

# Instructions for Form 8082



(Rev. October 2025)

## Notice of Inconsistent Treatment 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 8082 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8082](https://www.irs.gov/Form8082).

### What's New

**Part I, line 1.** The checkboxes for “AAR,” “TEFRA AAR,” and “ELPs/REMICs” have been removed.

**Part I, line 2.** The checkbox for “TEFRA Partnership” has been removed.

**Part II.** The heading for column (e) has been clarified.

### General Instructions

Unless otherwise noted, references to sections 6221 through 6241 are to the Internal Revenue Code (the Code) as amended by the Bipartisan Budget Act of 2015 (BBA) and related regulations which describe processes and procedures. They are referred to in these instructions as “BBA proceedings.”

### Purpose of Form

**Notice of inconsistent treatment.** If you're a partner in a BBA partnership, an S corporation shareholder, a beneficiary of an estate or trust, an owner of a foreign trust, or a residual interest holder in a real estate mortgage investment conduit (REMIC), you must generally report items consistent with the way they were reported by the partnership to the IRS on Schedule K-1, Schedule K-3, Form 9886 (issued with a BBA AAR), Schedule Q, and/or a foreign trust statement. However, there may be reasons why you wish to report these items differently. To do so, use Form 8082 and the instructions under [Inconsistent Treatment](#), later.

**Note:** A partner is bound to finally determined adjustments on Form 9886 resulting from a BBA partnership audit and may not use Form 8082 to report the items differently.

Use Form 8082 to notify the IRS of any inconsistency between your tax treatment of an item and the way the pass-through entity treated and reported the same item on its return. Also use the form to notify the IRS if you didn't receive Schedule K-1, Schedule Q, and/or a foreign trust statement from the foreign trust by the due date for filing your return (including extensions). Additionally, based on the instructions for Schedule K-2, if the pass-through entity was required to provide a Schedule K-3 but didn't, use Form 8082 to notify the IRS of this.

**AAR under BBA.** Use Form 8082 if you're the [partnership representative \(PR\)](#) or [designated individual \(DI\)](#) (if the PR is an entity) requesting an administrative adjustment on behalf of the BBA partnership to correct a previously filed partnership return. Go to [IRS.gov/BBAAR](https://www.irs.gov/BBAAR) for additional information. Also, see the Instructions for Form 1065.

BBA created a new centralized partnership audit regime generally effective for partnership tax years beginning after 2017, replacing the consolidated audit proceedings under sections 6221 through 6234 enacted by TEFRA. All partnerships with tax years beginning after 2017 are subject to the centralized partnership audit regime unless they make a valid election under section 6221(b). See section 6221(b) and the Instructions for Form 1065 for information on which partnerships are eligible to make this election.

For instructions on completing Form 8082 for this purpose, see [BBA AAR](#) under *Specific Instructions*, later.

### Definitions

**AAR partnership.** An AAR partnership is a BBA partnership that has filed, or is filing, an AAR under section 6227.

**Adjustment year.** For BBA partnerships, the adjustment year is the partnership tax year in which:

- An adjustment pursuant to the decision of a court in a proceeding brought under section 6234, such decision becomes final;
- An AAR is filed under section 6227; or
- A notice of final partnership adjustment is mailed under section 6231 or, if the partnership waives the limitations on assessments under section 6232(b), the waiver is executed by the IRS.

**Audited partnership.** For purposes of these instructions, an audited partnership is a BBA partnership that made an election under 6226 and issued Forms 9886 to its partners. The partners of an audited BBA partnership are bound by the adjustments and cannot file a Form 8082 to treat the adjustments inconsistent with the results of the audit.

**BBA partnership.** A partnership subject to the centralized partnership audit regime is referred to as a “BBA partnership.” All partnerships with tax years beginning after 2017 are BBA partnerships unless, under section 6221, they make a valid election out of the centralized partnership audit regime. A partner in a BBA partnership is referred to as a “BBA partner.” REMICs subject to the centralized partnership audit regime are also considered BBA partnerships for purposes of these instructions. An AAR filed by a BBA partnership is referred to as a “BBA AAR” and, if one is filed, it must be filed by

the PR or the DI if the PR is an entity. Go to [IRS.gov/BBAAAR](https://www.irs.gov/BBAAAR) for additional information.

**Designated individual (DI).** Where the PR is an entity, the DI is the sole individual appointed by the partnership at the time of the designation of the PR through whom the entity PR acts.

**Foreign trust statement.** Any of the following annual statements furnished by a foreign trust to its owners or beneficiaries.

- Foreign Grantor Trust Owner Statement.
- Foreign Grantor Trust Beneficiary Statement.
- Foreign Nongrantor Trust Beneficiary Statement.

**Form 8985, Pass-Through Statement—Transmittal/Partnership Adjustment Tracking Report.** Form 8985 is used by a BBA partnership to summarize and transmit Forms 8986 (by an audited partnership, a partnership filing an AAR, or a pass-through partner) in situations where the partners are taking into account the adjustments. Form 8985 is also used to report payments made and related calculations by a pass-through partner of a BBA partnership, if applicable. See the instructions for these forms for further information.

**Form 8986, Partner's Share of Adjustment(s) to Partnership-Related Item(s).** Form 8986 was created for BBA partnerships and pass-through partners of BBA partnerships to show each partner's share of adjustments to a PRI as a result of a BBA audit or BBA AAR for situations where the partners are taking into account the adjustments.

**Imputed underpayment (IU).** An IU is the amount a partnership is potentially liable for as a result of an adjustment to a partnership-related item (PRI). Whether an adjustment results in an IU is determined in accordance with the rules under Regulations section 301.6225-1, with that amount subject to possible modification under Regulations section 301.6227-2.

**Non-BBA partnership.** Under BBA, certain partnerships with 100 or fewer eligible partners for the tax year can elect out of the centralized partnership audit regime. For additional information, see the Instructions for Form 1065. A partnership that elects out of the centralized partnership audit regime is referred to as a "non-BBA partnership."

