 2, even though the

return may be electronically filed. The “**RETURN REQUESTED**” will not allow an electronic blocking closure. To allow an electronic blocking closure, establish AIMS using CC AM424 rather than establishing AIMS using PCS CC TSLOD.

4.31.3.5.1
(01-13-2023)
**CPF Employee Group
Codes (EGCs)**

- (1) All TEFRA partner returns in the CPF are maintained in AIMS status 34 unless they are also linked to an ILSC key case. In those instances, the status will be 33 and the EGC in 54XX or 57XX. If the partner has a linkage to TEFRA and one to ILSC/BBA Chapter 2/2A, they will have a PICF code of 4.
- (2) Status codes 24 should be used for returns when a statutory notice of deficiency is sent due to affected item issues.
- (3) Status 51 is used when cases are closing.
- (4) The CPF will use the following AIMS EGCs to control their inventories. No other EGCs may be used.

Employee Group Code	Description	Aging Criteria
5800-5899	TEFRA Returns	None
5800	Newly Established Partner Returns	60 days
5801-5808	Incomplete Files	90 days
5809	LIN Return	14 days
5810	Classification (local option)	60 days
5811	Barred Case with Management	120 days
5812	Technical Assistant Requests	30 days
5813	No Return Cases (Subs, Grantors, Disregarded Entities, Foreign, etc.)	None
5814	Perfected but Exhausted Partners	None
5815	Perfected but Exhausted BMF Partners	None
5816	NonTEFRA converting to TEFRA	30 days
5817	Transfers-In (incoming to the CPF)	60 days
5818	Regular Suspense Files	None
5819	Carryback or Carryover (local option)	None
5820-5838	Report Writing	60 days
5839	Bankruptcy	None
5840-5849	30 Day Letter/Penalties or Affected Items	45 days
5850-5859	90 Day Letter/Penalties or Affected Items	120 days
5860-5869	Tiers	None
5862	Unperfected but exhausted tiers	None
5870-5879	District Court and Court of Federal Claims controlled partners, after assessment	None
5880-5884	Surveys	None
5885-5886	Special Projects	None

Employee Group Code	Description	Aging Criteria
5887-5889	Identity Theft	None
5890-5899	Reserved for future use	None

- (5) Where EGC ranges are provided (except 5880-5899), codes within the range may be assigned at local option with HQ approval. EGCs 5000-5399 are reserved for Correspondence Examination; 5400-5499 are for ILSC (See IRM 4.31.6.2.3, CPF Employee Group Codes); 5500-5699; 5700-5799 BBA Chapter 2/2A and 5900-5999 are available for local option.
- (6) When a case file is created, but there is no return, the EGC can be updated from 5800 to 5801. Once a return is received, the file can be updated to EGC 5805.
- (7) Where aging criteria is none, EGC specific aging criteria may be determined locally as needed.

4.31.3.5.2

(01-13-2023)

Returns Controlled Outside the CPF

- (1) Research IDRS using CC AMDIS (or AMDISA), CC TSUMY, TXMODA, IMFOL, and/or BMFOL. If AIMS indicates the partner return is established in Primary Business Code (PBC) other than a CPF PBC (295 or 398) or an Employee Group Code (EGC) other than 54XX, 57XX or 58XX do the following:
 - a. If the return is in status 06 or 08, request the AIMS control and if a paper return request a copy.
 - b. If the status is 10 or above, send that function a Form 6658, Related TEFRA Pass-Through Examination Information, with a Schedule K-1. If a paper return and the return is controlled by a SB/SE field examiner or in Appeals and not in Joint Committee or a corporate specialty case request a copy and note the partner file history sheet. The Form 6658 alerts the field group/Appeals of the linkage and a partial closure may be necessary.
 - c. When the copy of the return is secured, the partner CPF will reconcile the Schedule K-1 to the partner return.
 - d. Send Form 6658, and Schedule K-1 to the controlling group but do not request a copy of the return for any partners controlled by LB&I field examination, any corporate return with an activity code of 219 or above controlled by Appeals, all Joint Committee, or all corporate specialty returns, which are any corporate return field with a Form 1120 followed by letter (for example, Form 1120-L, Life Insurance company) except Form 1120-A, Form 1120-S or Form 1120-X. The CPF will not be preparing the partner report or making the assessments. The CPF should not establish a partner file.

4.31.3.5.3

(01-13-2023)

Distributing Schedules K-1

- (1) When a partner is controlled in a CPF other than the key case CPF, the key case campus will provide an electronic copy of the Schedules K-1 to the partner campus. The receiving campus should acknowledge the receipt of the documents within 5 days.
- (2) When a partner return is controlled outside the CPF, a copy of the Form 6658, Related TEFRA Pass-Through Examination Information, is noted with the contact point and telephone number of the key case CPF contact. The Form

6658 is forwarded via email to the other area to notify them of the linkage and to include in the partner's case file. Associate the acknowledged Form 6658 with the partner CPF case file or the key case file for LB&I, Joint Committee and corporate specialty cases.

4.31.3.5.4
(01-13-2023)
**Receipt of Schedules
K-1 From Another
Campus**

- (1) When a campus receives an electronic Schedule K-1 from another campus, it should be acknowledged within 5 days. The Schedule K-1 should also be associated with the partner's case file.
- (2) The partner's case history should be notated the Schedule K-1 was received within 3 days.
- (3) The partner Schedule K-1 will be reconciled to the partner tax return. If the return does not reconcile, see IRM 4.31.3.5.5.2, Schedule K-1 Discrepancy.

4.31.3.5.5
(01-13-2023)
**Case Building of
Material Partner Returns**

- (1) Returns need to be reviewed to ensure the case file is complete. Regardless of whether the case file is paper or electronic the complete partner file consists of:

- a. Partner return,
- b. Form 5546(optional), and/or Form 4251(if applicable),
- c. History sheet or Case History(RGS),
- d. Schedule K-1 from the key case return,
- e. Prior adjustment documents or amended returns if applicable,
- f. AMDISA and TSUMYI prints, and
- g. Copies of any letters sent or taxpayer correspondence received.

This process to create the partners case file should be completed within 120 days of linkage.

- (2) The transcripts (TXMOD, IMFOL, BMFOL) of each return needs to be reviewed for:
 - a. Prior adjustments,
 - b. Freeze Codes,
 - c. CIC Indicators, and
 - d. Proper AIMS control

If prior adjustments have been made to the taxpayer's return for this tax year, the adjustment documents or copies are also included in the file. If there have been any prior amended returns, the amended returns or copies must also be included. See IRM 4.31.3.5.12, Receipt of Amended Returns and Claims, for amended return processing. If a return has a CIC indicator, the AIMS should remain in the field and not brought into the campus for suspense.

Note: Returns in Status 06 or 08 need to be requested and secured. Returns in EGC 1917 are LIN returns that need to be requested and updated to EGC 5809 upon receipt.

- (3) Each completed partner return file must be reviewed by technical personnel prior to suspense.
 - a. All Schedules K-1 must be reconciled to the linked partner returns before a change report is written.

If	Then
An indirect, related partner is identified by a pass-through partner.	The key case CPF may need to establish the indirect partner using CC TSLODA if said partner is subject to an adjustment.
The screening process reveals a difference in the amount of income or loss between the Schedule K-1 and the partner return with no explanation on the return.	The taxpayer should be contacted to explain the difference.
A material nominee condition exists.	The key case CPF must establish linkage using CC TSLODA.

- b. If the amounts shown on the Schedule K-1 do not equal the amounts shown on the return, an inquiry must be sent to the taxpayer requesting an explanation for the discrepancy using Letter 5640, Schedules K-1 Verification. Care should be taken with regard to losses. Losses may be limited at the partner level and may not match the Schedule K-1. A technical referral should be considered before sending out an inquiry to the taxpayer. Our inquiry may prompt the taxpayer to file a claim that may not be valid.

Note: For more information on Schedule K-1 discrepancies, See IRM 4.31.3.5.5.2, Schedule K-1 Discrepancy.

- c. All responses should be reviewed by technical personnel who will identify actions needed as follows.

If	Then
The wrong taxpayer was linked	Attempt to identify the correct taxpayer and establish linkage.
The wrong taxpayer received notices	Initiate disclosure procedures per IRM 11.3, Disclosure of Official Information Handbook. https://portal.ds.irsnet.gov/sites/vl003/pages/home.aspx is also a good reference.
A loss was limited to basis	Note the taxpayer file, associate correspondence, and suspense the return awaiting results of the key case examination.
The taxpayer does not respond	Do not allow any loss NOT claimed on the return.
A potential carryback or carryover is identified on a partner return	The screener will order a complete RTVUE or BRTVU to determine if the loss or credit was carried back or carried over.
A carryback or carryover is identified	The carryback or carryover return must be requisitioned and established on AIMS when it is determined that adjustments will impact those years. Returns may be requested before adjustments are determined if there is a risk those returns may be destroyed or unavailable due to their age.

- (4) If a partner return is a Form 1065, Form 1120-S, or Form 1041, i.e., a tier, the partner CPF will use the Schedules K-1 information filed with that return to prepare Form 8341, PCS Establish or Add.
- Form 8341, PCS Establishment or Add Without Notice Generation, is used for linking the partners by CC TSLOD .
 - When building returns for tiered partners the procedures in this section must be followed.

4.31.3.5.5.1
(08-01-2006)
**LB&I Imaging Network
(LIN)**

- LB&I key case returns and their related Schedules K-1 are processed using LIN and are scanned and stored on-line.
- A web link is provided where the data can be accessed. The Schedule K-1 can be accessed using LIN and compared to the taxpayer's return without needing a paper copy.
- If a return has a LIN link and is controlled by the CPF, the return should be updated to EGC 5809. LB&I monitors returns in this EGC and it alerts them to send out the web link to the appropriate campus.

4.31.3.5.5.2
(06-11-2013)
**Schedule K-1
Discrepancy**

- (1) If a Schedule K-1 discrepancy is identified, the return should be checked for a statement of inconsistency. If no such statement was filed, the taxpayer will be contacted to explain the discrepant item(s) using Letter 5640 or Letter 5645. If contacting a taxpayer by phone, their identity must be verified. If by phone, see IRM 21.1.3.2.3, Required Taxpayer Authentication, for an example of authentication language. See IRM 21.1.3.9, Mailing and Faxing Tax Account Information, for an example of faxing guideline language.
- (2) The taxpayer's response will be reviewed by technical personnel.
 - a. If all items are explained, and all other screening is complete, the partner's return can be suspended in EGC 5818 until the TEFRA key case issues are resolved.
- (3) If the taxpayer states the loss was divided with and claimed by other taxpayers, a nominee situation exists. Ensure the other nominee partners are linked.

4.31.3.5.5.2.1
(10-01-2010)
Direct Partners

- (1) If all K-1 items are explained, and the case file is complete, the partner's return can be suspended in EGC 5818 until the TEFRA key case issues are resolved.
- (2) If the taxpayer does not respond, or there are still discrepant issues remaining, the following action will be taken:
 - a. Any overstatement in income or understatement in loss will be noted in the file, and will not be processed until the TEFRA proceedings are completed. The additional loss will not be processed immediately to provide the maximum interest offset to the taxpayer. If the taxpayer wants the income or loss processed, it is recommended to get that request from the taxpayer in writing. As part of the request, the taxpayer should explain that they understand that any future assessment as a result of the TEFRA examination may result in additional interest than would be charged otherwise. The partner return will be suspended in EGC 5818 after all appropriate action is taken.
 - b. Any understatement in income or overstatement of loss will be immediately adjusted via a computational adjustment, unless the taxpayer filed a statement identifying the inconsistency with their return in accordance with IRC 6222(b). Treas. Regs. 301.6222(a)-2(c)(2) and 301.6222(b)-2(a) allow the Service to adjust the taxpayers return via a computational adjustment in order to bring the taxpayer's return in agreement with the Schedule K-1. Such assessments can be made immediately if made before the issuance of an FPAA. If an FPAA was issued, the discrepant items should be included with the audit adjustments and made during the one-year date (OYD) period. Computational adjustments are made directly to the taxpayer's return with no agreement necessary. The partner return will be suspended in EGC 5818 after all appropriate action is taken.

4.31.3.5.5.2.2
(10-01-2010)
Indirect Partners

- (1) If all K-1 items are explained, and all other screening is complete, the partner's return can be suspended in EGC 5818 until the TEFRA key case issues are resolved.
- (2) If the taxpayer does not respond, or there are still discrepant issues remaining, the following action will be taken:

- a. Any overstatement in income or understatement in loss will be noted in the file, and will not be processed until the TEFRA proceedings are completed. The additional loss will not be processed immediately to provide the maximum interest offset to the taxpayer. If the taxpayer wants the income or loss processed, it is recommended to get that request from the taxpayer in writing. As part of the request, the taxpayer should explain that they understand that any future assessment as a result of the TEFRA examination may result in additional interest than would be charged otherwise. The partner return will be suspended in EGC 5818 after all appropriate action is taken.
- b. If the discrepant amount is directly and computationally traceable to the key case, then any understatement in income or overstatement of loss will be adjusted via a computational adjustment, unless the taxpayer filed a statement identifying the inconsistency with their return in accordance with IRC 6222(b). Treas. Regs. 301.6222(a)-2(c)(2) and 301.6222(b)-2(a) allow the Service to adjust the taxpayers return via a computational adjustment in order to bring the taxpayer's return in agreement with the Schedule K-1. Such assessments can be made immediately if made before the issuance of an FPAA. If an FPAA was issued, the discrepant items should be included with the audit adjustments and made during the OYD period. Computational adjustments are made directly to the taxpayer's return with no agreement necessary. Computational adjustments to a direct partner can be made as long as there is an open TEFRA statute at either the partner or partnership level. The partner return will be suspended in EGC 5818 after all appropriate action is taken.
For example: Key Case partnership ABC is passing through capital gains, and XYZ is passing through only the capital gains from ABC, and Partner A does not pick up those capital gains then we can make the computational adjustment because we can trace the capital gains to ABC.
- c. If the discrepant amount cannot be traced to the key case, then any understatement in income or overstatement of loss will be assessed following deficiency procedures. The assessment should be made within the natural statute (IRC 6501) of the taxpayers return.
- d. Since it may be difficult to trace amounts back to the key case, it is best to always issue a stat notice reconciling the indirect partner's return with the partnership return and tiers within the partner's normal statute.
For example: ABC is passing through capital gains, and XYZ is passing through capital gains from ABC and gains of its own, and partner A does not report all of the capital gains reported on the Schedule K-1, then we cannot make a computational adjustment because we cannot say for sure if the gains that were not reported were from ABC.

4.31.3.5.5.3

(06-11-2013)

Failure of a TEFRA**Partner to File a Return**

- (1) If a material partner does not file a return, the CPF will attempt to secure one from the taxpayer. Letter 729-A, Tax Examiner Request for Delinquent Tax Return, may be sent to obtain an income tax return from the taxpayer. If a direct partner, the CPF may have to refer the case to the examining agent to attempt to secure a delinquent return. The filing date of a partner's return is the beginning of the three year IRC 6501. The IRC 6501 will not be shortened by the earlier running of the IRC 6229.
 - a. The partner CPF will perform the basic research, i.e., IMFOL/BMFOL. If no tax return is received from the taxpayer, research will be conducted to determine whether to pursue Substitute for Return (SFR) procedures.

See IRM 4.31.3.4.2.9.1, SFR Procedures.

- b. Upon receipt of the research, the Campus PCS Coordinator will request that Form 2209, Courtesy Investigation, is issued on each partner for whom there is no filing record. The request will be sent to the campus Collection Operation and will include the following documents:

List of items sent to Collection with Form 2209
<ul style="list-style-type: none"> • A copy of the Schedule K-1; • Copies of the AIMS and PCS requests; • Output that was generated from the requests; • Account research from the CPF; and • Other information or additional steps taken to locate the taxpayer and secure the tax return.

- c. When Collection secures a partner's tax return or TIN, they will forward the information to the Campus PCS Coordinator.

Note: Do not transfer the NMF data base. It is used when closing the key case if no return is secured by anyone.

4.31.3.5.5.4
(01-13-2023)
Unperfected but Exhausted

- (1) Multiple steps are taken to secure returns, receive responses related to special allocations, Schedule K-1 Discrepancies and non filed returns. Once all the steps are taken with no success, the cases are treated as unperfected but exhausted. The returns should be placed in EGC 5814 or 5815 for partners or 5862 for tiers. This lets everyone know that the returns are not perfected, but all efforts to perfect the cases have been attempted.
- (2) Material tier and BMF cases that are unperfected, with all efforts (Letter, Phone call, 2nd ESTAB) exhausted to obtain all information, will be updated to the Technical Team with a Technical Assistance Request (TAR) signed off by team manager. Ensure all research is included in the case along with detailed history notes on what research was done. A reviewer in the Technical Team will then decide if the case can go to EGC 5862 on Tiers or EGC 5815 on BMF partners. No case should be put in EGC 5862 or 5815 (BMF partners) without a TAR from Technical. This will provide a more accurate number of unperfected but exhausted cases and Tech will know they have already researched them.
- (3) IMF cases will be worked a little different then TIERS and BMF. Tax Examiners will send a letter for return or K-1 discrepancy, wait the 6 weeks and then follow up with a phone call. If no response is received then the case will need to be signed off by lead or manager to go to EGC 5814 or 5815. All research and detailed history notes need to be included for IMF also.
- (4) Once the key case package is received and OYD has been input, the TE will attempt another letter and phone call before sending to TRW if the case is a change case. No additional attempts will be made for a no change case.

4.31.3.5.6
(01-13-2023)
Verification of Distributable Income (Loss)

- (1) The distributive share of income or loss and other pass-through items reflected on the copy of the Schedule K-1 will be matched against the amount of the pass-through items reflected on the partner's return.

- a. Where the amounts do not reconcile, appropriate action will be taken to clarify mismatched information through taxpayer contact (see IRM 4.10, Examination of Returns). Use Letter 5640, Schedule K-1 Verification, when making taxpayer inquiries about discrepant or missing items.
 - b. This mismatch may be attributable to a variety of situations (i.e., the name on the Schedule K-1 may be a nominee, actual losses may exceed the allowable loss limitation, etc.).
 - c. If the partner is direct to the key case and controlled by the other CPF any pertinent information should be shared with the key case CPF.
- (2) In some instances, partners of a principal (key case) partnership are other partnerships (tier partnerships), S corporations, trusts, nominees, etc. It is possible to have several tiers.
- a. Any adjustments to the principal entity may pass to individual taxpayers (i.e., the partners of the tier partnership, the shareholders of the S corporation, and the beneficiaries of the trust, etc.) through the particular entities of which they are members and not directly from the principal entity.
 - b. When a tiering situation is found, necessary steps to link any additional material returns should be taken.

4.31.3.5.7
(06-04-2004)
**Control of Partner
Returns**

- (1) This subsection discusses the procedures used for the returns received when the key case was linked.

4.31.3.5.7.1
(01-13-2023)
Case Set up

- (1) Newly established returns will be established in EGC 5800. Once a case file (folder if paper, RGS if electronic) is created the Schedule K-1 is associated and it should be updated to EGC 5801. All case files will contain a Schedule K-1 unless they are a carryover or carryback year. When the original return is received, or electronic return is secured, the case file will be updated to EGC 5805. If the return is identified as having a LIN link, the case file will be updated to EGC 5809 in order to request the LIN web link. The LIN web link allows you to view the return.

4.31.3.5.8
(01-13-2023)
**Passing Through
Adjustments to the
Related Partner Returns**

- (1) TEFRA issues will be identified by the key case agent, and TEFRA assessments or over assessments will be made by the CPF with the partner case file.
- (2) Direct material partners are notified and assessed their share of any TEFRA key case examination results. Additionally, any indirect partner through a tier is separately notified and assessed for their share of the pass-through adjustments.
- (3) When a multiple linkage situation exists, the case(s) will be processed as follows:
- a. If a material tier partner has TEFRA and other linkages, the pass-through adjustments will be made separately as each related key case examination is finalized.
 - b. The material partners will be separately notified and assessed for their share of the TEFRA or ILSC examination results. If the partner has a linkage for ILSC closing near the same time, it is important not to combine the two types of adjustments. This is because, the taxpayer has no right to protest or petition the TEFRA adjustments as they were

agreed to at the partnership level and are computational. ILSC adjustments require deficiency proceedings and notices.

- c. If the ILSC key case is a TEFRA tier, the TEFRA adjustments and ILSC adjustments must be on separate reports and not combined.
- (4) Statute control for TEFRA issues is the primary responsibility of the key case agent because the partner statute of limitations is controlled by the key case statute of limitations. Once there is a final determination and a one-year statute is established, the primary responsibility for the partner statutes shifts to the CPF. For items not related to TEFRA, the statute is the responsibility of the controlling area.
 - (5) For partners with no CPF partner case file, Form 14671, TEFRA Closing Package Notification, is used by the campus to transmit a closing package to the area responsible for making TEFRA assessments or over assessments for partners returns that are:
 - Any partners controlled by LB&I field examination,
 - Any corporate return with an activity code of 219 or above controlled by Appeals,
 - All Joint Committee, or
 - All corporate specialty returns, which are any corporate return filed with a Form 1120 followed by a letter (for example, Form 1120-L, U.S. Life Insurance Company Income Tax Return) except Form 1120-A, U.S. Corporation Short-Form Income Tax Return, Form 1120-S, U.S. Income Tax Return for an S Corporation, or Form 1120-X, Amended U.S. Corporation Income Tax Return.
 - (6) Once Form 14671 is acknowledged by the controlling area, the responsibility for the partner TEFRA adjustment statute shifts to the controlling area.
- (1) If the TEFRA partnership examination is completed prior to field examination or Appeals completing action on the partner exam issues, the partner CPF will make a partial assessment based on the copy of the return with the partner CPF case file. The partial TEFRA assessment will be made via a computational adjustment and should be sent to the taxpayer with Letter 4735, Notice of Computational Adjustment. Computational adjustments include penalties determined at the partnership level.

Note: The CPF should not have a partner case file for a SB/SE partner exam that is a corporate specialty return, which is any corporate return file with a Form 1120 followed by a letter (for example, Form 1120-L, U.S. Life Insurance Company Income Tax Return) except Form 1120-A, U.S. Corporation Short-Form Income Tax Return, Form 1120-S, U.S. Income Tax Return for an S Corporation, or Form 1120-X, Amended U.S. Corporation Income Tax Return.

- (2) If the CPF does not have a copy of the partner return at the time the assessment must be made, a copy will be requested from the examining agent or appeals officer.
- (3) A copy of the examination report, any other work papers relating to the pass-through adjustment, and Form 5344, Examination Closing Record, with TEFRA written on the top of the form, will be forwarded to the function working the

4.31.3.5.8.1
(01-13-2023)
**TEFRA Partnership
Examination With
Unresolved SB/SE
Partner Examination**

partner exam issues via Form 6658, Related TEFRA Pass-Through Examination Information. Retain the acknowledged Form 6658 with the CPF partner case file.

- (4) The examiner or appeals officer must use the examination report for the TEFRA related adjustments as the starting point when computing the partner exam tax deficiency or overassessment resulting from the exam adjustments.

