

**MEMO# 30825**

August 9, 2017

## **Draft Comment Letter on Proposed Regulations on Partnership Audits**

[30825]

August 9, 2017 TO: Tax Committee RE: Draft Comment Letter on Proposed Regulations on Partnership Audits

Attached for your review is a draft comment letter to the Internal Revenue Service (“IRS”) and Treasury Department regarding the recently proposed regulations implementing the new partnership audit regime enacted in 2015.<sup>[1]</sup> The comment letter thanks the IRS and Treasury Department for incorporating the Institute’s comments, clarifying that regulated investment companies (“RICs”) may use the deficiency dividend procedures under section 860 when a RIC is a partner in a partnership subject to audit under section 6225 or 6226.<sup>[2]</sup> We thus urge the government to adopt those portions of the regulations as proposed.

The preamble to the proposed regulations specifically asks for comments with respect to the use of the deficiency dividend procedures under section 6225. The government notes that a notice of proposed partnership adjustment under the new regime is not a final amount, as the partnership may still challenge it and win a more favorable result. The government asks for comments on whether these provisions adequately allow RICs to use the modification process given that a RIC may have used the deficiency dividend procedures before the partnership’s adjustment amount is final.

The draft letter states that if a RIC pays a deficiency dividend in respect of its share of the partnership’s imputed underpayment amount that is later reduced, we believe that the RIC simply would take the difference into account in the year that the difference is determined.

Please provide any comments on the draft letter to me ([kgibian@ici.org](mailto:kgibian@ici.org) or 202-371-5432) no later than noon on Monday, August 14, 2017. Comments are due to the IRS and Treasury Department by the end of the day on August 14.

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Associate General Counsel

## [Attachment](#)

### **endnotes**

[1] See Institute Memorandum No. 30744, dated June 15, 2017, which can be found at: [https://www.ici.org/my\\_ici/memorandum/memo30744](https://www.ici.org/my_ici/memorandum/memo30744).

[2] See Institute Memorandum No. 30339, dated October 25, 2016, which can be found at: [https://www.ici.org/my\\_ici/memorandum/memo30339](https://www.ici.org/my_ici/memorandum/memo30339).

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