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[Third Party Communication:

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From: [REDACTED]

Sent: Monday, April 10, 2023 11:33:21 AM

To: [REDACTED]

Cc: [REDACTED]

Bcc:

Subject: RE: Request for Advice re: FPA Review under BBA; Section 199A issue

Hi [REDACTED],

The imputed underpayment (IU) is calculated on net positive adjustments. A positive adjustment is an adjustment that is not a negative adjustment. A negative adjustment is a reduction in income, increase in expense, or increase in a credit. Therefore, any adjustment to a non-income item (e.g., balance sheet item) is always a positive adjustment. An adjustment to distributions, net earnings from self-employment, or to a 199A item is an adjustment to a non-income item and is therefore always positive. Under 301.6225-1(b)(4) the IRS can choose to treat one or more adjustments as zero solely for purposes of calculating the IU if the adjustment is sufficiently reflected within another adjustment(s).

A partner's outside basis is not a partnership-related item (PRI) as it is not on the partnership return nor required to be maintained in the partnership's books and records. So we cannot adjust a partner's outside basis under BBA. Partner-level facts and circumstances are not taken into account in the calculation of the IU.

Note that subgroupings are only done if there are negative adjustments. As for netting, in general, if it can net on the partnership return it can net in the calculation of the IU.

As for the CCDM, we used to review all the FPAs but we no longer are.

Please let me know if you have any further questions.

Thanks,
Jenni

Jenni Black (she/her)
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