4.31.3.5.8.2
(01-13-2023)

**TEFRA Partnership
Examination With
Unresolved LB&I Partner
Examination**

- (1) The field will work any pass-through TEFRA adjustments for TEFRA LB&I partners open or suspended in the field. See IRM 4.31.3.5.8 (5), for partners with no CPF case file for Form 14671 guidance.
- (2) For LB&I returns controlled in Appeals, Appeals will prepare pass-through adjustments for corporate returns with an activity code of 219 or above, Joint Committee, and corporate specialty returns, which are any corporate return filed with a Form 1120 followed by a letter (for example, Form 1120-L, U.S. Life Insurance Company Income Tax Return) except Form 1120-A, U.S. Corporation Short-Form Income Tax Return, Form 1120-S, U.S. Income Tax Return for an S Corporation, or Form 1120-X, Amended U.S. Corporation Income Tax Return. See IRM 4.31.3.5.8 (5), for partners with no CPF case file Form 14671 guidance.
- (3) For non-corporate LB&I returns controlled in Appeals, pass-through adjustments will have to be computed by the campus and forwarded to Appeals. A CPF partner case file would not have been prepared for a non-corporate return while the case was with LB&I field exam. The partner CPF will need a partner case file to complete a TEFRA partial assessment. Although this is not an SB/SE case the instructions in IRM 4.31.3.5.8.1 are the same for non-corporate LB&I returns that have been transferred to Appeals. Follow IRM 4.31.3.5.8.1 instructions.

4.31.3.5.8.3
(01-13-2023)

**Partner Examination
With Unresolved TEFRA
Partnership Examination**

- (1) When the partner examination is resolved before the TEFRA partnership examination, the partner exam will be closed to Technical Services using normal closing procedures; however, any assessments or refunds are processed as a partial.
 - a. If the partner exam issues are agreed and the field agent or appeals officer secures an agreement or if the partner is unagreed and the SNOD is defaulted, a partial assessment is required.
 - b. If the partner exam issues are no changed, then no partial assessment is necessary.
- (2) Because the partner case has an open PCS linkage (PICF code) or Freeze Code 6 (related return) the partner case file will need to be transferred to the CPF. The appropriate CPF to transfer the case to is determined by the CTF code on CC TSINQI.
- (3) Cases being transferred from field exam (PBC 2XX for SB/SE or 3XX for LB&I) will be updated to status 21 and forwarded to the TSPC. After receiving and reviewing the case the TSPC will mark Form 3198, page 2, to transfer the partner to the CPF. The TSPC will update the partner case file to status 51 and forward to Centralized Case Processing (CCP) for a partial assessment on the partner exam issues. After the partial assessment, CCP will close the ERCS database control and will update AIMS controls via CC AMSOC to the desig-

nated CPF, PBC 295 (BSC) or PBC 398 (OSC), status code 34, per instruction on Form 3198, page 2. AIMS will automatically update the case to the transfer EGC 5817 (PICF CD) or 5717 (AIMS Freeze Code 6). Paper case files will be transferred via Form 3210 to the CPF. For an electronic case file, the TSPC will prepare Form 15354, Campus Pass-Through Function Electronic Case Transfer Check Sheet and send to the PCS Coordinator in advance of updating to CCP.

- (4) Cases being transferred from Appeals (PBC 6XX), the Appeals tax examiner will update AIMS controls via CC AMSOC to the designated CPF per the CC TSINQ print, PBC 295 (BSC) or PBC 398 (OSC) and status code 34. Paper case files will be transferred via Form 3210 to the CPF. If an electronic case file, the Appeals tax examiner will prepare Form 15354, Campus Pass-Through Function Electronic Case Transfer Check Sheet and send to the PCS Coordinator in advance of updating AIMS to the CPF.
- (5) The CPF PCS Coordinator should verify the case file is complete and meets the criteria to be added to campus inventory. The PCS Coordinator will transfer to the appropriate CPF Team and AIMS EGC 58XX.
 - For SB/SE cases, a CPF case file should already be established, associate the case file information received to that file.
 - For LB&I cases, a case file will need to be established from the case file information received.
- (6) Partners that are Joint Committee, CIC/LCC corporations, or corporate specialty cases will remain with the field group in a suspense status or if in Appeals, will be returned to the field group for suspense until the TEFRA pass-through examination is resolved. See IRM 4.31.3.5.9.1, Field Suspense of SB/SE Partners and IRM 4.31.3.5.9.2, Field Suspense of LB&I Partners.

4.31.3.5.9
(01-13-2023)
**Suspension of TEFRA
Related Partners**

- (1) In general, all linked TEFRA partners will be suspended at either the Brookhaven or Ogden CPF.
- (2) The Brookhaven CPF will link all Small Business/Self Employed (SB/SE) key cases and their related partners, with exceptions.
- (3) The Ogden CPF will work all Large Business and International (LB&I) key cases and their related partners.
- (4) Partners will remain in the campus where they were first linked. For example, partner S is linked to an SB/SE key case and suspended in Brookhaven. If Ogden links partner S to an LB&I key case, that partner will stay suspended in Brookhaven until completion of all linkages. The partner case file will remain at Brookhaven even if the SB/SE linkage closes first and only an LB&I linkage remains. There may be exceptions where it makes sense to transfer a partner to the other CPF. In such instances, both campuses must agree to the transfer.

Note: When a partner is transferred to the other CPF, it is important to change the partner CTF code on PCS.

4.31.3.5.9.1
(01-13-2023)
**Field Suspense of SB/SE
Partners**

- (1) TEFRA related partner returns that are corporate specialty cases (Form 1120 with letters after the 1120 other than A, S, or X) remain with the field examiner until the TEFRA issue is resolved and the case can close.

- (2) The field will also hold all partner returns where the TEFRA statute is controlled at the partner level. See IRM 4.31.2.5.3.1, TEFRA Statutes secured at the Partner Level (AC Statute Procedures).
- 4.31.3.5.9.2
(01-13-2023)
Field Suspense of LB&I Partners
- (1) TEFRA related partner returns that are CIC/LCC corporation, Joint Committee, or other corporate specialty cases (Form 1120 with letters after the 1120 other than A, S, or X) remain with the field examiner. When the only partner issue remaining is the TEFRA issue, the case is generally suspended in status 14 and will remain there until all TEFRA linkages are resolved and the case can close.
- (2) The CPF may forward some cases that are not CIC/LCC or Joint Committee if related years are CIC/LCC or Joint Committee. For example, an adjustment is made to an earlier non-CIC/LCC year that impacts an NOL. There are later years impacted by that NOL that are CIC/LCC. The campus will forward those returns to the field to be worked since the earlier year adjustments will impact those later CIC/LCC years.
- (3) The field will also hold all partner returns where the TEFRA statute is controlled at the partner level. See IRM 4.31.2.5.3.1, TEFRA Statutes secured at the Partner Level (AC Statute Procedures).
- 4.31.3.5.9.3
(04-26-2017)
Carryback and Carryover Returns
- (1) Caution should be used when requesting carryback or carryover returns. These returns should be requested later in the process after the field examination has had time to develop their case. Ordering CB/CO returns too soon results in many returns that need to be refiled, and eats up resources unnecessarily. Waiting to request CB/CO returns until key case adjustments are known ensures that only returns that are needed are ordered.
- (2) When partner returns are initially reviewed, carryback or carryover issues should be noted. If the key case adjustments will impact those earlier identified carryover issues, then those returns should be requested. In general, carryback and carryover year returns should not be requested until the key case adjustments are known.
- (3) The campus should request and suspend all prior and subsequent partner returns that may be impacted by a partnership level adjustment, unless already controlled on AIMS. The carryback and carryover returns will be held in suspense pending the outcome of the partnership examination. Carryback and carryover years cannot be linked on PCS.
- (4) If the field has AIMS control of a potential carryback or carryover return, the campus PCS Coordinator should be contacted to input a Freeze Code 6 to prevent the return from closing. CCP will forward the return to the CPF after processing the partial closure. When it is determined that the carryback or carryover year is no longer needed, or the return is linked and no longer needs the freeze code, the campus PCS Coordinator should be contacted to remove the Freeze Code 6.
- 4.31.3.5.9.4
(04-26-2017)
Partners Linked to a Key Case Partnership with an AC Statute
- (1) When a key case statute is allowed to expire, the statute is changed to an alpha AC. The key case statute protects all statutes of the underlying partners. These partners are typically controlled in the campus and have an HH alpha statute. Letting the key case statute expire means each individual taxable partner's statute must be controlled. When this occurs, all the underlying key

case partners will be transferred to the agent examining the key case. The HH will be removed, and the statute will be updated to the current numeric statute before the case is forwarded to the field.

4.31.3.5.10
(01-13-2023)
**Follow-Up Procedures
for Returns**

- (1) It is important to have the partner case file complete and ready when it is time to write the partner report. Not completing follow-up actions timely creates delays when the OYD statute is imminent. Not securing a copy of the return or other documents timely may require taxpayer correspondence that was unnecessary.
- (2) Team managers and Inventory Control Managers should monitor their inventory to ensure follow up actions are taken on incomplete files. EGC aging time frames should be followed. See IRM 4.31.3.5.1, CPF Employee Group Codes (EGCs).

4.31.3.5.11
(06-04-2004)
**Partner Cases
Transferred to CPF**

- (1) Returns are transferred into the CPF in status code 34, EGC 5817. Ensure the return is transferred per IRM 4.4.33, AIMS Procedures and Processing Instructions, Transfers.
- (2) The CPF will screen and process all partner cases transferred in from the area as follows:
 - a. Ensure the return does not meet the requirements of a field controlled case as per IRM 4.31.3.5.8.1, TEFRA Partner Exam With Unresolved SB/SE Partner Examination, or IRM 4.31.3.5.8.2, TEFRA Partnership Examination With Unresolved LB&I Partner Examination.
 - b. Secure a TSUMYI print to verify that the return is linked to a TEFRA key case. If no linkage is shown, check to see if the return is needed for a carryback or carryover issue. If the return is not needed, reject the transfer by updating AIMS to the prior employee group code and status code and return the case to the area or to the function, which initiated the transfer.
 - c. Order a TXMOD, IMFOL or BMFOL to determine that necessary partial adjustments were assessed.
 - d. If partial agreements were secured and have not been assessed, return the partner file to the originating office for assessment provided adequate time (more than six months) remains on the statute. Update AIMS to the prior originating office employee group code and status code. Retain a copy of the return in the TEFRA suspense file.
 - e. If adequate time does not remain on the statute, the CPF must make the partial assessment. Provide feedback to the originating office.
 - f. Upon verification of the assessment, identify the TEFRA linkages and reconcile the return to the Schedules K-1. Identify any potential carryback and carryover issues. Update AIMS to employee group code 5818 and status code 34. File the partner file in the partner suspense files.
 - g. If a partner suspense file was already created, combine the contents of this file with the return package and refile in the partner suspense inventory.

4.31.3.5.12
(04-10-2019)

**Receipt of Amended
Returns and Claims**

- (1) The CPF will screen and process all amended returns and claims received. An amended return may be received as a paper document, or identified by an A freeze. Amended returns and claims include the following:
 - a. An advance payment of deficiency and interest;
 - b. An attempted removal from the TEFRA proceedings;
 - c. An adjustment related to a TEFRA partnership;
 - d. A Form 1045, Application for Tentative Refund, based on a carryback from or to a suspended year;
 - e. Protective claims, see IRM 4.31.4.2.6, Protective AARs, or for a claim not related to the TEFRA key case the claim should be processed per IRM 21.5.3.4.7.3.1, Processing Protective Claims; and
 - f. Issues resulting in a claim for a refund or an additional balance due not related to the TEFRA key case examination.
- (2) Procedures to follow upon receipt of a Form 1040X, Amended U.S. Individual Income Tax Return, and/or other taxable claim (Form 1120-X, 1041-X) are:
 - a. Secure the partner file from the suspense files and associate the document (timely) with a TSUMYI print and an IMFOLT/BMFOL print;
 - b. Forward all claims to a technical employee for screening, and update AIMS to EGC 5807 (local option);
 - c. Screen the document(s) to see if the amended return or claim relates to a TEFRA return. Perform a technical screening to determine whether:

List of items to check during a technical screen of a claim

- The necessary assessments have been made, and if an assessment is required, ensure that it is made by the IRC 6501 statute
- The claim is allowable
- The taxpayer's return is already open in the field
- A formal claim disallowance is required
- The taxpayer needs to be advised that the claim filed is related to a TEFRA examination, Letter 5663, TEFRA Related Amended Return Response
- The amended return or claim (including protective claims not related to the TEFRA examination) worthy of examination, requires forwarding to the field for examination

If	Then
The amended return or claim is not worthy of examination and does not require forwarding to the area office.	Update the AIMS EGC to 5818 and refile in the CPF suspense file.
The amended return or claim is worthy of examination or the taxpayer's return is open for exam in the field.	Update to the area PBC, SBC and EGC, make a copy of the document(s) for the CPF suspense file, and forward the original amended return and/or claim to the area office.
The AAR or claim was filed due to a Letter 4505-A or Letter 4505-E, the partner's return is open on AIMS, and the claim is otherwise allowable.	Process the claim and allow the adjustment.
The AAR or claim was filed due to a Letter 4505-A or Letter 4505-E, the partner's return is open on AIMS, but the claim is not allowable.	Disallow the claim.
The AAR or claim was filed due to a Letter 4505-A or Letter 4505-E, and the partner's return is no longer open on AIMS.	Return the claim to Accounts Management for processing. See IRM 21.5.3-1, Claim Processing with Examination Involvement.

- (3) Generally, taxable amended returns that address TEFRA issues related to an open key case examination should not be assessed before the proceedings are completed. However, if the taxable amended return is accompanied by a payment, the assessment should be made. A "deficiency" does not include amounts paid (i.e., amounts "collected without assessment"). IRC 6211(a)(1)(B). A "deficiency" also does not include amounts shown on the taxpayer's return. "Return" for this purpose includes an amended return, unless the amended return indicates that the amounts are disputed. Treas. Reg. 301.6211-1(a) (last sentence). The payment eliminates the deficiency.
- (4) If there is any possibility that the "payment" can be construed as merely a "deposit" rather than a payment, or if the amended return indicates that the additional amount is being disputed, then the assessment cannot be made until the TEFRA proceeding is complete.
- (5) Taxable amended returns that do not address any TEFRA issues should be assessed. These should be assessed by the area that received them. If the amended return was not assessed, it should be returned to that area unless the IRC 6501 statute will expire within 90 days. If the amended return is identified by the A freeze, the amended return must be secured or reviewed electronically to ensure an assessment was made. Allow 60 days from the date of the A freeze is established to allow for the assessment to be made and the return uploaded to the Correspondence Imaging System (CIS).

Note: It may take as long as 60 days for the case to be processed and upload to CIS or sent to the campus. After 60 days, if not on CIS or no copy is received, research TXMOD and contact the person who processed the amended return to secure a copy.

- (6) Claims that address TEFRA related issues related to an open key case examination should not be refunded.
- (7) Note in the file if the claim includes other non-pass-through adjustments that result in an overstatement in income or understatement in loss, and will not be processed until the TEFRA proceedings are completed. The additional loss will not be processed immediately to provide the maximum interest offset to the taxpayer. If the taxpayer wants the income or loss processed, it is recommended to get that request from the taxpayer in writing. As part of the request, the taxpayer should explain that they understand that any future assessment as a result of the TEFRA examination may result in additional interest than would be charged otherwise. Letter 5641, Refund Request Response, should be sent to the taxpayer to explain how they can request their refund. The partner claim will be associated with the original file after all appropriate action is taken.

4.31.3.5.13
(04-26-2017)
Tiers

- (1) Each CPF must identify TEFRA partner returns that are pass-through entities (tiers).
- (2) Following are the procedures for tier returns:
 - a. All BMF returns (Form 1041, Form 1065, Form 1120, U.S. Corporation Income Tax Return, and Form 1120-S) should be screened by RAs for nonpass-through and potential carryback or carryover issues;
 - b. Form 1065, U.S. Return of Partnership Income, should be reviewed by RAs to determine if special allocations exist. Letter 5299, Partnership Allocation Request, should be used to secure allocation schedules from tier partners.

Note: All partners in a tier are not required to be linked. Only those partners that will be subject to an adjustment above tolerance need to be linked. It may be necessary to link more partners if the impact of the adjustment is not determinable.

- c. The materiality of underlying partners should be considered when making a decision not to load a tier. As a best practice, a current Tier Structuring Tool map or similar tool should be reviewed if available. In general, the Revenue Agent Reviewer will make the determination on whether or not to link tier returns. The structure of a partnership may be such that adjustments will appear to be de minimis when looking at the mid-level tiers. However, all the adjustments may ultimately pass down into only a few partners. Seeing the entire partnership structure will assist the agent in determining whether a tier should be loaded. Also, PCS should be checked to determine whether or not other linkages exist. Multiple linkages may increase the likelihood of a significant adjustment.
- d. If the potential adjustments are material, Form 8341 will be prepared to establish PCS linkage using CC TSILOD to link the material partners, shareholders, or beneficiaries to the tier;

- e. The Schedules K-1 (and any Schedule K-1 attachments) from the tier should be copied for establishment of the partner files; If a paper return under NO circumstances should the original Schedules K-1 be used to establish the partner files;
- f. Special care should be taken when a tier is a partner in two or more key cases (this is called a multi-linked tier), or is a key case in its own right;
- g. When a Form 886-S, Partners' Shares of Income, Deductions, and Credits, a Form 886-W, Beneficiary's Shares of Income, Deductions, Credits, Etc., or a Form 886-X, Shareholders' Share of Income, Deductions, and Credits is used to reflect the distributive share of income (loss), the report writer must note whether the individual partner, shareholder, or beneficiary should be closed as a full closure, or as a partial closure and then suspended;
- h. When the tier partner returns are received, they should be reviewed for discrepancies in Schedule K-1 reporting and/or carryback or carryforward issues;
- i. Only tiers with material partners must have reports written; and
- j. The one-year date for multiple level tiers should be input on PCS in a timely manner even though the pass-through tier reports may not be prepared until a later date.

4.31.3.5.13.1
(01-13-2023)

Electing Large Partnerships (ELP)

- (1) An ELP may be a tier. If an ELP is a tier, all adjustments will be addressed at the partnership level.
- (2) In the event the ELP ceases to exist at the time the adjustments are determined, then the adjustments are passed through to the underlying partners per the build out.

4.31.3.5.14
(01-13-2023)

Responding to Field Requests for Returns

- (1) Request for AIMS controls, tax returns or other documents from an area field group will be sent to the PCS Coordinator.
 - a. The PCS Coordinator will send Form 15277, AIMS Database Transfer Request Campus Pass-Through Function (CPF), to the requestor.
 - b. Once the completed Form 15277 is received, the PCS Coordinator should ensure it has the proper information and is signed by the manager.
 - c. Any requested returns or documents can be attached to the Form 15277. If any original paper documents are requested they should be mailed to the area field group. The PCS coordinator will email the Form 15277 to the requestor with a cc to the manager after marking the completed action and signing the bottom of the Form.
 - d. The AIMS will be transferred to the group using CC AMSOC. AIMS will update the status to a transfer status 07 and transfer EGC 1998/2998.
- (2) The CPF will keep a copy of each original return or document forwarded to the field in the suspense file, except for returns requested by LB&I.
- (3) The CPF will update the partner's activity record to indicate that AIMS was updated to the field group and if any original paper documents were sent to the group.
- (4) The CPF will ensure that the AIMS data base was updated from the transfer EGC to the correct status and EGC to reflect the requesting office's status, PBC, SBC and EGC codes, and the correct statute date.

- (5) Copies of returns for court requests will be certified and processed following “Blue Ribbon” procedures. See IRM 11.3.6.4.2, Preparation of “Blue Ribbon” Certifications.

4.31.3.5.15
(06-11-2013)
Notice of Bankruptcy

- (1) The Insolvency Interface Program (IIP) updates Master File when a TC 520 is input with the appropriate closing code. The PCS Report 5-4 will notify the CPF of a linked partner’s bankruptcy filing.
- (2) The CPF will follow the procedures listed below when advised of a bankruptcy:
- Determine the one-year assessment statute date and input it on PCS. Generally, the one-year assessment statute date is one year from the date on which the taxpayer filed for bankruptcy, although the actual limitation on assessment may be longer.
 - Four PCS element changes are required when a partner becomes bankrupt. If the partner has more than one linkage to a key case, these TSCHG items are required for all key case linkages. Input the following items via CC TSCHG:

Items to be input via TSCHG for bankrupt partner
<ul style="list-style-type: none"> 09-D, to remove the partner TEFRA indicator on PCS (see note below). Note: Removing the TEFRA indicator will change the PICF Code from 5 to 6. 22-B, to update the report package received indicator for Bankruptcy. 29-B, to set the bankruptcy indicator on PCS. 07-Bankrupt. This adds the literal “bankrupt” to the PCS user special message.

- Forward a Form 3210 to the key case CPF clearly marked with the one-year assessment statute date and the notation “Bankruptcy - TEFRA partner”.
- If the partner is controlled outside the CPF send a Form 3210 clearly marked with the one-year assessment date and the notation “Bankruptcy - TEFRA partner” to the group controlling the case on AIMS (see note below). The receiving office will acknowledge the Form 3210 within five days of receipt.

- (3) See IRM 4.31.7, TEFRA Bankruptcy, for more details.

Note: For joint returns, the Form 3210 should be noted “See *Jewell Dubin vs. Commissioner*”.

4.31.3.5.16
(01-13-2023)
Fraud Considerations (-Z Freeze)

- (1) Each CPF must evaluate its inventory for potential fraud cases.
- (2) Criminal Investigation (CI) controlled cases must be handled using the following procedures:
- When an AM424 reject shows that a CI freeze code TC 914 is on a partner’s module and a -Z Freeze on the account, AIMS and PCS controls cannot be established. The key case CPF will establish the

partner account on non-Master File. The CPF will coordinate with CI to reverse the freeze. When the freeze is removed, Master File linkage will be established.

- b. If the CI freeze code TC 914 cannot be reversed, agreement must be reached with CI on issuance of TEFRA notices and procedures for assessments.
- c. If CI determines that a partner account is subject to their jurisdiction, the partner will be removed from TEFRA suspense. The CPF must secure a copy of Form 10498-A, Joint Investigation Intent to Commence Civil Action, or similar written documentation from CI before removing PCS linkage and closing AIMS. PCS linkage would be removed using CC TSDEL. This must be noted on the key case history.
- d. When CI initiates special enforcement actions against a taxpayer, the partnership items may convert to nonpartnership items. CI should be consulted when they have controls on a partner to see if special enforcement action is underway. If so, CI should state whether the taxpayer should be contacted regarding the conversion of their partnership items. If a notice of conversion is required, work with Technical Services on the generation and signing of the notice. For the items to convert and the OYD to start, the partner must receive notice in accordance with Treas. Reg. 301.6231(c)-5. Delegation Order 4-19 (20) allows SB/SE Area Directors of Compliance; LB&I Industry Directors; Appeals Director, Technical Services; and Appeals Directors, Field Operations to issue such notices.
- e. When a taxpayer's partnership items convert, the partner TEFRA indicator will be removed using CC TSCHG item 09-D on all TEFRA linkages.
- f. Notification that the partnership items have converted to nonpartnership items and that no more notices should be issued to the taxpayer will be sent to the key case CPF, if different from the partner CPF, via Form 3210. The key case CPF office will acknowledge the Form 3210 within five days of receipt.
- g. CI should be contacted at least 60 days before the OYD expires for approval to issue the stat notice, or to secure a Form 10498-B, Joint Investigation Intent to Solicit Consent to Extend, if they want the statute to expire.

4.31.3.5.17
(05-31-2005)
Form 906

- (1) When a Form 906, Closing Agreement on Final Determination Covering Specific Matters, is received by a partner CPF, a TSUMYI (or TSINQI) print will be secured and associated with the Form 906.
- (2) The TSUMYI or TSINQI print and Form 906 will be forwarded to the Technical Unit for review.
- (3) The Technical Unit will review for the following:
 - a. Ensure that the Form 906 applies to a TEFRA issue;
 - b. Ensure that the Form 906 is valid and properly countersigned; and
 - c. Determine if nonTEFRA issues are open under old Form 872, Consent to Extend the Time to Assess Tax, or Form 872-A, Special Consent to Extend the Time to Assess Tax.