**Partnership-related item (PRI).** For BBA partnerships, under section 6241(2)(B), a PRI 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. An item or amount is with respect to the partnership if it is shown or reflected, or required to be shown or reflected, on the partnership return or the forms and instructions prescribed by the IRS for the partnership's tax year or is required under the Internal Revenue laws to be maintained in the partnership's books or records. This includes an imputed underpayment (IU) and an item or amount relating to any transaction with, basis in, or liability of the partnership.

**Partnership representative (PR).** Under section 6223, BBA partnerships 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 DI to act on behalf of the entity PR. The appointed DI must be an individual and may not be an entity. The partnership and all partners are bound by the actions of the PR in dealings with the IRS under BBA. Go to [IRS.gov/BBAAAR](https://www.irs.gov/BBAAAR) for additional information. A REMIC that's a BBA partnership (hasn't elected out of BBA) would need to designate a PR.

**Pass-through entity.** A partnership, S corporation, estate, trust, or REMIC.

**Reporting year.** Reporting year is applicable to partners of BBA partnerships. It's the partner's tax year(s) that includes the date the AAR partnership furnished Forms 8986 to its partners.

**Reviewed year.** For BBA partnerships, the reviewed year is the partnership's tax year to which a partnership adjustment relates. For example, if the BBA AAR is filed to make an adjustment to income for the 2023 tax year, 2023 is the reviewed year.

**Reviewed year pass-through partner.** For purposes of these instructions, under BBA, a reviewed year pass-through partner is a pass-through entity that 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.

**Schedule K-1.** Schedule K-1 is an annual schedule reporting the partner's, shareholder's, or beneficiary's share of income, deductions, credits, etc., from a partnership, S corporation, estate, or domestic trust.

**Schedule K-2.** Schedule K-2 is an extension of Form 1065, Schedule K, used to report items of international tax relevance from the operation of a partnership.

**Schedule K-3.** Schedule K-3 is an extension of Schedule K-1 (Form 1065) generally used to report to partners their shares of the items reported on Schedule K-2.

**Schedule Q.** Schedule Q is a quarterly schedule reporting the residual interest holder's share of taxable income or net loss from the REMIC.

## Who Must File

**Notice of inconsistent treatment.** Generally, file Form 8082 if any of the following apply.

- You believe an item wasn't properly reported on the Schedule K-1 or Schedule K-3 you received from the partnership, or on a Form 8986 (only issued with respect to an AAR), S corporation, estate, or domestic trust; the Schedule Q you received from the REMIC; or the foreign trust statement you received from the foreign trust.
- You believe an item shown on your schedule or statement is incorrect but it isn't an item that otherwise has to be reported on your tax return. For example, if you believe that the percentage shown as your ownership of capital at the end of the year wasn't properly reported on Schedule K-1, file Form 8082 to report this, even though you aren't otherwise required to report that percentage on your tax return. If you discover this kind of inconsistency after filing your

original return, file an amended return to report it. In the space provided on the amended return for writing explanations, enter "See attached Form 8082." If the correction doesn't affect your tax return, no amounts need to be entered on the amended return if the Form 8082 item is the only reason for filing the amended return.

- The pass-through entity hasn't filed a tax return or given you a Schedule K-1, Schedule Q, or foreign trust statement by the time you're required to file your tax return (including extensions) and there are items you must include on your return.
- If the pass-through entity didn't provide you Schedule K-3 and it was required to do so according to the instructions for Schedule K-2.

**Caution:** If you don't notify the IRS that you're reporting an item (box (a) of Part I, line 1) inconsistently, any deficiency (including any late filing or late payment penalties applicable to the deficiency) that results from an adjustment to make your amount or other treatment of the item consistent with the amount or treatment of the item on the pass-through entity's return may be assessed immediately. An inconsistent item can exist on either your original or amended return.

**AAR under BBA.** File Form 8082 if you're the PR or DI requesting an administrative adjustment on behalf of the BBA partnership to correct a previously filed partnership return.

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

## Who May Not File

Don't use Form 8082 to file a notice of inconsistent treatment or an AAR if any of the following apply.

- If you're a REMIC and want to correct items on the original REMIC return. Instead, file Form 1065-X.
- For any amount of loss, deduction, or credit from Schedule K-1, Schedule K-3, Schedule Q, Form 8986, or the foreign trust statement that you don't report on your return because the amount is otherwise limited by law (such as a loss limited by the at-risk or passive activity rules).
- If you're a partner in a partnership with a tax year beginning after 2017 that has an election out of BBA in effect pursuant to section 6221(b).
- If you're a BBA partnership, you may not file an AAR solely for the purpose of changing the PR. See the Instructions for Form 8979, Partnership Representative Designation or Resignation, for more information.
- You may not file a BBA AAR after the prescribed time to do so. If you're a BBA partnership that has received a notice of administrative proceeding, you may not file an AAR (see [How and When To File](#), later).
- If you're a partner and the BBA partnership in which you're an investor has received a notice of administrative proceeding, a Form 8082 with respect to inconsistent treatment of partnership items from that BBA partnership can't be filed.

- A partner may not file an AAR on behalf of the BBA partnership in which it's a partner unless doing so is in its capacity as the PR for that partnership.
- If you're a shareholder in an S corporation, except as a notice of inconsistent treatment when the shareholder's return isn't consistent with the return of the S corporation. Form 8082 can't be filed by a shareholder to request an administrative adjustment to their tax return to correct S corporation items. Instead, the shareholder must file an amended income tax return.
- If you're a beneficiary of an estate or domestic trust, or a beneficiary or an owner of a foreign trust, except as a notice of inconsistent treatment when the beneficiary's or owner's return isn't consistent with the return of the estate or trust. Form 8082 can't be filed by a beneficiary or owner to request an administrative adjustment to their tax return to correct estate or trust items. Instead, the beneficiary or owner must file an amended income tax return.
- If you're a residual interest holder and your REMIC had no more than one residual interest holder at any one time during the tax year.
- If you're a residual interest holder in a REMIC with a tax year beginning after 2017 that has an election out of BBA in effect pursuant to section 6221(b).

## Interest and Penalties

If you disregard the requirements for filing Form 8082, you may be subject to the accuracy-related penalty under section 6662 or the fraud penalty under section 6663. Either penalty is in addition to any tax that results from a computational adjustment to make your amount or treatment of the item consistent with the amount or treatment of the item on the pass-through entity's return.

