



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.31.4

AUGUST 28, 2025

EFFECTIVE DATE

(08-28-2025)

PURPOSE

- (1) This transmits revised IRM 4.31.4, Pass-Through Entity Handbook, TEFRA Administrative Adjustment Request (AAR).

MATERIAL CHANGES

- (1) References to the Campus TEFRA/Pass-through Coordinator were changed to Campus TEFRA Coordinator.
- (2) References to Technical Services TEFRA/Pass-through Coordinator were changed to Technical Services Pass-through Coordinator.
- (3) Many references to NonTEFRA were changed to Investor Level Statute Control (ILSC).
- (4) Audience was revised to be more specific and the reference to LB&I plans to develop a separate IRM was removed
- (5) IRM 4.31.4.1 - Program Scope and Objectives. Added ending date for the TEFRA period. Other minor clarifications.
- (6) IRM 4.31.4.1.1 - Background. Revised to add brief overview of the Bipartisan Budget Act (BBA) of 2015 and the ending period of TEFRA
- (7) IRM 4.31.4.1.2 - Authority. Added clarity for the ending of TEFRA policy for tax years beginning before January 1, 2018.
- (8) IRM 4.31.4.1.3 - Roles and Responsibilities. Updated PCS reference and provided clarity to Campus TEFRA Coordinator responsibilities.
- (9) IRM 4.31.4.1.6 - TERMS/Definitions/Acronyms. Added a reference to Large Corporate Compliance (LCC) Corporations. Revised to move the reference to Electing Large Partnerships (ELP) and Partnership Level Statute Control (PLSC) that no longer applies. Other minor clarifications.
- (10) IRM 4.31.4.1.7 - Related Resources. Revised to add a reference to the Partnership Knowledge Base and remove the reference to the TEFRA website.
- (11) IRM 4.31.4.2 - TEFRA AAR Determinations. Added paragraph to add four different AAR regime descriptions.
- (12) IRM 4.31.4.2.1 - TEFRA Determination. Revised to add required Form 15260 on all flow through returns. Also removed TEFRA/NonTEFRA Determination Job Aid that is no longer active.
- (13) IRM 4.31.4.2.6 - Protective AARs. Revised to add clarity to protective AAR description.
- (14) 4.31.4.4.1 - Classifying AARs
- (15) IRM 4.31.4.5.2 - Partner Filed AAR – CPF. Revised reference to IRC 3210 to reflect Form 3210.
- (16) IRM 4.31.4.7 - AAR Field Procedures. Removed the TEFRA Website hyperlink and update with the Knowledge Management information and hyperlink.

- (17) IRM 4.31.4.7.1 - Determine if AAR is Valid. Added using Form 15260 for determination of Pass-Through Audit Regime
- (18) IRM 4.31.4.7.5 - AAR Linkage Procedures. Added TEFRA partnership to normal, streamline, and proceeding linkage procedure titles.
- (19) IRM 4.31.4.8 - Technical Services Pass-Through Coordinator (TSPC)- Linked Return Processing. Revised Area TEFRA Technical Services Pass-Through Coordinator title to Technical Services Pass-Through Coordinator and provided clarity to TSPC responsibilities.
- (20) Various editorial changes made throughout the IRM.

EFFECT ON OTHER DOCUMENTS

IRM 4.31.4, Pass-Through Entity Handbook, TEFRA - Administrative Adjustment Request (AAR), dated April 5, 2019, is superseded.

AUDIENCE

Small Business/Self-Employed Division (SB/SE) Field and campus personnel working TEFRA Administrative Adjustment Requests. Other organizations include Appeals, Taxpayer Services (TS) , Large Business & International (LB&I) and Tax Exempt Government Entities (TEGE)

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4.31.4

TEFRA Administrative Adjustment Request (AAR)

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4.31.4.1
(08-28-2025)
Program Scope and Objectives

(1) **Purpose** This handbook describes:

- Limits on filing an Administrative Adjustment Request (AAR);
- AAR selection and classification procedures;
- Campus non-selected case procedures;
- Campus linked field controlled AAR procedures;
- Field AAR procedures;
- Legacy Technical Services responsibilities;
- Petitioned AARs;
- Real Estate Mortgage Investment Conduit (REMIC) and AARs; and
- Erroneous refund procedures.

Note: This Internal Revenue Manual (IRM) section provides guidance on campus support procedures related to examinations of partnerships subject to provisions of Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. This section is valid for partnership returns with tax years beginning before January 1, 2018.

- (2) **Audience:** Field examination Revenue Agents (RAs) and campus RAs, Tax Compliance Officers (TCOs), Tax Examiners (TEs) and Clerks working pass-through entities and/or their investors linked on the Pass-through Control System (PCS) (formerly the Partnership Control System).
- (3) **Policy Owner:** Director, Small Business/Self-Employed (SB/SE), Headquarters, Examination - Field and Campus Policy (SE:S:DCE:E:HQ:EFCEP).
- (4) **Program Owner:** Program Manager, Campus Examination and Field Support (SE:S:DCE:E:HQ:EFCEP:CEFS).
- (5) **Primary Stakeholders:** Small Business/ Self Employed (SB/SE), Large Business and International (LB&I), and Appeals.
- (6) **Program Goals:** Establish an electronic linkage between the partnership being examined and its underlying partners in order to generate notices required by statute, monitor and control statutes, and gather closing information.
- (7) **Contact Information:** To recommend changes or make any other suggestions related to this IRM section, see IRM 1.11.6.5, Providing Feedback About an IRM Section -Outside of Clearance.

4.31.4.1.1
(08-28-2025)
Background

- (1) TEFRA was passed in 1982 to allow examinations and statutes to be controlled at the partnership level. This eliminated the need to control each individual partner statute. It also unified the litigation process whereby the tax matters partner (TMP) or a notice partner may commence such litigation at the partnership level by filing a petition rather than each individual partner.
- (2) Section 1101 of the Bipartisan Budget Act (BBA) of 2015 repealed TEFRA partnership and Electing Large Partnership (ELP) provisions and replaced them with a new centralized partnership audit regime beginning with tax years on or after January 1, 2018.
- (3) Generally, all partnerships with tax years beginning January 1, 2018 or after will be subject to the BBA centralized partnership audit regime. Certain eligible partnerships may make an election out of the BBA regime. However, the law allows eligible partnerships with tax years that begin November 3, 2015 to December 31, 2017 to elect into the BBA regime when they are initially notified

of selection for audit (Early Election). Temporary regulations (301.9100-22T) that provide the time, form and manner for making the election were published on August 5, 2016 as Treasury Decision (TD) 9780.

- (4) IRC 6227 (effective prior to 2018) established a procedure to allow a direct change to the TEFRA partners' tax liabilities through an AAR at the partnership level. The ability for a Tax Matters Partner (TMP) to file an AAR to change its treatment of a partnership item reported on the partnership return to the treatment requested on the AAR. Additionally, any non-pass-through partner may file an AAR on their own behalf. It is the primary (though not exclusive) TEFRA provision on refunds or credits of overpayments attributable to partnership items. Generally, any adjustments to partnership items that will result in refunds must be raised in a Final Partnership Administrative Adjustment (FPAA) or petition to an FPAA or be forever barred. In the absence of such a proceeding, IRC 6511(g) prohibits refund claims except as provided under IRC 6227 and IRC 6230(c). Claims under IRC 6230(c) are generally limited to computational and nonpartnership items. This leaves IRC 6227 as the exclusive method for seeking refunds based on substantive changes to partnership items in the absence of a TEFRA administrative and judicial proceeding.
- (5) Further, IRC 6227 provides that when certain criteria are met, special streamlined procedures can be used to assess deficiencies resulting from TMP filed AARs. Generally, if the TMP files a valid election for Substituted Return Treatment under IRC 6227(c)(1) and no partner objects, the IRS can assess the partners without conducting a proceeding or securing an agreement. Otherwise, deficiencies resulting from TMP filed AARs must be assessed through a TEFRA proceeding.
- (6) IRC 6227(c), applies to amended TEFRA key case partnership returns filed by the TMP. Commonly termed "TMP filed AARs", these must be filed on either:
 - a. Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or an equivalent statement with a Form 1065, U.S. Return of Partnership Income, indicating "amended return" on the page 1 checkbox or,
 - b. Form 1065-X, Amended Return or Administrative Adjustment Request (AAR).
 - c. Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), has been incorporated into Form 1065-X, Amended Return or Administrative Adjustment Request (AAR). Currently, Form 1065-X is only used in a paper format and is not yet available in the electronic system. Partnerships required to file electronically must continue to attach Form 8082, or equivalent statement to the amended Form 1065, U.S. Return of Partnership Income, in the e-file system.
- (7) IRC 6227(d) applies to amended returns filed by taxable level partners (For example, Form 1040X, Amended U.S. Individual Income Tax Return, or Form 1120-X, Amended U.S. Corporate Income Tax Return, for adjustments to TEFRA partnership items. These are commonly called "partner AARs" and must contain a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or equivalent statement.
- (8) Middle tier (any pass-through entity as defined by IRC 6231(a)(9)) amended returns requesting adjustments for pass-through partnership items from a source partnership cannot bind their partners and are not considered AARs. Processing a middle tier amended return as an AAR may result in erroneous

refunds or assessments. Middle tier amended returns reflecting only pass-through adjustments should not be processed or suspended and should be returned to files. The pass-through adjustments may be processed on those middle tier returns when a final determination is made on the AAR from which the adjustments originate.

- (9) The Form 13728, Partnership Administrative Adjustment Request (AAR) Check Sheet, can be used to assist the examiner in identifying the areas important to working AAR returns.
- (10) This IRM is still in effect for all TEFRA partnerships and remains in effect for partnership years beginning before January 1, 2018.

4.31.4.1.2
(08-28-2025)
Authority

- (1) TEFRA policy was established in response to the partnership provisions of the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 and remains in effect for partnership years beginning before January 1, 2018.

4.31.4.1.3
(08-28-2025)
Roles and Responsibilities

- (1) The Director, SB/SE, Examination, Headquarters, Field and Campus Policy (SE:S:DCE:E:HQ:EFCEP) is responsible for:
 - a. Coordinating and implementing TEFRA policy changes;
 - b. Coordinating resolutions for TEFRA related problems; and
 - c. Updating this Handbook.
- (2) The SB/SE Program Manager, Examination Field and Campus Policy, Campus Exam and Field Support (SE:S:DCE:E:HQ:EFCEP:CEFS) is responsible for:
 - a. Ensuring that TEFRA procedural changes and computer program changes are implemented and coordinated with area office and campus examination personnel; and
 - b. Monitoring and evaluating area office and campus examination PCS quality control procedures.
- (3) Field Territory Managers, Field Area Directors, Director over Large Business and International (LB&I) Ogden and Director, Examination - Brookhaven, are responsible for ensuring that TEFRA policies and procedures are followed.
- (4) Field Examination Managers and Campus Field Support Operations managers are responsible for:
 - a. Maintaining an updated copy of IRM 4.29, Partnership Control System (PCS) Handbook, in their respective functions;
 - b. Ensuring the training of technical and clerical employees in TEFRA procedures; and
 - c. Establishing PCS records and acting on PCS reports in a timely manner to assure an accurate PCS database.
- (5) The Campus TEFRA AAR Coordinator works with:
 - a. The other TEFRA coordinator(s)
 - b. Their local employees
 - c. Other campus functional areas to ensure timely processing of TEFRA linked pass-through related returns
- (6) The Campus PCS Coordinator is charged with:

- a. Identifying and resolving technical problems
 - b. Identifying and coordinating the resolution of PCS systemic problems
- (7) Following are specific Campus TEFRA AAR Coordinator responsibilities:
- a. Coordinate with Campus Pass-through Coordinators and Technical Services Pass-through Coordinators (TSPC) and Appeals Pass-Through Coordinators on case processing issues;
 - b. Coordinate with Headquarters on any legal issues that need to be addressed by Chief Counsel;
 - c. Review closing packages for completeness;
 - d. Provide technical support to employees and management;
 - e. Work with other campus functional areas to ensure timely processing of linked pass-through related returns.

4.31.4.1.4
(04-05-2019)
**Program Management
and Review**

- (1) **Program Reports:** Each year a closure goal is established for the campus.
- (2) **Program Effectiveness:** The closure goal is monitored monthly to ensure the objectives are met. Since the campus does not control the number of partner returns closed each year, the closures are evaluated throughout the year and the goal is adjusted as needed.

4.31.4.1.5
(04-05-2019)
Program Controls

- (1) The number of one-year assessment statute dates (OYD) are monitored to determine if the closure goal is attainable, or if it needs to be increased.