Issue Management System

Note: A statutory notice may terminate these extensions. Contact Area Counsel if this situation exists.

- (4) The one-year assessment statute date must be determined and input on PCS using CC TSCHG. The literal "Form 906" will be input in the PCS user special message field using CC TSCHG, Item 07. A copy of the Form 906 will be transmitted via Form 3210 to the key case or tier CPF, if different than the partner CPF, who will note on the Form 886-Z (or equivalent spreadsheet) "906 secured - issue no notices to the taxpayer." The key case CPF will acknowledge the Form 3210 within five days of receipt.
- (5) The Form 906 will be associated with the partner's suspense file. If the CPF has control of the AIMS data base, it will be updated to status code 34, EGC 582X or 583X. The partner file is then forwarded to the Report Writing Unit as outlined in text IRM 4.31.3.13, TEFRA Report Writing Procedures.
- (6) The Report Writing Unit will process the Form 906 as a Form 870-PT as outlined in text IRM 4.31.3.7.3, Agreed Cases.
- (7) Chief Counsel attorneys and Appeals Officers have been advised of the problems caused by Form 906's that affect TEFRA partners and/or issues. Many taxpayers, practitioners, and attorneys still prefer to use a Form 906 in resolving their case.

4.31.3.5.18
(01-13-2023)
PCS 4-4 Report

- (1) The PCS 4-4 report is a listing of all returns on PCS with a one-year assessment statute date. The report is used to monitor TEFRA statutes to ensure partner returns are assessed in a timely manner.
- (2) The CPF Code of the partner determines on which CPF report the partner record will appear.
- (3) The report can be sorted electronically to provide each unit with a listing of their statutes.
- (4) The campus PCS Coordinator also generates a listing for the field for all statute cases they control. These listings are sent weekly to the TSPC and their managers. The TSPCs have specific groups they are assigned to based upon their geographic location.
- (5) The campus should follow up directly with the field if a statute is within 60 days. This is to ensure the field is aware of the impending statute.
- (6) A Form 895 is prepared for each return. One copy is attached to the case file, the other will be maintained in a file for the monitoring of the statute of limitations date. A statute database may be used instead of the Form 895. Use of the statute database should be notated on the history sheet, (see IRM 25.6.23, Statute of Limitations - Examination Process-Assessment Statute of Limitation Controls).

4.31.3.5.19
(06-11-2013)
Combat Zone

- (1) The combat zone freeze must be released before a case can be established on AIMS. Contact your local AIMS Coordinator to release the freeze.

- 4.31.3.5.20
(01-13-2023)
**Power of Attorney (POA)
for Partners in a TEFRA
Partnership**

(1)

When working with partners in TEFRA partnerships, the examiner will occasionally need to work with the partner’s POA. This commonly occurs when a partner wants their POA to execute a TEFRA statute extension (e.g., Form 872 or Form 872-A) or sign off on a TEFRA settlement agreement (e.g., Form 870-PT or Form 870-LT).

(2)

In order for the POA to work with the examiner on TEFRA related matters, the partner’s Form 2848, Power of Attorney and Declaration of Representative, must comply with the requirements of Treas. Reg. 301.6223(c)-1(e) and should state in some way that the POA is for purposes of subchapter C of chapter 63 of the Code.

(3)

A POA for a TEFRA partner does not need to specifically name the TEFRA partnership before the service can deal with the POA for the TEFRA partnership issues. However, it does need to meet the following specific requirements as detailed in the sections below.

(4)

A copy of the Form 2848 should be secured and maintained in the case file. The only way to determine if the POA was completed correctly for items related to a pass-through entity is to have a copy. It is best not to rely on the Centralized Authorization File (CAF) due to the special language required.
- 4.31.3.5.20.1
(04-26-2017)
**Form 2848, Part 1
(TEFRA Partner POA)**

(1)

For a partner level POA, Part I, Line 1 of Form 2848 should reflect the partner’s tax information. This includes the partner’s name, address, and TIN. If partner Jane Doe is executing this type of POA, Part I would include Jane’s name and address and Jane’s TIN.

Form **2848**
(Rev. March 2012)
Department of the Treasury
Internal Revenue Service

**Power of Attorney
and Declaration of Representative**
▶ Type or print. ▶ See the separate instructions.

OMB No. 1545-0150
For IRS Use Only
Received by:
Name _____
Telephone _____
Function _____
Date / /

Part I **Power of Attorney**
Caution: A separate Form 2848 should be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.
Taxpayer name and address

Jane Doe
1111 Main Street
Anywhere, USA 00001-1000

Taxpayer identification number(s)

999-99-9999

Daytime telephone number
000-111-2222

Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:
2 Representative(s) must sign and date this form on page 2, Part II.

Figure 4.31.3-1

- 4.31.3.5.20.2
(04-26-2017)
**Form 2848, Part 3
(TEFRA Partner POA)**

(1)

Under Description of Matter, “Income, Including TEFRA Partnership Items” should be entered. Under tax forms, the partners federal tax from number (Form 1040, Form 1120, etc.) should be entered as well as Form 1065. Under Year(s) or Period(s) the applicable years should be listed.

(2)

If an existing POA does not have the proper language or cover the correct tax periods, a new POA, with the statement in (1) or the correct years included, should be secured. The years on the POA need to include the tax period of the key case partnership as well as the partner’s tax period. Considering fiscal year filing and tiering levels, the partner may not be aware that the key case

tax period is different from their own. The POA needs to be reviewed upon receipt to ensure the appropriate years are included. A correct POA may have to be requested from the taxpayer.

(Note. IRS sends notices and communications to only two representatives.) Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

3 Acts authorized (you are required to complete this line 3). With the exception of the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts that I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 5000A Shared Responsibility Payment, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)
Income, Including TEFRA Partnership Items	Partner's Federal Tax Form (1040, 1120, etc.) and Form 1065	APPLICABLE TAX YEARS

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. Specific Use Not Recorded on CAF ☐

Figure 4.31.3-2

- (3) The language in (1) exhibit meets the requirements of Treas. Reg. 301.6223(c)-1(e). This means the Form 2848 covers TEFRA as well as income tax. In the Jane Doe example, Part 3 Tax Form Number, would list both Form 1065 and Form 1040.

4.31.3.5.20.3
(04-26-2017)

**Form 2848, Part 5
(TEFRA Partner POA)**

- (1) Though not required, under Part 5a of Form 2848, it is a best practice to list each act the taxpayer authorizes the POA to perform. These would be acts other than the normal authorization to work with the examiner and exchange confidential information.

4 Specific use not recorded on Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for Line 4. Specific Use Not Recorded on CAF ☐

5a Additional acts authorized. In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information):

☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return; ☐

☒ Other acts authorized: **IT IS A BEST PRACTICE, BUT NOT REQUIRED, TO LIST SPECIFIC ACTS AUTHORIZED BY THE TAXPAYER.**

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 11980J Form **2848** (Rev. 7-2014)

Figure 4.31.3-3

- (2) Care should be taken to identify any restrictions to the POA's authority to act for the taxpayer under Part 5b.

Form 2848 (Rev. 7-2014) Page **2**

b Specific acts not authorized. My representative(s) is (are) not authorized to endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the representative(s) or any firm or other entity with whom the representative(s) is (are) associated) issued by the government in respect of a federal tax liability.

List any specific deletions to the acts otherwise authorized in this power of attorney (see instructions for line 5b):

CARE SHOULD BE TAKEN TO IDENTIFY ANY RESTRICTIONS TO THE POA'S AUTHORITY TO ACT FOR THE TAXPAYER.

6 Retention/revocation of prior power(s) of attorney. The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this document. If you do not want to revoke a prior power of attorney, check here ☐

Figure 4.31.3-4

- 4.31.3.5.20.4 (1) Form 2848 should reflect the partner's signature and printed name.
(04-26-2017)
- Form 2848, Part 7
(TEFRA Partner POA)**

7 Signature of taxpayer. If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate power of attorney even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the authority to execute this form on behalf of the taxpayer.

► IF NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THIS POWER OF ATTORNEY TO THE TAXPAYER.

(Signature of Jane Doe)

Signature Date Title (if applicable)

Jane Doe

Print Name Print name of taxpayer from line 1 if other than individual

Figure 4.31.3-5

- 4.31.3.5.21 (1) See IRM 21.6.6.2.21.2, KITA/KIA Procedures, for more information when the indicator exists on the module.
(04-26-2017)

**Killed in Terrorist
Action/Killed in Action
Indicator**

- 4.31.3.6 (1) The following subsections provide explanations of notice packages.
(06-04-2004)
- Notice Packages**

- 4.31.3.6.1 (1) When the TEFRA Key Case examination is completed, the case is forwarded to the TSPC for preparation of the 60 day letter package if there is enough time remaining on the partnership statute.
(01-13-2023)
- 60 Day Letter**
- a. The 60 day procedures must be followed whether the key case is agreed, unagreed, or no changed if at least one partner did not execute a Form 870-PT or Form 870-LT.

Note: If the field examiner is unable to secure an agreement from a partner that would not have an adjustment, they may request the TSPC issue Letter 6235, Pass-Through Investor No Adjustment, to

that taxpayer so the case can be closed agreed. If a Letter 6235 is issued a copy will be included in the notice package being sent to the CPF.

- b. The TSPC will prepare a 60 day letter for the TMP and for the TMP's power of attorney (POA), if applicable, but only if the partner requests that the power cover TEFRA proceedings in a statement furnished to the Service.
- c. The package will be forwarded electronically to the CPF using the shared drive. The package will contain two separate folders; one folder containing the documents to be issued and the other will be case file information only.
- d. The CPF will review package for completeness and acknowledge the Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice Package Check Sheet, within five days of receipt.

(2) The 60 day package must contain the following:

- a. An original undated 60 day (Letter 1827-F or Letter 1829-F) letter addressed to the "Tax Matters Partner" for the partnership and signed on behalf of the appropriate designated field official;
- b. A Form 870-PT (a Form 870-LT with Letter 1829-F if there are affected items) addressed to the TMP, including a schedule of adjustments which shows all adjustments to each adjusted item;
- c. A complete copy of the RA's report including the Form 4605-A, Examination Changes-Partnerships, Fiduciaries, S Corporations and Interest Charge Domestic International Sales Corporations, an explanation of all adjustments, and the appropriate distribution schedule;
- d. If applicable, a copy for the POA of the 60 day letter addressed to the TMP, with the cover letter (Letter 937);
- e. A copy of the completed 60 day letter addressed to the TMP (Copies will be made to accompany the mail out, keep in the case file, and to send back to the originator to show proof of mail out);
- f. A Form 886-Z (or equivalent spreadsheet) with correct distributive shares completed for each adjusted item;
- g. A Form 15034, PCS Limited Linkage Approval, if applicable.
- h. A supplemental report for penalties including the Managerial Approval Form Lead Sheet (IRM 20.1.5.2.3.1), if penalties are applicable. If penalties are applicable, it should be noted in the package; and
- i. A completed Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice Package Check Sheet, verifying all required items are included in the 60 day letter package.

(3) If the package is incomplete, contact the TSPC who sent the package. The CPF will attempt to perfect the package without returning it. Packages with major omissions will be returned to the TSPC for perfection.

4.31.3.6.2
(04-10-2019)
**Processing of 60-Day
Letter**

- (1) The CPF will review the most current build out map to ensure that all the direct material notice partners are linked or in the process of being linked. If any material partners are not linked, immediate corrective action must be taken before letters are issued.
 - a. Unlinked notice partners must be re-linked using CC TSLODA, and the partner's Schedule K-1 name and address must be input using CC TSCHG. Research for the most current address and use it if different.

- b. If a correct TIN was not identified, an NMF database must be established using CC AMNON before input of TSLODA.
 - c. Any partners who have partnership items converted to nonpartnership items must have the “TEFRA” indicator removed.
 - d. DO NOT use a one-year assessment date to prevent notices from being generated, because entering a one-year date will distort PCS reports. If you only need to issue a few notices, use TSNOT with a definer “I” to issue specific notices to individual partners.
- (2) Input the partnership adjustment amount on PCS using TSCHG, item 08. The adjustment amount is important to capturing data to determine the productivity of partnership examinations.
 - (3) Update the TMP name and address on PCS, if needed, to reflect the current information on the 60 day letter sent to the TMP.
 - (4) The CPF will input a penalty/affected item code on the key case record using CC TSCHG item 14, if the key case examiner is proposing penalties or affected items. The code on the PCS record will indicate whether the penalty claim is legitimate. The penalty/affected item code will also cause the correct forms with the appropriate attachments to generate.
 - (5) The CPF will generate partner 60 day letters using PCS CC TSNOT2. When the letters are received, the CPF will verify they received the correct 60 day letter, either Letter 1827 or Letter 1829, is the same letter the TMP received and that there is a letter for each partner by comparing the mail listing to the 60 Day mailing list. If a Form 15034, PCS Limited Linkage Approval -TEFRA, was used, the CPF will verify that there is a letter for each material partner by comparing the Form 15034 to the 60 Day mailing list. If any partner letters are missing or incorrect, they may be reissued by PCS using CC TSNOT2, or a manual letter may be prepared.

Note: Typographical Scribner errors such as a mistyped name or EIN will not invalidate a notice.

- (6) A copy of the partnership schedule of adjustments will be attached and sent with each partner letter. If the partner would like a copy of the explanation of items, they can request it from the TMP.
- (7) The CPF will date the TMP letter with the same date as the partner letters. The original 60 day letter addressed to the TMP (and the POA, if applicable) and one copy will be mailed with a field office return address envelope or with the address label provided.
 - a. Partner letters will be folded and enclosed in envelopes bearing the return address of the CPF, including a return envelope for the partner.
 - b. The 60 day mailing list will be initialed and dated and all letters (including the TMP and POA, if applicable), will be mailed simultaneously.
 - c. A copy of the mailing list will be forwarded to Technical Services with a Form 3210.
- (8) The key case administrative file will be documented and a copy of the 60 day letter and the signed mailing list will be placed in the file. The CPF should mail the 60 day letters within 45 days of receipt of an acceptable 60 day letter package from Technical Services.

4.31.3.6.3

(06-04-2004)

Protest of 60-Day Letter

- (1) Protests to 60 day letters must be immediately forwarded an email with the scanned protest to the TSPC controlling the key case.
- (2) If a protest is received and more than 45 days have elapsed since the issuance of the 60 day letter, contact should be made with the TSPC to alert them of the protest in order to prevent premature default of the 60 day letter.

4.31.3.6.4

(04-10-2019)

Appeals Settlement Letter

- (1) Appeals will direct the key case CPF to issue settlement letters to partners in TEFRA entities that were protested by forwarding a settlement package using a Form 14298, Appeals Notice Package Check Sheet.
- (2) The CPF must mail the settlement offers within 30 days of receipt of the Form 14298 from Appeals.
- (3) The CPF will review the package for completeness and acknowledge the Form 14298 within five days of receipt. The settlement package must contain the following:
 - a. A Form 14298 annotated as a settlement offer package which clearly reflects the key case name, tax year, EIN, and statute date;
 - b. A Form 14642, Appeals TEFRA Team (ATT) TEFRA Key Case Transmittal;
 - c. A letter to the TMP, (generally not applicable);
 - d. A Form 870-PT(AD) or Form 870-LT(AD), including a schedule of adjustments which identifies the items adjusted and the amount of each adjustment;
 - e. If available, include a copy of the docket sheet;
 - f. A copy of the Appeals Case Memo (ACM) (formerly, supporting statement) for the partnership marked "Information Only - Do Not Mail to Taxpayer";
 - g. A Form 886-Z (or equivalent spreadsheet) with corrected distributive shares for each adjusted item as reflected in the settlement offer. Appeals does not use Form 886-Z for a no change settlement.;
 - h. A completed Form 4605-A (Appeals does not use Form 4605-A for a no change settlement);
 - i. Form 15034, PCS Limited Linkage Approval - TEFRA, (if applicable).
 - j. Affected Items, including partner level defenses to penalties. (This applies to tax years beginning after August 5, 1997.)

List of affected item information includes

- An instruction to mail affected item notices to non-notice partners, if necessary;
- If the TMP has signed an agreement to bind non-notice partners, Appeals will provide a special insert to be sent to non-notice partners explaining that they should sign for affected items, including partner level defenses to penalties, if they wish to accept the offer;
- Special instructions, if any, for the mailing of affected items, including partner level defenses to penalties; and
- If affected items, including partner level defenses to penalties, are not applicable, it should be noted in the package.

- k. Penalty information and affected items. (This applies to tax years ending before August 6, 1997.)

Penalty information includes

- An instruction to mail affected item/penalty notices to non-notice partners, if necessary;
- If the TMP has signed an agreement to bind non-notice partners, Appeals will provide a special insert to be sent to non-notice partners explaining that they should sign for affected items and/or penalties if they wish to accept the offer;
- Special instructions, if any, for the mailing of affected items/penalties; and
- If affected items and/or penalties are not applicable, it should be noted in the package.

- (4) If the package is incomplete, the CPF will take every action to coordinate with Appeals TEFRA/BBA Team (ATT) in order to perfect it. All avenues should be exhausted before sending a case back. As a last resort, only packages with major omissions will be returned to Appeals for perfection. Major omissions include missing one or more of the following:
- a. A Form 14642; Appeals TEFRA Team (ATT) TEFRA Key Case Transmittal,
 - b. ACM's (formerly supporting statements), if not included on the Form 14642;
 - c. Form 886-A with penalty or affected item language;
 - d. A missing Form 886-Z (or equivalent spreadsheet)(Form 886-Z is not needed for a no change.);
 - e. A missing Form 4605-A (Appeals does not use Form 4605-A for a no change.); and/or
 - f. An omitted schedule of adjustments.
- (5) If penalties or affected items are proposed, the CPF will ensure that the penalty/affected item code is present on the PCS. If necessary, the penalty/affected item code will be input using CC TSCHG.
- (6) Input the partnership adjustment amount on PCS using TSCHG, item 08. The adjustment amount is important in allowing us to capture data to determine the productivity of partnership examinations.
- Note:** It is possible that the partnership adjustment amount was previously input when a 60 day letter or FPAA package was received. The partnership adjustment amount, if no longer correct, will need to be removed and the correct amount re-entered.
- (7) Update the TMP name and address on PCS to match the TMP letter, if applicable.
- (8) Appeals settlement letters are generated by PCS to all linked partners when CC TSNOT4 is input, and to all TEFRA linked partners when CC TSNOT5 is input. Only TSNOT4 will generate the Form 870-LT(AD) for cases with a penalty/affected item code.

- (9) When the PCS generated letters are received, the CPF will verify they received the correct letter and that there is a letter for each linked partner who should receive a notice by comparing the certification listing to the Appeals Settlement Letter mailing list.
 - a. If it is determined that additional letters are needed, they will be generated by the PCS or manually prepared.
 - b. A copy of the schedule of adjustments received from Appeals will be attached to each partner letter.
 - c. Partner letters will be folded and enclosed in envelopes bearing the return address of the CPF, including a return envelope for the partner unless Appeals specifically instructs otherwise and includes a return envelope for the partners.
- (10) After the Appeals certification listing is verified and signed, and letters are mailed, one copy of the certification listing will be forwarded to Appeals for inclusion in the key case return file; one copy is placed in the key case administrative file with the settlement offer package. The key case administrative file will be noted with all actions taken.
- (11) Form 870-PT(AD) and Form 870-LT(AD) may be executed by RA's GS-12 and above in the CPF, or Appeals personnel, in accordance with Delegation Order 4-19.

4.31.3.6.5
(06-11-2013)
No Adjustments

- (1) No adjustment packages are forwarded to the key case CPF with a Form 14434, TEFRA Notice Package Check Sheet from Technical Services. The Form 14434, TEFRA Notice Package Check Sheet, will reflect the name, tax year(s), EIN, statute date, and the package should contain the following:
 - a. One copy of the Letter 2621, No Adjustment Letter, the RA sent to the TMP, as required; and
 - b. A Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations, showing that no adjustment has been made.

Note: Appeals will use Form 14642, Appeals TEFRA Team (ATT) TEFRA Key Case Transmittal, instead of Form 4605-A. Forms 886-Z is not needed for no change cases.

The statute date will vary depending upon the issue date of the Letter 2621. The OYD is the shorter of the key case statute, or one year from the date the Letter 2621 was issued. Since no FPAA was issued, there is no OYD that will extend past the statute (IRC 6229) of the key case.

- (2) The CPF will prepare a package for each partner containing the following:
 - a. One copy of Letter 2621, No Adjustment Letter; and
 - b. Form 4605-A.

Note: Appeals package will only have a copy of Form 14642. Appeals does not use Form 4605-A. Form 886-Z are not needed in no change cases.

- (3) The packages will be sent to the partner(s) CPF.

4.31.3.6.6
(01-13-2023)
FPAAs

- (1) For key cases that have non-protested 60 day letters or for key cases that were protested but have not settled, Technical Services or Appeals must prepare an FPAAs package for the TMP and for the POA, if applicable.
 - a. Technical Services or Appeals must ensure that 120 days have elapsed since the last NBAP was mailed to any partner.
 - b. The key case file remains in Technical Services or Appeals.
 - c. The package is forwarded to the key case CPF with a Form 14434, TEFRA Notice Package Check Sheet.
 - d. The package will be forwarded electronically using the shared drive. The package will contain two separate folders; one folder containing the documents to be issued and the other will be case file information only.
- (2) The key case CPF will receive the FPAAs package, review it for completeness, and acknowledge the Form 14434, TEFRA Notice Package Check Sheet (within five days of receipt). The package should contain the following:
 - a. A completed check sheet verifying all required items are included in the FPAAs package. The check sheet will be included if the FPAAs package is originating from Technical Services. If the package is originating in Appeals, they will use Form 14298, Appeals TEFRA Notice Package Check Sheet;
 - b. A Letter 1830-F signed on behalf of the Technical Support Manager for each TMP address;
 - c. A Form 870-PT addressed to the TMP, including a schedule of adjustments which shows the adjustment amount for each item. The Form 870-LT is not used with an FPAAs. Affected Items cannot be petitioned through a partnership proceeding;
 - d. An explanation of all adjustments (statutory notice language). Appeals generally does not use a separate explanation of adjustments on a no change FPAAs, but includes the language on the schedule of adjustments;
 - e. One copy of each dated FPAAs, both named and generic, mailed to the TMP;
 - f. A Form 886-Z with corrected amount for each adjusted item for each partner and correct profit percentages or a spreadsheet with the same information. If the Schedules K-1 show various, then leave blank (Form 886-Z is no longer used on a no-change FPAAs). The Schedule of Adjustments and the Form 4605-A must be reviewed to ensure the figures match. The Form 886-Z (or equivalent spreadsheet) must then be matched to the Schedules K-1. Any special allocations or reallocations must be noted on the check sheet;
 - g. A Form 15034, PCS Limited Linkage Approval - TEFRA, if applicable;
 - h. A Supplemental Report for affected items;
 - i. A complete copy of the RA's or Appeals report including Form 4605-A, the explanation of adjustments, and the appropriate distribution schedule. This will be sent whether a 60 day package was issued or not (Appeals does not use a Form 4605-A on a no change FPAAs.);
 - j. A supplemental report for penalties, that includes the Managerial Approval Lead Sheet, see IRM 20.1.5.2.3.1, Documenting Supervisory Approval of Penalties, if penalties are applicable. If penalties are applicable, it should be noted in the package.
 - k. Counsel should review the FPAAs and penalties if applicable and the approving counsel attorney name should be included, although not required for Appeals; and

- I. Form 14642, Appeals TEFRA Team (ATT) TEFRA Key Case Transmittal, if the package is originating in Appeals.
- (3) If the package is incomplete, the CPF will contact Technical Services or Appeals to take every action to perfect the package.
 - a. As a last resort, packages with major omissions will be returned to Technical Services or Appeals for perfection if there is adequate time remaining on the statute.
 - b. Where less than 90 days remain on the statute, the CPF and Technical Services or Appeals will coordinate completion of the package and protection of the statute.
- (4) Take caution to ensure that the statute is protected. The TSPC will prepare and issue the FPAA to the TMP and immediately provide the CPF with an FPAA package (and certified mailing list) for partner notification. Generally, Appeals will prepare a TMP FPAA, and include it with the FPAA package, for the campus to mail. If the statute will expire within 45 days, Appeals will mail the FPAA to the TMP using certified mail and simultaneously send a copy of the FPAA and a copy of the certified mailing list to the CPF.
- (5) The CPF will review the most recent build out to ensure that all material partners are linked. If any partners are not linked, determine what corrective action must be taken.
 - a. Verify the adjustment amount is still correct on PCS. Update the TMP name and address on PCS to match the TMP FPAA.
 - b. Verify all material notice partners are linked. If any are unlinked please see the Campus TEFRA Coordinator for corrective action.
 - c. Any material partners who have had partnership items converted to non-partnership items should have the "TEFRA" indicator removed.
 - d. Do not enter one-year assessment date to stop notices from being generated, as this will distort PCS reports. If you only need to issue a few FPAAs, use TSNOT with a definer "I" to issue specific notices to individual partners.
- (6) If penalties are being proposed and no 60 day letter was previously issued, the CPF will input the penalty indicator on the key case record using CC TSCHG item 14.
- (7) The FPAA to the TMP should be dated and mailed by certified mail. A copy mailed to a POA, if applicable, should be sent regular mail.
 - a. The 60 day date, which is the date that the FPAA was mailed to the TMP, is input using CC TSCHG item 16.
- (8) The PCS CC TSNOT3 will generate letters for all direct linked partners with no one-year assessment statute date. An additional spousal notice is generated on jointly filed returns. This provides the spouse with an opportunity to file a petition.
 - a. The CPF will verify that the correct letter was received and that all unagreed material notice partners had a letter generated by comparing the Certified Mail listing to the build out. If a Form 15034, PCS Limited Linkage Approval - TEFRA, was used, the CPF will verify that there is a

letter for each unagreed material partner. The CPF will also review Form 15034, PCS Limited Linkage Approval - TEFRA, for any partners not requiring letters.