**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 understatements of tax, and reportable transaction understatements. 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  $\frac{1}{2}$  of 1% of the unpaid tax for each month or part of a month that the tax remains unpaid. The penalty can't exceed 25% of the unpaid tax.

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

**Interest and penalties applicable to the IU.** Except when the partnership elects to have its partners take into account the adjustments under section 6227(b)(2), BBA partnership interest and penalties are the following.

- The interest figured for an IU is the interest that 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 that is determined at the partnership level is applied as if that BBA partnership had been an individual subject to tax under chapter 1 for the reviewed year and the IU were an actual underpayment (or understatement) for that year for purposes of part II of subchapter A of chapter 68.

### Election to apply the alternative to payment of the IU.

If the partners must take into account the adjustments because the BBA partnership filed an AAR and there are adjustments that don't result in an IU or 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.

## How Many Forms To Complete

You must complete and file a separate form for each pass-through entity for which you're reporting an inconsistent or AAR item. If you're reporting more than four inconsistent or AAR monetary items from one pass-through entity, use additional Forms 8082 because Part II only provides four lines (8 through 11). You don't need to complete lines 8 through 11 if not reporting a change to the amount or treatment of a monetary item; however, you must include an explanation of the change(s) in Part III.

## How and When To File

**How to file.** Don't file Form 8082 by itself.

If you file Form 8082 as a notice of inconsistent treatment, complete a single copy of the form, attach it to your tax return, and file it when you file your original return.

**Note:** If you require more than the four lines provided in Part II to report the inconsistent or AAR items, attach additional Forms 8082 as necessary.

**When to file.** Generally, a pass-through entity may file an AAR to change items on its return:

- Within 3 years after the later of:
  1. The date on which the pass-through entity return for that year is filed, or
  2. The last day for filing the pass-through entity return for that year (excluding extensions); or
- Before a notice of an administrative proceeding for the tax year is mailed under section 6231.

**Special rules.** A partnership return or a REMIC return is generally due by the 15th day of the 3rd month following the close of the partnership's or REMIC's tax year. The tax year of a REMIC always ends on December 31.

Special rules apply if the period of limitations has been extended by agreement. See section 6235 and Regulations section 301.6235-1 for details.

## What To Attach

If applicable, attach the following items to Form 8082.

- If the corrected amount involves an item that must be supported with a schedule, statement, or form, attach the appropriate schedule, statement, or form. Include the entity's name and employer identification number (EIN) on any attachments. See the Instructions for Form 1065 for a list of forms that may be required.  
**Note:** If the attachments needed to support the corrected amount include copies of forms or schedules from previously filed tax returns, enter at the top of each previously filed form or schedule, "Copy Only—Don't Process."
- A BBA partnership must attach a schedule to Form 8082 that supports the position(s) reported. If the partnership doesn't make an election under section 6227(b)(2) to have the adjustments taken into account by the reviewed year partners and would like to modify per section 6227(b)(1), it must attach a Form 8980, Partnership Request for Modification of Imputed Underpayments Under IRC Section 6225(c), that supports any modifications made to the IU as described in sections 6225(b) and 6225(c) and as applied to a BBA AAR under section 6227(b)(1). See *Modifications to an Imputed Underpayment Included in an Administrative Adjustment Request* in Pub. 5346, Instructions for Form 8980.
- Attach Forms 8985 and 8986, as applicable. Form 8986 is used by BBA partnerships to furnish and transmit each partner's share of adjustments to PRIs. See the instructions for Forms 8985 and 8986 for more information.
- If the AAR is a request for an electronically deposited refund of \$1 million or more, attach Form 8302, Electronic Deposit of Tax Refund of \$1 Million or More.

## Specific Instructions

Specific instructions for most of the lines have been provided. Lines that aren't explained are self-explanatory.

**Note:** If the pass-through entity didn't file a return or give you a Schedule K-1, Schedule K-3 (and the pass-through entity was required to provide one to you according to the instructions for Schedule K-2), Schedule Q, and/or foreign trust statement by the time you're required to file your return, complete Parts I and II to the best of your knowledge.

## Inconsistent Treatment

### Name and Identifying Number

Enter the legal name of the entity and identifying number on the appropriate lines.

### Part I—General Information

#### Line 1

Check box (a) if you believe an item wasn't properly reported on Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (only issued with respect to an AAR), and/or foreign trust statement you received, or if you haven't received a Schedule K-1, Schedule K-3 (that the

pass-through entity was required to provide according to the instructions for Schedule K-2), Schedule Q, or foreign trust statement by the time you're required to file your tax return (including extensions). Go to line 2.

## Lines 2 Through 6

Generally, the information for these lines can be found on Schedule K-1, Form 8986, Schedule Q, or the foreign trust statement.

**Line 6. Tax year of pass-through entity.** If you're a partner filing a notice of inconsistent treatment from a Form 8986 received as a result of a BBA partnership AAR, enter the pass-through entity tax year that includes the date contained in box D of Form 8986, Part II.

## Part II—Inconsistent or Administrative Adjustment Request (AAR) Items

**Partner filing a notice of inconsistent treatment for a Schedule K-1 or Schedule K-3 received from a BBA partnership.** When a partner receives a Schedule K-1 or Schedule K-3 from a BBA partnership, it must generally file consistently with that Schedule K-1 or Schedule K-3. However, a partner may file inconsistently if it provides valid notice to the IRS of inconsistent treatment.

**Notice of inconsistent treatment filed with return.** If a pass-through partner doesn't receive a Schedule K-1 or Schedule K-3 (and the pass-through entity was required to provide one according to the instructions for Schedule K-2) from a BBA partnership or does receive a Schedule K-1 or Schedule K-3 but disagrees with some or all of the reported treatment or amounts, it may file a notice of inconsistent treatment with its return (original or amended/AAR). To do so, as a pass-through partner, you'll include Form 8082 with your return (for example, Form 1065, Form 1120-S), prepare your return using the treatment or amounts you determine are correct, and do the following.

1. On Form 8082, check box (a) under Part I, line 1 (and box (b), if applicable).
2. See [Lines 8 Through 11—Inconsistent Treatment](#), later, for how to complete columns (a) through (e) of Part II.
3. File Form 8082 along with the applicable return and attach any other supporting documents required.