4.31.4.1.6
(08-28-2025)
**Terms/Definitions/
Acronyms**

- (1) There are several terms unique to TEFRA. Examples of these words:

Defined Terms and Acronyms

Word	Definition
AAR	Administrative Adjustment Request (AAR) - Notification to the IRS of any subsequent change by a TMP or partner, to the treatment of a partnership item. The AAR is filed by checking the appropriate boxes on Form 1065-X, Amended Partnership Return, or by submitting Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), along with a claim for refund or an amended return. AAR procedures are in IRM 4.31.4.
Affected Item	Any item that requires adjustment as a result of an adjustment made to a partnership item. There are two types of affected items: computational and factual. Factual affected items are those items that require factual development and determination at the partner level.

Word	Definition
AIMS	Audit Information Management System (AIMS) provides inventory and activity controls of active Examination cases. It uses linkage to Integrated Data Retrieval System (IDRS) to input status changes, adjustments, and case closing actions.
BBA	Bipartisan Budget Act (BBA) of 2015. The centralized partnership audit regime affects all partnerships filed with tax years beginning on or after January 1, 2018.
Campus TEFRA Coordinator	Campus TEFRA Coordinator acts as a liaison between the Campus Pass-through Function (CPF) and the field offices, Appeals and Counsel for TEFRA cases. They also provide technical support for CPF.
CCP	Centralized Case Processing (CCP) - This function processes assessments and abatements and closes or transfers cases from the area to the campus or to files.
CPF (Formally CTF)	Campus Pass-through Function. The CPF is the suspense unit for investor returns located in the Brookhaven and Ogden campuses. The two CPFs will be maintained to obtain and control, through the AIMS and Partnership Control System (PCS), any partner, shareholder or investor returns related to key cases within their jurisdiction. For details see CPF IRM 4.31.3 and IRM 4.31.6.
FPAA	Notice of Final Partnership Administrative Adjustment (FPAA) - The statutory notice of adjustments (as distinguished from a statutory notice of deficiency) in a partnership proceeding that is subject to judicial review if a petition is filed under Internal Revenue Code (IRC) 6226, (prior to BBA) in the Tax Court, the Court of Federal Claims, or the District Court of the United States where the partnership's principle place of business is located. Only partnership adjustments are identified. An FPAA may also include penalties the applicability of which is determined at the partnership level. FPAAs should only be issued by the Technical Services Pass-Through Coordinator or the CPF, and not field agents.

Word	Definition
ILSC	Investor Level Statute Control (ILSC) - These are pass-through entities (Form 1120-S and Form 1065) where the assessment periods are controlled at the investor level. Proceedings involve investors in S corporations and partnerships that elect out of BBA or that are not subject to TEFRA.
IMS	Issue Management System (IMS) is a computer application used by LB&I that supports existing and new examination processes. It captures information from Industry Cases (IC) and Coordinated Industry Cases (CIC), all specialist work, open cases, and closed cases. The information captured is related to cases, returns, issues, and cycles.
Investor	Partner, Shareholder, or Beneficiary - An investor return that reflects pass-through items from a pass-through entity return, which is controlled (via PCS and AIMS). Examples of investor returns include, but is not limited to, Form 1040, Form 1041, Form 1120, Form 1120-S and Form 1065.
IRC	Internal Revenue Code. (IRC)
Key Case	An examined pass-through return established on PCS. For TEFRA this is a Form 1065, U. S. Return of Partnership Income, which passes partnership results on pass-through items to its partners on Schedules K-1.
LB&I	Large Business and International (LB&I). Generally, serves corporations, subchapter S corporations, and partnerships with assets greater than \$10 million.
LCC	Large Corporate Compliance (LCC) Program replaced Coordinated Industry Cases (CIC). In May 2019 the Large Business and International Division (LB&I) replaced the CIC program that covers compliance oversight for LB&I's largest corporate taxpayers.
LIN	LB&I Imaging Network (LIN) is a system used by LB&I to store images of returns.
Linkage	The electronic relationship between a pass-through entity and its investor on PCS.

Word	Definition
NBAP	Notice of Beginning of Administrative Proceeding (NBAP) - The required notice sent at the start of an examination of a TEFRA partnership to the TMP and all notice partners which officially begins the examination of the partnership under TEFRA proceedings. IRC 6223(a)(1) (prior to BBA).
NonTEFRA	Term used for partnership tax years beginning prior to January 1, 2018, that meet the small partnership exception of IRC 6231 and do not request a TEFRA election. Sometimes referred to as ILSC. See ILSC definition.
OYD	One-Year Date (OYD). This is a statute date applicable to TEFRA partnerships. Adjustments to the partner returns must be made within one year of a final partnership determination that finalizes the key case adjustments.
PCS	Pass-through Control System (PCS) (formerly Partnership Control System) - Database used to establish an electronic linkage between a key case pass-through and its underlying investors. The database is used to manage inventory, systematically generate notices, and control statutes.
RA	Revenue Agent (RA)
Record	Information stored on the PCS database for a key case or an investor.
SB/SE	Small Business and Self-Employed (SB/SE). Generally serves taxpayers who file Form 1040, Schedules C, E, F or Form 2106, as well as small businesses with assets under \$10 million.
TCO	Tax Compliance Officer (TCO)
TE	Tax Examiner (TE)
TMP	Tax Matters Partner (TMP) - The TMP is the partner designated to represent the partnership in all TEFRA proceedings before the IRS and the courts.
TS	Technical Services (TS) is the field review staff.
Technical Services Pass-Through Coordinator (TSPC)	The Technical Services Pass-Through Coordinator (TSPC) in Technical Services acts as a liaison between field examiners and the CPFs for TEFRA linked cases. The field examiner can locate their TSPC listing on the Partnership Knowledge Base, TEFRA Overview, Other Related Resources.

Word	Definition
TEFRA	Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).
Tier	A pass-through entity that is a partner of a pass-through entity. An S-corporation would be a tier partner of a partnership.
60-Day Letter Package	Contains the letter (1827 or 1829) sent to the TMP and notice partners proposing adjustments to partnership items, notifying them of their right to file a protest to Appeals, the schedule of adjustments, and an agreement Form 870-PT or a Form 870-LT. 60-Day letters should only be issued by the TSPC or CPF, and not field agents.

4.31.4.1.7
(08-28-2025)

Related Resources

- (1) The following IRM cross-references may be helpful:
 - a. IRM 4.31, Pass-Through Entity Handbook
 - b. IRM 4.4, Audit Information Management System (AIMS) - Validity and Consistency
 - c. IRM 4.29, Pass-Through Control System
 - d. IRM 25.6.23, Statute of Limitations, Examination Process-Assessment Statute of Limitations Controls.
 - e. Partnership Knowledge Base, Audit Procedures, AARs and Amended Returns @ *AARs and Amended Returns Table of Contents*

4.31.4.2
(08-28-2025)

TEFRA AAR Determinations

- (1) As of January 2018, there are four different regimes in which a partnership may file an Administrative Adjustment Request (AAR) or amended return. Those regimes are TEFRA and NonTEFRA, BBA and nonBBA. The current forms 1065-X and Form 8082 are the forms used under those regimes.
- (2) The following subsections outline various determinations that must be made for a TEFRA AAR to ensure it is valid, and verify the type of AAR that was filed.
- (3) The Internal Revenue Code (IRC) references in this IRM are reflective of the TEFRA law, and not the Bipartisan Budget Act (BBA) law passed in 2015 that used the same code sections (IRC 6221 through 6248).

4.31.4.2.1
(08-28-2025)

TEFRA Determination

- (1) AAR code sections and procedures are only applicable to key case partnerships subject to the unified partnership audit and litigation procedures as set forth in IRC 6221 through IRC 6234, and their taxable partners requesting adjustments from these partnerships.
- (2) In general, if a partnership has 10 or fewer partners, each of whom is an estate of a deceased partner, a C corporation, or a natural person who is not a non-resident alien, then the partnership will qualify as a small partnership and will not be subject to TEFRA procedures.

Note: If a partnership has a foreign corporation as a partner, a determination must be made to verify the foreign corporation qualifies as a C corporation for the small partnership exception.

- (3) A small partnership is not subject to TEFRA procedures unless all partners elect under IRC 6231(a)(1)(B)(ii). A partnership eligible to be excluded from TEFRA under the small partnership exception may elect to be covered by filing an election on Form 8893, Election of Partnership Level Tax Treatment, or by making a similar statement with the partnership return for the first taxable year for which the election is to be effective (See Treas. Reg. 301.6231(a)(1)-1(b)(2)). The election is effective for the partnership tax year to which the return relates and all subsequent partnership tax years unless revoked with the consent of the Commissioner.
- (4) Use Form 15260, Determination of pass-through Audit Regime, to determine the type of partnership (TEFRA or NonTEFRA). Form 15260 is required on all flow through returns.
- (5) If it is determined that the key case partnership is NonTEFRA, the claim or amended return is not an AAR. Normal claim or amended return procedures should be followed, refer to IRM 4.31.5, Pass-Through Entity Handbook - Investor Level Statute Control (ILSC) Examinations - Field Office Procedures.

4.31.4.2.1.1
(08-28-2025)
**Mandatory Specialist
Referral**

- (1) Both TEFRA TMP filed AARs and TEFRA partner AARs controlled in the Field require a mandatory referral to the TSPC in Technical Services.
- (2) Referrals are made using the Specialist Referral System (SRS). The SRS link is *Specialist Referral System*.

4.31.4.2.2
(04-05-2019)
TEFRA AAR Statutes

- (1) TEFRA AARs have specific filing, assessment, petition and refund statutes. Further, AARs can have separate assessment and refund/petition statutes that are determined independently.

4.31.4.2.2.1
(04-21-2017)
Filing Statute

- (1) IRC 6227(a) states that a partner may file an AAR at any time which is within 3 years after the later
 - a. The date on which the partnership return is filed, or
 - b. The last day for filing the partnership return (determined without regard to extensions) and
 - c. before the mailing to TMP of a FPAA for that tax year.
- (2) IRC 6227(b) states the time for filing an AAR is extended for the period in which a statute extension has been secured under IRC 6229(b)(1)(B) and for 6 months thereafter. (See TRA '97)

Note: The timeframe for filing a partner AAR is generally determined with respect to the partnership return filing date regardless of whether the partner's IRC 6501 statute is later. In this case, IRC 6501 does not extend the time for a partner to file an AAR unless the partner's IRC 6501 has been properly extended for TEFRA partnership items and is later than the partnership's IRC 6229 statute. In this situation, the partner must file the AAR prior to the expiration of the extended IRC 6501 statute.

- (3) IRC 6227(e) states the filing period is extended to 7 years from the last day for filing the partnership return for the year for an AAR (or a portion of the AAR) relating to bad debts or worthless securities.

4.31.4.2.2.2
(08-28-2025)
Assessment Statute

- (1) The IRS must process assessments resulting from an AAR by the partnership's IRC 6229 statute or the partner's IRC 6501 statute if later. It is the IRS's position that there is only one statute for any taxpayer and that statute is controlled under the provisions of IRC 6501. Thus, the IRC 6229 statute may extend, but never shorten, a partner's IRC 6501 assessment statute.
- (2) IRC 6501(c)(7) provides that when the IRS receives an AAR signed by the taxpayer showing that additional tax is owed and the assessment statute has 60 days or less remaining, the period for assessment cannot expire before 60 days after the day on which the IRS receives the AAR. Local Counsel should be consulted before following assessment procedures within the 60 day period.
- (3) AAR related assessments may also be made through computational adjustments. If the examiner is disallowing an overassessment TMP filed AAR with an open IRC 6229 statute, the examiner should discuss with the TSPC the appropriateness of issuing an FPAA. By making computational adjustments, the IRS can recapture any refunds already made to the partners. Otherwise, erroneous refund procedures must be considered.

4.31.4.2.2.2.1
(08-28-2025)
TMP Filed AAR

- (1) The period for making TMP filed AAR related assessments (i.e., a tax increase to a partner) is generally controlled by the TEFRA partnership's IRC 6229 statute as follows:
 - a. IRC 6229(a) or (b) statute when using streamlined procedures (one-year assessment date not generated) or
 - b. IRC 6229(d) or (f) when using a proceeding (one-year assessment date generated).
- (2) For any TMP filed AAR with material issues and a short statute, immediately contact the TSPC to discuss issuing the Notice of Beginning of Administrative Proceedings (NBAP), FPAA, and Letter 3857, Untimely Notice Letter (TEFRA Proceedings Ongoing).
- (3) A Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, is generally used to extend the IRC 6229 statute of the TEFRA Partnership to which the partnership level AAR relates, the examiner will need to secure a Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, or Form 872-O, Special Consent to Extend the Time to Assess Tax Attributable to Partnership Items.

