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controlled foreign partnerships on how to provide international tax information.

Jul. 07, 2021



IRS

Department of the Treasury Internal Revenue Service

The Treasury and the IRS have released [early draft instructions](#) for the Schedules K-2 and K-3 for Forms 1065, 1120-S, and 8865 for tax year 2021 (filing season 2022). The early release drafts of the instructions provide a preview of the instructions before final versions are released. The new [Schedules K-2 and K-3](#) were released on June 3 and 4, 2021.

The redesigned forms and instructions give useful guidance to partnerships, S corporations and U.S persons who are required to file Form 8865 with respect to controlled foreign partnerships on how to provide international tax information. The updated forms apply to any persons required to file Form 1065, 1120-S or 8865,

but only if the entity for which the form is being filed has items of international tax

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- Clarify when each part of the schedule is applicable;
- Clarify that the preparer must only complete applicable parts of the Schedules K-2 and K-3; and
- Provide instructions for requested new separate schedules regarding determination of the section 250 deduction and the allocation and apportionment of expenses

Recognizing the transitional challenges with the adoption of Schedules K-2 and K-3 by affected pass-through entities and their partners and shareholders, the Treasury Department and the IRS issued [Notice 2021-39](#) on June 30, 2021. The Notice provides certain penalty relief for the 2021 tax year.

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