- b. If any material notice partner does not have a letter generated, a manual letter will be prepared.
- c. A copy of the schedule of adjustments and an explanation of adjustments (statutory notice language) that was attached to the TMP letter is attached to each partner letter.

Note: Typographical errors such as a mistyped name or EIN will not invalidate a notice.

- (9) Partner letters will be enclosed in envelopes bearing the return address of the CPF, including a return envelope for the partner. If the CPF is mailing the FPAA to the TMP it will be dated and mailed the same date as the partner letters.
 - a. The partner letters must be mailed prior to 60th day after the letter is mailed to the TMP. Failing to meet the 60 day time frame will result in having to follow untimely notice procedures. The CPF's goal should be to mail the FPAAs to the partners within 30 days after the receipt of the package in the CPF.
 - b. All notice partner FPAAs are required to be mailed by certified mail. This is because if challenged in court there is a proof the notice was mailed and delivered.
- (10) Within 10 days after mailing of the partner FPAAs, a copy of the certified mailing list will be sent to the TSPC or ATT. A copy of the certified listing will be placed in the CPF key case administrative file, and another will be placed in the Certified Mail List/Mail List Book. The Certified Mail List/Mail List Books should be maintained by the CPF and should never be destroyed without approval from Headquarter TEFRA Analyst(s).
- (11) The key case administrative file will be noted and a copy of the FPAA(s) issued to the TMP and the partners will be associated with the file.
- (12) The CPF will ensure that the freeze code "H" is not removed from the key case AIMS record by CC AMFRZR until final action on the key case is completed. For example, the freeze code would be removed after the receipt of the FPAA default package or court decision package, but not until the one-year date is entered for the partners and Partnership Adjustment Amount is entered on PCS using CC TSCHG item 08. The adjustment amount is important in allowing us to capture data to determine the productivity of partnership examinations.

Note: It is possible that the partnership adjustment amount was previously input when a 60 day letter or Appeals settlement package was received. The partnership adjustment amount, if no longer correct, will need to be removed and the correct amount re-entered.

- (13) The CPF will send the following back to the TSPC or Appeals:
 - a. A Form 3210 addressed to originator of package (Technical Services or Appeals);
 - b. A dated copy of each FPAA issued to the TMP if mailed by the CPF; and
 - c. One copy of the certified mail listing.

4.31.3.6.7
(04-26-2017)
**Untimely Notice
Procedures**

- (1) There must be 120 days between the date the last NBAP was issued to a partner, and the date the FPAA was issued to the TMP. All partner FPAAs must be issued to the partners within 60 days from the date the FPAA was issued to the TMP. If either of these time frames are not met, the notices were not sent timely and the partners may elect to have their partnership items treated differently.
- (2) There are two different types of untimely notice procedures.
 - a. The TEFRA proceedings are still ongoing, or
 - b. The TEFRA proceedings are complete.

4.31.3.6.7.1
(04-26-2017)
**TEFRA Proceedings
Ongoing**

- (1) An untimely notice when the proceedings are still ongoing can occur when there is less than 120 days on the partnership statute and the field wants to begin an examination. This requires the NBAP, FPAA and Letter 3857, Untimely Notice Letter (TEFRA Proceedings Ongoing), to be issued at the same time. It is possible to have this situation if a partner was inadvertently not sent an FPAA within 60 days of the TMP FPAA. In this instance, the partner FPAA and the Letter 3857 should be sent together.
- (2) The Letter 3857 notifies the partner of the untimely notice and provides them an opportunity to
 - a. elect to have their partnership items treated as nonpartnership items, or
 - b. elect to have any prior settlement agreement apply to them
- (3) The election must be filed within 45 days from the date they received their FPAA. The election must be completed as explained within the Letter 3857.
- (4) If no election is filed, the partner will remain part of the TEFRA proceedings.
- (5) If an election is filed, the one-year assessment period will begin on the date the FPAA was mailed to the partner. The TEFRA indicator needs to be removed from PCS. A statutory notice of deficiency must be issued and assessed during the one year period. When the statutory notice is issued the Report Package Indicator needs to be updated to "S".

4.31.3.6.7.2
(04-26-2017)
**TEFRA Proceedings
Completed**

- (1) An untimely notice when the proceedings are complete can occur when a partner wasn't provided an FPAA on a case that got petitioned. After the court decision is entered, but before the expiration of the OYD we discover that no FPAA was issued. This requires the FPAA and Letter 3858, Untimely Notice Letter (TEFRA Proceedings Complete), be issued at the same time.
- (2) The Letter 3858 notifies the partner of the untimely notice and provides them the opportunity to file an election to have their partnership items treated according to:
 - a. the FPAA,
 - b. a final court decision, or
 - c. a prior settlement agreement
- (3) The election must be filed within 45 days of the date they received their FPAA. The election must be completed as explained in the Letter 3858.
- (4) If no election is filed, the partner's partnership items will convert to nonpartnership items. A one-year assessment period will begin on the date the FPAA was

mailed to the partner. The TEFRA indicator should be removed from PCS. A statutory notice of deficiency must be issued and assessed during that one year period. When the statutory notice is issued the Report Package Indicator needs to be updated to "S".

- (5) If an election is made, the partner's return will be adjusted using the election option they chose. A one-year assessment period will begin on the date the FPAA was mailed to the partner. The adjustments will be made using normal TEFRA procedures.

4.31.3.7 (01-13-2023)

Closing Packages

- (1) At the completion of the partnership examination, Appeals hearing or court petition a closing package is prepared and sent to the CPF.
- (2) The key case closing package will generally be received from the TSPC with Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice Package Check Sheet or from Appeals with Form 14298, Appeals TEFRA Electronic Notice Package Check Sheet. Occasionally a District Court and Court of Federal Claims decision will be received directly from the Office of Chief Counsel per CC Notice 2011-11.
- (3) The following sub-sections provide explanations on the types of closing packages received. The closing package will be reviewed by a technical Revenue Agent and a partner closing package will be prepared and maintained on CEAS. The partner closing package used to prepare the partner reports will include the following:
 - a. Technical review sheet and/or cover sheet with instructions
 - b. Copy of Form 14434 or Form 14298
 - c. Copy of Form 886-Z
 - d. Copy of Form 4605-A with all attachments and Explanation of Items
 - e. Penalty information and approval, if penalties are applicable
 - f. Affected item information, if applicable
 - g. Court Decision Document or other court documents, if applicable
 - h. Agreement Forms 870-PT or 870-LT, if applicable
 - i. Dated TMP FPAA, if an FPAA Default Package

Note: Form 14513, TEFRA Case Report, may be completed and used as a cover sheet for all tier and BMF closing packages.

- (4) For partner case files at the CPF, the CPF will prepare and send the partners a report, make the Master File adjustments and close the partner's linkage.
- (5) If the partner is controlled by the other CPF, the partner CPF should secure the closing package from RGS CEAS. If it is not available or there are questions, the partner CPF should reach out to the key case CPF TEFRA Coordinator, ICM or TE Team Lead. The report should be available within 30 days if directly linked or within 30 days of the tier report completion. If the OYD statute is less than 3 months, the key case CPF will notify the partner CPF of the partner package and OYD.
- (6) For partners with no CPF partner case file, Form 14671, TEFRA Closing Package Notification, is used by the campus to transmit a closing package to the area responsible for making TEFRA assessments or over assessments for partners returns that are:
 - Any partners controlled by LB&I field examination,

- Any corporate return with an activity code of 219 or above controlled by Appeals,
- All Joint Committee, or all corporate specialty returns, which are any corporate return filed with a Form 1120 followed by a letter (for example, Form 1120-L, U.S. Life Insurance Company Income Tax Return) except Form 1120-A, Form 1120-S or Form 1120-X.

- (7) Once Form 14671 is acknowledged by the controlling area, the responsibility for the partner TEFRA adjustment statute shifts to the controlling area. Retain the acknowledged Form 14671 in the investor direct link key case or tier file. Add a report indicator "R" on the investor PCS record.

4.31.3.7.1
(01-13-2023)
FPAAs Default

- (1) If no petition is filed with respect to the key case, Technical Services or Appeals (whichever office initiated the FPAA) will default the FPAA. Technical Services or Appeals will forward a default package to the key case CPF to initiate the closure of the partner cases.
- (2) The default package includes the following:
- a. Form 14434, TEFRA Notice Package Check Sheet or Form 14298, Appeals TEFRA Electronic Notice Package Check Sheet, marked "Default Package" clearly showing the key case name, EIN, tax period, and the one-year assessment statute date;
 - b. Form 886-Z (or equivalent spreadsheet) stamped "Default" on all pages, showing the corrected amount for each adjusted item of the key case entity return (Form 886-Z is not used on a no-change FPAA.);
 - c. Form 4605-A (Appeals does not use a Form 4605-A on a no change FPAA.);
 - d. Dated TMP FPAA notice; and
 - e. Penalty information. If penalties are not applicable, note that fact in the package.
- (3) Upon receipt of the default package, the CPF will ensure that the one-year assessment statute date is input using CC TSCHG or MSCHG item 05. The one-year assessment statute date for a default package is one year plus 150 days minus one day from the date the FPAA was issued to the TMP.
- a. The CPF will verify that Form 8339 was entered to reflect the correct item 08, Partnership Adjustment Amount entry,
 - b. Use CC AMFRZR to remove freeze code "H" from the key case AIMS record, but not until the one-year date is entered for all direct partners, including tiers.
- (4) After all packages are forwarded to the partner's CPF, and when applicable the field group or Appeals, the default package received from Technical Services or Appeals is filed in the key case administrative file which will be so noted. For final key case actions see IRM 4.31.3.14, Key Case Administrative File Suspense.

4.31.3.7.2
(05-31-2005)
Petitioned Key Cases

- (1) A key case may be petitioned to the Tax Court, a district court where the partnership's principal place of business is located, or the Court of Federal Claims.
- (2) The venue chosen and the rules of the particular court determine the procedures that must be followed.

4.31.3.7.2.1
(06-04-2004)

**Petitioned Tax Court
Cases**

- (1) The docket list should be monitored by the CPF to determine if a partner has filed a petition in the United States Tax Court. The CPF should also be sensitive to other indications that a petition has been filed, e.g., an AIMS update of the key case to a status 8X.
- (2) Technical Services or Appeals (whichever organization initiated the FPAA) will notify the CPF that a petition was filed. If the CPF receives a copy of the partner's filing, other than from Technical Services or Appeals, it will be forwarded to Technical Services or Appeals to be associated with the key case file. A copy will be retained for the campus key case administrative file. If less than 15 days remain on what would be the default date for the FPAA, a copy of the petition (without any attachments, if any) will be faxed to Technical Services or Appeals.
 - a. If the key case is in Technical Services, then only the key case administrative file is transferred to Appeals as a docketed case.
 - b. The CPF key case administrative file and the partner files will remain in CPF suspense.
- (3) When the CPF receives notice from Appeals or Technical Services that a petition was filed, the key case file will be noted to reflect the docketed case status. The docket number will be input on the PCS using CC TSCHG, item number 28. The campus key case administrative file remains open pending the outcome of the court case.

4.31.3.7.2.2
(01-13-2023)

**Tax Court Decision
Appealed**

- (1) If the Tax Court decision is appealed, the case is not "final", however the partners may be assessed after the 90 day period has elapsed.
- (2) By appealing the Tax Court decision, the case is like a refund litigation case in that the partners are looking to reduce or eliminate a Tax Court decision that increases the partner's tax liability. The assessments are processed as partial assessments like petitions originally filed in District Court or the Court of Federal Claims. The key case and partner cases remain open pending the resolution of the appeal process.
- (3) If a bond is posted in an amount equal to the entire amount of the increase in the tax liability from the Tax Court decision, the assessment may be delayed until all appeals have been exhausted.
- (4) If no bond is posted, Form 14298 will request that the CPF assess the partnership items in accordance with the Tax Court decision. Since the Tax Court decision is not final, the one-year assessment period has not begun. Although the one-year assessment period has not begun, a one-year statute date is computed by adding one year to the date the appeal was filed. This forces the partner cases to appear on the PCS Report 4-4 and they should be worked as expeditiously as possible.
- (5) The Tax Court decision appealed closing package includes the following:
 - a. Form 14298, Appeals TEFRA Electronic Notice Package Check Sheet, marked "Docketed Appealed" clearly showing the key case name, EIN, tax period, and the one-year assessment statute date,
 - b. A copy of the dated decision order,
 - c. Form 886-Z (or equivalent spreadsheet), showing the corrected amount for each adjusted item of the key case entity return,
 - d. Form 4605-A,

- e. Form 9724, TEFRA Cases Only (Memorandum), showing the guidance for processing the case,
 - f. Form 5402, and
 - g. Penalty information. If penalties are not applicable, note that fact in the package.
- (6) The following additional items should be notated when preparing the closing package for the partner file:
- a. The cover sheet should notate that the closing package is an appealed Tax Court decision closing package and clearly indicate the partnership name, tax year, EIN and a "one-year" assessment statute date. The cover sheet must also specifically state the partner cases are to be processed as partial assessments, as the partners must remain open until after the decision of the court becomes final.
 - b. If penalties were proposed, they must be assessed at this time.
 - c. Affected Item are not part of the partnership proceedings and will not be assessed until after the decision of the court becomes final.
- (7) The key case remains open on AIMS and the "H" freeze remains on AIMS pending a Court Decision Finalized closing package. The 18 month period for filing the key case administrative file in the closed key case files does not begin until the litigation is final, and a final court decision package is received.
- (8) The key case CPF will note the key case administrative file to reflect the docket status and input the docket number on the PCS using CC TSCHG, item number 28. Use PCS Special User Message, TSCHG 07, to notate the applicable court jurisdiction ("Received Tax Court Decision Appealed").

4.31.3.7.2.3
(01-13-2023)

**Petitioned District Court
and Court of Federal
Claims Cases**

- (1) Under the unified proceedings, partners may file a petition directly with either a district court or the U.S. Court of Federal Claims and gain direct access to that court. However, if either of these courts is used, each partner who files the petition must make a deposit equal to the amount their tax liability would be increased if the adjustment in the FPAA were fully sustained.
- a. The amount deposited is treated as a tax payment only for the purpose of computing interest.
 - b. If jurisdiction to the court is dismissed because of the priority of a Tax Court action, the partner may request a refund of the deposit.
 - c. If members of a 5-percent group file a petition, each member of the group must make the required deposit.
 - d. The deposit must be made on or before the date the petition is filed.
 - e. The deposit requirement is satisfied if there is a good faith attempt to deposit the correct amount and any shortfall is timely paid.
 - f. The deposit amount need only include the tax. Interest and penalties do not need to be deposited.
- (2) The petitioner may bring or mail in a deposit to any function within IRS. It doesn't matter if the deposit is sent to the field, the campus or Appeals. The check should include the TIN, tax period & that it is a bond to go to district court. An accompanying letter is nice but not required.
- (3) If an action is brought in district court or the U.S. Court of Federal Claims, only the petitioning partner is required to make a deposit. The Service will assess and collect the tax deficiency against all partners (petitioning and non-petitioning) who have an interest in the proceeding (partnership items haven't

converted to nonpartnership items), including penalties and interest. The deposit may be applied to the assessment of the petitioning partner. No partial assessments stemming from the petition may be made prior to the close of the 150th day after the day the FPAA was mailed to the TMP.

- (4) When the CPF is notified of a petition filed with a district court of the United States, or the United States Court of Federal Claims, the key case is treated and processed as if the FPAA had defaulted. The key case AIMS is updated to status code 90 so the partner assessments may be billed and collected. In order for AIMS to be closed, the "H" freeze must be removed. These procedures are similar to the refund litigation procedures applicable to claims.
- (5) Petitioned District Court and Court of Federal Claims closing package includes the following:
 - a. Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice package Check Sheet,
 - b. TMP FPAA,
 - c. Form 886-A,
 - d. Form 4605-A,
 - e. Form 886-Z (or equivalent spreadsheet),
 - f. court petition documentation, and
 - g. Penalty Information. If penalties are not applicable, note that fact in the package.

Note: Packages submitted by Appeals with Form 14298, may also include the Appeals Case Memorandum (ACM) and Form 5402, Appeals Transmittal and Case Memo.

- (6) The following additional item should be notated when preparing the closing package for the partner file.
 - a. The cover sheet should notate that the closing package is a district court or Court of Federal Claims closing package and clearly indicating the partnership name, tax year, EIN and a "one-year" assessment statute date. The cover sheet must also specifically state the partner cases are to be processed as partial assessments and must remain open pending the final outcome of the litigation.
 - b. Since there is no true OYD for the partnership, the OYD needs to be input so the returns will appear on the PCS 4-4 report. It is recommended a one-year date be input that is not more than 60 days from the date the package is prepared. The key case does not really have a OYD at this time, but the venue the partnership has selected to litigate the partnership issues requires the partners be assessed and part, if not all, of the tax be paid if they are to remain parties to the proceedings. The assessments must be made as soon as possible for the case to proceed in the courts. The placeholder OYD may be extended another 60 days if needed.
 - c. If penalties were proposed they must be assessed at this time.
 - d. Affected Items are not part of the partnership proceedings and will not be assessed until after the decision of the court becomes final.
 - e. Once the partner assessments are completed, the OYD will be updated to "55555555". This signifies that the assessments per the petition were completed but there is still a court case pending which could change the adjustments.

Note: If the key case is also a tier in another partnership, the 5's may need to be removed to accommodate another OYD. However, the "5's" should be replaced upon completion of the other key case adjustments.

- (7) See IRM 4.31.4 of this Handbook for the procedures for petitioned AARs.
- (8) The key case AIMS is updated to status 90, but the 18-month period for refiling the key case administrative file in the closed key case files does not begin until the litigation is final and a final court decision package is received.
- (9) The key case CPF will note the key case administrative file to reflect the docket status and input the docket number on the PCS using CC TSCHG, item number 28. Use PCS Special User Message, TSCHG 07, to notate the applicable court jurisdiction ("Received Petitioned District Tax Court", "Received Petitioned Court of Claims", etc.)

4.31.3.7.2.4
(01-13-2023)
**Court Decisions
Finalized**

- (1) The key case CPF will receive notification from Appeals (or in a rare instance from Office of Chief Counsel, per CC Notice 2011-11) that a decision was entered with respect to a docketed case.
- (2) The court settlement (stipulated decision) or court decision package will include:
 - a. Form 14298 noted as a court decision package which clearly indicates the partnership name, tax year, EIN, and one-year assessment statute date;
 - b. Form 886-Z (or equivalent spreadsheet) with the corrected amount per the terms of the court decision or settlement;
 - c. Court decision document copy;
 - d. Form 4605-A; and
 - e. Penalty information. If penalties are not applicable, it should be notated in the package.
- (3) When the package is received it will be reviewed by the key case CPF who will acknowledge receipt within five days.
- (4) The one-year assessment statute date will immediately be input on the key case partners and all related tiers using CC TSCHG or MSCHG item 05.
 - a. A District Court and Court of Federal Claims decision is final 60 days after the decision is entered. No assessment can be made before the 60 days have passed.
 - b. A Supreme Court decision is final 25 days after the decision is entered. See CCDM 36.2.5.3.
 - c. A Tax Court decision is final 90 days after the decision is entered. No assessments can be made before the 90 days have passed. For an Appealed Tax Court decision, the United States Court of Appeals decision is final 90 days after the decision is entered.
 - d. The one-year assessment statute date for a final court decision is one year from the date the decision is final, minus one day.
 - e. Use CC AMFRZR to remove freeze code **H** from the key case AIMS record, but not until the one-year date is entered for all direct partners, including tiers.

- (5) After all partner packages have been forwarded to the partner's CPF, and when applicable the field group or Appeals, the court decision package received from Appeals, (or in a rare instance the Office of Chief Counsel, per CC Notice 2011-11) is associated with the campus key case administrative file, which is so noted. For final key case actions see IRM 4.31.3.14, Key Case Administrative File Suspense.

4.31.3.7.3
(06-11-2013)

Agreed Cases

- (1) The subsections below discuss the processing of agreements unique to TEFRA examinations.
- (2) Consider the impact of an agreement on all other partners in view of their right to consistent settlement.

4.31.3.7.3.1
(04-26-2017)

Consistent Settlement

- (1) IRC 6224(c)(1) allows partners to enter into a settlement agreement to fix the correct treatment of partnership items with finality. IRC 6224(c)(2) gives other partners the right to request a settlement that is consistent with another partner's settlement.
- (2) The request for consistent settlement must be made by the later of:
 - a. 150 days after an FPAA was mailed to the TMP;
 - b. 60 days after the other partner's settlement agreement was accepted by the Commissioner; or
 - c. 45 days after an untimely FPAA is mailed to the partner.
- (3) The partner must request the consistent settlement in writing and identify the specific settlement for which he/she/it is requesting consistent settlement. The request shall be submitted to the office that entered into the settlement. Treas Regs 301.6224(c)-3.
- (4) The consistent settlement will be processed on Form 870-PT and identified as "Consistent Settlement". "Consistent Settlement" should be written on the top of the agreement form.

Note: If the agreement is not identified as a consistent settlement, another partner may claim the agreement starts a second 60 day period for requesting consistent settlement.