4.31.4.2.2.2.2
(04-21-2017)
Partner filed AAR

- (1) For a partner level AAR, a consent to extend the IRC 6229 statute at the partner level extends the statute for a partner level AAR.
- (2) The examiner will need to secure a Form 872, Consent to Extend the Time to Assess Tax.

Note: It is recommended that only closed ended statutes be used for extending the statute on a partner level AAR.

4.31.4.2.2.3
(08-28-2025)
Petition or Refund Statute

- (1) If the IRS has taken no action on an AAR (see IRC 6227(c) and IRC 6227(d)), the TMP (for a TMP filed AAR) or the partner (for a partner filed AAR) must file a timely petition suit under IRC 6228 or the refund statute will expire. An AAR petition suit must be filed within the period:
 - Beginning 6 months after the AAR was filed, and

- Ending two years after the AAR was filed.
- (2) In the case of a refund AAR, finalized by a settlement, a defaulted FPAA or a court decision, the period for making a refund is two years from the date of:
- execution of agreement, or
 - FPAA default, or
 - court decision
 - See IRC 6230(c)(2)(B).
- (3) Generally a petition cannot be filed after an NBAP has been issued. If the NBAP is issued and the IRS fails to issue an FPAA before the period for assessment expires, the petition period is extended until 6 months after the statute of limitations period specified in IRC 6229(a) ends (including extensions). (IRC 6228(b)(2)(D)).
- (4) To extend a partnership level AAR refund statute, the examiner can, prior to the expiration of the IRC 6228 statute, secure:
- Form 9248, Agreement to Extend the Time to File a Petition for Adjustment by the Tax Matters Partner With Respect to Partnership Items.
- (5) To extend a partner level AAR refund statute, the examiner can, prior to the expiration of the IRC 6228 statute, secure:
- Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items.

Note: Form 9248 and Form 9247 only extend the IRC 6228 AAR petition suit period and the time to process a refund, they do not extend the IRC 6229 assessment statute of the related partnership.

- (6) A partnership can extend the time to file an AAR petition suit, by:
- Filing a new AAR if the time to file has not expired, or
 - Requesting, prior to the expiration of the IRC 6228, an extension on Form 9248.
- (7) A partner can extend the time to file an AAR petition suit by:
- Filing a new AAR if the time to file has not expired, or
 - Requesting, prior to the expiration of the IRC 6228, an extension on Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items.

Note: Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items, and Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items, only extend the IRC 6228 AAR petition suit period and the time to process a refund, they do not extend the IRC 6229 assessment statute of the related partnership.

4.31.4.2.2.4
(08-28-2025)
**Updating the Statute on
AIMS**

- (1) The statute date of an AAR should remain as the IRC 6229 statute until a Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, is secured. This is true even if the AAR is for an overassessment. What appears to be a refund AAR at the partnership level, may have a different impact on the underlying investors. It is recommended that all AAR

IRC 6229(a) statutes are protected with a Form 872-P. The IRC 6228 statute can be extended as needed with Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items.

- (2) For overassessment cases where all taxpayers are definitely receiving a refund, the statute can be updated to the numeric IRC 6228 statute followed by a "R" on the key case after the original ASED expires. The IRC 6228 statute can be extended as needed with Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items.

4.31.4.2.3 (08-28-2025) Type of AAR

- (1) A Tax Matters Partner (TMP) may file an AAR for the entire partnership. Additionally, any partner may file an AAR on his or her own behalf. Different procedures must be followed depending on who filed the AAR.

If	Then
On a TMP filed AAR, the schedules showing the impact on all partners are NOT attached.	Assume the AAR is from a TMP only filing in the individual capacity of a partner
The AAR includes the separate schedules showing the effect on other partners.	Assume the AAR is a TMP filed AAR for the pass-through entity. See IRM 4.31.4.5.1, TMP Filed AAR - CPF.

Note: TEFRA statutes only allow an AAR to be filed by the TMP of the source partnership or by a taxable partner. A middle tier partnership may file an amended return to assist the IRS in passing through adjustments, but cannot file an AAR.

4.31.4.2.3.1 (08-28-2025) Partner AAR

- (1) Any partner may file an AAR on their own behalf (See IRC 6227(d)). A partner filing an amended return for a change to a TEFRA pass-through adjustment must include a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or a statement with substantially the same information attached to the amended tax return (Treas. Reg. 301.6227(d)-1). (*Samueli v. Commissioner*, 132 T.C. 336 (2009), *Rigas v. United States*, 486 F. App'x 491 (5th Cir. 2012), and *United States v. Stewart*, No. 15-20596 (5th Cir. 2016))
- (2) Amended returns filed by a tier partner (partnership and S corporations) reflecting only pass-through adjustments are not AARs. These should not be processed or suspended and should be returned to files. Processing a tier amended return as an AAR may result in erroneous refunds or assessments. The pass-through adjustments may be processed on those tier returns when a final determination is made on the AAR from which the adjustments originate. Those tier adjustments will be made if the key case AAR is processed.

Note: If the amended return is filed by a nontaxable trust, contact your TSPC.

- (3) The partner must file the Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), with the partner's amended return and a copy of Form 8082 must also be filed with the campus that processed the partnership return.
- (4) When a partner files an AAR, the IRS has four options for processing the request (IRC 6227(d)):
 - a. The request can be treated as a normal claim for nonpartnership items;
 - b. The IRS may assess an additional tax that would result from the requested adjustments;
 - c. The IRS can mail to the partner a notice that all partnership items of the partner for the taxable year to which it relates will be treated as nonpartnership items; or
 - d. The IRS may conduct a partnership proceeding.
- (5) In general, if the field receives an amended TEFRA partner return, the field will follow option (d) and open the related TEFRA entity for examination and make determinations as to the validity of the request. TEFRA Procedures specified in IRM 4.31.2 should be followed.

Note: The assumption is that if the field receives this request, classification has determined that the return should be audited. The field should receive the associated source partnership return with the case file. If the field does not receive the source partnership return, the field should request it.

4.31.4.2.3.2
(08-28-2025)
Partnership TMP AAR

- (1) Amended TEFRA key case partnership returns are TMP filed AARs. A key case level AAR can only be filed by and signed by the TMP. It also must be the source of the adjustments passing through to partners. For purposes of this IRM section, the term "TMP filed AAR" does not include middle tier amended partnership returns filed by that entity's TMP for pass-through adjustments originating from another partnership. Only the portion of the middle tier's adjustment that originates at its own level would be considered on a TMP filed AAR.
- (2) Only a TMP can file an AAR on behalf of the partnership. The TMP may file either a substituted (IRC 6227(c)(1)) or non-substituted AAR (IRC 6227(c)(2)).
- (3) All TMP filed AARs must include revised schedules showing the effect of such request on the distributive shares of the partners and such other information as may be required under the regulations. (See IRC 6227(c)(3) and Treas. Reg. 301.6227(c)-1 for the form and manner of filing AARs).
- (4) If the TMP:
 - a. Files a request for an AAR, and
 - b. Asks that the treatment shown on the request be substituted for the treatment of partnership items on the partnership return to which the request relates, the changes shown on such request may be treated as corrections of mathematical or clerical errors appearing on the partnership return.
- (5) If the TMP files an AAR on behalf of the partnership which is not treated as a substituted return, the Secretary may, with respect to all or any part of the requested adjustments:

- a. Without conducting any proceeding, allow or make to all partners the credits or refunds arising from the requested adjustments,
- b. Conduct a partnership proceeding, or
- c. Take no action on the request.

Note: We may choose not to process or conduct a proceeding if the AAR is immaterial, all partners have already amended their own returns, or incorporated the adjustments in their original return. Taking no action is not considered a best practice. The decision to not take any action should be discussed with your TSPC. If the adjustments will result in refunds to the partners, then the Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR, may be used. See IRM 4.31.4.5.1.2.3, Overassessment AAR Accepted - Letter 4505-A.

- (6) The primary difference between substituted and non-substituted treatment is that requests for substituted treatment allow the IRS to process assessments to partners without signed agreements. This is providing that no partner subject to an assessment objects to the changes.

4.31.4.2.3.2.1
(08-28-2025)
Substituted AAR

- (1) If the TMP files a request for an administrative adjustment and asks that the treatment shown on the request be substituted for the treatment of the partnership items on the partnership return to which the request relates, the IRS can treat the changes shown on the request as corrections or clerical errors appearing on the partnership return (IRC 6227(c)(1)).
- (2) Under IRC 6227(c)(1), we can use streamline procedures to make assessments resulting from the AAR without initiating a TEFRA proceeding, if a partner subject to a deficiency does not object to the proposed correction. Partners have 60 days after the day on which a notice of this correction Letter 3904, TEFRA (AAR) 60 Day Objection Letter, was mailed to the partners by the IRS to request that the correction not be made (IRC 6230(b)(2)). Only a taxpayer subject to an assessment may object to the proposed correction.
- (3) If an objection is received from any investor, a partnership proceeding must be initiated.
- (4) To make a proper election for substituted return treatment under IRC 6227(c)(1), the TMP is required to file the following information when submitting an AAR:
 - a. Until the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), is made available electronically, partnerships required to file electronically must continue to attach a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or equivalent to the amended Form 1065.
 - b. Partnerships filing via paper, should use Form 1065-X with line F, checked "AAR" and item G, requesting substituted treatment, checked "Yes".
 - c. Amended Schedules K-1 should be attached showing the corrected amounts for each partner.

4.31.4.2.3.2
(08-28-2025)

Non-Substituted AAR

- (1) Until the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), is made available electronically, partnerships required to file electronically must continue to attach a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or equivalent to the amended Form 1065 which either do not ask for substituted treatment on Form 8082 or do not include Form 8082 are considered non-substituted AAR's.
- (2) Partnerships filing via paper, should use Form 1065-X with item F, checked "AAR" and item G, requesting substituted treatment, checked "No".
- (3) All partners affected by the non-substituted AAR must have a decrease to income that results in a refund to each investor. If an overassessment AAR is filed, substituted return procedures have not been followed and an investor is subject to a deficiency; a partnership proceeding must be initiated unless the AAR is perfected.

Note: For both substituted and non-substituted cases, perfection of the AAR should be considered.

- (4) See IRM 4.31.4.5.1.2.1.1, Perfecting the AAR - CPF, for perfecting the AAR.

4.31.4.2.3.3
(08-28-2025)

**AAR Overassessment
vs. Assessment Case**

- (1) An AAR is considered to be an overassessment case if all partners are due a refund or credit.
- (2) An AAR is considered an assessment case if one or more partners will owe additional tax due to the adjustments proposed on the AAR. Materiality can be used to determine whether an assessment AAR needs to be processed.
- (3) Taxpayers often file AARs with reallocations in addition to requested adjustments. What appears to be a refund AAR may result in assessments to some partners due to the reallocations.

Note: It is important to verify whether a case has reallocations and secure a Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, from the TMP in order to protect the assessment statute.

4.31.4.2.4
(04-21-2017)

Audit Potential

- (1) The AAR and the original return should be reviewed for audit potential.
- (2) If no audit potential exists, the AAR can be accepted as filed or disallowed. If the AAR is accepted as filed, no action can be taken if the partners have already filed amended returns on their own. If the partners did not file amended returns, a determination needs to be made on whether to link and adjust the partner's returns.
- (3) If there is audit potential and the statute allows, then a proceeding must be started on the AAR or the original return.
- (4) An AAR may be verified without starting a proceeding. We can ask for substantiation without conducting a TEFRA proceeding where we will not be opening a proceeding to make additional assessments.

4.31.4.2.5
(08-28-2025)
Schedule K-1 True-up

- (1) The Schedule K-1 true-up issue occurs during the examination of an unlinked TEFRA investor's return. The investor filed their return using estimates for the partnership pass-through items because they had not received their Schedule K-1 prior to filing.
- (2) During the examination, the investor will disclose that their return is not consistent with the Schedule K-1 filed by a related pass-through entity. The agent should verify whether the pass-through entity in question is a TEFRA entity.
- (3) If the disclosed Schedule K-1 discrepancy results in either an increase or decrease to tax to the investor, and if the pass-through entity is a NonTEFRA entity, the agent should make any necessary adjustments as part of the ILSC examination of the investor. IRC 6501 controls the assessment statute.
- (4) If the pass-through entity is a TEFRA entity and the disclosed Schedule K-1 discrepancy would result in additional tax to the investor, the tax must be assessed before the IRC 6229 statute has expired on the pass-through entity unless a Form 872 is secured from the investor.
- (5) If the pass-through entity is a TEFRA entity and the disclosed Schedule K-1 discrepancy would result in a refund, the IRS may issue a refund within the IRC 6229 period without the partner filing a claim. Alternatively, the partner may file an AAR. See IRC 6230(d)(5). To be timely, the AAR must be filed, or the refund issued, before the expiration of 3 years from the date the partnership return was filed, or within any extension of the period for assessing partnership items. The AAR should be filed using the Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR). If no Form 8082 is utilized, but the information required by that form is included on the claim filed, consult with the TSPC to determine if the information provided is adequate to consider it an AAR for TEFRA purposes.

