

Instructions for Form 1065X

(January 2019)



Department of the Treasury
Internal Revenue Service

For use with Form 1065X (Revised September 2018)

Amended Return or Administrative Adjustment Request (AAR)

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 1065X and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form1065X.

What's New

Tax and payment. Form 1065X can be used to report an imputed underpayment (IU) and any interest and penalties related to that IU.

Reminders

The Bipartisan Budget Act of 2015 (BBA) created a new centralized partnership audit regime generally effective for partnership tax years beginning after 2017.

Election into BBA for tax years beginning before 2018. A partnership may make an election into the centralized partnership audit regime for tax years that begin after November 2, 2015, and before January 1, 2018, by filing an AAR. Please refer to Regulations section 301.9100-22 for detailed information. If the AAR is filed on paper, the partnership uses Form 1065X, Amended Return or Administrative Adjustment Request (AAR), and must make the election in accordance with section 1101(g)(4) of BBA.

Making the election for eligible tax years on an AAR filed on paper. To make the election on an AAR filed on paper, the partnership must write across the top of Form 1065X used to file the AAR, "Election under Section 1101(g)(4)" and attach a statement to the AAR with the following information.

- The partnership's name, taxpayer identification number, and the partnership tax year for which the election is being made.
- The name, taxpayer identification number, address, and daytime telephone number of the individual who signs the statement.
- Language indicating that the partnership is electing application of section 1101(c) of BBA for the partnership return for the eligible tax year.
- The information required to properly designate the partnership representative

as defined by section 6223, which must include the name, taxpayer identification number, address, and daytime telephone number of the partnership representative. See *Partnership Representative* in the Instructions for Form 1065.

The following representations must be made with regard to the statement attached to the election.

- The partnership is not insolvent and does not reasonably anticipate becoming insolvent before resolution of any adjustment with respect to the partnership tax year for which the election is being made.
- The partnership has not voluntarily filed, and does not reasonably anticipate filing, a petition for relief under title 11 of the United States Code.
- The partnership is not subject to, and does not reasonably anticipate becoming subject to, an involuntary petition for relief under title 11 of the United States Code.
- The partnership has sufficient assets, and reasonably anticipates having sufficient assets, to pay a potential IU with respect to the partnership tax year that may be determined under subchapter C of chapter 63 of the Internal Revenue Code as amended by BBA.
- A representation, signed under penalties of perjury, that the individual signing the statement is duly authorized to make the election described in Regulations section 301.9100-22 and that, to the best of the individual's knowledge and belief, all of the information contained in the statement is true, correct, and complete.

The statement must be signed and dated by the tax matters partner, as defined under section 6231(a)(7) (prior to the amendment by BBA), and the applicable regulations, or an individual who has the authority to sign the partnership return for the tax year. The fact that an individual dates and signs the statement making the election shall be prima facie evidence that the individual is authorized to make the election on behalf of the partnership.

Note. Unless otherwise noted, references to sections 6221 through 6241 are to Internal Revenue Code sections as amended by BBA.

Purpose of Form

Use Form 1065X, if you are not filing electronically, to:

- Correct items on a previously filed Form 1065, Form 1065-B, or Form 1066;
- Make an Administrative Adjustment Request (AAR) for a previously filed Form 1065, Form 1065-B, or Form 1066; or
- File an amended return by a partnership-partner of a BBA partnership as part of the modification process of a BBA proceeding with respect to that BBA partnership.

Form 1065X cannot be used to file a notice of inconsistent treatment under section 6222 (TEFRA or BBA) or a partner-level AAR under section 6227(d) (under TEFRA proceedings). Continue to use Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), to make those changes.

Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) Proceedings.

The consolidated audit proceedings of sections 6221 through 6234 (prior to amendment by BBA) are referred to as TEFRA proceedings and partnerships that are subject to TEFRA proceedings are referred to as "TEFRA partnerships." TEFRA proceedings will not apply to partnerships with tax years beginning after 2017. A partnership with a tax year beginning before 2018 that is not subject to TEFRA proceedings is referred to as a "nonTEFRA partnership."

Bipartisan Budget Act. All partnerships with tax years beginning after 2017 are subject to the centralized partnership audit regime unless eligible partnerships elect out by making a valid election under section 6221(b). For purposes of these instructions (unless otherwise noted), the centralized partnership audit regime proceedings under sections 6221 through 6241 will be referred to as BBA proceedings.

If you are a nonTEFRA partnership (see items B and C in Part I, Section 1) or a nonBBA partnership (defined under *Definitions*, later) filing an amended return electronically, use Form 1065. If you are not filing electronically, use Form 1065X.

Do not use Form 1065X to file any of the following if the amended return or AAR is required to be filed electronically or you are electing to file the amended return or AAR electronically.

- An amended return or AAR for a TEFRA partnership (Form 1065).
- An amended return or AAR for an electing large partnership (ELP) (Form 1065-B).
- An AAR for a BBA partnership (Form 1065).