4.31.3.7.3.2
(01-13-2023)

Agreements Received at the Closing Conference

- (1) The key case examiner may receive a signed Form 870-PT or Form 870-LT from the partners in the key case. These will be transmitted with the RAR to the TSPC for acceptance by the Commissioner.
- (2) The Forms 870-PT or 870-LT will be forwarded by the TSPC to the key case CPF within 5 days of execution.
- (3) Packages are submitted to the CPF with Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Notice Package Check Sheet. The TSPC will forward the counter signed agreements using the shared drive within 5 days of execution. The agreed closing package includes the following:
 - a. Countersigned Form 870-PT/Form 870-LT
 - b. Form 886-A
 - c. Form 4605-A
 - d. Form 886-Z (or equivalent spreadsheet)

- (4) The CPF will complete the following actions for agreed packages:
- The one-year assessment statute date for all partners who have signed agreements that have been accepted for the Commissioner must be input on PCS using CC TSCHG within 10 days of receipt of the agreement package. The one-year assessment statute date for accepted agreements is one year from the date the agreement is accepted for the Commissioner, minus one day.
 - If all of the direct partners in the key case have signed the agreements and all of the agreements have been accepted for the Commissioner on the same date, PCS CC MSCHG may be used to input the one-year date.
 - If all direct partners have agreed and the OYD has been entered, use CC AMFRZR to remove freeze code "H" from the key case AIMS record. See IRM 4.31.3.9, H Freeze Release.
 - The CPF will send the executed agreements to the partners with Letter 1908, Transmittal Letter Agreed Form 870-PT; and
 - Issue a Letter 2398, Partnership Settlement Notice, notifying the TMP which partners have agreed.
 - After all partner packages have been forwarded to the partner's CPF, and when applicable the field group or Appeals, the agreed package is associated with the campus key case administrative file, which is noted.
 - If all direct linked partners have not agreed, keep the key case administrative file open until all direct linked partners have a closing package.
 - If all direct linked partners have agreed, See IRM 4.31.3.14, Key Case Administrative File Suspense, for final key case actions.

4.31.3.7.3.3
(01-13-2023)
**Agreements Received as
a Result of a 60 Day
Letter or FPAA**

- (1) All Forms 870-PT or Forms 870-LT (60 day letter only) and the schedule of adjustments received by the CPF that come directly from the partners after the issuance of a 60 day letter or FPAA must be screened for altered documents or taxpayer initiated requests for settlement. The schedule of adjustments from the campus key case administrative file must be compared to the schedule of adjustments received from the partner. If discrepancies exist, the agreements cannot be executed.
- (2) All Forms 870-PT or Forms 870-LT will be executed for the Service by an RA, GS-12 or higher (per Delegation Order 4-19), within five days of receipt in the key case CPF. Under no circumstances, other than a short statute, should a Form 870-PT or Form 870-LT be executed by anyone other than the key case CPF.
- (3) If the key case is in docketed status, coordinate with Appeals or Area Counsel.
- (4) Process any accepted Form 870-PT or Form 870-LT as stated in the text of IRM 4.31.3.7.3.5, which outlines actions taken by the CPF on agreed packages.

4.31.3.7.3.4
(01-13-2023)
**Settlement Agreements
Received by Appeals**

- (1) The appeals officer may receive a signed Form 870-PT(AD) or Form 870-LT(AD) from the partners in the key case. These are signed by the Appeals Team Leader or Appeals Team Case Leader for acceptance by the Commissioner.
- (2) Packages are submitted to the campus with Form 14298, Appeals TEFRA Electronic Notice Package Check Sheet within 5 days of execution. The entire package (countersigned Form 870-PT(AD)/Form 870-LT(AD), Form 886-A,

Form 4605-A, Form 886-Z (or equivalent spreadsheet), and Form 5402) should be forwarded to the appropriate CPF using the shared drive.

- (3) Process any accepted Form 870-PT(AD) or Form 870-LT(AD) as stated in IRM 4.31.3.7.3.5(4), which outlines actions taken by the CPF on agreed packages.

4.31.3.7.3.5 (01-13-2023)

Settlement Agreements Received as a Result of Appeals Letters

- (1) A Form 870-PT(AD) or Form 870-LT(AD) and the schedule of adjustments received by the CPF that come directly from the partners must be screened for altered documents or taxpayer initiated requests for settlement. The schedule of adjustments from the campus key case administrative file must be compared to the schedule of adjustments received from the partner. If discrepancies exist, the agreements can't be executed.
- (2) All Forms 870-PT(AD) or Forms 870-LT(AD) will be executed for the Service by a Revenue Agent, GS-12 or higher, per Delegation Order 4-19, within five days of receipt in the key case CPF. Under no circumstances, other than a short statute, should a Form 870-PT (AD) or Form 870-LT (AD) be executed by anyone other than the key case CPF.
- (3) Process any executed Form 870-PT (AD) or Form 870-LT (AD) as stated in IRM 4.31.3.7.3.5(4), which outlines actions taken by the CPF on agreed packages.

4.31.3.7.3.6 (01-13-2023)

Settlement Agreements in Docketed Cases

- (1) In a docketed case, the settlement agreement could be a Form 870-PT or partner Form 906. Process the settlement agreements as stated in IRM 4.31.3.7.3.4, Settlement Agreements Received by Appeals.

4.31.3.7.3.6.1 (01-13-2023)

Settlement Agreements Secured on District Court or Court of Federal Claims Cases

- (1) Settlement Agreements are different for cases controlled by the Department of Justice (DOJ). The DOJ does not use standard closing agreements. DOJ enters into settlement agreements through an exchange of letters (offer and acceptance) rather than using Form 870-PT, Form 906, or closing agreements.
- (2) A settlement agreement with the Department of Justice converts partnership items to nonpartnership items and starts the one year period for assessment under IRC 6229(f). This generally waives deficiency procedures so that we do not have to issue an affected item notice of deficiency to assess any of the amounts agreed to in the exchange of letters.
- (3) The procedures for DOJ to notify the appropriate CPF of a partner-level settlement agreement in a U.S. District Court or the Court of Federal Claims TEFRA partnership case are found in IRS Chief Counsel Notice 2011-011.

4.31.3.7.3.7 (06-11-2013)

Execution of Agreements

- (1) Generally, agreements must be signed by the partner of the key case partnership. Determining who can sign may be tricky in some circumstances. If there is any doubt on who should be signing an agreement, contact the TSPC . See IRM Exhibit 4.31.2-4 for additional information about who should sign the agreement.
- (2) For tax years beginning before June 28, 2002, parent corporations that are part of a consolidated group must sign agreements of subsidiary partners. Even if the subsidiary is the partner, the parent must sign since any tax will

ultimately impact the parent's return. The format for the name on the parent's agreement will read, XYZ Corporation, on behalf of consolidated group including ABC Subsidiary.

- (3) For tax years beginning on or after June 28, 2002 (see Treas. Reg. 1.1502-77), agreements secured from consolidated groups for partnership and affected item adjustments, should have both the subsidiary partner's and its parent's signatures on the waiver. If a subsidiary, who is the actual partner under state law, insists on being the sole signatory on the waiver, the examiner should contact local area Counsel before executing the waiver. A subsidiary partner that is the TMP can solely sign an agreement as TMP in order to bind non-notice partners.
- (4) If there is a subsidiary partner, or multiple subsidiary partners with the same parent, then only the parent needs to sign the agreement. The exception is if the parent entity no longer exists and the subsidiaries are the only parties left to assess. In that case we would need to link the subs and secure agreements from all the subsidiary partners.
- (5) For partners who are non-subsidiary corporations, trusts, or partnerships, the agreements should be signed by an authorized corporate officer, trustee, or general partner authorized to bind the partnership under state law, respectively. The title of the person signing should be included on the appropriate line on the agreement form.
- (6) Trustees signing on behalf of a trust must complete a Form 56, Notice Concerning Fiduciary Relationship, to declare their eligibility to sign as the beneficiary. If the beneficiary trustee is signing the form to bind only themselves, then no Form 56 is needed.
- (7) When countersigned agreements are received by the campus or countersigned by campus personnel, Letter 2398, Partnership Settlement Notice, will be completed along with a listing of the taxpayers who settled and their date of settlement. The letter and listing are used to notify the TMP as to what partners have agreed so the TMP can meet the legal obligation under Treas. Reg. 301.6223(g)-1(b)(1)(iv). Use Letter 1908, Transmittal Letter Agreed Form 870-PT, to send a copy of the countersigned agreement back to the partner for their records. If the partner's Letter 1908 is returned as undeliverable, the campus should research for a current address.

Note: The title of Letter 1908 is "Transmittal Letter Agreed Form 870-PT"; however, the language of the letter allows it to be used with any of the Form 870 agreement forms used in TEFRA.

4.31.3.7.3.8
(06-11-2013)

**Acceptance of Faxed
Agreements and Statute
Extensions**

- (1) Consents to assess additional tax (Form 4549, Form 870, and others) can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax.
- (2) Closing agreements involving tax amounts can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax.
- (3) Consents to extend the statute of limitations for assessing tax (Form 872, Form 872-P, and other consent forms) can be accepted by fax if taxpayer

contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the extension by fax.

4.31.3.7.3.9
(04-10-2019)

Closing Packages With Agreed and No Change Investors

- (1) Closing packages that have agreements along with investors that will be no changed will be closed with "Other" checked on the Form 14434, Tax Equity and Fiscal Responsibility Act (TEFRA) Electronic Notice Package Check Sheet. This can happen when there are partners with zero percent ownership, or where linked partners will not be subject to an assessment and agreements cannot be secured.
- (2) The partners where agreements cannot be secured will be closed no change and a copy of the package put on CEAS. The earliest OYD will be used for the no change partners.
- (3) When the investors with no agreements are closed on AIMS, they will be closed using disposal code 01.

4.31.3.8
(04-26-2017)

Closing Packages Resulting in Refunds

- (1) IRC 6230(d)(5) states that overpayments will be refunded where practicable. In cases where it is determined not to be practicable to process refunds, taxpayers should be provided an opportunity to request refunds.

4.31.3.8.1
(01-13-2023)

Refund Letters 4505-A and 4505-E

- (1) When key case partnership adjustments result in a refund, and processing those adjustments is not practicable, the campus may issue Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR, or Letter 4505-E, Notification of Potential Refunds Resulting from a Partnership Exam.
- (2) The letters include direction for the partnerships to provide instructions to their partners. The instructions explain how the partners need to file their amended returns to ensure they are not rejected during processing. Partners that do not follow the instructions may have their claims disallowed.
- (3) Because the adjustments stem from a TEFRA partnership, the statute is controlled at the partnership level. The partners' individual statute may appear to be expired. If the partner follows the instructions in the Letter 4505-A or Letter 4505-E, this provides Accounts Management with the information they need to verify the statute is still open and the refund is allowable.
- (4) All related partners need to be closed as soon as possible after issuing either Letter 4505-A or 4505-E: otherwise amended returns will be forwarded to CPF because of the open AIMS control.

4.31.3.8.1.1
(01-13-2023)

Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR

- (1) When a partnership filed AAR results in a refund, it may not be practicable for the campus to process the refunds. In those situations, the campus may send a Letter 4505-A to the partnership TMP. The TMP will then be required to provide amended Schedules K-1 to all partners and instruct the partnership to inform their partners that they may file amended returns. The partners' amended returns should include:
 - a. "Letter 4505-A/AAR" written on the top center of the amended return
 - b. A copy of the amended Schedule K-1 from the partnership
 - c. A copy of the Letter 4505-A provided by the partnership

4.31.3.8.1.1.1
(04-26-2017)

**Deadline for Filing
Partner Amended
Returns Based Upon
Letter 4505-A**

- (1) The period for Service to issue refunds expires two years after the TMP AAR is filed.
- (2) The refund period after the AAR is filed can be extended by a Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items, for TMP AAR's and Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items, for partner-level AAR's.
- (3) Generally, a partner may file an AAR at any time which is within 3 years of the later of the date the partnership return was filed or the last day for filing the partnership return (determined without regard to extensions). If the assessment period under IRC 6229 is extended with Form 872-P, the period for filing an AAR will not expire until 6 months after the extension ends.
- (4) Letter 4505-A notifies the partnership to provide amended Schedules K-1 to their partners so they may file their own AARs.
- (5) Partners may file their own AARs during this refund period.
- (6) Partners may file their own AAR's within the period specified in paragraph (3). Also, if the partner's assessment period is extended with Form 872, the partner's period for filing his own AAR will not expire until 6 months after the extension ends. See IRM 4.31.4 for more information on AARs.
- (7) Partner AARs must be processed within 2 years of the partner filing their AAR. This two-year period can be extended by a Form 9247 from the partner.

4.31.3.8.1.2
(01-13-2023)

**Letter 4505-E,
Notification of Potential
Refunds Resulting from
a Partnership Exam**

- (1) When a partnership exam results in a refund, it may not be practicable for the campus to process the refunds. In those situations, the campus may send a Letter 4505-E to a tier partnership. This will instruct the partnership to inform their partners that they may file amended returns. A Form 886-A showing the tiers allocation of the adjustment must be included with the Form 4505-E .
- (2) The partners' amended returns should include:
 - a. "Letter 4505-E" written on the top center of the amended return
 - b. A copy of the amended Schedule K-1 from the partnership
 - c. A copy of the Letter 4505-E provided by the partnership
- (3) The Letter 4505-E may be issued directly to the TMP, or it may be used at a lower level within the partnership structure.
- (4) The Letter 4505-E does not have to be sent to all tier partnerships at a particular level. It may be practicable to work some tiers and not others because certain tier partnerships have too many partners to work.
- (5) When the Letter 4505-E is sent to the TMP, no other partners will be provided a notice. The letter instructs the TMP to provide their partners with amended Schedules K-1 so they amend their returns.

4.31.3.8.1.2.1
(04-26-2017)

**Deadline for Filing
Partner Amended
Returns Based Upon
Letter 4505-E**

- (1) Letter 4505-E notifies the partnership to provide amended Schedules K-1 to their partners so they may file their own amended returns.
- (2) The partners must file their amended returns within 2 years of a final partnership determination. (Agreement, defaulted FPAA or court decision). The date provided on the Letter 4505-E should be the OYD plus one year.

4.31.3.9
(01-13-2023)

H Freeze Release

- (1) The campus will release the "H" freeze within five days once the OYD is entered on all direct key case partners. The build out should be used to verify all material direct partners are linked to the key case.

Note: The "H" Freeze must remain on any partial closing package for which the OYD is entered, such as a Tax Court decision appealed or partial agreement packages.

- (2) On closing packages that impact all partners (i.e., court decisions, defaults, etc.) the "H" freeze will be released in five days.
- (3) Generally, the campus will execute agreements they secure within five days. Once all partners have agreed, the "H" freeze will be released within ten days and Technical Services will be notified.

4.31.3.10
(10-01-2010)

Partial Agreements

- (1) The Taxpayer Relief Act of 1997 passed by Congress on July 31, 1997 and signed into law on August 5, 1997 changed portions of the TEFRA examination process. One notable change in particular provides that partial agreements can be secured for any settlements entered into after August 5, 1997. Partial agreements may be made for any tax year. By law, a partial agreement does not start the running of the one-year assessment date.
- (2) In the normal processing of an agreed TEFRA case, once the partner has signed a settlement agreement form, the partnership items convert to nonpartnership items. The conversion of items from partnership items to nonpartnership items starts the running of the one-year assessment statute date. The statute of limitations for assessment of the newly converted nonpartnership items will not expire before the date which is one year after the date on which the conversion occurs.
- (3) Since partial agreement cases do not have "one-year" statute dates, report writing may be delayed due to processing of cases that have established "one-year" statute dates. However, the idea behind a partial agreement is to have that portion of the deficiency assessed as soon as possible. TEFRA partial agreements may be secured by agents in the field or by an Appeals Officer during the appeals process.
- (4) If the area negotiates a partial agreement with the TMP, partial agreements will be secured from all of the notice partners. If there are non-notice partners, the special language will be used on the Form 870-PT signed by the TMP to bind all of the non-notice partners.
- (5) TEFRA partial agreements must have the annotation "Partial Agreement" (handwritten, typed or stamped) on all pages of the Form 870-PT Form with the following statement added:
 - a. *This partial agreement becomes effective upon execution by the Commissioner of Internal Revenue or his delegate. It does not settle all of the*

partnership items. The remaining unsettled partnership items as well as any unsettled penalty, addition to tax, or additional amount that relates to an adjustment to a partnership item will remain subject to determination under the partnership-level administrative and judicial procedures. The period of limitations for assessing any tax attributable to the settled items shall be determined as if such agreement had not been entered into.

- (6) The statement above will also be entered on the schedule of adjustments page. The Form 886-Z (or equivalent) will also be identified and marked as a partial agreement. The Form 3210 used to transmit the package will also be identified and clearly marked, TEFRA "Partial Agreement" and "Special Processing Required" to reflect that the attached package is for a partial agreement.
- (7) The area will monitor the receipt of the signed partial agreements and retain them until all are received. The area will sign for the Commissioner and send all of the partial agreements to the key case CPF for processing at one time. The TSPC will sign the agreements and not the CPF, since the area is fully aware of the agreed issues. Prior to signing for the Commissioner, the area will ensure both the notation "Partial Agreement" and the statement above are on all of the forms and attachments as required.
- (8) When the partial agreements are received by the CPF for processing, a 60 day package will be included that includes all agreed and unagreed items. The CPF will send the all inclusive 60 day package to all of the partners, whether partially agreed or not, because all adjustments must be included in the schedule of adjustments.
 - a. When the signed partial agreement forms are received by the CPF, process as normal, the "Partial Agreement" notation and the statement at the bottom will be highlighted (preferably in yellow). If the agreements have not been signed for the Commissioner by the area and have not been marked "Partial Agreement", but it is known that they are in fact partial agreements, the agreement forms will not be signed by the CPF. The agreement forms will be returned to the originator. Subsequent modifications to agreement forms already signed by the taxpayer and executed cannot be made. The CPF will give the partial agreement forms expedited handling. Although not a true one year date, a placeholder "one-year" date will be entered. The CPF will input a date that is 5 months from the acceptance date on the agreement forms. This will be done to ensure timely processing. Instead of inputting a "Y" on PCS an "M" will be input. This ensures better control over these cases and will be used until a unique code can be obtained to indicate a partial agreement. There is currently an informal procedure in place to utilize the "M" as an indicator for partial agreements as well as for manual assessments.
 - b. For these partial agreements only, the CPF will only be required to process packages for the partners and to notify the area. No TMP notification (Letter 2398) will be required since the TMP is fully aware of who accepted the partial agreements. However, the taxpayer should be sent their copy with Letter 1908 if the area did not already send the taxpayer an executed copy. In most cases, the campus will send the taxpayer their executed copy with Letter 1908.

Note: The title of Letter 1908 is "Transmittal Letter Agreed Form 870-PT", however, the language of the letter allows it to be used with any of the 870 agreement forms used in TEFRA.

- (9) When the area submits the 60 day package for processing and the area has solicited partial agreements, the CPF cannot and will not process the package until all partners have signed and agreed to the partial report unless the area specifically instructs the CPF to do so. Advance coordination with the CPF in this situation is required. Keep in mind that an undue burden is placed on the CPF if not all of the partial reports have been signed and agreed. PCS won't generate a 60 day letter with a "one-year" date still remaining on the partner. The CPF will request the 60 day letters prior to inputting the "one-year" date for the partial agreements. If a 60 day package is not included with the partial agreements, the partial agreement package will be returned to the area.
- (10) The 60 day package the area prepares and submits to the CPF will address all issues, i.e., both agreed and unagreed. The schedule of adjustments page will include all of the issues. The package will include all of the items listed in IRM 4.31.3.6.1, 60-Day Letter, of this Handbook. All partners must agree to a partial agreement before those agreement will be executed.
- (11) When final closing packages are received from the area or Appeals, the CPF will check TSUMYP to ensure all partners were previously worked for the partial agreement. It is anticipated that no partner will have either a "one-year" date or "11's" in the "one-year" date field when the final agreement is received. The CPF must pay particularly close attention to the TSUMY print to verify no partner has a "one year" date with the TEFRA (T) indicator removed. In those instances, the "one-year" date will not be changed. If the CPF is unsure of the research, the Campus TEFRA Coordinator or technical personnel should be consulted for guidance. The campus report writers can compare the final closing package with any prior packages and/or reports to see if any issues were previously processed as partially agreed and prepare the final reports accordingly.

4.31.3.11

(10-01-2010)

One-Year Assessment Dates

- (1) A one-year date is a statute expiration date that affects a taxpayer's account as the result of a TEFRA examination. It is exactly one year from the date a partner's partnership items became nonpartnership items. The one-year date is not 365 (or 366) days, but is exactly one year. If items convert on February 28, 2015 the OYD will be February 28, 2016. The only exception to the one year rule is if a taxpayer's partnership items convert on February 29 in a leap year. The one-year date in that instance would be February 28 of the next year and not March 1. The Code (IRC 6229(f)) specifically states the period for assessment "...shall not expire before the date which is 1 year after the date on which the items become nonpartnership items."
- (2) The one-year date also applies to affected items that are computational in nature such as any percentage limitation based on adjusted gross income (i.e., deductible medical expenses change with a change to adjusted gross income or a change to a net operating loss carryback or carryover due to a change in adjusted gross income). Affected items that are factual in nature require a partner level proceeding and an agreement by the taxpayer. If the taxpayer doesn't agree to these affected items a 30 day and/or 90 day letter will be issued to the taxpayer. This partner level proceeding must be initiated before the expiration of the one-year date. Examples of factual affected items are penalties (for years ending before August 6, 1997 only; for years ending after August 5, 1997, penalties are treated as partnership items), basis issues, at-risk issues and passive loss issues.

- (3) The date partnership items become nonpartnership items is not as easily determined and it may occur in many ways. The most common event where items convert is when the taxpayer signs a settlement agreement such as a Form 870-PT, Form 870-LT or Form 906 and it is accepted by the Commissioner. This will be discussed in more detail below.
- (4) Some items do not become nonpartnership items immediately upon completion of an event by either the taxpayer or the Service. There is a "waiting period" between an event date and the conversion date. It is not a "suspension" period in the normal context, but until this waiting period has passed, no assessments can be made. The event causing the conversion determines the length of this waiting period.
- (5) Events that occur where partnership items will convert to nonpartnership items on the date of the event include:
 - a. The Secretary mails the partner a notice that partnership items will be treated as nonpartnership items.
 - b. The partner files suit under IRC 6228(b) after the Secretary fails to allow an AAR.
 - c. The Secretary enters into a settlement agreement with the partner. (The date the Commissioner signs the agreement, not the taxpayer.)
 - d. The Secretary fails to provide proper notice under IRC 6223(e).
 - e. Special enforcement areas under IRC 6231(c).

IRC 6231(c) Special Enforcement Areas
<ul style="list-style-type: none"> • Termination or jeopardy assessments. • Criminal investigations. (Not automatic, written notification of our intent to convert the partnership items to non-partnership items is required.) • Indirect method of proof cases. • Bankruptcy and receivership situations. • Request for prompt assessment.

- (6) The simplest way to compute a one-year date (if the start of the one-year date does not occur on the same day as the final determination or conversion) is to use Julian dates. The date of the event is converted to a Julian date. The appropriate waiting period is added to the Julian date of the event. This new Julian date is converted back to a calendar date. This is the start date. The one-year date is one year after this start date.

Note: As a matter of practice, the campuses will subtract one day from the true one-year date when the one-year date is entered on the PCS. This is done to help ensure the assessments are made prior to the expiration date.