4.31.4.2.6
(08-28-2025)
Protective AARs

- (1) Protective AARs are filed to hold open a TEFRA partnership's or partner's statute to reduce taxable income pending the results of litigation or expected changes in tax law or other legislations. Protective AARs are often labeled as "protective claims" on the front of the amended return. Unlike normal claims, AARs have closed ended statutes for processing. The IRS must make all assessments within IRC 6229 or IRC 6501 statutes and is limited to a two year period in which to make a refund resulting from an AAR (See IRC 6230(d)(2) effective prior to 2018). The TMP or partner must file a petition in court within two years of filing the AAR (See IRC 6228(a) and (b)) for any portion of an AAR the IRS does not allow. A suit is normally filed if the TMP or partner does not agree with the IRS's determination regarding the AAR. If the TMP or partner fails to file a timely suit or protect the suit's statute, the AAR is barred (See IRC 6228(a)(2)(D)). Similar to a refund suit for a normal NonTEFRA claim, the IRC 6228(a) petition is limited to the adjustments requested in the AAR not allowed by the IRS or any adjustments made by the IRS which offset the reduction in partnership items contained in the AAR (See IRC 6228(a)(5)).
- (2) Even though partners usually file protective AARs to hold open their own statute to reduce taxable income pending the results of litigation or contingency, it is possible other partners in the partnership may be subject to a deficiency. It is prudent to analyze the related TEFRA partnership AAR, if filed, and verify whether or not the request could result in a deficiency to any partner. If there is a potential deficiency, the assessment statute must be

protected. If the partnership has not filed an AAR, a determination needs to be made on the validity of the Partner AAR.

- (3) A protective AAR must be filed for specific adjustments. Under the doctrine of “variance”, the taxpayer would not be able to file a petition on grounds/ adjustments different from their administrative claim. Once a petition is filed, IRC 6228(a)(5) would give the court jurisdiction “to determine only those partnership items . . . not allowed by the Secretary” and any offsets asserted by the Secretary. Partnership items include the amount of those items. Treas. Reg. 301.6231(a)(3)-1(a)(1). Otherwise, the granting of an AAR would not be specific enough to make computational adjustments.
- (4) A protective AAR may be filed for the same year under TEFRA audit, but a petition may never be filed on it. If an NBAP is issued, but an FPAA has not yet been issued, a protective AAR may be filed. It cannot be petitioned unless an FPAA is not issued within the IRC 6229 period (including any extension by agreement). The petition period in this circumstance is the 6 month period after the expiration of the time period described in IRC 6229 (including any extension by agreement). The protective AAR will be suspended by the field group controlling the original return until a resolution is made.
- (5) IRC 6227(a) provides that you cannot file an AAR at all for a taxable year after an FPAA is filed. That is because the FPAA (once issued) is the sole vehicle for contesting partnership items regardless of whether they result in deficiencies or refunds.
- (6) A protective AAR can always be filed for other years not under audit - i.e., when a deduction is disallowed in an earlier year but may be allowable in the subsequent year for which the AAR is filed. However, if the subsequent year original return was filed, the field should make the subsequent year adjustments during the examination. A protective AAR filed for prior or subsequent years will be suspended by the field group controlling the original return until a resolution is made.

4.31.4.3 (08-28-2025) Limits on Filing an AAR

- (1) The partnership or partner filed amended return with Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), box 1(b) checked as an AAR must be subject to TEFRA. Until the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), is made available electronically, partnerships required to file electronically must continue to attach a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR) or equivalent to the amended Form 1065, U.S. Return of Partnership Income. Partnerships filing a paper return should use Form 1065-X with item F, checked “AAR”.
- (2) Generally, any adjustments to partnership items that will result in refunds must be raised in an FPAA or petition to an FPAA or be forever barred. In the absence of such a proceeding, IRC 6511(g) prohibits refund claims except as provided under IRC 6227 and IRC 6230(c) and (d). Claims under IRC 6230(c) and (d) are generally limited to computational and nonpartnership items. This leaves IRC 6227 as the exclusive method for seeking refunds in the absence of a TEFRA administrative and judicial proceeding.
- (3) A partner must file an AAR within 3 years after the partnership return was filed or the last day for filing such return, whichever is later per IRC 6227(a)(1). (If a TEFRA statute extension agreement is entered into, that agreement also

extends the statute of limitations for filing refund claims attributable to partnership items or affected items. The statute is extended until six months after the expiration of the limitations period for assessments. (See IRC 6227(b))

- (4) A partner may not file an AAR after a notice of FPAA is mailed to the TMP for the same taxable year to which the AAR relates. (See IRC 6227(a)(2)) In addition, a taxpayer cannot file an AAR once they have entered into a settlement agreement for the tax year and partnership for which the AAR relates.
- (5) The issuance of an NBAP under IRC 6223(a)(1)(prior to BBA), does not prohibit the filing of an AAR. However, the NBAP limits the filing of a petition on the AAR under IRC 6228.

4.31.4.4
(04-21-2017)
**Campus Classification
and Selection of AARs**

- (1) Most AARs are received and classified by agents in the campus in the Classification Section. For AARs received in the field during an exam or as selected from the campus, see IRM 4.31.4.7, AAR Field Procedures.
- (2) An AAR may be processed by the CPF. See IRM 4.31.4.5, CPF AAR Procedures for Non-Selected Cases.

4.31.4.4.1
(08-28-2025)
Classifying AARs

- (1) TMP filed AARs will be classified by Revenue Agents, GS-12, or above.
- (2) The classifier will screen the AAR for:
 - a. AIMS controls on the Key Case partnership or investors. If the key case is open (Status greater than 08), contact the controlling group to determine where to forward the case. If the investor(s) are open, contact the controlling group and coordinate the appropriate course of action in certain situations. The AAR coordinator and partner field group may consider having the field group write the Form 4605, Examination Changes - Partnerships, Fiduciaries, S Corps., & Interest Charge Domestic International Sales Corporations, while the CPF maintains control of the case.
 - b. Identify amended partnership return or REMIC. Determine if it is a true amended partnership return or amended REMIC. Short period returns and general processing errors are returned to AM for correction. For technical issues and other classification issues, follow regular classification procedures. All REMIC returns should be sent to LB&I Tax Shelter Team, M/S 4914, Ogden UT, 84404.
 - c. Determine if return is SB/SE or LB&I. Use INOLES and asset amount on Form 1065. Total assets greater than \$10 million are LB&I. If the total assets are less than \$10 million, refer to the BOD Code on INOLES to make the determination. SB/SE returns are processed and classified in Brookhaven. LB&I returns are processed and classified in Ogden.
 - d. TEFRA determination. Follow IRM 4.31.2.2.1, Determine if a Partnership is TEFRA or NonTEFRA, For Non TEFRA cases follow IRM 4.31.5, Investor Level Statute Control (ILSC) Examination- Field Office procedures. IRM 4.31.2-1, TEFRA Partnership Criteria Flow Chart. If the return is not TEFRA, follow normal classification procedures.

Note: The box checked on page 2 of the Form 1065, U.S. Return of Partnership Income, is not enough for a TEFRA determination. Neither is the TEFRA indicator found on BMFOLE. The best practice is to use the Schedules K-1, yK1 or a K-1 Imaging Network (KIN) analysis to make an accurate TEFRA determination.

- e. Need to verify that the AAR was timely filed. IRM 4.31.4.2.2, AAR Statutes. Determine if there is enough time remaining on the statute to select and/or process.

Note: If there are material deficiency issues, and less than 90 days remain on the AAR statute of limitations, the CPF should consider issuing an NBAP, a FPAA and untimely notice letter. This includes situations where IRC 6501(c)(7) applies.

- f. Limits on filing an AAR. Consider IRM 4.31.4.3, Limits on Filing an AAR. For AARs received as the result of, or as an addition to a TEFRA proceeding of the same tax period, contact the controlling group, or the group that worked the prior or subsequent years if not open.
 - g. Materiality and Issues. Consider partner reallocations, large unusual and questionable items, and LB&I tier issues.
 - h. Middle tier AARs reflecting only pass-through adjustments will not be processed or suspended and should be returned to files. The pass-through adjustments may be processed on those middle tier returns when a final determination is made on the AAR from which the adjustments originate. Those middle tier adjustments will be made if the key case AAR is processed. Middle tier AARs cannot bind their partners, so processing the middle tier AAR prematurely may result in erroneous refunds or assessments.
- (3) If the AAR is timely filed and is not allowable or questionable and has material issues (assessment or overassessment) select for examination.

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- (5) A TC 971 Action Code 013 should be input if there is not one already on the case.
- (6) A TC 290 needs to be input on all cases when action is complete.
- (7) Select per local procedures.
- (8) Input an H freeze on all AARs selected for field exam.
- (9) If the AAR is not timely filed, the No Consideration Letter may be issued.
- (10) Cases classified by the Campus Classification Function in Ogden or Cincinnati need to be processed in Brookhaven CPF (SB/SE) or Ogden PTE (LB&I). Cases should be forwarded to the appropriate campus.

4.31.4.4.2
(08-28-2025)
**Classifying an AAR with
Partnership Requesting
to Pay the Tax**

- (1) A partnership may file an AAR and ask to pay the tax on behalf of their partners.
- (2) The classifier or AAR coordinator must select these cases for the field.
- (3) This is necessary because Counsel must be involved in the creation of a Form 906, Closing Agreement on Final Determination Covering Specific Matters. Form 906 must be used to allow a partnership to agree and pay the deficiency.

- (4) The field will need to work with their TSPC on assessment procedures.

4.31.4.4.3
(08-28-2025)

Classifying a Protective AAR

- (1) Is it a TMP filed AAR for the key case or an AAR for a middle tier?
- (2) Is there potential for an assessment. If yes, may want to secure a Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items.
- (3) Open exam in current or subsequent year the AAR should be sent to the field.
- (4) If key case, was a Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items, filed. If yes, execute Form 9248, select if warranted or suspend. If no Form 9248 refile or select if warranted.
- (5) If middle tier, are all adjustments pass-through items. If yes, refile. If no, select or refile.

4.31.4.5
(08-28-2025)

CPF AAR Procedures for Non-Selected Cases

- (1) Determine whether there are any limits on filing the AAR. (See IRM 4.31.4.3, Limits on Filing an AAR). If limits exist, consider issuing Letter 4622, TEFRA Administrative Adjustment Request (AAR) No Consideration, on invalid AARs.
- (2) Determine the type of AAR. (See IRM 4.31.4.2.3, Type of AAR.)
 - a. TMP filed AAR or Partner AAR;
 - b. Substituted (Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR) required) or Non-Substituted AAR; or
 - c. Assessment or Overassessment AAR.
- (3) Perfected AAR
 - a. If there is doubt as to whether the case will result in a refund to all impacted partners and the TMP did not elect substituted return treatment, then the AAR must be perfected.
 - b. In order to perfect a non-substituted AAR, the CPF AAR Coordinator should issue Letter 4508, TEFRA AAR Perfection Letter, to the TMP requesting the TMP elect substituted treatment. A new Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), or Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), should be sent to the TMP to be completed. It is a best practice to have the TMP submit a new package along with the perfected Form 1065-X or Form 8082. If other information such as a schedule showing the affect to each partner is missing, the CPF should secure this information as well.
 - c. The time frame for filing an AAR must still be open (IRC 6227(a)). The completion of a new Form 1065-X or Form 8082 will create a new petition dated under IRC 6228(a)(2)(A) which only protects the refund statute. A Form 872-P should be secured to protect the assessment statute, if necessary.
 - d. If the taxpayer complies, process as needed.
 - e. If the taxpayer does not comply, and there is sufficient time on the statute, the AAR may be sent to the field for exam.

4.31.4.5.1
(04-21-2017)
TMP Filed AAR - CPF

- (1) The CPF can take the following actions on a TMP filed AAR:
 - a. Take No Action on the AAR;
 - b. Accept the AAR; or
 - c. Select for field exam.