Instead, use Form 8082 in conjunction with Form 1065 or 1065-B.

Generally, the criteria used to determine whether the original Form 1065 or Form 1065-B is required to be filed electronically also are used to determine if the amended return or AAR must be filed electronically.

For information on when Form 1065 is required to be filed electronically, and how to file an amended return or AAR for a partnership, see the Instructions for Form 1065.

For information on when Form 1065-B is required to be filed electronically, and how to file an AAR for an ELP, see the Instructions for Form 1065-B.

Who Must File

Amended return. Partnerships and Real Estate Mortgage Investment Conduits (REMICs) that become aware of incorrect items of income, deductions, etc., use Form 1065X to correct their previously filed partnership or REMIC return. See *Specific Instructions*, later, for information on completing Form 1065X as an amended return.

AAR-Partnerships (except ELPs).

Partnerships that are subject to either BBA or TEFRA proceedings use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.

AAR under BBA. File Form 1065X if you are the partnership representative or designated individual requesting an administrative adjustment to correct a previously filed partnership return on behalf of the partnership.

AAR-ELPs. ELPs that are not required to electronically file Form 1065-B and need to correct errors on a previously filed Form 1065-B use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.

AAR-REMICs. REMICs that do not meet the small REMIC exception under sections 860F(e) and 6231 (prior to amendment by BBA), and related regulations, or make the election described in section 6231(a)(1)(B)(ii) (prior to amendment by BBA) not to be treated as a small REMIC, use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.



When a partnership's or REMIC's federal return is changed for any reason, it may affect its state return. For more information, contact the state tax agency to which the state return is filed.

When To File

Generally, a partnership or REMIC may file an amended return or AAR to change items on its return:

1. Within 3 years after the later of:
 - The date on which the partnership return for that year is filed, or
 - The last day for filing the partnership return for that year (excluding extensions); and
2. In the case of a TEFRA partnership or REMIC, before a notice of final partnership administrative adjustment for that year is mailed to the Tax Matters Partner (TMP) or Tax Matters Person, or, in the case of an ELP, before the mailing to the partnership a notice of partnership administrative adjustment with respect to that year.
3. In the case of a BBA partnership, before a notice of an administrative proceeding with respect to the tax year is mailed under section 6231.
4. In the case of a partnership that is a partner in a BBA partnership which is filing an amended return for purposes of BBA partnership modification under section 6225(c)(2), in the time period specified under section 6225(c).

What To Attach

If the corrected amount involves an item that must be supported with a schedule, statement, or form, attach the appropriate schedule, statement, or form to Form 1065X. Include the entity's name and employer identification number (EIN) on any attachments. See the instructions for Form 1065, 1065-B, or 1066 (as applicable) for a list of forms that may be required.

If the attachments needed to support the corrected amount include copies of forms or schedules from previously filed tax returns, write at the top of each previously filed form or schedule, "Copy Only—Do Not Process."

A BBA partnership must attach a schedule to Form 1065X that supports the position(s) reported on Form 1065X which results in an IU as described in section 6225(b). A BBA partnership must also provide support for any modification of the IU that is allowed under section 6225(c) as applied to a BBA AAR under section 6227(b)(1).

In addition, if the ELP or REMIC requests that the IRS electronically deposit a refund of \$1 million or more,

attach Form 8302, Electronic Deposit of Tax Refund of \$1 Million or More.

Who Must Sign

NonTEFRA and nonBBA partnerships.

Any partner or limited liability company (LLC) member must sign the return. Form 1065X is not considered to be a return unless it is signed. When a return is made for a partnership by a receiver, trustee, or assignee, the fiduciary must sign the return instead of the partner or LLC member. Returns and forms signed by a receiver or trustee in bankruptcy on behalf of a partnership must be accompanied by a copy of the order or instructions of the court authorizing the signing of the return or form.

BBA partnerships. The partnership representative (PR) or designated individual, if applicable, must sign the Form 1065X. See *Partnership Representative*, later, for the definition of a PR.

TEFRA partnerships. The Tax Matters Partner (TMP) must sign the amended return. See *Tax Matters Partner*, later, for the definition of a TMP.

ELPs. The partner with authority (PWA) must sign the amended return. See *Partner with Authority*, later, for the definition of a PWA.

REMICs with a startup day after November 9, 1988. For these REMICs, Form 1065X may be signed by any person who could sign the return of the entity in the absence of the REMIC election. Thus, the return of a REMIC that is a corporation or trust would be signed by a corporate officer or a trustee, respectively. For REMICs with only segregated pools of assets, the return would be signed by any person who could sign the return of the entity owning the assets of the REMIC under applicable state law.

REMICs with a startup day before November 10, 1988. These REMICs may elect to apply the rules for REMICs with a startup day after November 9, 1988 (as described in Regulations section 1.860F-4(c)(2)(iii)). Otherwise, Form 1066 must be signed by a residual interest holder or, as provided in section 6903, by a fiduciary as defined in section 7701(a)(6) who is acting for the REMIC and who has furnished adequate notice as described in Regulations section 301.6903-1(b).

