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recommended a one year delay in implementation of the Regime in a letter dated June 13.

Sep. 18, 2017

Sarah Allen-Anthony, a member of the [American Institute of CPAs'](#) (AICPA) Partnership Tax Technical Resource Panel, testified today (*testimony attached*) at an Internal Revenue Service (IRS) hearing about regulations that were proposed earlier this year to implement the Centralized Partnership Audit Regime.

Allen-Anthony, a tax senior manager at Crowe Horwath LLP, emphasized that the Centralized Partnership Audit Regime (Regime) significantly changes the way adjustments made by the IRS during an examination are accounted for by a partnership. "A bedrock principle of partnership taxation is that all items of income and expense flow through to the partnership's owners, including adjustments related to IRS audits," Allen-Anthony stated. "The Regime replaces this long-standing method with one where the default mechanism requires the partnership to pay any additional tax due, resulting in significant administrative and accounting complexities."

Allen-Anthony's testimony focused on the AICPA's recommendations and concerns about the "push-out" process for tiered partnership structures, the impact on partner capital accounts and basis, the process for designating the partnership representative and allowing an audited partnership access to the IRS Office of Appeals.

"We propose that the IRS establish procedures to allow for the push-out of audit adjustments through a tiered partnership structure," Allen-Anthony testified. "In general we discourage establishing any limitations on tiers, dollar amounts, number of partners, or other attributes because those limitations may result in the partners paying inappropriate amounts of tax," she said.

“One of the main areas of increased complexity involves the effect of audit

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replace their partnership representative at any time and that a partnership representative should have the ability to resign at any time; opposes the Regime's provision that allows a resigning partnership representative to appoint their own successor, and recommends that the IRS clarify that all partnerships be required to appoint a partnership representative on their timely filed tax return in order to protect the interests of both the IRS and the partnership.

Allen-Anthony noted that the Regime does not include a reference to an audited partnership's right to challenge various determinations under the Regime with the IRS Office of Appeals. She described the appeals process as a “vital option for taxpayers to resolve an issue without having to go Tax Court.” Allen-Anthony cited five specific situations under which partnerships should have the right to challenge actions or determinations by the IRS via the appeals process.

The AICPA submitted a broader [comment letter](#) about the Regime on August 14 and recommended a one year delay in implementation of the Regime in a [letter](#) dated June 13.

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