4.31.4.5.1.1
(08-28-2025)
**Take No Action on the
TMP Filed AAR - CPF**

- (1) The CPF can take no action on the TMP filed AAR (IRC 6227(c)(2)(A)(iii)).
Note: The CPF AAR Coordinator will conduct research to establish if all partners reflect all revised pass-through items correctly on the partner's returns.
- (2) Normally, the partner will:
 - a. File a NonTEFRA amended return to align all pass-through items with those of the AAR, or
 - b. File the original partner income tax return with the amended Schedule K-1 amounts.
- (3) During the research of partner returns, if any partners are controlled in the field, then coordinate actions with the field.
Note: It is prudent to compare the filing date of the original partnership return to the filing date of the TMP filed AAR. If there is a minimal lapse of time between these two filings, the possibility is greater that the partner returns are correct.
- (4) The CPF may take no action in the following situations:
 - a. The CPF makes a determination that the AAR should be allowed and all partners have incorporated the AAR adjustments either on their original or amended tax return,
 - b. The CPF makes a determination that the AAR should be allowed and the tax adjustment is minimal. Consider IRM 4.31.4.5.2.1 #, AAR Processing Tolerances, requirements for tolerances. If the taxpayer has not included a Form 1065-X, Form 8082 or statement including the required information, this usually indicates the partnership did not intend for the IRS to pass-through the adjustments under TEFRA procedures. (See Accepted as Filed procedures below), or
 - c. Questionable overassessment AARs that are identified near the end of the IRC 6228(a)(2) period, with not enough time remaining to send to the field for verification.
- (5) When no action will be taken, the TMP should be notified by sending Letter 4507, TEFRA AAR No Action Letter-TMP.
- (6) These cases will be noted with history items per local procedures and sent back to Files after the TXMOD controls are closed and TCs 971 and TC 290 input.

4.31.4.5.1.2
(08-28-2025)
**Accept the TMP Filed
AAR as Filed - CPF**

- (1) The CPF AAR Coordinator may accept the TMP filed AAR as filed. If accepted, the AAR Coordinator will:
 - a. Determine whether the TMP filed AAR needs to be processed. If the AAR has enough time on the statute and the AAR Coordinator has determined, possibly through taxpayer contact, that the AAR needs to be processed see IRM 4.31.4.5.1.2.1, Substituted Return Treatment - CPF,

or IRM 4.31.4.5.1.2.2, Non- Substituted Return Treatment - CPF.

- b. If the AAR does not need to be processed because the partners already made the changes to their returns, or is allowable and immaterial, stamp the front page of the amended return "accepted as filed", close TXMOD controls, and input the TC 971 and TC 290 for \$0, and send to files. If allowable and immaterial, follow the procedures for taking no action per IRM 4.31.4.5.1.1, Take No Action on the TMP Filed AAR - CPF.

4.31.4.5.1.2.1

(04-21-2017)

Substituted Return Treatment - CPF

- (1) Determine whether the TMP filed AAR is for assessment or overassessment.

4.31.4.5.1.2.1.1

(08-28-2025)

Perfect the AAR

- (1) In order to perfect a non-substituted assessment AAR, the campus should issue Letter 4508, TEFRA AAR Perfection Letter, to the TMP requesting that the TMP elect substituted treatment. A new AAR package should be requested from the TMP with the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), or Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), completed correctly. If the TMP does not comply, send the AAR to the field.
- (2) The time frame for filing an AAR must still be open (IRC 6227(a)). The receipt of a new AAR package will create a new petition date under IRC 6228(a)(2)(A). Counsel recommends requesting a new AAR package rather than simply perfecting the Form 8082.
- (3) If the statute is short, and the AAR is for a material assessment, then the campus should issue an NBAP, FPAA and untimely notice letter. IRM 4.31.3, TEFRA Examinations - CPF Procedures, explains the process for issuing the notices and follow-up actions.

4.31.4.5.1.2.1.2

(04-21-2017)

Substituted Return Processing

- (1) TMP filed AARs resulting in an assessment need to be processed prior to the expiration of the IRC 6229 statute. TMP filed AARs resulting in a refund, need to be processed prior to the expiration of the IRC 6229.
- (2) For cases resulting in an assessment, issue the Letter 3904, TEFRA (AAR) 60 day Objection Letter, using TSNOTA. The letters will be sent to all direct partners, however only partners with a tax assessment can object. If an objection is received, the case needs to be sent to the field to begin a proceeding.
- (3) If less than 14 months is on the statute, and the field will not agree to take the case, issue the NBAP, FPAA and untimely notice to direct partners.
- (4) Letter 3904, TEFRA (AAR) 60 day Objection Letter, does not need to be issued when the AAR will result in a refund to all partners. For overassessment AARs, where the IRC 6229 statute has expired and substituted treatment was requested, only partners receiving a refund can be processed. These must be processed by the IRC 6228(a)(2) statute. For overassessment cases with less than 12 months on the statute secure an extension with the Form 9248.
- (5) Follow local linkage procedures

- (6) If no objections are received, issue Letter 3906, TEFRA AAR 60-Day Acceptance Letter, 75 days after issuing the Letter 3904, TEFRA (AAR) 60 day Objection Letter. Close Key Case and process adjustments per local procedures.

4.31.4.5.1.2.2
(08-28-2025)

Non-substituted Return Treatment - CPF

- (1) If putting into process, follow local linkage procedures
- (2) Issue Letter 3906, TEFRA AAR 60-Day Acceptance Letter. If one or more of the partners is found to be subject to an assessment, and there is an open statute, a statutory notice of deficiency must be issued. The assessment cannot be made from the AAR as the taxpayer did not request substituted return treatment.
- (3) Follow local closing procedures.

4.31.4.5.1.2.3
(08-28-2025)

Overassessment AAR Accepted - Letter 4505-A

- (1) In some cases, the size of the partnership structure makes it inefficient for the campus to process the partner refunds. In such situations, the campus may issue Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR, to the partnership's direct partners notifying them that they must file claims for refund individually. The partners will be provided with instructions for filing their AAR related amended returns.
- (2) The letter will include the date by which their partner AARs need to be issued and processed. Unlike regular claims, partner AARs need to be processed within the petition period.
- (3) If the partner is a tier, the tier will be provided instructions to notify their investors of the need to file an amended return. Those investors will need to file their amended returns per the instructions provided in the letter, along with that letter which was sent to the tier partnership.

4.31.4.5.1.3
(08-28-2025)

AAR Disallowance

- (1) If the AAR is fully or partially disallowed, Letter 1831, Request for Administrative Adjustment (1065), AAR Disallowance Letter, may be issued to the TMP. The case will need to be suspended until the IRC 6228 statute expires in case a protest or petition is filed. The disallowance letter either fully or partially disallows the adjustments reflected on the AAR, and that determination is normally made in the field.

4.31.4.5.1.4
(08-28-2025)

AAR No Consideration

- (1) Letter 4622, TEFRA Administrative Adjustment Request (AAR) No Consideration, does not provide for any appeal rights. An AAR may not be considered for one of the following reasons:
 - a. The AAR was filed after the deadline for filing under IRC 6227. An AAR must be filed before the mailing of a notice of final partnership administrative adjustment to the TMP with respect to such taxable year, and within 3 years after the later of:

- The date on which the partnership return for such year is filed, or
- The last day for filing the partnership return for such year (determined without regard to extensions), or
- Before the period extended by agreement under IRC 6229(b) and for six months thereafter.

- b. The time for issuing a refund IRC 6230(d)(2) has expired. A refund may be allowed or made at any time before the expiration of the period for filing suit under IRC 6228. The time to file a petition for adjustment under IRC 6228(a) or (b) is:

- After 6 months has passed from the date of filing the request under IRC 6227, and
- Until 2 years after the date the request was filed, or
- Before the period extended by agreement under IRC 6228.

- c. The TMP filed AAR doesn't conform to the requirements in the Regulations 301.6227(c)-1, except as otherwise provided in the forms instructions, the request filed by a TMP shall be:

- Filed with the IRS center where the original partnership return was filed,
- Signed by the TMP, and
- Accompanied by revised schedules showing the effects of the proposed changes on each partner and an explanation of the changes.

- d. The TMP filed AAR doesn't conform to the requirements in the Regulations 301.6227(d)-1, Except as otherwise provided in the forms instructions, the request filed by a TMP shall be:

- Filed in duplicate, the original copy filed with the partner's amended income tax return and the other copy filed with the IRS center where the partnership return is filed,
- Identify the partner and the partnership by name, address, and taxpayer identification number,
- Specify the partnership taxable year to which the administrative adjustment request applies,
- Relate only to partnership items, and
- Relate only to one partnership and one partnership taxable year.

- e. The AAR is not filed with the prescribed form per the requirements of Treas. Reg. 301.6227(c)-1 and 301.6227(d)-1.

4.31.4.5.2
(08-28-2025)

Partner Filed AAR - CPF

- (1) If a partner files an AAR, the CPF may:

- a. Process the AAR in the same manner as a claim for refund with respect to items which are not partnership items (see IRC 6227(d)(1).)
- b. Assess any additional tax that would result from the requested adjustment (see IRC 6227(d)(2).)

- (2) Determine whether the amended return is a valid AAR. See IRM 4.31.4.7.1, Determine if AAR is Valid.
- (3) Research IDRS to determine whether the Key Case generating the initial AAR changes has filed an amended return, look for a TC 290 or 976. Order the return if necessary.
- (4) If the Key Case partnership is open on AIMS in Status 34 or greater, use a Form 3210, Document Transmittal, and transmittal the partner AAR to the appropriate CPF. If the Key Case partnership is in a Status between 09 and 33 contact the controlling group and coordinate the appropriate action.
- (5) Normally partner filed AARs will be allowed unless there are large, unusual or questionable (LUQ) issues.
- (6) If LUQs are present, request the Key Case partnership original and amended returns and send to the field together.
- (7) If the partner filed AAR is allowable follow procedures for processing in IRM 4.31.4.5.2, Partner Filed AAR - CPF.
- (8) If the partner AAR is filed by a partnership, contact your TSPC for guidance.

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| <p>4.31.4.5.2.3
(08-28-2025)</p> <p>Process the AAR as a Claim - CPF</p> | <ol style="list-style-type: none"> (1) Protect the petition (refund) statute, Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items, for taxable entities if needed. (2) If the partner filed AAR has issues related to an open TEFRA partnership, the claim will be forwarded to the examiner in control of the key case. If the TEFRA partnership is not under exam, the claim will be processed. |
|---|--|

- (3) The CPF will follow local procedures for processing claims.

4.31.4.5.2.4
(04-21-2017)

**Assess Any Additional
Tax - CPF**

- (1) Protect the assessment statute using Form 872.
- (2) Assess tax per local procedure

4.31.4.5.2.5
(04-21-2017)

**Convert Partnership
Items to Nonpartnership
Items - CPF**

- (1) In some circumstances it may be necessary to convert partnership items to nonpartnership items. Counsel should be involved in these determinations.
- (2) Delegation Order 4-19 names those authorized to approve such a conversion.

4.31.4.5.2.6
(04-21-2017)

Select for Examination

- (1) If partner AAR needs to be examined for unusual items, select the partner return and the related partnership return for exam.
- (2) Follow local procedures for sending the return to the field.

4.31.4.6
(04-21-2017)

**CPF AAR Procedures for
Linked Field Controlled
Cases**

4.31.4.6.1
(08-28-2025)

**AAR Streamline Linkage
(No NBAPs)**

- (1) Field will submit a linkage package including Form 13811, Administrative Adjustment Request(AAR) Linkage Package Checklist.
- (2) The CPF will issue 60 day objection letters, if needed.
- (3) The CPF will review the field's estimate of the partnership structure and explore tolerances.
- (4) Establish linkages as necessary.
- (5) Wait 60 days. If no objections - notify the field to close the AAR case to Technical Services.
- (6) Receive closing package from Technical Services. Process partner adjustments.
- (7) The CPF will follow partner amended return procedures (See IRM 4.31.4.5.2.3, Process the AAR as a Claim - CPF) or process the AAR.

4.31.4.6.2
(08-28-2025)

**Field Conducts a
Proceeding**

- (1) Field will submit a linkage package through the normal TEFRA process. Form 14090, TEFRA Linkage Request Check Sheet (LB&I), or Form 14091, TEFRA Linkage Request Check Sheet (SB/SE), using AAR source, project and promoter codes.
- (2) CPF will follow IRM 4.31.3, TEFRA Examinations - CPF Procedures, linkage procedures.