In the prior paragraph, the term "startup day" means any day selected by a REMIC that is on or before the first day on which interests in such REMIC are issued. Otherwise, startup day is the day on which the REMIC issued all of its regular and residual interests. However, a sponsor may contribute property to a REMIC in

exchange for regular and residual interests over any period of 10 consecutive days and the REMIC may designate any one of those 10 days as the startup day. The day so designated is then the startup day, and all interests are treated as issued on that day.

Where To File

Form 1065X must be filed with the service center where the original return was filed.

Definitions

BBA partnership. A partnership that is subject to the new centralized partnership audit regime will be known as a BBA partnership. All partnerships with tax years beginning after 2017 are BBA partnerships unless they make a valid election out of the centralized partnership audit regime. A partner in a BBA partnership will be referred to as a BBA partner. An AAR filed by a BBA partnership is referred to as a BBA AAR and must be filed by the PR.

Partnership representative (PR). If the partnership is subject to the centralized partnership audit regime, section 6223 provides that the partnership must designate a partner or other person with a substantial presence in the United States as the PR who shall have the sole authority to act on behalf of the partnership. If the designated PR is an entity, the partnership must also appoint a designated individual to act on behalf of the entity PR. All partners and the partnership are bound by the actions of the PR in dealings with the IRS.

NonBBA partnership. Under the BBA, certain partnerships with 100 or fewer eligible partners for the tax year can elect out of the centralized partnership audit regime. Additional details regarding the election out of the centralized partnership audit regime can be found in the 2018 Instructions for Form 1065. A partnership that elects out of the centralized partnership audit regime will be referred to as a nonBBA partnership.

Partnership-related items. Under section 6241(2)(B), a partnership-related item is any item or amount with respect to the partnership that is relevant in determining the income tax liability of any person, without regard to whether the item or amount appears on the partnership's return and including an IU and an item or amount relating to any transaction with, basis in, or liability of, the partnership.

Reviewed year pass-through partner. For purposes of these instructions, under the BBA, a reviewed year pass-through partner is a pass-through entity who held an interest in a BBA partnership at any time during the reviewed year, which is the partnership tax year to which the

partnership adjustment relates. For example, if the BBA AAR is filed to make an adjustment to income for the 2018 tax year, 2018 is the reviewed year.

Tax matters partner (TMP). If the partnership is subject to the TEFRA procedures, it can designate a partner as the TMP for the tax year for which the return is filed. The TMP is a general partner (in most cases, the TMP must also be a U.S. person) designated by the partnership to represent the partnership in TEFRA proceedings. The designation is made by completing the Designation of Tax Matters Partner section on page 3 of Form 1065 for tax years beginning before 2018.

Additionally, a REMIC may designate a tax matters person in the same manner in which a partnership may designate a TMP under Regulations section 301.6231(a)(7)-1. When applying that section, treat all holders of a residual interest in the REMIC as general partners. The designation may be made by completing the Designation of Tax Matters Person section on page 3 of Form 1066 for tax years beginning before 2018.

For an LLC, a member of the LLC is treated as a partner and a member-manager is treated as a general partner. A member-manager is any owner of an interest in the LLC who, alone or together with others, has continuing exclusive authority to make the management decisions necessary to conduct the business for which the LLC was formed. If there are no elected or designated member-managers, each owner is treated as a member-manager. For details, see Regulations section 301.6231(a)(7)-2.

Partner with authority (PWA). Each ELP must designate a partner (or other person) as the PWA who shall have the sole authority to act on behalf of the partnership. See section 6255(b)(1) (prior to amendment by BBA). If the partnership fails to designate a PWA, the IRS can select any partner to serve as the partner with such authority. The PWA has the authority to file an AAR on behalf of the partnership. The PWA does this by filing Form 1065X.

Paid Preparer's Information

If a partner or an employee of the partnership or REMIC completes Form 1065X, the "Paid Preparer Use Only" space should remain blank. In addition, anyone who prepares Form 1065X but does not charge the partnership or REMIC should not complete this section.

Generally, anyone who is paid to prepare Form 1065X must do the following.

- Sign the return in the space provided for the preparer's signature.
- Fill in the other blanks in the "Paid Preparer Use Only" area of the return. A paid preparer cannot use a social security number in the "Paid Preparer Use Only" box. The paid preparer must use a preparer tax identification number (PTIN).
- Give the partnership or REMIC a copy of the return in addition to the copy to be filed with the IRS.

Note. A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

Interest and Penalties

Interest. Generally, interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for negligence, fraud, substantial valuation misstatements, substantial understatement of tax, and reportable transaction understatement. The interest is charged from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

Late payment penalty. The penalty for not paying the tax when due is usually 1/2 of 1% of the unpaid tax for each month or part of a month that the tax remains unpaid. The penalty cannot exceed 25% of the unpaid tax.