**Other than pass-through partner filing a notice of inconsistent treatment from a BBA partnership.** If you're a partner (other than a pass-through partner) filing inconsistently from a BBA partnership (that is, inconsistently from a Schedule K-1, Schedule K-3, and/or Form 8986 you received as a result of a BBA partnership filing an AAR, and not as a result of an audit), complete Form 8082 and attach it to your original or amended return. If filing inconsistently from a Form 8986 (received as a result of a BBA partnership filing an AAR and not as a result of an audit), attach Form 8082 to your reporting year return that corresponds to the Form 8986 received. Attach a copy of the Form 8986 received from which you're filing inconsistently. See [Reporting year](#), earlier. See [Lines 8](#)

[Through 11—Inconsistent Treatment](#) below for how to complete Part II, columns (a) through (e).

## Lines 8 Through 11—Inconsistent Treatment

**Note:** Lines 8 through 11 are only required if reporting a change to the amount or treatment of a monetary number.

**Column (a).** If you received a Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (as a result of a BBA AAR and not as a result of an audit), and/or foreign trust statement, enter the line number and description shown on the form. For example, if you're a BBA partner providing notice of inconsistent treatment for a Form 8986 received (as a result of a BBA AAR and not as a result of an audit), enter the information from the first three columns of Form 8986, Part V, that you're treating inconsistently. Otherwise, enter a complete description of the item.

If you didn't receive a Schedule K-1, Schedule K-3, Schedule Q, and/or foreign trust statement but are still reporting estimated amounts on your original filing, enter a complete description of the item and where you're reporting the estimated amount on your original return.

**Column (b).** If you believe that the amount of any item shown on Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (as a result of a BBA AAR and not as a result of an audit), and/or a foreign trust statement wasn't properly reported, check the box under "Amount of item."

If you believe that treatment of any item (other than the amount of the item) wasn't properly reported (such as a long-term capital loss that a partner thinks should be an ordinary loss), check the box under "Treatment of item."

Check both parts of column (b) if either (1) or (2) below applies.

1. You believe that both the amount and another treatment (besides the amount) of the item shown on Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (as a result of a BBA AAR and not as a result of an audit), and/or a foreign trust statement weren't properly reported, or you believe an item was omitted from the form.
2. The pass-through entity didn't file a return or give you a Schedule K-1, Schedule K-3 (and the pass-through entity was required to provide one to you according to the instructions for Schedule K-2), Schedule Q, and/or foreign trust statement.

**Note:** If you check only "Treatment of item," you don't need to complete columns (d) and (e).

**Column (c).** If you attach Form 8082 to your return, to make a notice of inconsistent treatment, enter the amount as shown on the Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (as a result of a BBA AAR and not as a result of an audit), and/or foreign trust statement you received.

If the pass-through entity didn't file a return, or if you didn't receive a schedule or statement, or if you're reporting items that you believe were omitted, enter zero in column (c).

**Forms 8985 and 8986.** BBA partnerships filing an AAR must furnish a Form 8986 to each reviewed year partner if:

- It makes an election under section 6227(b) to have the adjustments taken into account by the reviewed year partners,
- The adjustments result in an IU of zero or less than zero, or
- The adjustments don't result in an IU.

**Caution:** Use Form 8986 to notify partners of their allocable shares of adjustments, don't use an amended Schedule K-1.

Form 8986 reflects a partner's share of an adjustment to a PRI. Form 8985 summarizes the information reported on the Forms 8986. Forms 8985 and 8986 are required to be filed with the AAR.

**Inconsistent treatment of Form 8986.** If you receive Form 8986 as a result of a BBA AAR (and not as a result of an audit), attach Form 8082 to the copy of the return (or amended return) you file. Report the following inconsistent amounts from the applicable "Corrected" column of Form 8986 in column (c) of Form 8082, Part II.

- Liabilities or capital items in Form 8986, Part IV.
- Item of income, gain, loss, deduction, or credits in Form 8986, Part V.
- Any other items in Form 8986, Part VI.

**Column (d).** Enter the amount you're reporting as the correct amount in column (d).

**Column (e).** Enter the net increase or decrease for each line being changed in column (e). Enter as a positive the amount by which column (d) exceeds column (c) or enter as a negative the amount by which column (c) exceeds column (d). Use parentheses around all amounts that are negative. Explain the reason for the change (increase or decrease) in Part III.

### Part III—Explanations

Explain in detail the reasons you're reporting an inconsistent or corrected amount or item as follows.

- If you believe that the amount or other type of treatment of any item shown on Schedule K-1, Schedule K-3, Schedule Q, Form 8986 (as a result of a BBA AAR and not as a result of an audit), and/or a foreign trust statement wasn't properly reported, state how you think the item should be treated and why.
- If the pass-through entity hasn't filed a tax return by the time you're required to file your tax return, enter as the explanation, "Partnership (S corporation, Estate, Trust, or REMIC) return not filed."
- If the pass-through entity didn't give you a Schedule K-1, Schedule K-3 (and the pass-through entity was required to provide one to you according to the instructions for Schedule K-2), Schedule Q, and/or foreign trust statement by the time you're required to file your tax return, enter as the explanation, "Schedule K-1 (Schedule K-3, Schedule Q, and/or foreign trust statement) not received."

## BBA AAR

### Name and Identifying Number

Enter the legal name of the entity and identifying number on the appropriate lines.

### Part I—General Information

#### Line 1

Check box (b) if you're filing an AAR on which you're requesting a change in the amount or treatment of any item from the way you reported it on your return as originally filed or as you later amended it. Subject to the particular filing rules, an AAR can be filed by partnerships subject to BBA proceedings (BBA AAR). An AAR can also be filed by the partnership-partners in a BBA partnership (but only for the purpose of providing notice of inconsistent treatment with the AAR). See Regulations section 301.6227-1(a) referring to Regulations section 301.6222-1.

### For Partnership Tax Years Beginning After 2017

**BBA AAR.** All partnerships with tax years beginning after 2017 are subject to the centralized partnership audit regime unless an eligible partnership makes a valid election under section 6221(b) to elect out of the centralized partnership audit regime.