4.31.4.7
(08-28-2025)
AAR Field Procedures

- (1) TMP or partner filed AARs may be received directly from the taxpayer, the Taxpayer Advocate Service (TAS) or the campus. The AARs may reflect assessments or overassessment, and may request substituted or nonsubstituted treatment. The agent needs to work with their TSPC to resolve any questions. A listing of Technical Services Pass-through Coordinators (TSPCs) can be found in Knowledge Management, SB/SE Field Exam Procedures, Technical Services. The link is as follows: *Exam Procedures Knowledge Base*.
- (2) **AARs require a mandatory referral through SRS to the TSPC.**
- (3) **AARs cannot be surveyed.**

4.31.4.7.1
(08-28-2025)
Determine if AAR is Valid

- (1) A determination needs to be made regarding the following items:
 - a. Use Form 15260, Determination of Pass-Through Audit Regime to determine whether the partnership is a TEFRA partnership. IRM 4.31.4.2.1, TEFRA Determination;
 - b. Whether the AAR is timely IRM 4.31.4.2.2.1; Filing Statute,
 - c. Whether the partnership items have converted or an FPAA was issued IRM 4.31.4.3; Limits on Filing an AAR,
 - d. Whether the assessment statute is open IRM 4.31.4.2.2.2, Assessment Statute;
 - e. Whether the time to file a petition is still open IRM 4.31.4.2.2.3, Petition or Refund Statute;
 - f. Determine type of AAR filed IRM 4.31.4.2.3; Type of AAR, and
 - g. Whether there is audit potential on either the original or amended return.
- (2) If the AAR is not timely filed, not properly filed (Treas. Reg. 301.6227(c)-1 or 301.6227(d)-1), statutes for processing have expired, or is invalid for any other reason, the TSPC can issue the No Consideration letter once the case is closed.

4.31.4.7.2
(08-28-2025)
Protective AARs

- (1) Is it a TMP filed AAR for the key case or an AAR for a middle tier?
- (2) Is there potential for an assessment. If yes, may want to secure Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items.
- (3) Open exam in current or subsequent year the AAR should be sent to the field.
- (4) If key case, was a Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items filed. If yes, execute Form 9248, select if warranted or suspend. If no Form 9248 refile or select if warranted.
- (5) If middle tier, are all adjustments pass-through items. If yes, refile. If no, select or refile.
- (6) If a partner from a taxable entity files protective AAR then verify statutes for processing.

4.31.4.7.3
(04-21-2017)
Mandatory Referral

- (1) A mandatory referral is required for Administrative Adjustment Requests.
- (2) Referrals are made using the SRS. The SRS link is *Specialist Referral System*.

4.31.4.7.4
(08-28-2025)
Audit Potential- Field

- (1) The AAR and the original return should be reviewed for audit potential and have a risk analysis completed.
- (2) If no audit potential exists, the AAR can be accepted as filed. Or no action can be taken if the partners have already filed amended returns on their own. If the partners did not file amended returns, a determination needs to be made on whether to link and adjust the partner's returns.
- (3) If there is audit potential and the statute allows, then a TEFRA proceeding must be started on the AAR or the original return. See IRM 4.31.2, TEFRA Examination - Field Office Procedures.
- (4) A refund AAR may be verified without starting a proceeding. We can ask for substantiation without conducting a TEFRA proceeding where we will not be opening a proceeding to make additional assessments.

Note: Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR, may be used to inform the partnership we are not processing the adjustments with respect to refunds for the partners. The letter provides instruction to the partnership on how partners should file their amended returns.

4.31.4.7.5
(08-28-2025)
AAR Linkage Procedures

- (1) If linkage is required, one of the two methods below will be used. Streamline linkage is used when a TEFRA partnership proceeding is not required. A TEFRA partnership proceeding would not be required if we have sufficient time on the statute for processing, are accepting the AAR as filed and simply need to pass the information through to the partners. Normal linkage procedures will be followed if a TEFRA partnership proceeding is required.
- (2) For either linkage process, there must be 12 months remaining on the statute. At closing there will also need to be a year remaining on the IRC 6229 or IRC 6230(d)(2) statutes to allow sufficient time for processing. If there are less than 12 months on the IRC 6229, a proceeding is a good alternative to securing statute extensions. A proceeding will generate additional time for processing at the conclusion because either the IRC 6229 statute of limitations will be suspended or will generate an additional one year period for processing. By using streamlined procedures, statute extensions must be secured to provide sufficient time on either the IRC 6229 or IRC 6230(d)(2) for linking and processing.

4.31.4.7.5.1
(08-28-2025)
Normal Linkage (TEFRA Partnership Proceeding Required)

- (1) If a proceeding is needed, follow IRM 4.31.2.3, Field Agent Key Case Procedures.
- (2) A proceeding will be required, but not limited to the following, if:
 - a. an examination is needed;
 - b. we want to disallow, but some partners have received refunds and the IRC 6229 statute is still open to recover the refunds through computational adjustments;
 - c. assessment case and we want to generate a OYD in order to give more time for processing;
 - d. a valid objection to the 60 day objection letter.

4.31.4.7.5.2
(08-28-2025)
**Streamlined Linkage
(TEFRA Partnership
Proceeding not
Required)**

- (1) Form 13811, Administrative Adjustment Request(AAR) Linkage Package Checksheet;
- (2) Prepare a package to be forwarded to the campus to link investors. The package must include the following items:
 - a. Copies of first 5 pages of both original and amended returns (page 1 through the Schedule K), Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), if available, or the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), if filed;
 - b. Copies of both original and amended Schedules K-1 and statements (separate originals from amended);

Note: A Form 886-Z, TEFRA Partners' Shares of Income, will not be generated using a Form 8341, PCS Establish or Add Without Notice Generation. If Form 886-Z is needed, the appropriate campus can generate one using TSNOTZ. The field group can request this from the CPF.

 - c. Include the Letter 3904, TEFRA AAR 60-Day Objection Letter: Complete the key case portion only. Do not issue the letter to the TMP. The campus will complete the information for the investors and issue the letters. The Letter 3904 is required if any partner may be subject to an assessment. With reallocations it may be difficult to determine if all partners are subject to an assessment. If in doubt, instruct the CPF to issue the Letter 3904 to all partners.
 - d. For assessment cases, a copy of Form 8082: item 2, or Form 1065-X, item G, checked "yes" by the taxpayer is required. If the Form 8082 or Form 1065-X is not checked "yes" by the taxpayer, then the field must perfect the AAR and submit one with the linkage package. IRM 4.31.4.7.6.2.1.1, Perfect the AAR.
 - e. Annotate, the AAR petition date (IRC 6228(a)(2)(A)) and the statute expiration date under IRC 6229(a) on the electronic linkage form.

4.31.4.7.6
(08-28-2025)
TMP Filed AAR - Field

- (1) The field should review the AAR return for audit potential:
 - a. If no audit potential exists, the agent can allow the AAR by either taking no action or using AAR streamline procedures

Note: If within 45 days of issuance of the NBAP it is determined that the AAR and original return can be allowed and there is sufficient time on the statute, then the NBAP can be withdrawn and AAR Streamline Linkage and processing procedures can be followed in lieu of TEFRA procedures.

 - b. If the IRC 6229 statute has expired and the IRC 6228(a)(2) petition statute is open and the AAR must be disallowed, AAR Streamline procedures may be used.

Note: If there are material assessment issues, and less than 90 days remain on the AAR IRC 6229 statute of limitations, consider issuing an NBAP, a FPAA and untimely notice letter concurrently. This includes situations where IRC 6501(c)(7) apply. Your TSPC must be involved with this process.
- (2) To use streamline procedures for AARs that may result in an assessment, the field should determine whether the TMP has requested substituted return treatment. See IRM 4.31.4.2.3.2.1 and IRM 4.31.4.7.6.2.1. If the TMP has not

requested substituted treatment and it is an assessment AAR then the agent should attempt to perfect the AAR. In order to perfect a non-substituted assessment AAR, the field should issue a letter to the TMP requesting that the TMP elect substituted treatment. A new AAR package should be requested from the TMP with the Form 8082 completed correctly.

Note: The time frame for filing an AAR must still be open (IRC 6227(a)). If the statute is short, then an NBAP, FPAA and untimely notice letter must be issued. Contact the TSPC for Guidance.

4.31.4.7.6.1
(08-28-2025)
**Take No Action on the
TMP Filed AAR - Field**

- (1) The take no action option can be used in the following situations:
 - a. When the agent determines that the AAR does not have audit potential and all partners have incorporated the AAR adjustments either on their original or amended tax return, or
 - b. When the field makes a determination that the AAR should be allowed and the tax adjustment is minimal.

Note: Audit potential of other issues should be considered prior to making a determination to take no action.

- (2) If changes do not need to be made to the partner returns, see IRM 4.31.4.7.8, Closing an AAR from the Field.
- (3) When no action will be taken, the TMP should be notified by sending Letter 4507, TEFRA AAR No Action Letter-TMP.

4.31.4.7.6.2
(08-28-2025)
**Accept the TMP Filed
AAR as Filed - Field**

- (1) The examiner may accept the TMP filed AAR as filed. If accepted, the examiner needs to determine if any further action is necessary.
- (2) The examiner needs to determine if the partners have already filed amended returns claiming the AAR related partnership changes, or included the changes on their original returns.
- (3) If changes to the partner returns are required, the examiner must prepare and forward an electronic PCS linkage package to the CPF. Consider the amount of time on the assessment or refund statute when determining whether to use regular TEFRA procedures or AAR streamline procedures.

Caution: No NBAP will be issued. Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, or Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items, statute extension may be required to secure sufficient time for processing.

- (4) If changes do not need to be made to the partner returns, see IRM 4.31.4.7.8, Closing an AAR from the Field.

4.31.4.7.6.2.1
(08-28-2025)
**Substituted Return
Treatment - Field**

- (1) A TEFRA proceeding does not need to be initiated on substituted returns with sufficient time on the statute, where no investors respond with objection to the amended treatment of partnership items requested by the TMP. A letter specifying that each partner will have 60 days to object to the AAR request must be sent to all partners subject to additional tax. This includes partners that are tiers. The tier is required to inform the indirect partners of the objection letter and proposed adjustments. Linkage of the partners must be accomplished in

order to ensure that the campus issues Letter 3904, TEFRA (AAR) 60 Day Objection Letter, and makes all necessary adjustments. The procedures to be followed by the field are detailed next.

Note: Prior to following these procedures, the field should determine the petition date under IRC 6228(a)(2)(A) and the statute expiration date under IRC 6229.

- (2) If no objections are received then the field should:
 - a. Allow, disallow or partially allow the AAR. This determination should be based upon return information or contact with the taxpayer. Contact with the taxpayer should be limited to AAR adjustments and those adjustments that can be used to offset AAR overassessment adjustments,
 - b. If books and records are examined for the AAR issues (assessment or over assessment) only, a proceeding isn't required,
 - c. A proceeding is necessary if other issues unrelated to the AAR warrant examination that will result in an increase to tax to one or more partners.

Note: Practically, an agent will not be disallowing an increase AAR. The agent will either allow the AAR, or will conduct a partnership proceeding for additional issues identified in the planning stage.

- (3) If any partner objects to the AAR, the field must conduct a TEFRA partnership proceeding and follow TEFRA linkage procedures.

4.31.4.7.6.2.1.1 (08-28-2025)

Perfect the AAR

- (1) In order to perfect a non-substituted assessment AAR, the field should issue Letter 4508, TEFRA AAR Perfection Letter, to the TMP requesting that the TMP elect substituted treatment. A new AAR package should be requested from the TMP with the Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), completed correctly or Item G checked on Form 1065-X, Amended Return or Administrative Adjustment Request (AAR).
- (2) The time frame for filing an AAR must still be open (IRC 6227(a). The receipt of a new AAR package will create a new petition date under IRC 6228(a)(2)(A). Counsel recommends requesting a new AAR package rather than simply perfecting Form 8082 and including the Form 1065, U.S. Return of Partnership Income.
- (3) If the statute is short, and the AAR is for an assessment, then the field should issue an NBAP, FPAA and untimely notice letter. IRM 4.31.3 explains the process for CPF issuing the notices and follow-up actions.

4.31.4.7.6.2.1.2 (08-28-2025)

Substituted Return Processing

- (1) TMP filed AARs resulting in an assessment need to be processed prior to the expiration of the IRC 6229 statute. TMP filed AARs resulting in a refund, need to be processed prior to the expiration of the IRC 6228.
- (2) If less than 14 months is on the statute, secure a statute extension. If a statute extension cannot be secured, issue the NBAP, FPAA and untimely notice to direct partners.
- (3) For overassessment AARs, where the IRC 6229 statute has expired and substituted treatment was requested, only partners receiving a refund can be processed. These must be processed by the IRC 6228(a)(2) statute. For over-assessment cases with less than 12 months on the statute secure an

extension with Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items.