- (7) If the Julian date with the waiting period added to it is over 365 (366 for a leap year), then 365 (or 366) is subtracted from the total. (If the total is exactly 365, or 366 if the event occurs in a leap year, then no subtraction is made.) The remainder is then converted back to a calendar date. Here are two examples of the calculation of a one-year date for a Tax Court decision:

Date Decision Entered	April 9, 2001	November 30, 2001
Julian date	99	334
Add 90 days	90	90
Subtotal	189	424
If over 365 (366) - subtraction amount	N/A	365
Julian date as adjusted	189	59
Calendar date (also decision final date)	July 8, 2001	February 28, 2002
One-year date	July 8, 2002	February 28, 2003

- (8) In the above example for the April 9, 2001 decision entered date, no assessment may be made before July 9, 2001. Also, generally, no assessment may be made after July 8, 2002. For the November 30, 2001 decision entered date, no assessment may be made before March 1, 2002 (there is no February 29 in 2002) and generally no assessment may be made after February 28, 2003.

Note: This only applies to those taxpayers who did not previously sign an agreement form converting their partnership items to nonpartnership items. If they did sign an agreement form they would have had a one-year date computed from the date the agreement form was signed for the Commissioner.

- (9) Below is a calculation table to assist in computing the One-Year Date.

Calculation of One-Year Dates, Where the start of the One-Year Date period is not Simultaneous With the Date of the Event	Enter information to calculate OYD.
Type of event (a)	-
Date of the event	-
Date of the event converted to a Julian date	-
Number of days for the waiting period (b)	-
Subtotal (Start Date)	-
Subtraction for subtotal over 365 (366) (c)	-
Julian date as adjusted	-
Julian date converted back to a calendar date	-
One-year date (d)	-

- a. The event that starts the one-year assessment period may be:

Events that start the one-year assessment period
--

- | |
|--|
| <ul style="list-style-type: none"> • A Notice of Conversion • A suit filed when the Service fails to process an AAR • A Signed settlement agreement • An Untimely Notice • An FPAA to the TMP • A Tax Court decision • A District Court decision • A Court of Federal Claims decision • A United States Court of Appeals decision • A United States Supreme Court decision |
|--|

- b. The number of days to add for the waiting period is:

Number of days to add for the waiting period
--

- | |
|---|
| <ul style="list-style-type: none"> • For a defaulted FPAA - add 150 • For a Tax Court decision - add 90 • For a District Court decision - add 60 • For a Court of Federal Claims decision - add 60 • For a United States Court of Appeals decision - add 90 • For a United States Supreme Court decision - add 25 |
|---|

- c. The Julian date for any year cannot be more than 365 (366 for a leap year). If this calculation yields a number in excess of 365 (366), then 365 (366) must be subtracted from the subtotal to compute the date in the next year.

Note: As a matter of practice, the campuses will subtract one day from the true one-year date when the one-year date is entered on PCS. This is done to help ensure the assessments are made prior to the expiration date.

- (10) All returns with a one-year date that are moved between teams requires a transmittal either electronic or Form 3210. A trail is needed to ensure returns with a live statute are properly controlled.

4.31.3.11.1
(04-26-2017)
**Seven Month
Assessment (SMD)
Dates (Chief Counsel
Notice 2009-011)**

- (1) Those cases that have affected items that fall under Chief Counsel Notice 2009-011 should have an assessment date posted that is 7 months after the final determination. This will allow the campus time to issue stat notices and make the related assessments before the actual OYD expires.
- (2) To calculate the SMD, compute the OYD as above and subtract 150 days.
- (3) The area submitting the closing package to the campus must prominently state on the package that affected items must be stat noticed and assessed prior to the expiration of the OYD.
- (4) Notice 2009-011 applies when the agent is unsure whether adjustments are computational or affected items. When this occurs, the adjustments are processed using both procedures. A statutory notice of deficiency is issued so that it will default prior to the expiration of the OYD. If the taxpayer agrees, or

the statutory notice defaults, then Letter 4537, Notice of Computational Adjustment, will be issued and the tax assessed.

- (5) The package must clearly reflect that CC Notice 2009-011 applies. This will alert you to issue the notice of computational adjustment and make the assessment after the statutory notice of deficiency is agreed to or has defaulted.

4.31.3.11.2
(04-26-2017)
**Updating the OYD when
Issuing Statutory
Notices of Deficiency**

- (1) When a statutory notice of deficiency is issued a package report indicator of "S" should be added.
- (2) After the partner's computational adjustments have been assessed, the OYD should be extended 90 days to allow for the processing of the statutory notice.
- (3) The one-year assessment date will be updated for the affected items or partner level penalties using CC TSCHG, item 05. The new OYD will be input as (YYYYMMDDXP) where X is the applicable partner closing code (IRM 4.29 3.2.1.1.2) followed by the P. These entries are completed in sequence on the same Form 8339, PCS Change. This is the only time that "11111111" can be overlaid.
- (4) The OYD may need to be adjusted again depending upon the action taken by the partner.
- (5) If the partner agrees within the first 30 days, the OYD may be shorter than the 90 day period and needs to be adjusted to 60 days from the agreement date plus the number of days suspended. If the partner agrees after 30 days, the OYD will be longer and needs to be adjusted to 60 days from the agreement date plus the number of days suspended. See IRM Exhibit 4.8.9-3, Assessment Statutes: Agreed Case. Depending upon when the SNOD was issued compared to the OYD there may be additional tack on days.
- (6) If the statutory notice is petitioned, 11111111 will be entered into the OYD. The dollar amount entered on PCS will be the amount shown on the stat notice. The time should reflect the amount of technical time spent up until the case is transferred to Appeals.
- (7) The ASED will be updated by the Appeals Coordinator to a "QQ" alpha code.

4.31.3.11.3
(06-11-2013)
**Suspension of OYD Due
to Combat Zone**

- (1) See IRM 25.6.1.10.2.9.6, Combat Zone Research, for guidance on identifying a taxpayer located in a combat zone, and the time period for making assessments.
- (2) The statute for taxpayers in a combat zone is suspended during the time they are in the combat zone plus 180 days after they exit the combat zone.
- (3) When the taxpayer is in a combat zone, the OYD will be extended on PCS for no more than 90 days. At that time, the taxpayers combat zone status will be checked again. If the taxpayer has not left the combat zone, the OYD will be extended again for no more than 90 days. This process will continue until the system shows the taxpayer has exited the combat zone and their return can be processed. Refer to IRM 25.6.1.10.2.9.6, Combat Zone Research, to determine when assessments may be made.

4.31.3.12
(04-26-2017)
**Undeliverable
Correspondence**

(1) NBAP:

- a. If any NBAP is returned as undeliverable, associate it and the envelope with the key case file.
- b. If a letter was returned undelivered or refused, indicate that on the key case copy of the mailing list.
- c. An undeliverable NBAP will not be reissued or re-mailed if the NBAP was mailed to the partner's most current address.
- d. If the undeliverable NBAP was mailed to a partner's address other than the most current address shown on IDRS, a new letter will be mailed to the partner's most current address. Care should be taken to ensure the correct address was used. Mailing a new letter will start a 120 day date again. Inform the agent, if the key case is in status 12, that the 120 day date has reset, and to inform their TSPC if they plan on issuing an FPAA before the 120 period expires. If the case is in status 21 or above, contact TSPC.

Reminder: A new mailing list will be generated when NBAPs are resent and a new 120 day date is created.

A notation must be made on the original mailing list for the partners that were issued new NBAPs and the date those letters were issued.

- e. If the NBAP was mailed to the most current address at the time, but there is now a new address on IDRS, re-mail the original correspondence to the new address. This will not start a new 120 day date since we used the most current address on our system at the time of mailing. No new mailing list should be generated. Notate on the original mailing list the date, and address to which the letters were issued for each affected taxpayer.

(2) 60 Day Letter:

- a. If any 60 day letter to a partner is returned as undeliverable, the CPF will perform all necessary research to identify a new address.
- b. If research identifies a new address, the 60 day letter will be re-mailed; however, the original letter date must be used. Do not re-mail to the new address if the FPAA has been issued.

(3) Appeals Settlement Letter:

- a. If any Appeals Settlement letter to a partner is returned as undeliverable, the CPF will perform all necessary research to identify a new address.
- b. If research identifies a new address, the Appeals Settlement letter will be re-mailed; however, the original letter date must be used. Do not re-mail to the new address if the FPAA has been issued.

(4) FPAA:

- a. If the FPAA to a partner is returned as undeliverable and a new address was previously available but not used, reissue using certified mail with a new letter date and mail to the new address. Notify Technical Services that submitted the FPAA notice package of the new letter date and send them a copy of the new certified mailing list. This may result in the need to follow untimely notice procedures if the new letters are not issued within 60 days of the TMP FPAA.
- b. If the FPAA to a partner is returned as undeliverable and a new address is obtained subsequent to the initial mailing, re-mail the original corre-

- c. Under no circumstances should a new FPAA be re-issued after the original FPAA default date.
- d. If there is no other address to which the FPAA can be mailed, a copy of the undeliverable FPAA needs to be kept in the partner's case file. The case will be closed disposal code 13 after the FPAA defaults.

- (1) Typically, the TSPC will mail out the TMP letters and include an electronic file in the linkage package. The TMP NBAP, 60 Day or FPAA letters have the return address of the campus. When the TMP letter is returned as undeliverable, the appropriate TSPC needs to be promptly informed. Contact should be made within 5 days of receiving the letter.

- (1) The following subsections provide guidance on TEFRA report writing procedures. Also refer to any other necessary IRM or Training Guides as needed.

#####

#

4.31.3.13.4
(06-04-2004)
**Processing Closing
Packages**

- (1) The following subsections cover closing package procedures.

4.31.3.13.4.1
(04-26-2017)
**Report Writing Review
of Closing Package**

- (1) Upon assignment, the report writer should check the case file to determine if it includes the following items:
- a. The tax return, or amended returns;
 - b. An executed Form 870-PT, 870-LT, 870-PT (AD), or 870-LT (AD) with the schedule of adjustments, default documents, or other assessment documents;
 - c. A Form(s) 886-S, 886-W, 886-X, or 886-Z (or equivalent spreadsheet) showing the corrected ordinary income or loss; any basis or affected item adjustments; any penalty information;

Note: A Form 886-Z is not needed with a no change package.

- d. Form 14434, TEFRA Notice Package Check Sheet, or the package review cover sheet must be notated with the IRC 6404(g) date, and whether an agreed closing package (executed Form 870-PT or Form 870-LT (60 day letter only)) is the result of a 60 Day Letter or FPAA.
 - e. IMFOLT (or BMFOLT) and TSUMY prints;
 - f. Schedule K-1;
 - g. Prior assessment information such as a Form 4549, Report of Income Tax Examination Changes, or other changes to the partner's account;
 - h. Any related tax returns for carryback and/or carryover issues; and
 - i. Any related tax returns with Form 8615, Tax for Certain Children Who Have Unearned Income.
- (2) The Report Writer should review the Closing Package by verifying the partner's profit percentage on Form 4605-A to the percentage identified on the related partnership Schedule K-1. Math verify the adjustment amount, which is the difference between "as reported" and the "corrected figure" on Form 4605-A and compare to the amount on Form 886-Z (or equivalent spreadsheet). In addition, a complete review should be done of the entire Closing Package for any other information that would need to be included in the report of adjustments being issued to the taxpayer i.e., basis, at-risk, penalties, special allocations, etc. This information should be included on Form 886-Z (or equivalent spreadsheet), but could be found anywhere in the closing package.

Note: All adjustment computations need to be included in the package. The campus is not responsible for computing the partnership adjustments amounts passing from the key case to the underlying partners. In addition, those adjustments should be sufficiently explained so the report writers can make the requested changes to the partners. Special allocations may exist and need to be considered.

- (3) Only the material partners need to be listed on the Form 886-Z (or equivalent spreadsheet) along with an "other partners" section to account for the remaining adjustment. Cross-reference this information from Form 886-Z (or equivalent spreadsheet) with the partner's Schedule K-1 for discrepancies.
- (4) Both Form 886-Z (or equivalent spreadsheet) and Form 4605-A should have the same corrected amounts.

- (5) The report writer also needs to verify whether or not IRC 6404(g) applies. The IRC 6404(g) date, if applicable, should be identified in the closing package.
- (6) Agreed packages with Form 870-PT, 870-LT, 870-PT(AD), or 870-LT(AD) included need to have a notation as to whether the agreement was received from a 60 day letter or an FPAA. This information is necessary to ensure the report writer has the information needed to determine the correct disposal code. Without that information, the report writer has no way of knowing whether the agreement form was secured via a 60 day letter or an FPAA.
- (7) If any of these items are not present in the partner case file, the report writer must secure the information necessary for the preparation of the examination report. Depending on the statute, this may require returning the case file to another unit to secure the necessary information.
- (8) The report writer must verify that the one-year assessment statute date is correct.

4.31.3.13.4.2
(06-11-2013)
Verify Statute

- (1) For agreed packages, the one-year assessment statute date is one year from the date the Form 870-PT, 870-LT, 870-PT (AD), or 870-LT (AD) was executed.
- (2) For defaulted FPAA packages, the one-year assessment statute date is one year plus 150 days from the date the FPAA was mailed to the TMP.
- (3) For court decisions, the one-year assessment statute date is no less than one year from the date the decision become final. The date the decision is final is the date the decision is entered plus the applicable waiting period as mentioned in IRM 4.31.3.11, One-Year Assessment Dates.
- (4) If the IRC 6229(a) statute is barred, a Form 3999-T should be in the CPF key case administrative file. A copy of the Pattern Letter(s) P-430 and/or P-431 (pro-forma) should be in the barred statute package received from the key case area.
- (5) A partner barred statute package will be prepared for the partner CPF, if any. The package will include a legible copy of Pattern Letter(s) P-430 and P-431, if applicable. See examples in IRM 4.31.2.5.2.1, Barred Key Case Partnership Statutes.

4.31.3.13.4.3
(01-13-2023)
Check for Penalties and Affected Items

- (1) The report writer must determine whether penalties and/or affected items were recommended for the key case.
 - a. For tax years ending after August 5, 1997, all penalties are determined at the partnership level and are agreed to on a Form 870-PT or Form 870-PT(AD).
 - b. For tax years ending after August 5, 1997, all other affected items are still determined at the partner level and are agreed to on Form 870-LT or Form 870-LT(AD) on page 2.

Penalties and affected items that are agreed to on one of the above forms, must be assessed via a computational adjustment. Affected items that are not agreed to (default package, etc.) must be proposed using deficiency procedures with Letter 525-D, 30 Day Letter Related to Pass-through Entity Examination, or Letter 531, Notice of Deficiency. A computational adjustment can be made for penalties not agreed to for tax years ending after August 5, 1997 after a defaulted FPAA or court decision.

Note: If page 2 of Form 870-LT, is signed by a pass-through entity then a Notice of Deficiency must still be issued to their partners for the affected items.

Note: For tax years ending after August 5, 1997, penalties determined at the partnership level that are computed on any affected-item deficiency must be assessed as part of the computational adjustment, and not included in the affected-item notice of deficiency.

- (2) IRC 6751(b) requires that penalties be approved by a manager before they are assessed. Penalties determined at the partnership level should have been approved in the field before the closing package was submitted to the campus. Any penalties that the campus believes should be applied at the partner level should be approved by campus management before they are applied.
- (3) Penalties determined at the partner level will be included on the statutory notice of deficiency. The application of the penalties should be clearly stated on the affected items report.

4.31.3.13.4.4
(04-26-2017)
**Schedule K-1 Accuracy
Related Penalty**

- (1) The report writer will reconcile the Schedule K-1 to the return.
- (2) If the taxpayer has not reported income or loss consistent with the Schedule K-1, and has not responded with information, which explains the difference, a direct partner should be referred to a campus RA for consideration of the IRC 6662 penalty. The penalty can only be applied to a direct partner if the IRC 6501 statute is still open.

4.31.3.13.4.5
(06-11-2013)
**Referring Complex
SB/SE Issues to the
Field**

- (1) If, due to the complexity of the case, an employee believes that they cannot adequately prepare a partner audit report, the employee should consult with the Campus TEFRA Coordinator. The Campus TEFRA Coordinator will provide the employee with assistance, or work with the appropriate Headquarters Analyst in order to have the case worked in the field. Campus personnel should make every effort to work all campus controlled partners at the campus. However, there are times when the complexity of the case will require assistance from the field. It is the complexity of the issues, and not the size of the case, that will dictate whether a case gets sent to the field.

4.31.3.13.5
(01-13-2023)
Tier Report Writing

- (1) Technical personnel in the CPF will prepare examination reports for partners that are pass-through entities (tiers). Tier files will be forwarded for report writing using the guidelines in the text (See IRM 4.31.3.6, Notice Packages) of this Handbook.
- (2) Tier reports must be written on a priority basis so as not to adversely impact on the one-year assessment statute date of the tier partners.

Note: All tier cases need to be given priority over all other cases except for statute cases. It is important that multiple tier cases **not** be worked in normal statute date order. Doing so can create an unnecessary hardship on the BMF and IMF report writers as little time can be left on the one-year assessment date to work the terminal partners. It also creates unnecessary expense as short statute cases require manual assessments.

- (3) Form 4700-T, Examination Workpapers, must be used for report writing workpapers. It is used to annotate examination information when preparing investor

reports. It should clearly reflect the actions the report writer made when preparing the report. The report writer will attach the Form 886-Z (or equivalent spreadsheet) and other documents received from the key case CPF to the workpapers.

- (4) The report writer will generate a Form 4605-A, which will reflect the adjustments to the tier from the key case. A Form 886-S or Form 886-W needs to be prepared for all partners to ensure the amounts are distributed correctly. The report writer will notate the material partners on the Form 886-S or Form 886-W to reflect the correct amount of income or loss for each material partner to include in the closing package. The material partners will match those listed on the build out. If the key case examination results in a no-change, no Form 4605-A will be prepared for the tier, and the key case closing package will be used in lieu of a Form 886-S or Form 886-W.
- (5) If a tier is a partner in more than one key case or is a key case in its own right, special care should be taken in preparation of the pass-through reports. The Form 4605-A and Form 886-S or Form 886-W must clearly indicate that related partner cases should be processed as partial assessments and suspended pending subsequent adjustments. Tier reports should also reflect whether penalties are applicable to the partners. If penalties are not applicable, it should be noted in the report.
- (6) The tier CPF will forward a report package to the related partner CPF or field agent controlling the partner return within 30 days from completion of the pass-through entity report. The package will include the following:
 - a. A Form 3210 which clearly reflects the tier name, EIN, and tax year; the partner name, TIN, and tax year; the one-year assessment statute date, and the type of package being sent;
 - b. A copy of the schedule of adjustments for the tier which reflects the adjustments passing through from the key case (including the Form 886-S or Form 886-W which lists the tier as a partner and the tier's correct distributive share of each adjusted item);
 - c. A Form 886-S or Form 886-W showing the corrected distributed share to the related partners; and
 - d. Penalty information (not used for tax years ending after August 5, 1997, because the penalties are included in the Form 4605-A). If penalties are not applicable, note that fact in the package.
 - e. If the tier report results in a no change, the campus may input the 11111111 prior to sending out the report to the field group with Form 6658. This allows the field to close the case without inputting Form 8339. Care should be taken to ensure the partner is not linked to a tier that would require additional adjustments related to open key cases. If this is the case the 11111111s should be removed with a 05-T.
- (7) If less than three months remain on the one-year assessment statute date, the Team Leader of the tier CPF will contact the Team Leader of the related partner CPF to advise that a package with a short statute will be sent. The Campus TEFRA Coordinators can make contact instead of the Team Leaders.
- (8) If the partner is a CIC/LCC corporation, corporate specialty, corporations with activity code 219 or above, or Joint Committee case in Appeals jurisdiction, the Team Leader of the key case CPF will contact the Appeals Technical Specialist - TEFRA to advise that a package with a short statute will be sent. The Campus TEFRA Coordinator of the key case CPF may make the contact

instead of the Team Leader. The Team Leader of the key case CPF will send a copy of the package to the Appeals Technical Specialist - TEFRA, or if too bulky, mail by overnight mail.

- (9) After the packages are forwarded to the related partner CPFs, the tier return is closed with the Form 5344 prepared in accordance with the text of this Handbook (See IRM 4.31.3.13.8, Completion of Form 5344 – Examination Closing Record). If the tier return has other TEFRA linkages, it will be returned to suspense.
- (10) The PCS CC TSCHG is used to update the one-year assessment statute date and assessment results as follows: 05-11111111\$TIER,EC. If the AIMS status code is less than 80, time must also be entered.
- (11) Reports must be sent to tier partners with the appropriate letter.

4.31.3.13.5.1
(01-13-2023)
**Tier Partners Requesting
Partnership Level
Assessments**

- (1) Tier partners can request to pay the tax due for all underlying partners. When such a request is made, the tier return must be transferred on AIMS to the examiner or appeals officer controlling the key case. An “H” Freeze should be added to the tier partnership to ensure it does not close prematurely and that a closing package is received.
- (2) The field agent or appeals officer will need to work with their local counsel to secure a Form 906, and secure payment.
- (3) When payment is secured, the CPF will be notified to close the underlying partners.
- (4) A Tier 906 closing package will be sent to the CPF from the TSPC or Appeals TEFRA/BBA Team. The partners of the tier partnership will be closed as agreed cases.

4.31.3.13.6
(06-04-2004)
**Preparation of Partner
Examination Report**

- (1) The following subsections provide information on the preparation of partner examination reports.

4.31.3.13.6.1
(01-13-2023)
**Determining
Adjustments**

- (1) The partner return will normally be adjusted to reflect the corrected amount shown on the Form 886-S, Form 886-W, or Form 886-Z (or equivalent spreadsheet), unless the adjustment document reflects an allowable loss and the partner did not report the loss from this pass-through return on the original return.
 - a. In this situation, the report writer must consider the correspondence in the file, which explains the difference between the amounts shown on the Schedule K-1 and the return.
 - b. If the partner did not respond to the inquiry or responded that the loss was not claimed because of a limited basis or previous execution of a Form 906, the examiner should allow no loss as a result of the examination of the pass-through return.
- (2) TEFRA report writing is unique in that a separate report will be issued for each linkage if they close at different times. This is done so as not to jeopardize the separate one-year assessment statute dates. Each report is prepared based on the income as adjusted on the prior report.

- (3) The Form 4549-A, Report of Income Tax Examination Changes (Without Taxpayer Signature) should list each issue and the name and EIN of the partnership from where the adjustment came. The name provides a unique identifier to help the taxpayer understand where the changes came from. It also provides clarity when there are multiple partnership adjustments, or the partner is indirect.
- (4) Assessments must be made as soon as possible after the completion of the Form 4549-A. If there are affected items, other linkages or carryover from a prior year that prevent a full closure from being made, a partial assessment will be made.
- (5) Form 8339, PCS Change, is used to update the one-year assessment statute date on PCS and to enter the amount of any partial assessment that is being made. A separate Form 8339 will be prepared for each linkage. In addition, more than one Form 8339 may need to be prepared if the partner's assessment is attributable to adjustments from more than one key case even if they go through the same direct linkage.
- (6) Each time a report is written, the report writer will determine whether a partial or complete closure should be made.
- (7) All reports sent to taxpayers must be sent with a Letter 4735, Notice of Computational Adjustment. Letter 4735 should be sent regular mail, and should generally be sent before or the same day assessments are made.