Other penalties. Penalties can also be imposed for negligence, substantial understatement of tax, reportable transaction understatement, and fraud. See sections 6662, 6662A, and 6663.

Interest and penalties applicable to imputed underpayment (IU). Except when the partnership elects to have the partners take into account the adjustments, BBA partnership reviewed year interest and penalties are the following.

- The interest figured with respect to any IU is the interest which would be determined under chapter 67 for the period beginning on the day after the return due date for the reviewed year and ending on the return due date for the adjustment year as defined under section 6225(d)(2) or, if earlier, the date the IU is paid.
- Any penalty, addition to tax, or additional amount shall be determined at the partnership level as if such BBA partnership had been an individual subject to tax under chapter 1 for the reviewed year and the IU were an actual underpayment (for understatement) for such year for purposes of part II of subchapter A or chapter 68.

Election to apply the alternative to payment of the IU. If a BBA partnership

elects the alternative to payment of the IU under sections 6227(b)(2) and 6226(c), interest shall be determined:

- At the partner level;
- From the due date of the return for the tax year to which the increase is attributable (determined by taking into account any increases attributable to a change in tax attributes for a tax year under section 6226(b)(2)), until the date of payment; and
- At the section 6621(a)(2) underpayment rate.

Protective TEFRA AARs

Generally, a protective AAR is a request for credit or refund based on current litigation or expected changes in tax law or other legislation. The TMP or PWA files a protective AAR when the right to a refund is contingent on future events and may not be determinable until after the period for filing an AAR has expired. Protective AARs are subject to AAR statutes set forth in sections 6227, 6228, and 6229 (prior to amendment by BBA). If you are a TMP filing on behalf of the partnership, the petition period described in section 6228 (prior to amendment by BBA) can be extended by using Form 9248, Agreement to Extend the Time to File a Petition for Adjustment by the Tax Matters Partner With Respect to Partnership Items.

A protective AAR must clearly state that it is a protective AAR, alert the IRS to the essential nature of the adjustment, and specify the line item to be protected.

Judicial review of an AAR (for returns subject to the TEFRA procedures or ELPs). If the IRS fails to act on an AAR, the TMP or PWA may file a petition for judicial review with the U.S. Tax Court, U.S. Court of Federal Claims, or U.S. District Court. The TMP or PWA must file the petition before the date that is 2 years after the date the TMP or PWA filed the AAR, but not until after the date that is 6 months from the date of such filing. The 2-year period may be extended if the IRS and the TMP or PWA agree in writing. For more details, see sections 6228 and 6252 (prior to amendment by BBA).

Specific Instructions

Name and Address

Print or type the legal name of the entity, address, and EIN on the appropriate lines. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead.

If the entity receives its mail in care of a third party (such as an accountant or attorney), enter on the street address line "C/O" followed by the third party's name and street address or P.O. box.

If the entity's address is outside the United States, or its possessions or territories, enter the information on the line for "City or town, state, and ZIP code" in the following order: city, province or state, and foreign country. Follow the foreign country's practice in placing the postal code in the address. Do not abbreviate the country name.

Part I. Check the Appropriate Box

In 2018, an AAR can be filed by a partnership subject to TEFRA proceedings (TEFRA AAR), a partnership subject to BBA proceedings (BBA AAR), An electing large partnership (ELP), and a REMIC.

For partnership tax years beginning before January 1, 2018 (unless electing into BBA).

TEFRA AAR. The consolidated audit proceedings of sections 6221 through 6234 (prior to amendment by BBA) are referred to as TEFRA proceedings and partnerships that are subject to TEFRA proceedings are referred to as "TEFRA partnerships." An AAR filed by the TMP of the TEFRA partnership is a TEFRA AAR. Any partner in a TEFRA partnership can also file an AAR using Form 8082. TEFRA proceedings will not apply to partnerships with tax years beginning after 2017. A partnership with a tax year beginning before 2018 that is not subject to TEFRA proceedings is referred to as a "nonTEFRA partnership."

ELP AAR. The ELP procedures were repealed for tax years beginning after 2017. However, ELPs filing a non-efiled AAR in 2018 for a tax year that began before 2018 will still use the 2018 revision of Form 1065X.

For partnership tax years beginning after 2017 and partnerships electing into BBA for tax years beginning after November 2, 2015, and before 2018.

BBA AAR. All partnerships with tax years beginning after 2017 are subject to the centralized partnership regime unless an eligible partnership makes a valid election under section 6221(b) to elect out of the centralized partnership audit regime. Partnerships electing into BBA for tax years beginning after November 2, 2015, and before January 1, 2018, are also subject to the centralized partnership audit regime. Partnerships that are subject to the centralized partnership audit procedures of sections 6221 through 6241 will be referred to as "BBA partnerships." A partnership with a tax year beginning after 2017 that is not subject to BBA proceedings because it has made a valid election under section 6221(b) is a nonBBA partnership. An AAR filed by a BBA partnership is a BBA AAR.