Partnerships that are subject to the centralized partnership audit procedures of sections 6221 through 6241 are referred to as "BBA partnerships." A partnership with a tax year beginning after 2017 that isn't subject to BBA proceedings because it has made a valid election under section 6221(b) is referred to as a "non-BBA partnership." An AAR filed by a BBA partnership is a BBA AAR.

**Caution:** If a BBA partnership files an AAR and it needs to make its partners aware of their allocable shares of adjustments, it will furnish to each partner for the reviewed year a Form 8986 reflecting the partner's share of the adjustments (and shouldn't provide amended Schedules K-1 or K-3). The partnership is also required to file with the AAR any Forms 8986 required to be furnished to partners along with Form 8985. See the instructions for these forms for further information.

The partnership will need to furnish Forms 8986 to make its partners aware of their allocable shares of adjustments when (a) the adjustments in the BBA AAR result in an IU of zero or less than zero, or the adjustments don't result in an IU; or (b) the adjustments in the BBA AAR do result in an IU greater than zero but (as an alternative to payment) the BBA partnership makes a valid election under section 6227(b)(2) to have each reviewed year partner take its share of adjustments into account. See items B, C1, C2, and D that follow.

**Item A.** If "Yes" 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. See [Figuring the IU](#), later, for information on how to figure the 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. Also, see [IU Under the Centralized Partnership Audit Regime](#), later, for discussion of the IU.

**Note:** An IU calculation must always be made and presented on the AAR. This even applies when the IU is zero or less than zero, or the adjustments don't result in an IU. See [Figuring the IU](#), later, under *Part III* for more information.

**Item C1.** If the adjustments contained in the BBA AAR result in an IU, the partnership must pay the IU at the same time 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 is an election to push out the adjustments to the partners as an alternative to payment of the IU. See section 6226(a)(2) for details. If this valid election is made, the partnership is no longer liable for the IU.

**Caution:** If the partnership's election under 6227(b)(2) to push out the adjustments to the partners is determined to be invalid, the partnership will still remain liable for the IU.

**Item C2.** The partnership will need to furnish a Form 9886 to each reviewed year partner reflecting the partner's share of adjustments for when the adjustments don't result in an IU (for example, the adjustments in the BBA AAR result in an IU of zero or less than zero; or there is a net negative adjustment).

The partnership is also required to file with the AAR all Forms 9886 furnished to partners and Form 9885. See the instructions for these forms for further information.

**Note:** The BBA partnership doesn't furnish Schedules K-1 to its partners when filing a BBA AAR. Instead, it will provide Forms 9886.

**Note:** A partnership that makes an election under section 6227(b)(2) to push out adjustments to its partners must nevertheless pay any taxes, penalties, additions to tax, additional amounts, or the amount of any adjustments to any IU previously reported by the partnership (for example, when correcting an IU previously reported on an AAR) for which the partnership is liable under chapter 1 of the Code or the BBA (subchapter C of chapter 63) at the time the partnership furnishes statements to its partners. Any adjustments to such items aren't included in the statements the partnership furnishes to its partners and files with the IRS. These items aren't allocable to partners; rather, they are entity-level liabilities of the partnership and should not be pushed out to partners but paid by the partnership.

**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 a positive IU and the partnership makes the alternative to payment election discussed under *Item C1*, earlier. Additionally, each reviewed year partner is required to take into account its share of any adjustments requested in a BBA AAR resulting in an IU of zero or less than zero, or that don't result in an IU. The determination of whether or not an adjustment results in an IU amount is discussed earlier under *Item B*.

The partnership is required to furnish each reviewed year partner with a Form 9886 reporting its share of the BBA AAR adjustments. The PR (or DI if the PR is an entity) must attest to the partnership's compliance with this requirement. The PR will manually sign Form 8082 under item D to declare under penalties of perjury that all statements have been provided to the reviewed year partners as required by these instructions. Form 8082 should be attached as a PDF to Form 1065.

**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 on Form 9880 included with the AAR.

**Note:** If the partnership makes a valid election to push out the adjustments to the partners as alternative to payment of the IU, any modifications applied to the IU are disregarded.

**Caution:** If the partnership makes an election to push out the adjustments rather than pay an IU but the election is determined to be invalid, the partnership remains liable for the IU and such IU may potentially be assessed. In such a case where the partnership filed Form 9880 to request permitted modifications be applied to the IU calculation, those modifications will be considered in determining the IU.

## Part II—Inconsistent or Administrative Adjustment Request (AAR) Items

If a BBA partnership is filing an AAR to change items that were reported on its original return, do the following.

1. Determine the required changes to be made.
2. Complete Form 8082 to identify the changes being made.
  - a. On Form 8082, check box (b) under Part I, line 1.
  - b. See [Lines 8 Through 11—BBA AAR](#), later, for how to complete columns (a) through (e) of Part II.
3. Figure an IU and determine if there are any adjustments that don't result in an IU. If there are adjustments that don't result in an IU, complete Forms 9885 and 9886.
4. Determine if it will pay the IU or push out the adjustments to the partners.
  - a. If any modifications are applied to the IU, include a completed Form 9880 with the filing of the AAR.
  - b. If pushing out the adjustments to the reviewed year partners, complete Form 1065 (see *Administrative Adjustment Request (AAR)* in the Instructions for Form 1065). Also complete Forms 9885 and 9886.

**Caution:** Schedules K-1 shouldn't be included with the AAR. Any information required to be reported is done so on Form 9886 instead of being reported on Schedules K-1.

**Note:** See [Caution](#), earlier.

5. File Form 8082 along with Form 1065, and attach any other supporting documents required, including copies of Forms 8985 and 8986 (if applicable).
6. If applicable, distribute the Forms 8986 to reviewed year partners according to the Form 8986 instructions.

Subject to the particular filing rules, an AAR can be filed by partnerships subject to BBA proceedings (BBA AAR).

### Lines 8 Through 11—BBA AAR

**Note:** Lines 8 through 11 are only required if reporting a change to the amount or treatment of a monetary number.

**Column (a).** Enter the line number and description from the form for which you're making the change. For example, if you're changing the amount reported on Schedule K, line 1, enter "Schedule K, line 1."