4.31.3.13.6.2
(04-26-2017)

**Report Preparation for
Previously Adjusted,
Large or Complex LB&I
Returns**

- (1) When return adjustments are too complex for the campus to work, LB&I Tax Computations Specialists (TCS) may be used to assist with preparing these reports.
- (2) LB&I has designated two TCS teams to work with the campus on complex cases. Contact information can be provided by HQ TEFRA Analysts.
- (3) The campus will maintain AIMS control of the return as well as the statute responsibility.
- (4) The campus will scan the portions of the case file needed to prepare a report and send them to the TCS. The TCS will prepare the report within 30 days and return it to the campus.
- (5) If the statute will expire within 60 days, contact should be made with the TCS before sending the returns. It may be necessary to make a protective assessment.

4.31.3.13.6.3
(01-13-2023)

**Examination Report with
Affected Items or
Partner Level Penalties**

- (1) The report writer will generate a Form 4549-A, Report of Income Tax Examination Changes (Without Taxpayer Signature), if the taxpayer has signed Form 870-PT, Form 870-PT(AD). Any Form 4549-A must include the name, telephone number and the unique identifying number of the person to contact.
- (2) Affected Items are handled similarly. Affected items must be agreed to by signing Part II of Form 870-LT or Form 870-LT(AD), or through deficiency procedures. Affected item agreements, Form 870-LT, are provided with a 60 Day Letter. Affected items are not under the jurisdiction of the courts with regard to partnership proceedings and are not provided with FPAAs. If Part II of the Form 870-LT is not signed, the affected items may be protested or petitioned using deficiency procedures after the partnership proceedings are complete.

Any partners subject to affected items and/or partner level penalties will be noticed using deficiency procedures and be sent Letter 525-D, 30 Day Letter Related to Pass-through Entity Examination, or Letter 531, Notice of Deficiency, Form 4549-A and Form 4089-B, Notice of Deficiency - Waiver, to secure signatures.

- (3) Partners that file a petition for affected items will be updated and sent to Appeals within 15 days.
- (4) The following table will help explain how penalties or affected items are agreed to by the taxpayer and which Form 870 is appropriate.

Reports With	Form 870 Type
No Penalties or Affected Items	Form 870-PT, Form 870-PT(AD)
Penalties Only	Form 870-PT, Form 870-PT(AD)
Affected Items Only	Form 870-LT, Form 870-LT(AD), both Parts I and II must be signed.
Both Penalties and Affected Items	Form 870-LT, Form 870-LT(AD), both Parts I and II must be signed.

- (5) Each agreement needs to be reviewed carefully to determine the procedures to use. An FPAA is only issued with a Form 870-PT. Any affected items or partner level penalties must be agreed to separately from partnership items using deficiency procedures with Letter 525-D, 30 Day Letter Related to Pass-through Entity Examination, or Letter 531, Notice of Deficiency. 30 day letters should only be issued if more than 90 days remain on the One-year Assessment Date statute. Although not a requirement to issue a 30 day letter the taxpayer should be given the opportunity to be heard in Appeals rather than Tax Court.
- (6) All reports sent to taxpayers that address computational adjustment must be sent with a Letter 4735, Notice of Computational Adjustment. Computational Adjustment, include penalties determined at the partnership level. The RAR should include the following statement when such penalties apply: "During the TEFRA unified proceedings, it was determined that the addition to tax under IRC (penalty code section) will be asserted on any partner-level liability resulting from the partnership-level proceedings. Partner level defenses to such penalties can only be asserted through refund actions following assessment and payment. See the attached Form 886-A, Explanation of Items."
- (7) When affected items or partner level penalties will be assessed after the computational adjustments are processed, a new OYD will be entered on to PCS. This is done by overlying the 11111111s with the new OYD followed by the closing code and a "P". These entries are completed in sequence on the same Form 8339 (TSCHG, item 05).
- (8) The "P" is the Penalty Assessment Indicator. The penalty/affected item report indicator is displayed on PCS reports and TSINQ and TSUMY screens immedi-

ately after the one-year assessment statute date, i.e., MMDDYYYYXP (04151998XP) (Where X = the Investor Closing Code) See IRM 4.29 3.3.1.1.2, Penalty Assessment Amount.

- (9) The affected item/ partner level penalty report indicator “P” identifies one-year assessment statute dates that are present only for affected items, or partner level penalty purposes. When the indicator is present, it alerts the CPFs to the fact that the one-year assessment statute date is for an affected item and/or partner level penalty issue, and that the TEFRA tax adjustment issue is already complete. The indicator causes affected item/ partner level penalty records to sort to separate pages on PCS Report 4–4, and that allows monitoring of the affected item/ partner level penalty one-year assessment statute dates separately from the TEFRA one-year assessment statute dates.
- (10) See IRM 4.31.3.11.2, Updating the OYD when Issuing Notices of Deficiency, for determining the new OYD after issuing a statutory notice of deficiency. It is important to note that this new date only applies to the affected item adjustments and does not cover any computational adjustment amounts that should have been assessed from the original OYD.
- (11) When issuing a SNOD to a partner due to affected items or if assessing penalties determined at the partner level, an “S” should be input as the report package received indicator.

4.31.3.13.6.4 (01-13-2023)

Protest Received after the Receipt of a 30 Day Letter on Affected Items

- (1) If a protest is received in response to 30 day letter for affected items the report writer must determine the correct statute date. Appeals require a minimum of 12 months on the statute when the case is received. In order to consider the transfer time at least 13 months should remain. If the IRC 6501 statute (ASED) is longer than the OYD then IRC 6501 date should be considered. If the IRC 6501 date is less than 13 month or has expired and the relied upon statute is the IRC 6229 One Year Statute Date, then a statute extension Form 872, Consent to Extend the Time to Assess Tax, should be requested.
- (2) The Form 872, statute extension must be received and executed prior to the expiration of the IRC 6501 or IRC 6229 statute date.
- (3) The statute date (ASED) and OYD should be updated to the extended date prior to forwarding the case to Appeals. Update the OYD using the procedures in IRM 4.31.3.11.2.
- (4) All partnership item adjustments (computational adjustments) must be made before forwarding the affected item protest to Appeals.
- (5) Perfected protests of affected items must be updated and sent to Appeals within 15 days.

4.31.3.13.6.5 (01-13-2023)

IRC Section 6404(g), Suspension of Interest and Certain Penalties

- (1) In the case of an individual who files a return on or before the due date for the return (including extensions), the Service has 36-months (18 months effective for tax years where the 18 month period ended on or before November 25, 2007.) beginning on the later of:
 - a. the date on which the return is filed; or
 - b. the due date of the return without regard to extensions,
 in which to provide notice to the taxpayer specifically stating the taxpayer’s liability.

- (2) If notice is not provided to the taxpayer before the close of the 36-month period, (18 months for notices issued on or before November 25, 2007.) then the imposition of any interest, penalty, additions to tax or additional amounts that are calculated by reference to the period during which any failure relating to the return is suspended.
- (3) The term “suspension period” means the period:
 - a. beginning on the day after the close of the 36-month period (18 months effective for tax years where the 18 month period ended on or before November 25, 2007.) under (1) above; and
 - b. ending the date which is 21 days after the date on which notice is provided to the taxpayer. A notice for purposes of IRC 6404(g) must contain sufficient information for the partner to calculate his or her portion of the partnership liability and the reason for the adjustment(s). Counsel has determined that sending such a notice to a TMP is sufficient notification. Generally, this will be the date the 60 day letter is sent to the TMP. In some instances, a 60 day letter may not be sent before the issuance of an FPAA. In that case, the date the FPAA is mailed to the TMP will be the date the notice is provided to the taxpayer.

Note: If, as of November 25, 2007, the 18 month period has closed and the Service has not provided notice to the taxpayer, interest and applicable penalties will be suspended beginning on the day after the close of the 18 month period and ending on the date that is 21 days after the notice is provided. In all other cases, interest and applicable penalties will be suspended beginning on the day after the close of the 36 month period and ending on the date that is 21 days after the notice is provided.

- (4) The exceptions to the general rule for suspension of interest and certain penalties where the Service fails to contact the taxpayers are:
 - a. any penalty imposed by IRC 6651;
 - b. any interest, penalty, addition to tax, or additional amount in a case involving fraud;
 - c. any interest, penalty, addition to tax, or additional amount with respect to any tax liability shown on the return;
 - d. any interest, penalty, addition to tax, or additional amount with respect to any gross misstatement;
 - e. any interest, penalty, addition to tax, or additional amount with respect to any reportable transaction with respect to which the requirement of IRC 6664(d)(2)(A) is not met and any listed transaction (as defined in IRC 6707A(c)); or
 - f. any criminal penalty.
- (5) The notice date must be annotated on the Form 886-Z (or equivalent spreadsheet) of the partner closing package prepared by the CPF, and also annotated on the partner’s Examination Report in the “Remarks” area with the following statement: “IRC 6404(g) does apply and notice was provided on (mail out date).”
- (6) The earlier of the date the 60 day letter was sent to the TMP or the date the FPAA was sent to the TMP will be the IRC 6404(g) date. That date will apply to all notice or non-notice partners directly or indirectly invested in the partnership.

- (7) In the event that partners agree before any notices are issued, the execution date of the settlement agreement will be the IRC 6404(g) date.
- (8) TC 971 with Action Code 064 will be input on Master File for the identified cases to record the notice date. Master File will automatically compute the interest with only one notice date. Cases with additional notice dates will require manually computed restricted interest (TC 340).
- (9) All IRC 6404(g) cases where an assessment is being made will require special instructions on Form 3198. If another assessment is necessary, it must again be stated whether IRC 6404(g) applies, and if it does, the notice date for the subsequent assessment must be entered in the "Special/Restricted Interest Features" section of the Form 3198.
- (10) In addition to IRC 6404(g) interest suspension, if the partner has made payments or has a credit election in anticipation of a TEFRA adjustment (Master File Account with TC 830 or TC 836) then May/Sequa interest calculations are required. See IRM 20.2.5.7, Revenue Ruling 99-40, Use of Money. The "Special/Restricted Interest Features" section of the Form 3198 should be notated.

4.31.3.13.6.6
(01-13-2023)
**Completion of
Workpapers**

- (1) The report writer will complete Form 4700-T, Examination Workpapers, on all cases to reflect the partner's applicable adjustment from the examined partnership. Workpapers must be appropriately annotated by the report writer to include all actions taken and how conclusions were reached to prepare the partner report. The following items should be included on the Form 4700-T:
 - One-Year Statute Date
 - Package type that created the OYD
 - Identification of the key case entity and direct linked entity if the partner is indirect (includes the year the adjustments relate to)
 - Penalty applicability and consideration
 - Affected items applicability and determinations
 - Interest suspension considerations
 - Related return considerations (Kiddie Tax, nominee, Other)
 - Carryforward and/or Carryback determinations
 - Amended return or prior adjustment considerations
 - POA identification and documentation
 - Correspondence received by the report writer from the taxpayer and/or authorized POA
 - IDRS and other research conducted
 - Other pertinent information needed to substantiate the adjustment determinations
- (2) Ensuring all adjustments are fully documented is extremely important if results are ever questioned and the burden of proof becomes an issue.
- (3) The Form 4700-T is available in RGS and should be used and maintained there. If there is also a paper case file, the report writer will attach Form 886-S, Form 886-W, or Form 886-Z (or equivalent spreadsheet), and other documents received from the key case CPF to the Form 4700-T as part of the workpapers.

4.31.3.13.6.6.1
(01-13-2023)

**Report Generation
System (RGS)**

- (1) RGS is used in the CPF when preparing IMF and all BMF reports except trusts. Although Form 1041, U.S. Income Tax Return for Estates and Trusts, reports can't be prepared in RGS. The report documents must be uploaded to RGS case file and maintained there.
- (2) Reason codes should be input on RGS for each item adjusted in order to capture Examination Operational Automation Database (EOAD) data per IRM 4.10.16, Examination Returns - Examination Operational Automation Database (EOAD). The list of reason codes can be found in IRM Exhibit 4.10.16-4, Reason Codes.
- (3) Most, if not all, TEFRA adjustments will originate from a partnership examination. Therefore, the reason codes from the flow-through section IRM Exhibit 4.10.16-4, Reason Codes, should be used. An exception would be an adjustment specific to the partner's return. For example, if the partner filed an amended return where the issues are not related to the partnership examination, those amended return adjustments should use non-pass-through related issue codes IRM Exhibit 4.10.16-1, IMF Issue Codes.
- (4) Generally, TEFRA cases will fall under non-NRP. The use of NRP issue codes would only be applicable if the partnership that was examined was part of an NRP sample. In such an instance, the case file will be clearly marked to identify it as an NRP related partner.

4.31.3.13.6.7
(06-04-2004)

**Innocent Spouse Relief -
TEFRA**

- (1) Innocent spouse requests for relief from TEFRA proceedings will be considered only after there is a final determination concerning the treatment of partnership items (e.g., a settlement is entered into, or the decision of the court becomes final). In addition, an innocent spouse request for relief will be considered for each assessment made, rather than limiting requests to one for each tax year. See Examination, Issues and Procedures, Innocent Spouse on Knowledge Management or IRM 25.15, Relief for Joint and Several Liability.

4.31.3.13.6.8
(02-29-2008)

**Passive Activity Losses
(PAL)**

- (1) Examiners need to ensure that all applicable forms are completed when computing the PAL adjustments. The Form 8582, Passive Activity Loss Limitations, worksheets do not need to be completed for all cases, but should be completed when needed. For example, they should be completed to communicate changes to the taxpayer in the case of dispositions or PAL carryovers.

4.31.3.13.6.9
(02-29-2008)

**Carryover/Carryback
Adjustments**

- (1) Case files for carryback and carryover years need to have copies of the workpapers from the source year supporting and documenting the adjustments. Adjustments such as Schedule A (contributions), NOL, possibly credits and PAL Credits would also require the closing documentation from the source year and computations for any carryback or carryover. Case files may be electronic as long as they are maintained on an enterprise system (e.g., CEAS) that is archived so the data can be accessed later.
- (2) When there are PAL carryovers, for example, the case files for those years need to have all of the necessary work papers to support the PAL adjustment. The carryover case file should have the closing documents from the source year as well as the Form 8582 reflecting the PAL carryover changes. Without the source documentation, there is nothing in the carryover year file to support the changes. This information is necessary in the event a subsequent taxpayer inquiry is made.

4.31.3.13.6.10
(01-13-2023)
**Qualified Business
Income Deductions
(QBID)**

- (1) When making adjustments to tax year 2018 or later campus controlled Form 1040 investor returns linked to ILSC key case closures, the CPF will have to consider QBID.
- (2) The CPF will review the investor return to determine if the investor claimed a QBID on their original or subsequently filed tax return, currently found on page one of the Form 1040. The same process will be followed for Form 1041 taxpayers who claim a QBID deduction on their originally filed return. For 2018, QBID was reported as an "other deduction", but later years have a QBID line on page one.
- (3) When applying these procedures, any adjustment to QBI items included on key case examination reports will be disregarded by CPF in lieu of the following procedures:
 - a. If there was no QBID claimed on the taxpayer's filed return, skip the following steps and take no action relative to the QBID.
 - b. If there was a QBID claimed on the taxpayer's filed Form 1040 return, add a Qualified Business Income Deduction issue in RGS using IMF Code 51040. Add an adjustment using the "Net qualified business income deduction" categorization in RGS. RGS is not used for Form 1041 adjustments.
 - d. Add a Form 14997, Adjustment to the Qualified Business Income Deduction, to report package sent to the taxpayer.
- (4) When applying the procedures above, any adjustment to QBI items included on key-case examination report (Form 4605-A) by the examining agent will be

#

#

#

#

dures will ensure the QBID adjustments are computed consistently.
- (5) If the taxpayer corresponds with Examination Field Support in response to the Form 14997, employees will review the information provided by the taxpayer and consider the proposed adjustment to QBID in light of the additional information received. If an adjustment to the QBID is warranted, the employee will make the adjustment in RGS using the issue established in paragraph (3), inputting the corrected value in the per exam field of the "Net qualified business income deduction" categorization.

4.31.3.13.7
(06-11-2013)
**Processing of
Adjustments**

- (1) If there are no other TEFRA linkages on PCS, and the return is not needed as a carryback/carryover for any other year, the return is sent for final closure. If other open linkages are present, a partial assessment (AMCLS F) is made, and the return file is suspended pending completion of the other related partnership examination(s).
- (2) Form 5344, Examination Closing Record, is prepared by the partner CPF to process partner or shareholder return pass-through adjustments each time an executed Form 870-PT, Form 870-LT, Form 870-PT(AD), or Form 870-LT(AD), defaulted FPAA, or court settlement is received by the partner CPF from the key case CPF.
 - a. A copy of the Form 5344 will remain in the file until all pass-through issues have been resolved.

- b. The closing function will input the PCS CC TSCLS as part of the final AMCLSE procedure. See IRM 4.4, AIMS/Processing Handbook, for general instructions.
- (3) Some exemptions to the Form 5344 preparation and processing are:
 - a. Adjustments received for partner returns that are linked to more than one partnership return will be processed individually as "Partial Closures" each time a pass-through adjustment is received. See IRM 4.4, Audit Information Management System (AIMS) - Validity and Consistency;
 - Note:** If OYDs are close, it is possible to include multiple adjustments together within the same closing. In that case, only one Form 5344 would be necessary. However, separate Form 8339 would be required to close each individual linkage and capture the assessment information.
 - b. Only one TC 30X per week per module can be accepted at Master File; one exception is when the adjustment received is for the last linked pass-through entity; in this situation the adjustment will be processed as a final closing;
 - c. Adjustments received for partner returns with no other issues or linkages are processed as final closings;
 - d. TEFRA assessments must be separately identified to ensure proper Master File blocking series identification; place the word TEFRA at the top of the Form 5344.
- (4) Cases must be closed with more than 60 days on the statute for the case to close systemically. Cases with 60 days or fewer on the statute must be closed manually.

4.31.3.13.8
(01-13-2023)

**Completion of Form
5344 – Examination
Closing Record**

- (1) Special attention must be given to certain entry items on Form 5344.
 - a. Notate "TEFRA" on the top of the Form 5344 per local instructions.
 - b. CC TSCLS - This block should be checked when a partner return is linked on PCS. This portion will only be completed at the time of the final closing.
 - c. Item 8 - Agreement Date (partial or final closings). This entry will be completed for tax years beginning after August 5, 1997. (IRC 6601(c)). If an agreement is secured on Form 870-PT, Form 870-LT, Form 870-PT(AD), Form 870-LT(AD) or Form 906, the agreement date is the date the form is signed on behalf of the Commissioner. If an agreement is received using normal deficiency procedures (affected items requiring partner level agreement), the date the agreement was received is required to be entered if the disposal code is 03, 04, or 09 and Item 12 contains an increase in tax and the MFT is 02, 05, 30, 31, 33, 51 or 52. See IRM 4.4.12.5.18, Item 08: Agreement Date. For tax years beginning before August 6, 1997, cases will be closed using disposal code 08 and no agreement date.
 - d. Item 9 - Priority Code. Priority Code 05 should be used on all non-pass-through cases unless another priority code applies. PC 05 is not needed on pass-through returns.
 - e. Item 13 - Disposal Code. Cases closed no change should use disposal code 01 or 02. The adjustment amount on the Form 5344, Examination Closing Record, should be blank. Cases closed agreed will generally use disposal codes 03, 04, or 09 or if defaulted disposal code 10. The adjust-

ment amount on the Form 5344, Examination Closing Record, requires an entry other than zero. If you have a situation where the adjustments made to the entity net to zero, enter \$1.

Disposal Code	When to use the disposal code.
01 - No Change with Adjustments	<p>This code should be used when changes are made to the entity's ordinary income, loss, or separately stated items reflected on the return or Schedule K-1, and a partner's return is adjusted as a result of the pass-through examination but result in no tax. This would include adjustments to basis, at-risk, passive loss rules, taxable loan repayments, or adjusting the partner's return to match the Schedule K-1 pass-through amounts. Disposal Code (DC) 01 applies to de minimis adjustment and tier closures unless the key case is a no change. It may be used with carryback/carryover years where the return was ordered in for potential issues, but was not needed. For example, if a return was needed to determine the amount of a carryforward adjustment impacting a later year, but not impacting that return, the return should be closed DC 01.</p> <p>Note: An audit report is not required for cases closed below the tax tolerance in the CPF if they are not worked through RGS. An exception will be when the tax changes impact a prior or subsequent tax year (NOL, PAL, etc.) or if the partner is linked directly to the key case and received a notice and would not otherwise receive notification that the exam was complete. Any partner that was issued an NBAP, but not receiving an audit report, should be sent a no change letter as a matter of closure and good customer service.</p>

Disposal Code	When to use the disposal code.
02 - No Change	In general, this code should be utilized when the examination results in no changes to the key case and no changes will be made to the partners as a result. All partners below the key case being closed DC 02 should be closed DC 02 as well, given no other linkages exist or prior partials were processed.
03 - Agreed Before 60 Day Letter	Used when agreements are secured after the closing conference and before issuance of a 60 day letter or an FPAA.
04 - Agreed After the 60 Day Letter or Appeals Settlement Letter	Used for 1998 and subsequent TEFRA agreed cases (with or without penalties) with an agreement date.
08 - Other	Used for 1997 and prior TEFRA agreed cases (with or without penalties). Also used for AARs and stipulated decisions.
09 - Agreed	Applies only to returns if an agreement is received after the issuance of a 90 day letter, or FPAA.
10 - Default	Applies only to returns if the taxpayer fails to file a petition or sign an agreement after the issuance of a 90 day letter or FPAA, or the notice goes unclaimed by the taxpayer.
11 - Petitioned	(11 is considered appealed on the AIMS tables) - Applies only to returns if the taxpayer petitions court after the issuance of a 90 day letter or FPAA. Not valid with MFT 01, 04, 09–12, 17–19, 71, 72, or 80.
13 - Undeliverable - Notice of Deficiency or FPAA	Used when a Notice of Deficiency or FPAA is returned as undeliverable.

Disposal Code	When to use the disposal code.
31 - Survey Before Assignment	May be used under specific circumstances with HQ approval. Generally, this disposal code should only be used when closing returns that should never have been brought into the campus inventory. Consult with HQ regarding the circumstance for using this disposal code and secure their agreement before closing any returns. Cases closed using this disposal code will not count as a closure.
32 - Survey After Assignment	Used with carryback/carryover years where the return was ordered in for potential issues, but was not needed. For example, if a return was needed to determine the amount of a carryforward adjustment impacting a later year, but not impacting that return, the return should be closed DC 01. DC 32 should only be used only if no analysis of the return was conducted. For example, carryover years were secured for potential capital loss carryover adjustments but the key case exam did not change capital losses. In that case, the return would be closed DC 32. Cases closed using this disposal code will not count as a closure.

- f. Item 14 - Statute Extended to Date (where we are processing an assessment or reversing a tax credit as a partial or final closure). See IRM 4.4.12.5.23, Item 14: Statute Extended to. Because of the various situations that can exist on TEFRA closures, care should be used to ensure that the correct information is shown on AIMS. To compute the ASED after a notice of deficiency, refer to IRM 4.8.9.20.1, Updating the Assessment Statute Expiration Date.

Type of Closure	Statute to use
Full Closure	If the IRC 6501 date has sufficient time remaining to make the necessary adjustment, no entry will be required. If the IRC 6501 has insufficient time remaining to allow an adjustment to be made, or the IRC 6501 has expired, the Extended to Date should reflect the one-year assessment date. Use the later of the one-year date or IRC 6501 date. NEVER shorten the taxpayer's ASED.
Partial Closure	On partial assessments, after the partial closure has been completed, the statute date on AIMS must be corrected to the original date. If the statute date on AIMS contains alpha characters in the statute date, such as BB, DD, or HH, that date must be updated to the one-year assessment statute date in order to input the adjustment. Use the later of the one-year date or IRC 6501 date. NEVER shorten the taxpayer's ASED. On partial assessments, after the partial closure is completed, the statute date on AIMS must be corrected to the appropriate alpha code to reflect the true condition of the statute date, and prevent the case from showing as an action item on the AIMS 4.0 listing. If AIMS has "872-A" as the statute date, the Statute Extended to Date should reflect the one-year assessment statute date. On partial assessments, after the partial closure is completed, the statute date on AIMS must be corrected to "872-A".
No Change or GII Closure Cases	It is not necessary to update the Alpha code to numeric if the IRC 6501 statute has expired. See IRM 4.4.12.5.23.1.2, No Change Cases.