- (4) Follow streamline linkage procedures. IRM 4.31.4.6.1, AAR Streamline Linkage (No NBAPs).
- (5) Upon linkage, the campus will issue Letter 3904, TEFRA (AAR) 60 day Objection Letter. The letters will be sent to all partners, however only partners with a tax assessment can object. If an objection is made, then a proceeding must begin.
- (6) Letter 3904, TEFRA (AAR) 60 Day Objection Letter, does not need to be issued when the AAR will result in a refund to all partners.
- (7) The campus will notify the field whether any objections were received.
- (8) If no objections are received, the agent will process their case and close it to their assigned TSPC. The agent must notate on Form 3198, Special Handling Notice for Examination Case Processing, in the Technical Services section, under Other that Letter 3906, TEFRA AAR 60-Day Acceptance Letter, must be issued.
- (9) The TSPC will issue Letter 3906, TEFRA AAR 60-Day Acceptance Letter, and forward a closing package to the campus.

4.31.4.7.6.2.2 (08-28-2025)

Non-Substituted Return Treatment - Field

- (1) Every affected partner must have a tax decrease as a result of the AAR. This type of AAR is referred to as an overassessment AAR.
- (2) The procedures for substituted AAR's should be followed with the exception that an objection letter will not be issued. The agent does not need to wait 60 days to determine whether the AAR should be allowed or disallowed.
- (3) If even one partner has a tax increase, this option will not apply and the field should either:
 - a. Initiate a TEFRA Partnership proceeding, or
 - b. Contact the TMP and perfect the AAR for substituted treatment see IRM 4.31.4.2.3.2.1, Substituted AAR, above. (The time frame for filing an AAR must be open)
- (4) In practice, the field should only receive those AAR's which classification has determined warrant field consideration. In most instances, the AAR will be requesting a decrease in tax for all investors.

4.31.4.7.6.3 (08-28-2025)

Full/Partially Disallow the TMP Filed AAR

- (1) The examiner may fully/partially disallow the TMP filed AAR. This should be done if IRC 6229 is expired. If IRC 6229 is open we should issue an FPAA. Otherwise the taxpayer can keep filing amended returns. The examiner will:
 - a. Initiate PCS linkage in certain cases, if appealed then link; (See IRM 4.31.2.3.9.2.1, TEFRA Linkage.)
 - b. Prepare modified workpapers that include:

- Form 13811, Administrative Adjustment (AAR) Linkage Package Check Sheet;
- A modified Form 4318, Examination Workpapers Index, (limited to the AAR issues);
- A Revenue Agents Report (RAR), Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and interest Charge Domestic International Sales Corporations, reflecting the **disallowance of all changes** from the original partnership return to the AAR;
- Form 886-Z, TEFRA Partners' Shares of Income, with the corrected distributive shares;
- Form 3198, Special Handling Notice for Examination Case Processing, indicating TEFRA AAR Mandatory Review; and
- TSUMYP print showing all investors are linked. Letter 1831, Request for Administrative Adjustment (1065), issued if FPAA not issued.

Note: Send the completed AAR file to Technical Services.

4.31.4.7.7
(04-21-2017)

Partner Filed AAR - Field

- (1) If a partner files an AAR in the field, the assigned agent may:
 - a. Process the AAR in the same manner as a claim for credit refund with respect to items which are not partnership items. (See IRC 6227(d)(1).)
 - b. Assess any additional tax that would result from the requested adjustment (See IRC 6227(d)(2).)
 - c. Mail to the partner a notice that all partnership items of the partner for the year to which such request relates shall be treated as nonpartnership items. (See IRC 6231(b)(1) and IRC 6227(d)(3))
- (2) Determine whether the amended return is a valid AAR. See IRM 4.31.4.3, Limits on Filing.
- (3) Research IDRS to determine whether the Key Case generating the initial AAR changes has filed an amended return, look for a TC 290 or 976. Order the return only if necessary.
- (4) If the Key Case partnership is open on AIMS contact the controlling group and coordinate the appropriate action.
- (5) If LUQs are present, request the Key Case partnership original and amended returns.
- (6) If the partner filed AAR is allowable follow procedures for processing Substituted or Non-Substituted Returns in IRM 4.31.4.7.6.2.1.2, Substitute Return Processing.

4.31.4.7.7.1
(08-28-2025)

Process as a Claim - Field

- (1) Protect the petition (refund) statute, Form 9247, Agreement to Extend the Time to File a Civil Action for Refund by Partner With Respect to Partner's Partnership Items, for taxable entities if needed.
- (2) If the partner filed AAR requires an examination of the key case, a proceeding must be initiated. If the Key Case partnership is open on AIMS contact the controlling group and coordinate the appropriate action. If not on AIMS, the examiner should control the key case and start the exam.

- (3) Follow standard IRM procedures for processing claims.
- (4) Process adjustment.

4.31.4.7.7.2
(04-21-2017)

**Assess Any Additional
Tax - Field**

- (1) Follow standard IRM procedures for processing taxable amended returns.

4.31.4.7.7.3
(04-21-2017)

**Convert Partnership
Items to Nonpartnership
Items - Field**

- (1) In some circumstances it may be necessary to convert partnership items to nonpartnership items. Counsel should be involved in these determinations.
- (2) Delegation Order 4-19 names those authorized to approve such a conversion.

4.31.4.7.7.4
(08-28-2025)

**Conduct a TEFRA
Partnership Proceeding**

- (1) If a TEFRA partnership proceeding is to be conducted, follow IRM 4.31.2, TEFRA Examinations - Field Office Procedures, and contact your TSPC for guidance. AAR procedures are no longer followed once a proceeding is started.

4.31.4.7.8
(08-28-2025)

**Closing an AAR from
the Field**

- (1) All linked AAR's closing from the field need to be routed through the assigned TSPC in Technical Services. At the time of closure, at least one year should remain on the statute. The TSPC will issue all necessary letters and will coordinate final closing with the Campus.
- (2) When closing out a case where AAR procedures have been followed the case file must include the following information:
 - a. Copy of the Form 13812, Administrative Adjustment Request (AAR) Closing Checksheet Non-Substituted Refund and Substituted (No Objection) AAR.
 - b. A modified Form 4318, Examination Workpapers Index, (limited to the AAR issues)
 - c. The case jacket should clearly identify the type of AAR, statute date, petition date and whether the AAR is allowed, partially allowed, or disallowed. The case is to be closed to Technical Services in Status 21. Under "Forward to Technical Services" on the Form 3198 the "Other" box should be checked with the notation, "Linked AAR return" along with the type of AAR, statute date, petition date and whether the AAR will be allowed, partially allowed or disallowed.
 - d. If the AAR is agreed, or no one responded to Letter 3904, TEFRA (AAR) 60 day Objection Letter, the case will be closed disposal code 03. If the AAR will be fully disallowed, the case will be closed disposal code 08. If allowed, indicate Letter 3906, TEFRA AAR 60-Day Acceptance Letter, needs to be issued. If disallowed, indicate Letter 1831, Request for Administrative Adjustment (1065), needs to be issued.
 - e. Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and interest Charge Domestic from the perspective of the original return. The adjustment will be that shown on the AAR if the AAR is allowed in full. If the AAR is partially allowed, the adjustment will be reduced by the amount disallowed. If the AAR is disallowed; the report will reflect no change to the partnership return. The remarks section of the RAR should reflect whether the AAR is allowed, partially allowed or disallowed.

- f. Form 886-A, Explanation of Items, providing the facts, law and conclusions for each issue as well as a narrative stating the reason(s) for allowing, partially allowing or disallowing an AAR.
- g. Form 886-Z, TEFRA Partners' Shares of Income, or Form 886-X, Shareholders Shares of Income, Deductions, and Credits. This form should reflect the new distributable share of income or loss. Amended Schedules K-1 may be used in lieu of Form 886-Z, TEFRA Partners' Shares of Income, for allowed AAR packages only.
- h. Form 5344.
- i. TSUMY print showing all affected partners are linked.

4.31.4.8
(08-28-2025)
**Technical Services
Pass-Through
Coordinator (TSPC)-
Linked Return
Processing**

- (1) The Technical Services Pass-Through Coordinator (TSPC) serves as the main contact for LB&I and SB/SE field agents and their managers to explain and clarify the TEFRA unified statutory law audit procedures for linked returns.
- (2) The TSPC responsibilities include but are not limited to the following:
 - Coordinate with CPF PCS Coordinator on processing of Form 8339, PCS Change and other PCS related issues;
 - Complete a procedural review of closed TEFRA AAR key case closing packages;
 - Forward TEFRA AAR key case closing package to the CPF.

4.31.4.8.1
(08-28-2025)
**Technical Services
Pass-Through
Coordinator (TSPC)
Review of AAR**

- (1) Upon receipt of the case file, in conjunction with this section, IRM 4.8, Technical Services, procedures are applicable;
- (2) The TSPC will ensure that the TEFRA determination is correct in accordance with IRC 6231 and Treas. Reg. 301.6231(a)(1)-1. (See IRM 4.31.2.2.1, Determine if a Partnership is TEFRA or NonTEFRA).
- (3) Determine that the PCS linkage was needed and is fully established and correct. A TSUMYP must be included in the case file.
- (4) The TSPC must verify that the AAR is timely filed pursuant to IRC 6227 and IRC 6229.
 - a. A TMP or partner may file an AAR within 3 years of:

- the date the partnership return is filed, or
 - the last day for filing the partnership return, without regard to extensions.

Note: If a tier partner files an amended return IRM 4.31.4.2.3.1.

- (5) The TSPC must verify the statutes. See IRM 4.31.4.2.2.1, Filing Statute.
- (6) Establish that the designation of the TMP or Member is valid pursuant to IRC 6231.

Note: If the TMP designation on the original return is different than that on the AAR, successor TMP procedures may be applicable. (See Treas. Reg. 301.6231(a)(7)-1.)

- (7) A review of the examiner's work papers is necessary to ascertain the issuance of an NBAP.

Note: If an NBAP is issued, regular TEFRA procedures are applicable in accordance with IRC 6231. If an NBAP is not issued, AAR procedures are applicable pursuant to IRC 6227, IRC 6228 and Form 6229. No Consideration letters are issued for any that are not valid, or have expired statutes.

- (8) Establish whether this is an AAR filed by the TMP or a Partner AAR.

Note: See IRM 4.31.4.2.3.1, Partner AAR, for the definition of a Partner AAR. A tier partner cannot file a partner AAR. If an amended return is filed, it will be treated as a NonTEFRA amended return. See IRM 4.31.4.2.3.2, Partnership TMP AAR, for the definition of a TMP filed AAR.

- (9) Determine whether the TMP filed AAR is a Substituted or a Non-Substituted AAR.

Note: See IRM 4.31.4.2.3.2.1, Substituted AAR, for the definition of a substituted AAR. See IRM 4.31.4.2.3.2.2, Non-Substituted AAR, for the definition of a non-substituted AAR.

- (10) Determine whether the TMP filed AAR is an assessment or an overassessment AAR by analyzing the examiner's reconciliation of the Schedules K-1.
- (11) Determine the key case statute of limitation according to IRC 6229. The assessment statute does not expire before 3 years after the later of:
- the date the partnership return was filed, or
 - the last day for filing the partnership return, including extensions.

Note: The IRC 6229 statute may be extended by having the TMP sign a Form 872-P, Consent to Extend the Time to Assess Tax Attributable to Partnership Items, or Form 872-O, Special Consent to Extend the Time to Assess Tax Attributable to Partnership Items.

4.31.4.8.2
(04-21-2017)
**Technical Services TMP
Filed AAR Processing**

- (1) Proper processing will depend upon whether substituted or nonsubstituted procedures are followed.

