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Insights

IRS Provides Relief for Partnerships to File Amended Returns

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On April 8, 2020, the IRS issued Rev. Proc. 2020-23 ("RP 20-23") in response to provisions of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). RP 20-23 allows eligible partnerships to file amended partnership returns for tax years beginning in 2018 and 2019 by filing a Form 1065, *U.S. Return of Partnership Income* ("Form 1065"), checking an "Amended Return" box, and issuing amended Schedules K-1, *Partner's Share of Income, Deductions, Credits, etc.* ("K-1").

Background

With the passage of the Bipartisan Budget Act of 2015 (the "BBA"), and its "centralized partnership audit regime," all partnerships subject to the BBA (i.e., any partnerships not permitted to opt out of the centralized audit regime) were prohibited, under Section 6031(b) of the Internal Revenue Code (the "Code") from amending the information provided to their partners on issued K-1s after the due date of the Form 1065 unless specifically permitted by the Secretary of the Treasury or his delegate (the "Treasury").

CARES Act Provisions

The CARES Act provides retroactive tax relief that impacts partnerships. This relief includes taxable years ending in 2018, 2019, and 2020. Without specific permission from the Treasury, partnerships subject to the BBA that have already filed their Forms 1065 for an affected year would be unable to take advantage of the retroactive relief of the CARES Act except by filing what is known as an Administrative Adjustment Request ("AAR"), pursuant to Section 6227 of the Code. Under applicable guidance, the filing of an AAR would allow a partner to only recognize these retroactive benefits on his or her current taxable year's Form 1065, which would generally not be filed until 2021. This delay would defeat one of the primary purpose of the relief provided in the CARES Act, which is the delivery of immediate liquidity to taxpayers.

Accordingly, RP 20-23 was issued to permit a partnership to obtain the retroactive tax relief of the CARES Act by filing an amended Form 1065 (for prior tax years) rather than an AAR. Accordingly, RP 20-23 constitutes the authority of the Treasury to permit such action under Section 6031(b) of the Code.

If you have any further questions, comments or concerns, please feel free to contact **Kendall A. Schnurpel** or a member of our **Business, Acquisitions & Securities team**.