**Column (b).** Check the box under "Amount of item" if you're changing the amount from what was previously filed. Check the box under "Treatment of item" if you're reporting the amount unchanged but are changing another treatment of the item. Check both boxes if you're changing the amount and another treatment besides the amount.

**Column (c).** Report the amount you previously reported for the item listed in column (a).

**Column (d).** Enter the amount you're reporting as the correct amount in column (d).

**Column (e).** Enter the net increase or decrease for each line being changed in column (e). Enter as a positive the amount by which column (d) exceeds column (c), or enter as a negative the amount by which column (c) exceeds column (d). Use parentheses around all amounts that are negative. Explain the reason for the change (increase or decrease) in Part III.

### Part III—Explanations

Explain in detail the reasons you're reporting an inconsistent or corrected amount or item as follows.

- If the pass-through entity hasn't filed a tax return by the time you're required to file your tax return, enter as the explanation, "Partnership (S corporation, Estate, Trust, or REMIC) return not filed."
- If the pass-through entity didn't give you a Schedule K-1, Schedule K-3 (and the pass-through entity was required to provide one to you according to the instructions for Schedule K-2), Schedule Q, and/or foreign trust statement by the time you're required to file your tax return, enter as the explanation, "Schedule K-1 (Schedule K-3, Schedule Q, and/or foreign trust statement) not received."

### IU Under the Centralized Partnership Audit Regime

BBA AARs must always include a computation of the IU (even when the IU is zero or less than zero, or the adjustments don't result in an IU), as determined under section 6225(b). See [Figuring the IU](#), later, for information on how to figure the IU. Also, go to [IRS.gov/Businesses/](https://www.irs.gov/Businesses/)

### [Partnerships/How-To-Figure-an-Imputed-Underpayment](#).

Documentation should be included 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 for an AAR. If the calculated IU amount results in an amount greater than zero and the partnership doesn't elect under section 6227(b)(2) to have its reviewed year partners take the adjustments into account, the partnership must report and pay the IU and any interest and penalty associated with the IU at the time the AAR is submitted. See *Interest and penalties applicable to the IU*, earlier.

If the adjustments requested in the AAR result in an IU, generally the partnership must pay the IU. Adjustments requested in the AAR that don't result in an IU must be taken into account by each reviewed year partner as if the partnership had made an election under section 6227(b)(2) but only with regard to those adjustments that don't result in an IU. In this instance, see Forms 8985 and 8986 and the related instructions for reporting amounts not included in the IU.

The partnership may elect under section 6227(b)(2) to have the reviewed year partners take into account adjustments resulting in an IU. If the partnership makes the election, the partnership isn't liable for, nor required to pay, the IU related to the adjustments. Additionally, if the IU calculation results in an amount that is zero or less than zero, or the adjustments don't result in an IU, then all adjustments are taken into account by the reviewed year partners. However, the partnership may have withholding and reporting obligations under chapter 3 or 4 with respect to the adjustments taken into account by the reviewed year foreign partners. See Forms 8985 and 8986 and their related instructions for how to report these adjustments to reviewed year partners.

**Note:** A partnership that makes an election under 6227(b)(2) to have the reviewed year partners take into account adjustments resulting in an IU won't push out any taxes, penalties, additions to tax, additional amounts, or the amount of any adjustments to any IU previously reported by the partnership (for example, when correcting an IU previously reported on an AAR) for which the partnership is liable under chapter 1 of the Code or the BBA (subchapter C of chapter 63). Instead, the partnership must pay any of these amounts for which the partnership is liable at the time the partnership furnishes statements to its partners.

If the partnership validly elects under section 6227(b)(2) to have its reviewed year partners take all the adjustments into account, any modifications applied to the IU submitted on Form 8980 will be disregarded.

Under section 6227(b)(1), the partnership may modify the IU in accordance with the provisions under section 6225(c), disregarding the provisions under sections 6225(c)(2), (7), and (9). If modifications are applied to the IU, complete and attach Form 8980 and report the modified IU amount on Form 1065, page 1, line 26.

**Note:** Regarding modifications, see [Item E](#) under *Part I*, earlier.

**Caution:** If the partnership makes an election to push out the adjustments rather than pay an IU but the election is determined to be invalid, the partnership remains liable for the IU and such IU may potentially be assessed. In such a case where the partnership filed Form 8980 to request permitted modifications be applied to the IU calculation, those modifications will be considered in determining the IU.

The applicability of interest and penalties is discussed under [Interest and penalties applicable to the IU](#), earlier. The BBA AAR may include a prepayment for interest and penalties. If making prepayments, the AAR should include documentation that supports the calculations. A schedule must be attached to Form 1065 that details the portions of the prepayment that are for the IU, the prepaid estimated interest, and the prepaid estimated penalties. The total of all three should be reflected on Form 1065, page 1, line 26.

| Details of the IU Reported on Form 1065, Page 1, Line 26 |        |
|----------------------------------------------------------|--------|
| Description                                              | Amount |
| 1. IU amount . . . . .                                   | _____  |
| 2. Estimated interest . . . . .                          | _____  |
| 3. Estimated penalties* . . . . .                        | _____  |
| 4. Total payment (sum of lines 1 through 3) . . . . .    | _____  |

\* Include an explanation of the penalties associated with the estimated payment.

Under section 6232(a)(2), partnerships filing a BBA AAR that have adjustments resulting in an IU, and that don't elect the alternative to payment of the IU, must pay the IU at the time of filing the AAR. The IU should be shown on Form 1065, page 1, line 26. When paying by check, include 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 made 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.

## Figuring the IU

### Definitions

**Adjustments not resulting in an IU.** After grouping, subgrouping, and netting the adjustments, the result of netting with respect to any grouping or subgrouping that includes a particular partnership adjustment is a net negative adjustment or the IU calculation results in an amount that is zero or less than zero. Any adjustments that don't result in an IU are taken into account by the reviewed year partners in accordance with Regulations section 301.6227-3.

**Credit grouping.** Any adjustment to a PRI that is reported or could be reported by a partnership as a credit on the partnership's return, including a reallocation adjustment to such PRI, is placed in the credit grouping.