Partnership-partner amended return related to modification of another partnership's IU. If a partner that is itself a partnership (partnership-partner) is filing an amended return as part of modification of the IU under section 6225(c)(2), check this box.

Section 1—TEFRA/NonTEFRA Determination

Item A

If the answer to item A is "Yes," the partnership return is not subject to the TEFRA proceedings. You should proceed to item E and check the "Not subject to TEFRA" box.

Items B Through E

These items are used to determine if the partnership is subject to the rules for consolidated audit procedures (TEFRA procedures).

Consolidated REMIC proceedings.

Generally, the tax treatment of REMIC items is determined at the REMIC level in a consolidated REMIC proceeding, rather than in separate proceedings with individual residual interest holders. A REMIC subject to consolidated REMIC procedures will have checked the box on item G on page 3 of its original Form 1066.

Items B and C

All partnerships with tax years beginning before 2018 (except ELPs) and REMICs **ARE** subject to TEFRA partnership audit procedures unless the partnership or REMIC is subject to the small partnership exception. See section 6231(a)(1)(B) (prior to amendment by BBA).

A small partnership is a partnership with 10 or fewer partners at all times during the year. All partners must be U.S. individuals and their estates, resident alien individuals, or C corporations. If both these conditions are met, check the "Yes" box for item B and item C.

Note. For making the small partnership determination, a husband and wife each having their own partnership interest are considered one partner. An individual who has passed away during the year and their estate are considered one partner.

Item D

A partnership defined as a small partnership can elect to be treated as a TEFRA partnership for tax years beginning before 2018. The partnership elects TEFRA treatment by attaching a statement to the tax return for the first year they wish the election to be effective. This statement must be signed by all partners. See Regulations section 301.6231(a)(1)-1(b). Form 8893, Election of Partnership Level Tax Treatment, is the statement that can be used to make this

election. If you answer "Yes" to item D, also enter the tax year of the filing of this election in the space provided.

Item E

If, at any time during the tax year, there are more than 10 partners or any of the following are partners in the partnership, then the partnership is not a small partnership.

- Another partnership.
- An LLC which files as a partnership or is treated as a disregarded entity.
- Any type of trust, including a grantor trust.
- A nominee.
- A nonresident alien.
- An S corporation.

IF in item...	The box checked is...	THEN in item E, check...
B	No	Subject to TEFRA.
C	No	Subject to TEFRA.
D	Yes	Subject to TEFRA.
B and C	Yes	Not subject to TEFRA.
D	No	Not subject to TEFRA.

Item F

Check the box to indicate whether you are filing an amended return or an AAR.

Amended Return. Check this box if you checked the "Not subject to TEFRA" box in item E, and you are not an ELP. This means that you are filing a request to correct a previously filed nonTEFRA partnership return or REMIC return.

If your partnership or REMIC return meets the exception under section 860F(e) or section 6231 (prior to amendment by BBA), and does not file an election to be treated as a TEFRA partnership under section 6231(a)(1)(B)(ii) (prior to amendment by BBA), and you received a corrected Form 1099 or are making changes to income, deductions, or credits, but there are no flow-through changes from a TEFRA partnership, then you are filing an amended return. Check the "Amended Return" box.

Administrative Adjustment Request (AAR). Check this box if you are filing a request to correct a previously filed partnership or REMIC return and you are one of the following.

- The TMP of the TEFRA partnership or REMIC. The REMIC must be subject to consolidated REMIC proceedings. For more information on consolidated REMIC proceedings, see the Instructions for Form 1066.
- An ELP correcting a previously filed return.

Item G

A substituted return is an amended return in which the TMP of the TEFRA partnership requests that the treatment of an item shown on the AAR be substituted for the treatment of the item on the pass-through entity's return. If the IRS allows substituted return treatment, the changes shown on the amended return will be treated as corrections of mathematical or clerical errors, and the IRS may credit or refund any overpayment of tax to the partners or residual interest holders based on the amended return or assess any resulting tax without a deficiency or entity level proceeding. See section 6227(c)(1) (prior to amendment by BBA).

If the request is not treated as a substituted return, the IRS may credit or refund any overpayment of tax to the partners or residual interest holders per the request, conduct an examination of the pass-through entity's return, or take no action on the request. When a request is not treated as a substituted return, the IRS cannot assess tax without a deficiency or entity level proceeding. See section 6227(c)(2) (prior to amendment by BBA).

ELPs. An ELP cannot request substituted treatment. See section 6251(b) (prior to amendment by BBA).

Section 2—BBA AAR

Item A

If the "Yes" box is checked, complete Form 8979 and attach it to the AAR. See the Instructions for Form 8979.

Item B

BBA partnerships filing an AAR will need to determine if the partnership adjustments result in an IU. The BBA partnership should consider all available guidance issued by the IRS in making a determination of whether or not the AAR results in an IU.

