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In 2015 the IRS released new Regulations regarding partnership income tax audits that became effective January 1, 2018, and that **REQUIRE** action on the partnership's part before we file your 2021 Federal income tax return Form 1065.

The changes, without action on your part, carry the potential that as a result of an IRS audit any negative adjustments will be taxed at the highest individual income tax rate. The IRS does offer an option, in some situations, to "opt-out" of these new regulations, but to do so the only allowed owners of the partnership are individuals and corporations, and specific requirements will have to be met for these owners as well. If even 1 owner of the LLC is a trust, a living trust, another LLC or even a single member LLC, the election may not be made, so we will request that you confirm all ownership interest types and, with that confirmation and your approval, we will attach the "opt out" election to your return this year.

Taxpayers that either do not qualify or do not make the "opt out" election from these new audit rules, will apply different requirements.

Your company must meet with an attorney to update any partnership agreements for these new rules, to name a new IRS "partner representative" and to address numerous issues such as potentially making the "push-out" election, fiduciary and notification requirements of the partner representative, potential partner indemnification agreements, and other issues.

The new Regulations will also require that you name the IRS "partner representative" for us to enter in your annual tax return when you are unable to opt out. This "partner representative" will be the sole IRS contact and negotiation person, with additional rights and responsibilities so the decision must be made with legal counsel. We are unable to prepare your return without you providing this designation in writing.

Of course, we expect that you may have questions and that your attorney may have questions about these new Regulations, so we are available for an appointment if needed.

Sincerely,

  
Victoria Long  
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