**Creditable expenditure grouping.** Any adjustment to a PRI where any person could take the item that is adjusted (or item as adjusted if the item wasn't originally reported

by the partnership) as a credit, including a reallocation adjustment to a creditable expenditure, is placed in the creditable expenditure grouping.

**Negative adjustment.** A negative adjustment is any adjustment that is a decrease in an item of gain or income; an increase in an item of loss or deduction; an increase in an item of credit or creditable expenditure; a decrease in an item of tax, penalty, addition to tax, or additional amount for which the partnership is liable under chapter 1; or a decrease to an IU calculated by the partnership for the tax year.

**Net negative adjustment.** Any amount which results from netting adjustments within a grouping or subgrouping that isn't a net positive adjustment. A net negative adjustment includes a negative adjustment that wasn't netted with any other adjustment.

**Net positive adjustment.** An amount that is greater than zero which results from netting adjustments within a grouping or subgrouping. A net positive adjustment includes a positive adjustment that wasn't netted with any other adjustment. A net positive adjustment includes a net decrease in an item of credit (or creditable expenditure).

**Positive adjustment.** A positive adjustment is any adjustment that isn't a negative adjustment.

**Reallocation grouping.** In general, any adjustment that allocates or reallocates a PRI to and from a partner or partners is a reallocation adjustment, except for an adjustment to a credit or to a creditable expenditure. Each reallocation adjustment generally results in at least two separate adjustments, each of which becomes a separate subgrouping.

**Residual grouping.** Any adjustment to a PRI that doesn't belong in the reallocation, credit, or creditable expenditure grouping is placed in the residual grouping. This grouping also includes any adjustment to a PRI that derives from an item that wouldn't have been required to be allocated by the partnership to a partner under section 704(b), such as an adjustment to a liability amount on the balance sheet.

**Subgrouping.** Each adjustment is subgrouped according to how the adjustment would be required to be taken into account separately under section 702(a). In general, a subgrouping follows Schedules K, K-1, K-2, and K-3 line items, including any alpha codes related to a Schedule K-1, K-2, or K-3 line item.

**Total netted partnership adjustments (TNPA).** The sum of all net positive adjustments in the reallocation grouping and the residual grouping.

### Formula for Figuring the IU

#### Figuring the IU

|                                                                                   |  |
|-----------------------------------------------------------------------------------|--|
| TNPA x rate* =                                                                    |  |
| + Sum of net positive adjustments to creditable expenditure and credit groupings: |  |
| = Total IU                                                                        |  |
| * Highest rate in effect for the reviewed year under section 1 or 11.             |  |

The process of taking the adjustments shown on the AAR and inputting them into the formula shown in the previous table requires an understanding of the concepts of grouping, subgrouping, and netting. There are seven steps necessary in figuring an IU. The first three steps focus on grouping, subgrouping, and netting.

## Steps in Figuring the IU

### Step 1—Grouping

Place each adjustment into one of the following four groupings: reallocation, credit, creditable expenditure, or residual grouping.

**Note:** Under Regulations section 301.6225-1(b)(4), solely for purposes of calculating any IU, a partnership that files an AAR may treat a positive adjustment as zero if the positive adjustment is related to, or results from, a positive adjustment to another item. The IRS may determine that the adjustment should not have been treated as zero by the partnership in its calculation of the IU. Go to [IRS.gov/Businesses/Partnerships/How-To-Figure-an-Imputed-Underpayment](https://www.irs.gov/Businesses/Partnerships/How-To-Figure-an-Imputed-Underpayment).

**Reallocation grouping.** A reallocation adjustment generally consists of at least two adjustments, one positive and one negative, with each in a separate subgrouping.

- One part of the reallocation adjustment reverses the effect of the improper allocation of a PRI.
- The other part of the adjustment makes the proper allocation of the PRI.
- Under Regulations section 301.6227-2(d), if one of the reallocation adjustments is negative, such negative adjustments must be pushed out to the proper partner(s).

**Caution:** Don't net reallocation adjustments. As each part of a reallocation adjustment is placed in a separate subgrouping within the reallocation grouping, those adjustments can't be netted in accordance with the netting rules.

**Example.** \$100 of ordinary income is being reallocated from Partner A to Partner B. For purposes of figuring the IU, there will be two adjustments, each in a separate subgrouping: a negative adjustment of \$100 (reversing improper allocation to Partner A) and a positive adjustment of \$100 (making proper allocation to Partner B). These two adjustments can't be netted. As a result, the total net positive adjustment in the reallocation grouping is \$100 and will be included in the TNPA. The net negative adjustment of \$100 is an adjustment that doesn't result in an IU and will be pushed out to the proper partner(s).

#### Credit grouping.

- Generally, a decrease in credits is treated as a positive adjustment, and an increase in credits is treated as a negative adjustment.
- A reallocation adjustment relating to the credit grouping is placed into two separate subgroupings and won't be netted together nor will they be netted with other credit adjustments.

**Note:** A change made to a previously reported IU (for example, an IU reported on a prior AAR by the partnership) is placed in the credit grouping and isn't permitted to be pushed out to the partners, as it is a liability of the partnership.

#### Creditable expenditure grouping.

- Generally, a decrease in creditable expenditures is treated as a positive adjustment, and an increase in creditable expenditures is treated as a negative adjustment.
- A reallocation adjustment relating to a creditable expenditure grouping is placed into two separate subgroupings and won't be netted together.
- A creditable expenditure is treated in this manner even if the partners claimed a deduction in lieu of a credit.
- Each adjustment to a creditable expenditure is subgrouped based upon the separate category of income to which the creditable expenditure relates and to account for any different allocation of the creditable expenditure between partners. Two or more adjustments to creditable expenditures are included within the same subgrouping only if each adjustment relates to creditable expenditures in the same separate category, and each adjusted PRI would be allocated to the partners in the same ratio had those items been properly reflected on the originally filed partnership return.

**Residual grouping.** The residual grouping contains all adjustments that don't fit into one of the other groups.

**Recharacterization adjustments.** A recharacterization adjustment may result in two separate adjustments within the residual grouping.