Item C

If the adjustments contained in the BBA AAR result in an IU, then the partnership must pay the IU at the time that the AAR is filed. However, under section 6227(b)(2), the partnership can elect to have its reviewed year partners take the adjustments into account. This election is an alternative to payment of the IU. See section 6226(a)(2) for details. If the partners take the adjustments into account, the partnership is no longer liable for the IU. If the adjustments contained in the BBA AAR do not result in an IU, the partnership must follow the rules for the reviewed year partners to take into account the adjustments. If the adjustments do not result in an IU or the BBA partnership makes a valid election under section 6227(b)(2), the partnership

must furnish a statement to each reviewed year partner that identifies the partner's share of any adjustment to a partnership-related item included in the BBA AAR. A copy of the statements furnished to the reviewed year partners must also be filed with the IRS.

If making this election, the BBA partnership that is filing an AAR should consider all available guidance issued by the IRS to ensure that the statement provided to the partners and to the IRS is complete.

Item D

Each reviewed year partner is required to take into account its share of adjustments requested in a BBA AAR if the partnership adjustments result in an IU and the partnership makes the election discussed under Item C. Additionally, each reviewed year partner is required to take into account its share of any adjustments requested in a BBA AAR that do not result in an IU. The determination of whether or not an adjustment results in an IU amount is discussed in Item B for this section.

The partnership is required to furnish the reviewed year partner with a statement of its share of the BBA AAR adjustments. The statement signed by the partnership representative attesting to the partnership's compliance with this requirement is included under Item D for this section. The BBA partnership should consider all available guidance issued by the IRS to ensure that the statement provided to the partners and to the IRS is complete.

Special instructions for reviewed year pass-through partners that receive a statement related to an AAR.

A reviewed year pass-through partner that receives a statement from a BBA AAR partnership (directly or indirectly) can choose to make a payment or furnish statements to its partners. If making a payment, the pass-through partner should use the adjustments shown on the statement it received to figure an IU using procedures the BBA partnership uses to figure an IU under section 6225. The pass-through partner should include a detailed payment calculation, a copy of the AAR statement it received, and a check or an electronic confirmation number. Information to include on the payment is the name of the partnership, "Form 1065," the taxpayer identification number of the partnership, the tax year, and "BBA AAR Push Out." Checks must be payable to the "United States Treasury." If making an electronic payment, choose the payment description "BBA AAR Push Out" from the list of payment types. The payment should also include any applicable interest or penalties. See *Interest and Penalties*, earlier.

If the partnership is electing to account for the adjustments by furnishing statements to its partners, the pass-through partner must provide statements to each partner by the extended due date of the BBA AAR partnership's return for the year the AAR was filed ("the extended due date"). Reviewed year pass-through partners must also file a partnership adjustment tracking report that includes the information required by the Secretary with the IRS prior to the extended due date. The reviewed year pass-through partner should consider all available guidance issued by the IRS to ensure that the statements provided to the partners and to the IRS are complete.

Note. Pass-through partner adjustments that do not result in an IU are taken into account by the pass-through partner in the tax year of the pass-through partner that includes the date the required payment is made, or if no payment is required, the date the statement described is furnished to the pass-through partner.

Item E

Under section 6227(b)(1), the partnership may modify the IU resulting from adjustments reported in a BBA AAR in accordance with the provisions under section 6225(c), disregarding the provisions under paragraphs (2), (7), and (9). Any modification made to the IU under section 6227(b)(1) must be disclosed and fully explained in documentation included with the AAR. The BBA partnership should consider all available guidance issued by the IRS in making a determination that a modification to the IU applies.

Note. If the partnership chooses the alternative to payment procedures, the modifications to the IU are disregarded and are not included on the statements provided to the partners.

Section 3—Partnership-Partner Amended Return Filed as Part of Modification of the Imputed Underpayment (IU) During an Examination

Section 6225(c)(2) allows a BBA partnership under examination to request specific types of modifications of an IU proposed by the IRS. One type of modification applies when a partner or indirect partner, including partnership-partners, file an amended return for the tax year of the partner which includes the end of the reviewed year of the BBA partnership under examination.

A BBA partnership under examination will be assigned a unique audit control number. A partnership-partner using a Form 1065X as part of a modification of an IU under section 6225(c)(2) must include

in Section 3 of Form 1065X the name, EIN, reviewed year, and audit control number of the BBA partnership under examination. In addition, if a partnership-partner is choosing to pay an IU with respect to their allocable share of adjustments, see *Part IV—Imputed Underpayment Under the Centralized Partnership Audit Regime*, for payment instructions.

Part II—Amended or Administrative Adjustment Request (AAR) Items for Partnerships Filing Form 1065 Only (ELPs and REMICs Use Part III)

For information on income, deductions, credits, etc., see the instructions for Form 1065, Schedules K and K-1, for the tax year being amended or otherwise adjusted. See the Instructions for Form 1065 for a list of forms that may be required.