4.31.4.8.2.1
(08-28-2025)
**Technical Services
Substituted Return
Processing**

- (1) For a TMP partnership substituted AAR (assessment or overassessment), the reviewer must:
- Verify the issuance of Letter 3904, TEFRA (AAR) 60-Day Objection Letter, to all partners subject to an assessment;
 - Determine if any partner objected to Letter 3904, TEFRA (AAR) 60 Day Objection Letter; and
 - Verify case file is complete with Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and interest Charge Domestic International Sales Corporations, Form 886-A, Explanation of Items, and Form 886- Z, TEFRA Partners' Shares of Income, (or amended Schedules K-1).
- (2) If any partner objects, a key case TEFRA partnership examination is required. (See IRM 4.31.2, TEFRA Examinations - Field Office Procedures.)
- (3) If no partner objects, the reviewer will allow the AAR, and:

- a. Mail Letter 3906, TEFRA AAR 60 Day Acceptance Letter, to the TMP; and
 - b. Review and mail closing package to the CPF. (See IRM 4.31.4.7.8)
- (4) An Allowance AAR Closing Package must include:
 - a. A dated copy of the Letter 3906, TEFRA AAR 60 Day Acceptance Letter, to the TMP;
 - b. A completed Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and interest Charge Domestic International Sales annotated with the type of AAR and one-year assessment date;
 - c. A Form 886-A, Explanation of Items;
 - d. A Form 886-Z, TEFRA Partners' Shares of Income, with the revised distributive shares for each adjusted item (amended Schedules K-1 may be used in lieu of Form 886-Z, TEFRA Partners' Shares of Income, on an Allowance AAR only); and
 - e. A Form 3210, Document Transmittal, annotated with "AAR Acceptance Package".
- (5) For a Full/Partial Disallowance AAR
 - a. Mail Letter 1831, Request for Administrative Adjustment (1065), to the TMP. (Letter 1831, Request for Administrative Adjustment (1065), is used for disallowances related to partnerships);
 - b. Suspend until petition period has expired; and
 - c. Review and send closing package to the CPF.
- (6) A Full/Partial Disallowance AAR Closing Package must include:
 - a. Dated copy of the Letter 1831, Request for Administrative Adjustment (1065), as the AAR Disallowance Letter to the TMP.
 - b. Completed Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and interest Charge Domestic International Sales, annotated with the type of AAR and one-year assessment date.
 - c. Form 886-A, Explanation of Items.
 - d. Form 886-Z, TEFRA Partners' Shares of Income, with the revised distributive share for each adjusted item.
 - e. Form 3210, Document Transmittal, annotated as an emphasis "Partial Disallowance Package" or "Full Disallowance Package".
- (7) If any part of an AAR filed by the TMP on behalf of the partnership under IRC 6227 is not allowed, the TMP may file a petition for an adjustment with respect to the partnership items to which such part of the request relates with the Tax Court, the Claims Court, or the appropriate district court. Such a petition must be filed in the 18-month period beginning 6 months after the AAR is filed and ending 2 years after such filing in accordance with IRC 6228(a)(2)(A). The two year date to petition may be extended on Form 9248, Agreement to Extend the Time to File a Petition For Adjustment by the Tax Matters Partner With Respect to Partnership Items.
- (8) A Full/Partial Disallowance AAR must be suspended until after the expiration of the IRC 6228 two year date in which to petition. The "H" freeze remains on the account until the TS verifies that a petition has not been filed within two years. The two year date to petition may be extended on Form 9248.

4.31.4.8.2.2
(08-28-2025)

**Technical Services
Non-substituted Return
Processing**

- (1) For a TMP Partnership Non-Substituted AAR (Overassessment) being allowed, the reviewer must determine if a 4505-A letter is appropriate or if refunds should be processed by the campus. If there are a large number of partners or a lot of very small refunds, issuing Letter 4505-A should be considered. If issuing a Letter 4505-A:
 - a. Mail Letter 4505-A, Notification of Potential Refunds Resulting from a Partnership AAR, to the TMP; and
 - b. Review and send a closing package to the CPF. (See IRM 4.31.2.2.9.2.2, Transferring Work to the Campus Using a Shared Drive.)

Note: The closing package must include the same items as a Substituted Return Processing. (See IRM 4.31.4.8.2.1, Technical Services Substituted Return Processing).

- (2) For a Full/Partial Disallowance AAR
 - a. Mail a Disallowance Letter to the TMP (Letter 1831); and
 - b. Review and mail a closing package to the CPF. (See IRM 4.31.2.7.2, Key Case Closure Procedures.)

Note: The closing package must include the same items as a Substituted Return Processing. (See IRM 4.31.4.8.2.1, Technical Services Substituted Return Processing).

- (3) AAR Procedures pursuant to IRC 6227, IRC 6228 and IRC 6229, (prior to 2018), are not applicable to a Non-Substituted AAR (Assessment). TEFRA Procedures in accordance with IRC 6221 (prior to 2018) are applicable. The reviewer should assure that the examiner applies all TEFRA procedures timely and properly. (See IRM 4.31.2), TEFRA Examinations - Field Office Procedures.

- (4) If a partner files an AAR not on behalf of the partnership, the reviewer should ensure that the examiner applies one of the following actions:
 - a. Processes the AAR in the same manner as a claim for credit or refund with respect to items which are not partnership items. (See IRC 6227(d)(1)).
 - b. Assesses any additional tax that would result from the requested adjustment. (See IRC 6227(d)(2)).
 - c. Mails to the partner a notice that all partnership items of the partner for the year to which such request relates shall be treated as nonpartnership items. (See IRC 6231(b)(1) and IRC 6227(d)(3)).

Note: The reviewer will forward any request to have partnership items converted to nonpartnership items to local Counsel for consideration. The authority for granting this conversion is not delegated below the Commissioner.

- d. Conduct a partnership proceeding. (See IRC 6227(d)(4))

4.31.4.8.3
(08-28-2025)

**Technical Services
Partner AAR Processing**

- (1) For a partner AAR the Technical Services Pass-Through Coordinator must:
 - a. If accepted and a refund, needs to be processed within the IRC 6230(d)(2) period.
 - b. If accepted and an assessment, it must be processed within the IRC 6229 or IRC 6501 statute.

- (2) Determine whether the amended return is a valid AAR. See IRM 4.31.4.3, Limits on Filing an AAR.
- (3) Research IDRS to determine whether the Key Case generating the initial AAR changes has filed an amended return, look for a TC 290 or 976. Order the return only if necessary.
- (4) If the Key Case partnership is open on AIMS contact the controlling group and coordinate the appropriate action.
- (5) If LUQs are present, request the Key Case partnership original and amended returns.
- (6) If the partner filed AAR is allowable follow procedures for processing Substituted or Non-Substituted Returns in IRM 4.31.4.5.1.2.1, Substituted Return Treatment - CPF, or IRM 4.31.4.5.1.2.2, Non-substituted Return Treatment - CPF.

4.31.4.9
(08-28-2025)
Petitioned AARs

- (1) Pursuant to IRC 6228(a), if any part of an AAR filed by the TMP (pursuant to IRC 6227(b)) is not allowed by the IRS, the TMP may file a petition for an adjustment with respect to the partnership items not allowed with:
 - a. The United States Tax Court;
 - b. The District Court of the United States for the area in which the principal place of business of the partnership is located; or
 - c. The United States Court of Federal Claims.
- (2) Petitioned AARs can be generated during the examination process or directly through Appeals.
 - a. AARs petitioned during the examination process will already be linked on the PCS. When Appeals or Court makes a determination on the petitioned AAR, Appeals will work with the appropriate CPF (LB&I or SB/SE) on processing.
 - b. AARs petitioned because the IRS took no action will not be linked on the PCS until Appeals makes a Form 8341, PCS Establish or Add Without Notice Generation, linkage request. Appeals should have the appropriate campus establish the AAR on AIMS before linking the partners. If Appeals establishes the AAR on AIMS, the campus will not be able to establish linkage. The CPF can transfer the AIMS database to Appeals after linkage. Appeals will work with the appropriate CPF to process the AAR. The 60 Day Objection Letter and the TMP Acceptance Letter will not be generated. (See Appeals IRM 8.19.7, Administrative Adjustment Request).

Note: If Appeals has already established the AAR on AIMS, the case must be closed and reopened by the campus. This process can take several weeks. It is best to have the campus establish AIMS prior to the linkage, and transfer the AIMS database back to Appeals within 15 days after linkage is completed.
- (3) The petition for adjustment of the AAR with respect to partnership items for the partnership taxable year, may be filed only:
 - a. After the expiration of 6 months (See IRC 6228(a)(2)(A)(i)) from the date of filing of the AAR (under IRC 6227), and

- b. Before the date which is 2 years (See IRC 6228(a)(2)(A)(ii)) after the date of filing of the AAR.
- (4) No petition may be filed under IRC 6228(a) after the day the IRS mails to the partnership an NBAP with respect to the partnership taxable year to which such request relates. Unless the IRS fails to issue an FPAA as described below. (See IRC 6228(a)(2)(C))
- (5) Mailing of an NBAP:

If	And	Then
The IRS mails the NBAP before the expiration of the two-year period following the filing of the TMP's AAR.	Fails to mail an FPAA with respect to the partnership taxable year to which the AAR relates, before the expiration of the statutory period of limitations (including any extensions by agreement) for the partnership taxable year.	The TMP will have at least 6 months after the expiration of the statute within which to file a petition for review of the items in the AAR that were not allowed. See IRC 6228(a)(2)(C).

- (6) Mailing of an FPAA:

If	Then
The FPAA is timely mailed to the TMP with respect to the partnership taxable year covered by the AAR.	The bar becomes permanent and the TMP may not thereafter petition for review of the AAR. The disallowed issues may then be raised in an action for review of the FPAA.
The TMP files an action for review of the disallowed AAR before the IRS begins a partnership proceeding, but an FPAA is timely issued before the hearing on the AAR petition.	The action is transformed to a suit for review of the FPAA. See IRC 6228(a)(3)(B).

- (7) AAR filed by a partner, other than as a TMP:

If	Then
A partner's (other than the TMP) AAR produced a notice from the IRS converting all partnership items of the partner for the taxable year to nonpartnership items	<p>The AAR is treated as a claim for refund of nonpartnership items). (IRC 6228(b)(1)(A))</p> <p>The partner may then bring a traditional refund action under IRC 7422 to pursue the issues raised in the AAR which were not allowed. This action must be filed within two years from the mailing of the notice of conversion (IRC 6228(b)(1)(b)), subject to the availability of an extension under IRC 6532.</p>
If the partnership items of a partner filing an AAR in an individual capacity have not previously converted.	They will convert by operation of law when, and if, the partner files a suit pursuant to IRC 6228(b)(2).

4.31.4.10
(04-21-2017)
**Real Estate Mortgage
Investment Conduit
(REMIC) and AAR's**

- (1) The following procedures cover REMIC procedures.

4.31.4.10.1
(04-21-2017)
**Application of TEFRA
Rules**

- (1) A REMIC is a TEFRA entity and is treated as a partnership subject to the TEFRA statutes, Subchapter C of Chapter 63. (See IRC 860F(e).) Any holder of a residual interest in the REMIC is treated as a partner. (See IRC 860F(e).)
- (2) The TEFRA rules do not apply to a REMIC entity if there is at no time during the taxable year more than one holder of a residual interest in the REMIC. (See Treas. Reg. 1.860F-4(a).)

4.31.4.10.2
(08-28-2025)
REMIC AAR's

- (1) Until the Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), is made available electronically, REMICs required to file electronically must continue to attach a Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), or equivalent to the amended Form 1065, U.S. Return of Partnership Income. REMICs filing a paper return should use Form 1065-X. The correct boxes to check depends on the year if the Form 1065-X that is utilized. .
- (2) A paper AAR filed by a REMIC must be carefully analyzed. Form 8082 and a comparison of the REMIC original and amended Form 1066, U.S. Real Estate Mortgage Investment Conduit (REMIC) Income Tax Return, may give the overall appearance of an AAR with no additional tax assessment consequences for the residual interest holders. For residual interest holders who file a calendar year income tax return, this may very well be the case. However, a comparison of the original and amended Schedules Q for residual interest holders filing a fiscal year income tax return may reveal that AAR adjustments,

on a quarterly basis, result in tax overassessment consequences for one or more quarters, while the other quarters may contain additional tax assessment consequences for the residual interest holders.

- (3) When applied to the residual interest holders' two fiscal years affected by the REMIC calendar year, the above situation could produce an assessment for one year and an overassessment for the other year. In this instance, the IRC 6229 statute of the REMIC must be protected. Additionally, Form 8082 must indicate that the AAR requests substituted return treatment (IRC 6227(c)(1)) or a REMIC proceeding must be initiated in order to allow the IRS to eventually assess the residual interest holders (IRC 6225) and issue NBAPs to all residual interest holders (IRC 6223).
- (4) All REMIC returns should be sent to LB&I Tax Shelter Team, M/S 4914, Ogden UT, 84404 for processing.

4.31.4.11
(08-28-2025)
**Erroneous Refund
Procedures**

- (1) A refund issued in error can be reassessed if the partnership or partner assessment statute is still open. Erroneous refund procedures are needed when the assessment statutes have expired.
- (2) When an erroneous refund is identified, the identifying area needs to complete the Form 12356, Erroneous Refund Worksheet, and send it to the appropriate Accounting Function.
- (3) The form should be sent to the coordinator or their manager per IRM 3.17.80-4, Erroneous Refund Coordinators.