- One adjustment reverses the improper characterization of the PRI.
- The other adjustment makes the proper characterization of the PRI.
- The adjustments that result from a recharacterization are placed into separate subgroupings.

### Step 2—Subgrouping

Determine if any adjustment, within one of the four groupings, needs to be subgrouped. Subgrouping is generally required within a grouping if there's a negative partnership adjustment within that grouping. Each adjustment is subgrouped according to how the adjustment would be required to be taken into account separately under section 702(a). If any adjustment could be subject to any preference, limitation, or restriction under the Code (or not allowed, in whole or in part, against ordinary income) if taken into account by any person, the adjustment is placed in a separate subgrouping from all other adjustments within the grouping.

Generally, each separate line item of Schedules K, K-1, K-2, and K-3 or return schedule (that is, Schedule L, etc.) represents a separate and distinct subgrouping.

**Example.** Adjustments to ordinary income must be placed in a different subgrouping than capital gain income

or interest income because each of those items is required to be separately stated under section 702(a).

- Subgroupings generally reflect a line item from Schedules K, K-1, K-2, and K-3 including any subcategories of those lines (for example, alpha codes per the Schedule K-1 instructions or activities broken out via attached statements). If any line item on Schedules K or K-1 or other schedules consists of multiple items and the components are required to be taken into account separately under the Code, regulations, forms, instructions, or other IRS guidance, then such line item must be further subgrouped.

**Example.** Box 13, code A (cash contributions 60%); and box 13, code B (cash contributions 30%), of 2019 Schedule K-1 are two separate subgroupings.

- The ordinary income (loss) amount reported on Schedule K, line 1, and in box 1 of Schedule K-1 is sourced from Form 1065, page 1, and is a net amount consisting of various page 1 line items of income and expenses. Although those separate page 1 line items are distinct items of income and expense, if they are appropriately netted and included on Schedule K, line 1, and in box 1 of Schedule K-1, the net amount will be considered a single subgrouping, except when such amount is required to be separately allocated, such as when the partnership has more than one trade or business. If the partnership has more than one trade or business activity, the net income (loss) from each separate activity must be reported on Schedule K-1. Each separate activity will constitute a separate subgrouping and it must be determined which activity an adjustment to the page 1 item of income and expense relates to for subgrouping purposes.
- If you have a negative adjustment along with a positive adjustment in the same line item of Schedules K and K-1, you must consider whether they may be properly netted at the partnership level and whether they are required to be taken into account separately by any partner. They may be subject to a limitation or preference under the Code before you can place them in the same subgrouping (for example, passive and nonpassive activities).
- A negative adjustment that isn't otherwise required to be placed in its own subgrouping must be placed in the same subgrouping as another adjustment if the negative adjustment and the other adjustment would have been properly netted at the partnership level and such netted amount would have been required to be allocated to the partners of the partnership as a single item for purposes of section 702(a) or other provision of the Code and regulations.

### Step 3—Netting

Net all adjustments within each of the groupings and subgroupings.

- Positive adjustments may be netted with other positive adjustments only if they are in the same grouping.
- Negative adjustments may be netted with other negative adjustments only if they are in the same subgrouping.

- Positive and negative adjustments may only be netted against each other if they are in the same subgrouping.
- An adjustment in one grouping or subgrouping may not be netted against an adjustment in any other grouping or subgrouping.
- All adjustments within a subgrouping are netted to determine whether there is a net positive adjustment or net negative adjustment for that subgrouping.
- Net positive adjustments from subgroupings or positive adjustments within a grouping (if subgroupings are unnecessary) are netted to determine the net positive adjustment for that grouping. Net negative adjustments from subgroupings within a grouping are netted to determine the net negative adjustment for that grouping.

### Step 4—Figure the Total Netted Partnership Adjustments (TNPA)

- Each net positive adjustment with respect to a particular grouping or subgrouping in the residual or reallocation grouping that results after netting the adjustments is included in the calculation of the TNPA.
- Each net negative adjustment with respect to a residual or reallocation grouping or subgrouping that results after netting the adjustments is excluded from the calculation of the TNPA because those adjustments don't result in an IU.

**Note:** Under Regulations section 301.6225-1(b)(4), a partnership that files an AAR may treat a positive adjustment as zero (solely for purposes of calculating any IU) if the positive adjustment is related to, or results from, a positive adjustment to another item. The IRS may later determine that the adjustment should not have been treated as zero by the partnership in its calculation of the IU. Go to [IRS.gov/Businesses/Partnerships/How-To-Figure-an-Imputed-Underpayment](https://www.irs.gov/Businesses/Partnerships/How-To-Figure-an-Imputed-Underpayment).

### Step 5—Determine the Highest Tax Rate in Effect Under Section 1 or 11 in the Reviewed Year

### Step 6—Determine the Sum of Net Positive Adjustments to Creditable Expenditures and Credit Groupings That Will Increase the Product of the TNPA Multiplied by the Highest Rate in Effect

- A net decrease to creditable expenditures is treated as a net positive adjustment and increases the product of the TNPA multiplied by the highest tax rate in effect. A net increase to creditable expenditures is treated as a net negative adjustment (including net negative adjustments resulting from a creditable expenditures reallocation adjustment) that's excluded from the calculation of the TNPA and is an adjustment that doesn't result in an IU.
- For the credit grouping, a net positive adjustment will increase the product of the TNPA multiplied by the highest tax rate in effect. A net negative adjustment, including net negative adjustments resulting from a

credit reallocation adjustment, will be treated as an adjustment that doesn't result in an IU.

**Step 7—Figure the IU Based on the Results of Steps 4 Through 6 and Insert Those Results Into the IU Formula**

**Figuring the IU**

|                                                                                   |  |
|-----------------------------------------------------------------------------------|--|
| TNPA x rate* =                                                                    |  |
| + Sum of net positive adjustments to creditable expenditure and credit groupings: |  |
| = Total IU                                                                        |  |
| * Highest rate in effect for the reviewed year under section 1 or 11.             |  |

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**Comments and suggestions.** If you have suggestions for making Form 8082 and/or these instructions simpler, we would be happy to hear from you. You can send us comments through [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. **Don't** send Form 8082 to this address. Instead, see [How and When To File](#), earlier.