If you are a TEFRA partnership, the IRS will process Form 1065X following the guidelines set forth in sections 6227(c)(1) and 6227(c)(2) (prior to amendment by BBA).

Column (a). Enter the amounts from Schedule K of Form 1065 as originally filed or as was previously adjusted. If the return was changed or audited by the IRS, enter the amounts as adjusted.

Column (b). Enter the net increase or decrease for each line being changed. Use parentheses around all amounts that are decreases. Explain the increase or decrease in Part V.

Line 3. Use line 3 to show amendments to other net rental income (loss). For more information on how other net rental income (loss) is figured, see *Line 3. Other Net Rental Income (Loss)* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

If the partnership is reporting more than one rental activity, show the separate calculation for each activity in Part V.

Line 9c. For more information on the three types of unrecaptured section 1250 gain that can be reported, see *Line 9c. Unrecaptured Section 1250 Gain* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

If the partnership is reporting more than one type of unrecaptured section 1250 gain, show the separate calculation for each gain in Part V.

Line 11. Enter any other item of income or loss not included in lines 1 through 10. For information on the types of income and loss reported, see *Line 11. Other Income (Loss)* in the Instructions for Form

1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of income and loss reported on this line.

Line 13d. Enter deductions not included on lines 12, 13a, 13b, 13c, and 16p. For more information on the types of deductions reported, see *Line 13d. Other Deductions* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of the deductions reported on this line.

Line 15d. Enter credits (other than credits reported on lines 15a through 15c) related to rental real estate activities. These credits may include any type of credit listed in *Line 15f. Other Credits* of the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of the rental real estate credits reported on this line.

Line 15e. Enter credits (other than credits reported on lines 15a through 15d) related to rental activities. These credits may include any type of credit listed in *Line 15f. Other Credits* of the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of the rental credits reported on this line.

Line 15f. Enter credits, except for credits or expenditures shown or listed for lines 15a through 15e. If any of the credits are attributable to rental activities, enter them on line 15d or line 15e, as appropriate. For more information on the types of credits listed, see *Line 15f. Other Credits* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of credits reported on this line. If any of the credits are subject to recapture, include in Part V the credit recapture information.

Line 16q. Use line 16q to show amendments to total reduction in taxes available for credit. For more information about the reduction in taxes that are reported, see *Line 16q. Reduction in Taxes Available for Credit (Code R)* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of reductions reported on this line.

Line 16r. Use Part V to report amendments to other foreign tax information. For more information about the other foreign tax information associated with this line, see *Line 16r.*

Other Foreign Tax Information in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

Line 17f. Use line 17f to show amendments to other alternative minimum tax (AMT) items that are not shown on lines 17a through 17e. For more information about the other AMT items associated with this line, see *Line 17f. Other AMT Items* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part V, identify the different types and amounts of other AMT items reported on this line.

Line 20c. Use Part V to report amendments to other items and amounts. For more information on other items and amounts associated with this line, see *Line 20c. Other Items and Amounts* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

Amended Schedules K-1

If a BBA partnership files an AAR and it needs to make its partners aware of their allocable share of adjustments, it will furnish the partners a statement. These statements are discussed under *Part I, Section 2, Item D*, earlier. ELPs filing a Form 1065X as an AAR should see *Part III*, below. All other partnerships should file amended Schedules K-1 with Form 1065X and furnish copies of the amended Schedules K-1 to the partners.

If a TEFRA partnership is filing Form 1065X for an AAR, it should inform the partners receiving the amended Schedules K-1 that the partnership is filing the AAR. If the partnership is not subject to either the rules for consolidated audit proceedings (TEFRA proceedings) under sections 6221 through 6234 (prior to amendment by the BBA) or to the centralized partnership audit regime under BBA, it must furnish the amended Schedules K-1 to its partners. The partners must then file their own amended returns.

Part III—Amended or Administrative Adjustment Request (AAR) Items for ELPs and REMICs

ELPs only. An ELP may file an AAR to adjust its partnership items. Generally, the ELP has two choices for handling the adjustment.

1. It may combine the adjustment with the same partnership item for the year in which the IRS allows the adjustment and pass it through to the current partners for that year. However, if the adjustment involves the reduction in a credit which exceeds the amount of that credit for the partnership tax year in which the

adjustment is allowed, the partnership must pay tax in an amount equal to the excess amount.

2. It may elect not to pass the adjustment through to current partners by paying tax on any IU that results from the adjustment. If the partnership elects to pay the tax, enter it on Part III, line 16. Attach a computation of the tax to Form 1065X.

In either case, the partnership is liable for any interest and penalties on IUs that result from the adjustment. See section 6242(b) (prior to amendment by BBA) for details. Interest is figured on the IU for the period beginning on the day after the due date (excluding extensions) of the partnership return for the tax year the adjustment takes effect, or, if earlier, the date the partnership paid the tax due under (2) above. The adjusted year is the partnership tax year in which the item being adjusted arose.

