Tag, You're It: Changes in Partnership	
Tax Liability Collection and Audit 25 th Annual LLCs, LPs and Partnerships Conference Four Seasons Hotel, Austin, Texas July 13-15, 2016	
ORRICK	Thompson & Knight
Overview	
 Summary of New Partn 	ership Audit Rules
 Summary of New Partn Drafting Issues in Partn Agreements and Purch 	ership and LLC

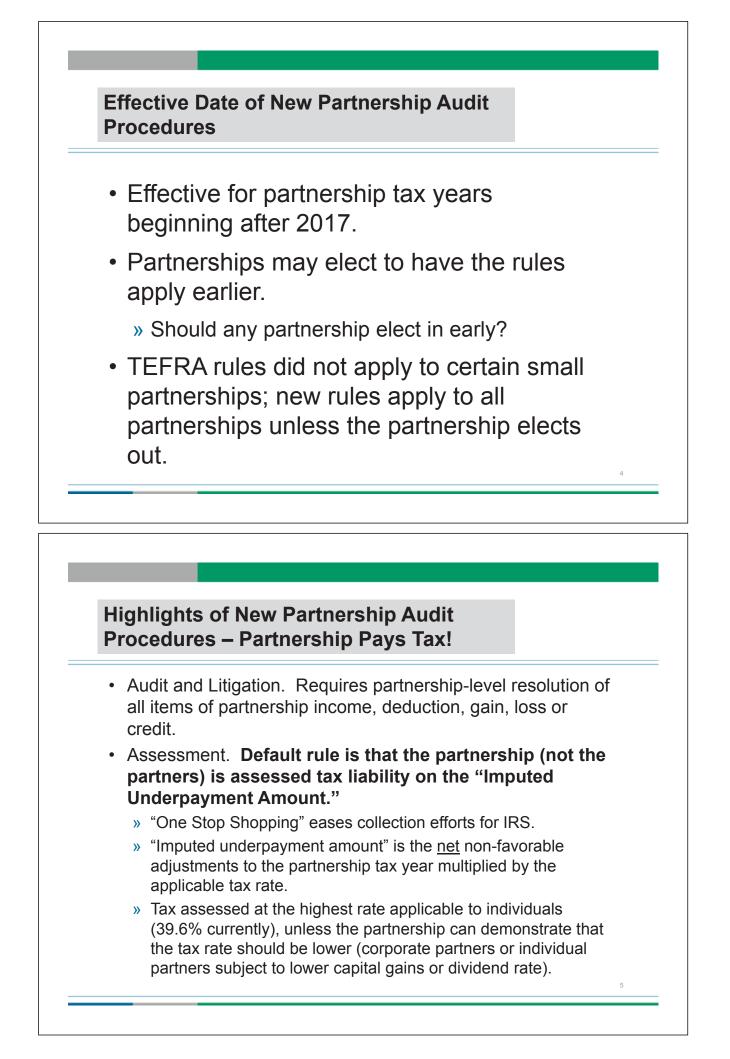
Bipartisan Budget Act of 2015

- Congress repealed and replaced the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA) with a new regime for partnership tax adjustments.
- New rules focus on partnership-level determinations, assessments and collection of tax.
- Game changer that will force most partnerships to amend partnership agreements.

Bipartisan Budget Act of 2015 (cont.)

• Why get rid of TEFRA?

- IRS did not have the resources or capability to audit large partnerships and multi-tiered partnerships because of the complexity of allocating adjustments to ultimate partners.
- Collection efforts at individual partner level.
- The use of partnerships and LLCs has increased dramatically, but IRS audits of partnerships have not increased due to administrative burdens in auditing partnerships.
- Electing Large Partnership (ELP) Rules weren't working. Less than 1% of large partnerships elected to be subject to these rules.
- Revenue Raiser. Congress estimates audits under the new rules will raise \$10 billion in tax revenue.



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