Note: There may be times when a numeric entry is required in the statute date field as a result of various validity checks. In those instances where the

system requires the statute be updated, use the later of the one-year assessment date or IRC 6501 date. NEVER shorten the taxpayers ASSED.

- g. Item 28 - Examiner's Time (final closing only). Enter the technical time spent processing the return. This will include the report writing time and any technical research time. Local procedures must be developed to record the cumulative time applied to each return by the CPF technical employees so Form 5344 will record all technical time applied. Campus technical employees are defined in IRM 4.31.1, Pass-Through Entity Handbook, Introduction.
 - h. Item 30 - Examination Technique (final closing only). Enter "2". See IRM 4.4, Audit Information Management System (AIMS) - Validity and consistency.
 - i. Item 31 - Examiner's Grade (final closing only). Enter the grade of the examiner. Entry of 03-09 or 11 is optional. Will default to a grade 7 if not completed.
 - j. Item 34 - Adjustment Amount. Whole dollars only. Not used with Disposal Code 01 or 02.
 - k. Item 38-40 - Block Number. If the case meets the requirements for electronic closure, use block number 40X.
- (2) See IRM 4.4.12, AIMS Procedures and Processing Instructions - Examined Closings, Surveyed Claims, and Partial Assessments, for instructions on reporting adjustments. Items 12, 18, and 34 may be involved.
- (3) In an instance where a partner must be fully closed after a prior partial assessment, and the final linkage is a no change, that partner needs to be closed using the disposal code of the most recent partial closure.

4.31.3.13.8.1 (01-13-2023)

Case File Assembly

- (1) After completion of the required reports, Form 4549-A or Form 4549 (affected items or prior nonTEFRA) and closing documents, Form 5344 and Form 8339 (if return is linked on PCS), the report writer should prepare the case for processing by clerical personnel. A complete case file, paper or electronic RGS file, should contain the following documents:

- a. A Form 5344; (required)
- b. The taxpayer's return or an electronic copy; (required)
- c. Schedules K-1;
- d. If an amended or duplicate return is included in the case file, staple the amended or duplicate to the back of the original return or the electronic print.

Note: Old year amended returns will have their own DLN. If so, these need to be refiled separately. Please inspect old year amended returns for DLNs.

- e. Full AIMS print; (required)
- f. An Examination Report (Form 4549-A, a PC Report, or computer report input documents) or No-Change Letter;
- g. Other correspondence in descending date order; (if present either RGS or paper);
- h. Form 4700-T attached to each closing package, work papers, closing package, unless stored electronically on RGS/CEAS. If electronic, that fact must be noted on history sheet.
- i. An executed Form 870 will always be put in cases;
- j. Any original Forms 872/Forms 872-A;

- k. Original Form 2848 completed to authorize TEFRA representation;
 - l. current TSUMY attached to the top and Schedules K-1, in descending date order of OYD's (required);
 - m. A Form 8339, or in lieu of the Form 8339 a TSCHG print notated with the name of the person who did the input, for each key case adjustment impacting the assessment; (required)
 - n. Miscellaneous papers; (if present)
 - o. Form 895; (if present)
 - p. Form 3198; (if present)
 - q. Transcripts if pertinent to the exam; and
 - r. History Sheet. (required)
- (2) The report writer will indicate on the history sheet what letters should be issued or any additional actions that may be required. The history sheet will also indicate the appropriate closing action. The report writer is responsible for instructing clerical and closing operators of the appropriate actions required based on the type of closure.
- (3) If AIMS, page 2, displays "**RET-NOT-REQ**" and there are no original documents that must be returned to files the investor case can be closed paperless, providing all required documents are stored in the RGS case file. Use blocking number 40X.
- (4) If AIMS, page 2, displays "**RETURN REQUESTED**" and all required documents are stored in the RGS file, transmit Form 13181, Examination Report Generation Software (RGS) Closing Information Cover Sheet, to files in place of a paper file and close with block number 08X or 38X. Any original documents that must be returned to files can be attached to the Form 13181. All other documents, that are copies of documents found in the RGS case file may be destroyed.

4.31.3.13.8.1.1
(01-13-2023)

**Streamlined No Change
Closures**

- (1) For cases closed no change through the GII without having had a report written, a streamlined closing process may be used. For partners closed using the streamlined process the case file will include the following:
- a. Form 5344 on top of the file (if paper);
 - b. Return;
 - c. Schedules K-1;
 - d. Any executed Form 870;
 - e. Any Forms 872/Forms 872-A;
 - f. Form 2848 completed to authorize TEFRA representation;
 - g. Amended return;
 - h. History Sheet(paper)/Case History(RGS);
 - i. Form 5546 or AMDISA;
 - j. Forms 8339 or TSCHG print;
 - k. Closing Package, unless stored electronically on RGS/CEAS. If electronic, that fact must be noted on history sheet;
 - l. Efforts should be made to discard any unneeded prints in paper files.
- (2) Partner work papers are not needed with streamline no change cases. When the pass-through entity is a no-change, and all partners will be no-changed, streamline no-change procedures can be implemented.
- (3) If a partner had a previous adjustment, then the streamlined closing cannot be used.

4.31.3.13.9
(01-13-2023)
**TEFRA Assessment
Prior to Partner
Examination Closing**

- (1) For SB/SE partners open in Examination or Appeals, see IRM 4.31.3.5.8.1, TEFRA Partnership Examination With Unresolved SB/SE Partner Examination.
- (2) For LB&I partners open in Examination or Appeals, see IRM 4.31.3.5.8.2, TEFRA Partnership Examination With Unresolved LB&I Partner Examination.

Note: Any time the CPF prepares a TEFRA report for a partner controlled in Examination or Appeals, the report writer should contact the controlling group to determine current actions. If the controlling group has issued an exam report to the taxpayer, the timing of the TEFRA report may need to be coordinated.

4.31.3.13.10
(06-04-2004)
**Processing Partial
Agreements**

- (1) When the CPF report writing or technical unit receives a partial agreement, the agreement will receive expedited priority treatment.
 - a. The report will be prepared and mailed immediately.
 - b. Normal partial report procedures will apply. (See IRM 4.31.3.10, Partial Agreements)
 - c. Form 8339, PCS Change, item 05, with 11111111, amount and time will be input.
 - d. Immediately after the input of the 11111111, amount and time, an item 05-T and a 22-D will be input. This will allow for the next one-year date to be input when necessary and removes the package received indicator.
 - e. Since no actual one-year date exists, manual processing is not needed as with other cases closed with less than 60 days remaining on the statute.
 - f. After the partial assessment document is returned, the partner file should be suspended.
 - g. Appropriate documentation must be in the file to identify the existence and processing of prior partial reports before resuspending the case.
- (2) When the CPF report writers receive the final closing package for the partner, they will compare it with any prior packages and/or reports to determine if any issues were previously processed as partially agreed and prepare the final reports accordingly.

4.31.3.13.11
(04-26-2017)
**Non-File TEFRA
Closing**

- (1) If a return was not filed by a partner and one has not been secured by the CPF, and a one-year assessment date was entered on PCS, the CPF should not assess the tax on the TEFRA adjustment unless there is evidence that the partner's taxable income would be increased by the partnership adjustment.
- (2) If such evidence does exist, the CPF report writer will assess the tax on the TEFRA adjustment by applying the highest tax bracket applicable for the tax period to the amount of the adjustment without benefit of exemptions or deductions. AIMS should be established using Push Code 036. IRM 4.4.9.3.1.1, Form 5345-B, Examination Request Non- ERCS Users, covers the correct procedures. See IRM 4.31.3.4.2.9.1, SFR Procedures.
- (3) SFR procedures will apply to all unreported income as well as partnership adjustments unless the partnership items converted due to a settlement agreement. If there was a settlement agreement, then the partnership items should be adjusted by computational adjustment. Deficiency procedures must

be used on all non-computational adjustments, affected item or partnership items not agreed to by a settlement agreement (i.e., FPAA default or court decision).

4.31.3.13.12
(06-11-2013)
**Closing Employee
Returns with TEFRA
Links**

- (1) Employee Accounts are indicated by the "E" Employee indicator on AIMS specifics.
- (2) Prior to closing the case will be forwarded to the CPF PCS Coordinator.
- (3) The PCS Coordinator needs to provide the Employee Audit Analyst with the TIN, Tax Year and a brief explanation of the adjustment. A contact person can be found at <http://mysbse.web.irs.gov/exam/tip/emplaudit/contacts/11076.aspx>.
- (4) The Employee Audit Analyst will give written permission to change the audit code. This will allow the case to be closed as normal.

4.31.3.13.13
(01-13-2023)
**No Change Partner
Returns**

- (1) When no changing a partner there are two parts to consider: the AIMS record and the linkage record. Partners may have several linkage records, but will only have one AIMS record. Each linkage record will be closed with a Form 8339, PCS Change. There can be several partial closures on the AIMS record, but it may be fully closed only once. The final AIMS closure is where the disposal code is captured. When a partner's last closure results in a no change, but there have been other prior AIMS partial closures, the disposal code should reflect that of the last tax adjustment.
- (2) Partner linkages can be no changed under the following circumstances (See IRM 4.31.3.13.8, Completion of Form 5344 – Examination Closing Record, for disposal codes if fully closing the AIMS linkage):

If	Then
The TEFRA key case is no changed, Letter 2064, No Change FPAA.	<p>The key case CPF will issue a no change FPAA (Letter 2064) to the TEFRA notice partners. Because notice partners have been notified of the results of the examination, the partner CPF will not prepare Form 4549-A or issue any additional letters. Form 8339 will be input as a no change and history sheet updated that Letter 2064 was sent to the partner. The returns may be closed from AIMS using streamline closing procedures in IRM 4.31.3.13.8.1.1, Streamlined No Change Procedures.</p> <p>Note: If the Letter 2064 was issued for an AAR, partner returns should be checked to ensure no amended returns were filed to reflect amended Schedules K-1. Partner returns will need to be corrected if an amended Schedule K-1 was claimed.</p>

If	Then
The TEFRA key case is no-changed, and Letter 2621, No Adjustment Letter.	The TMP is required to notify the partners of the results of the examination. The key case CPF will not issue an FPAA to all notice partners. Because partners have been notified of the results of the examination, no Form 4549-A will be prepared. Form 8339 will be input as a no change and the history sheet updated that Letter 2621 was sent to the TMP. The returns may be closed from AIMS using streamline closing procedures in IRM 4.31.3.13.8.1.1, Streamlined No Change Closures.
The TEFRA key case examination results in a material change, but it does not change the partner's tax liability in any year (including carrybacks or carryovers for NOL, credits, etc.).	<ul style="list-style-type: none"> • The partner CPF will prepare a Letter 4735, workpapers, Form 4549-A, and other documents as outlined in the text of this Handbook (See IRM 4.31.3.13, TEFRA Report Writing Procedures). • Form 5344 is prepared to process so that the Reference Code 888 is updated to reflect the correct amount of adjusted gross income on the return. Reference Code 886 is updated to reflect the correct amount of taxable income. • A copy of the Form 4549-A and the closing document must remain in the file. • If a partial closure, future changes may result in a need to recompute the tax liability, these adjustments will be included in the subsequent computation. • Returns full closed in this manner should be a change no change.
The key case adjustments result in a de minimis change to the partner's tax liability.	The partner CPF will prepare workpapers, and other documents as outlined in the text of this Handbook (See IRM 4.31.3.13, TEFRA Report Writing Procedures). The Form 5344 will reflect change no change.

- (3) Partner returns should only be closed DC 02 if the key case partnership was closed DC 02 and the partner had no prior tax adjustments.
- (4) Any taxpayer that was issued an NBAP should be sent Letter 5694, Investor No Adjustment, as a matter of closure and good customer service, unless they were previously issued a Letter 2064, Notice of Final Partnership Administrative Adjustment.

- 4.31.3.13.13.1
(01-13-2023)
Special Processing for Tax Changes over \$10 Million
- (1) IRM 4.4.18.5, Over \$10 Million Deficiency, should be followed when adjustments result in a Balance Due (this includes interest and penalties) over \$10 million.
 - (2) Each year stands alone when determining the \$10 million threshold.
 - (3) For each tax period, where the Balance Due (this includes interest and penalties) is \$10 million or more, the report writer will prepare a copy of the Form(s) 4700-T, and the examination report(s) to be sent to the Office of Unpaid Assessment Analysis.
- 4.31.3.13.14
(06-04-2004)
Quality Responsibilities
- (1) The CPF should ensure that an acceptable level of quality on the CPF reports is maintained.
 - (2) A sample review for quality must be made. The sample review will be analyzed to detect error trends, and recommendations for corrective action will be made. Errors will be recorded on Form 3990, Reviewers Report.
- 4.31.3.13.15
(06-04-2004)
Barred Statute Reports
- (1) The partner CPF is responsible for determining the correct assessment statute dates on all partner inventory and immediately identifying cases with barred statutes. Responsibility for the preparation of the Form 3999, Statute Expiration Report, or Form 3999-T, Statute Expiration Report for TEFRA Key Case, in tier situations, and the related processing procedures are found in IRM 25.6.1.13.2.8.1, Procedures for the Submission of SB/SE Statute Expiration Reports and IRM exhibit 25.6.1-4, SB/SE Statute Expiration Reporting Timetable (for examination-related activities).
- 4.31.3.13.16
(06-11-2013)
Erroneous Refunds
- (1) A refund issued in error can be reassessed if the partnership or partner assessment is still open. Erroneous refund procedures are needed when the assessment statutes have expired.
 - (2) When an erroneous refund is identified, the identifying area needs to complete the Form 12356, Erroneous Refund Worksheet, and send it to the appropriate Accounting Function.
 - (3) The form should be sent to the coordinator or their manager per IRM Exhibit 3.17.80-4.
- 4.31.3.13.17
(06-04-2004)
Training
- (1) The employees of the CPF are to receive standardized training, which will include the areas of the PCS, AIMS, report writing, and necessary TEFRA law and statutes needed for their positions, no later than six months after their selection.
- 4.31.3.13.18
(06-04-2004)
Reports and Accomplishments
- (1) The PCS generates the administrative reports used to monitor the suspended returns and the related key cases.
 - (2) The level to which unit and dollar accomplishments are distributed is now restricted to the National Headquarters and the area.

4.31.3.13.18.1
(01-13-2023)
Reports

- (1) Each CPF will use PCS and AIMS reports to monitor linked returns. Specific information is provided on PCS reports in IRM 4.29, Partnership Control System (PCS) Handbook. The CPF personnel should use the PCS Handbook if they have questions about PCS generated reports. Information on AIMS reports is provided in IRM 4.4.27, AIMS Processing - Reports.
- (2) The campuses should also use SSIVL and ORCAS reports to monitor their returns and statutes.
- (3) Cases in status code 34, Employee Group Code 58XX, or with a "T" indicator will be included on the CPF PCS reports. These three criteria, although not all three for every report, are also used to determine CPF staffing levels and for specific measurements.
- (4) TEFRA related partner or shareholder returns that are in area office possession for examination of nonpass-through issues will not be in the CPF physical inventory.
- (5) AIMS 4.0, Statute Control Report, is a monthly report with documentation requirements that is to be maintained for three years. See IRM 4.4.27.5.1.1, Procedures for Working Statute Control Report and IRM 25.6.23.5.6 Campus Statute Controls - Corr Exam and CPF.
- (6) PCS Report 2-2, is the weekly Report Writing TEFRA inventory.
- (7) PCS Report 4-4, lists all CPF investor records that have a TEFRA one-year assessment statute date present on a linkage record. Key case information for linkage records with a one-year date present is displayed to the right of the investor record information.
- (8) PCS Report 5-3, is Investors with new ILSC Linkages. Lists returns in status code 34, employee group code 58XX to which a ILSC linkage has been added within the past three weeks.
- (9) PCS Report 5-4(I), is a listing, for the key case CPF, of investors that match AIMS weekly updates for bankruptcy, Criminal Investigation, Disaster Related, Combat Zone, and potentially dangerous taxpayer (PDT) transactions.
- (10) PCS Report 5-5, lists key cases that are in status 90 that have linked investors without a one-year assessment date.
- (11) PCS Report 21-3, lists TEFRA key cases, by Primary Business code within the campuses jurisdiction, when the TEFRA key case record enters status code 27, 28, 29, or 80 and above for the first time. This gives the CPF an alert that key case adjustments have been finalized and will be moving into the notice phase.
- (12) PCS Report 22-3, National Directory Field/CPF.
- (13) CCA 42-43, IDRS Overage Report (ORCAS) age listings. The following table provides additional information found on the ORCAS report and monitoring responsibility.

ORCAS Reports

This report contains all cases controlled to an IDRS employee number and can be used to:

- a. Identify cases requiring action.
- b. Identify specific cases for review.
- c. Monitor the size of the employees' inventories.
- d. Determine if employees are working inventory in the proper order.
- e. Set closure expectations.
- f. Identify potential management problem cases.
- g. Monitor statutes.

This report is available on the *ORCAS delivery database* and on Control-D every Monday morning, Report Name: "Overage Report", Job Name: CCA 4243. The CCA report will be generated by the managers. Employees may also have access to generate their own reports for cases assigned to them (local option),

Items on the Report - For each case shown, the following information is provided:

- a. TIN - Taxpayer Identification Number
- b. IRS Rcd Date - The date IRS received the case
- c. Status - Case History Status Code (A - Active, B- Background, C - Closed, M - Other long term delay, and S - Suspense)
- d. Category - Category of case
- e. Freeze Codes - Freeze Codes on the IDRS account
- f. MFT - Master File Tax
- g. Mod Per - Tax Period on assigned account
- h. Assigned Date - The date the case was assigned to a tax examiner
- i. Activity Code - A 10 character field on IDRS the tax examiner uses to enter actions taken on the case
- j. Name Ctrl - Name Control on taxpayer's account
- k. Action Date - Date of last action input on the account
- l. Age - Number of days case has aged on IDRS
- m. MF Mod Balance - Module Balance on IDRS
- n. Stat Age - Indicates statute conditions for current and previous years returns - over, expired, or days remaining on statute
- o. STAUP Cycle - Stops notices from generating until cycle listed

The Manager/Lead must review this report to ensure cases are being worked according to IRS receive dates. Annotate cases for follow-up actions by COB Monday. The reports should be maintained for two months. Highlight the cases on the report where:

- a. The TE has failed to take timely actions such as follow-up on a case when the purge date has passed.
- b. The case is in Nullified Unpostable (NLUN) category over 14 days old.
- c. The Statute of Limitations will expire within 180 days.
- d. The STAUP has expired or there is no STAUP on a balance due account.

ORCAS Reports

Manager/Lead will provide the tax examiner with the page(s) of the report where the cases are controlled to their IDRS number. Tax examiner will notate the actions taken on each case worked and any updates on an added comment section.

The report should be returned to the Manager/Lead by the end of the employee's work week. Tax examiners must work cases in the following priority order:

- a. Cases controlled using Category Code **NLUN**.
- b. Cases with an ASED expiring within 180 days.
- c. Cases where the taxpayer was contacted and the suspense date has expired.
- d. Cases with mismatched (erroneous) case controls, Category Codes, and/or Activity Codes.
- e. Remaining cases in oldest IRS received date order.

The Manager/Lead must also review the inventory on a weekly basis to ensure cases are being pulled and worked in statute date order.

This review must include the following items:

- a. Compare the previous week's listing to the current week's listing and determine if cases or batches are being pulled in statute date order.
- b. Identify any TINs that were not pulled in statute date order.
- c. Attempt to physically locate the case(s). If located, assign the case(s) to a TE to be worked.
- d. Control the TINs of any missing cases to a TE to recreate the case file using electronic data or corresponding with the taxpayer.

The Manager/Lead will provide an annotated aged/ORCAS listing to the Department Manager each week and provide a list of TINs that were identified as not being worked in EGC age order as well as statute priority. These reports should be maintained for two months. The employee will notate the actions taken on each case.

4.31.3.13.18.2
(01-13-2023)

**Accomplishments and
Inventory**

- (1) Accomplishments for CPF closures where the report writing was done in the campus will be closed in employee group code 58XX according to the designated breakouts.
- (2) The results for returns are found on AIMS Table 38 generally using Special Project Codes 0013 and 0015.
 - a. PCS Report 8-3 reflects CPF TEFRA results by links closed; it also reflects inventory as of the report period for Report Writing and Suspense.
 - b. PCS Report 2-2 differs from the PCS Report 8-3 in that returns with a package indicator other than "Y" are not included in the 2-2 Report. Also included on the 2-2 Report are returns with one-year dates (other than 11111111) and where the package indicator is blank.
 - c. Report Writing inventory is determined from those returns that have a numeric one-year date in the one-year date field and can include years secured for carryover or carryback which will not have the OYD.

- d. Suspense inventory is determined from those returns where the one-year date field is blank.
- e. Report 8-3 is a weekly report, and Table 38 is a monthly report.

Note: Remember: PCS reports deal with linkages; AIMS Tables deal with returns.

4.31.3.13.18.3
(04-26-2017)
**Inventory Validation
Listing (IVL)**

- (1) Inventory validations must be completed as outlined in IRM 4.4.16.3, Inventory Validation Listing (IVL).
- (2) In addition, consideration needs to be given to the accuracy of PCS linkages, any other database records and statutes.
- (3) When taking the time to conduct an IVL, care should be given to ensure not only AIMS is correct but other aspects of the case as well. AIMS may be correct, but all PCS linkages may be closed and the case is no longer needed in inventory. An IVL is the time to identify such returns and clean up the inventory.

4.31.3.14
(01-13-2023)
**Key Case Administrative
File Suspense**

- (1) The paper key case administrative file is retained for a minimum of 18 months. The 18 month suspension period does not apply if the key case was not changed. After 18 months, if there are no open partners, all contents, which are not a duplication of the key case return file, are sent to the Federal Records Center for association with the key case administrative examination return.
- (2) The electronic key case administrative file on RGS is archived and must have all the required key case documents mentioned in this IRM.
- (3) No changes cases may be refiled after all investors are worked.

Note: The key case administrative file is not refiled/archived, and the 18-month period does not begin for paper admin files, until all partners have one-year dates, the "H" Freeze is removed and Form 8339 is entered to reflect an item 08, Partnership Adjustment Amount, entry.

This Page Intentionally Left Blank

Exhibit 4.31.3-1 (04-26-2017)**IAT Tools**

The following table contains IAT Tools that must be used when appropriate.

ID Number	Tool
10	ESTAB
848	Fill Forms
984	Quick CC
1043	Letters

The following table contains other IAT Tools that may be useful in working TEFRA cases. These tools should be considered for use when appropriate. This list is not all inclusive. Check the IAT Tools web site for other tools.

ID Number	Tool
1	Case Monitor
3	My Info
12	Closures
16	CCPE Research
138	Search 6209
215	L90 Day Prints
366	TC 520-530 Search
435	CCPE_Letters
474	IBTF Batch Process
496	Exam Batch
547	ICE
675	BOD Code
961	Manager Tool
975	TFRP Calc
983	Phone Number
985	New Name Search
1036	FSRT
1075	Address