ELPs and REMICs. Identify in Part III of Form 1065X the amount and treatment of any item the partnership or REMIC is changing from the way it was reported on the original return.

Column (a). Enter a description of the item that the partnership or REMIC is adjusting or amending.

Column (b). Enter the amounts from the ELP's or REMIC's return as originally filed or as it was later adjusted. If the return was changed or audited by the IRS, enter the amounts as adjusted.

Column (c). Enter the net increase or net decrease for each line being changed. Use parentheses around all amounts that are decreases. Explain the increase or decrease in Part V.

Column (d). Add the increase in column (c) to the amount in column (b) or subtract the column (c) decrease from column (b). Enter the result in column (d).

Line 6. Show any increase or decrease to the ELP's tax or other payments.

Line 10. Enter total tax as follows.

ELPs. Enter the line 6 amounts on line 10.

REMICs. Add the amounts on lines 7 through 9 and enter the total for each column on line 10.

Line 11. Enter the amount of tax deposited with Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

Line 14. Enter the amount from the "Overpayment" line of the original return, even if the ELP or REMIC chose to credit all or part of this amount to the next year's estimated tax. This amount must be considered in preparing Form 1065X

because any refund due from the original return will be refunded separately from any additional refund claimed on Form 1065X. If the original return was changed by the IRS and the result was an additional overpayment of tax, also include that amount on line 14.

Line 16. If the ELP or REMIC does not use electronic fund transfers, including the Electronic Federal Tax Payment System (EFTPS), enclose a check with this form. Make the check payable to "United States Treasury."

Line 17. If the ELP or REMIC is entitled to a refund larger than the amount claimed on the original return, line 17 will show only the additional amount of overpayment. This additional amount will be refunded separately from the amount claimed on the original return. The IRS will figure any interest due and include it in the refund.

Amended Schedules K-1 or Schedules Q

If the ELP or REMIC is filing Form 1065X for an AAR, do not furnish the amended Schedules K-1 or Schedules Q to the partners or residual interest holders. If the REMIC is not filing for an AAR and is not subject to the rules for consolidated audit proceedings under sections 6221 through 6231 (prior to amendment by BBA), the REMIC must furnish the amended Schedules Q to its residual interest holders.

Part IV—Imputed Underpayment (IU) Under the Centralized Partnership Audit Regime

BBA AARs that result in an IU as determined under section 6225(b) should include documentation with the AAR that supports the computation of the IU amount. The BBA partnership should consider all available guidance issued by the IRS when figuring the IU amount. The IU amount should be reported on line 1 of Part IV.

If modifications are applied to the IU, complete and attach Form 8980 and report the modified IU amount in Part IV, line 1. See *Part I, Section 2, item E*, earlier, for more information on modification.

The BBA AAR should include documentation that supports the determination of penalties and interest associated with the BBA AAR. A payment made with Form 1065X should detail the portion of the payment that is for the IU, the portion that is for interest, and the portion that is for penalties. The total of all three should be reflected on line 2 of Part IV.

Under section 6232(b), partnerships filing a BBA AAR that have adjustments that result in an IU, and do not elect the alternative to payment of the IU, must pay the IU, which should be shown on line 2 in Part IV of Form 1065X at the time of filing the AAR. Information to include on the payment made by check is the name of the partnership, "Form 1065," the taxpayer identification number of the partnership, the tax year, and "BBA AAR Imputed Underpayment." Checks must be payable to "United States Treasury" and included with the BBA AAR. If making an electronic payment, choose the payment description "BBA AAR Imputed Underpayment" from the list of payment types. The payment amount, including interest and penalties, should be reported in Part IV, line 3.

Partnership-Partner Amended Return Filed as Part of Modification

Partnership-partners who are filing amended returns as part of the modification of the IU during examination under section 6225(c)(2) will report the applicable payment of tax in Part IV, line 1. A payment made with Form 1065X should detail the portion of the payment that is for the payment of the IU and the portion that is for interest and penalties. The partnership should consider all available guidance issued by the IRS when figuring the amount due. The total of all three

should be reflected in Part IV, line 2. If the payment is made by check, information to include on the payment is the name of the partnership-partner, "Form 1065," the taxpayer identification number of the partnership-partner, tax year, and "Partner Payment for BBA Modification." Checks must be payable to the "United States Treasury" and included with the amended return. If making an electronic payment, choose the payment description "Partner Pymnt for BBA Modification" from the list of payment types. The payment amount, including interest and penalties, should be reported in Part IV, line 3.

Part V—Explanation of Changes to Items in Part II and Part III

For each amended item, explain in detail the reasons for the change. Include any computations necessary to support the amended item.

Changes in allocations. If there is a change in the allocation of income, gain, loss, deduction, or credit to a partner, check the box in Part V and specify the nature and reasons for the changes.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that

you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can write to: Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send Form 1065X to this address. Instead, see *Where To File*, earlier, near the beginning of the instructions.