



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

4.31.10

APRIL 4, 2025

EFFECTIVE DATE

(04-04-2025)

PURPOSE

- (1) This transmits new IRM 4.31.10, Pass-Through Entities, Centralized Partnership Audit Regime (BBA) Chapter 2/2A-CPF Procedures.

MATERIAL CHANGES

- (1) This is a new IRM describing procedures for Large Business & International (LB&I) campus examination personnel working Centralized Partnership Audit Regime (BBA) pass-through entity partners linked on the Pass-through Control System (PCS).
- (2) This IRM incorporates the BBA Chapter 2/2A procedures from LB&I-04-0223-001, Interim Guidance on Implementation of the Centralized Partnership Audit Regime (BBA) Exam Field Support Operations.

EFFECT ON OTHER DOCUMENTS

This IRM incorporates IG Memo LB&I-04-0223-0001, Interim Guidance on Implementation of the Centralized Partnership Audit Regime (BBA) Procedures (EFSO), dated 02/14/2023. Only the Ch 2/2A procedures are incorporated into this IRM.

AUDIENCE

Large Business & International (LB&I) campus revenue agents (RAs), tax examiners (TEs), and administrative assistants working Centralized Partnership Audit Regime (BBA) pass-through entity partners linked on the Pass-through Control System (PCS), formerly known as the Partnership Control System.

Ronald H. Hodge II
Assistant Deputy Commissioner Compliance Integration
Large Business and International Division

4.31.10

Centralized Partnership Audit Regime (BBA) Chapter 2/2A-CPF Procedures

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4.31.10.1
(04-04-2025)
Program Scope and Objectives

- (1) **Purpose:** This IRM describes:
 - Incoming mail screening
 - Key case administrative file suspense
 - Campus investor procedures
 - Closing package procedures
 - AIMS freeze code H release
 - One-year assessment dates
 - BBA Ch 2/2A report writing procedures
- (2) **Audience:** Large Business & International (LB&I) campus examination personnel working Centralized Partnership Audit Regime (BBA) pass-through entity partners linked on the Pass-through Control System (PCS), formally known as the Partnership Control System.
- (3) **Policy Owner:** LB&I Policy under the Strategy, Policy, and Governance office in the Assistant Deputy Commissioner Compliance Integration organization and director, pass-through entities practice area.
- (4) **Program Owner:** Program manager, field support operations under the deputy director, pass-through entities field support.
- (5) **Primary Stakeholders:** Employees in LB&I, SB/SE, and IRS Independent Office of Appeals (Appeals) who work on partnership cases.
- (6) **Contact Information:** To recommend changes or to make any other suggestions to this IRM section, contact the IRM author or see SPDER's IMD Contacts list by referencing guidelines provided in IRM 1.11.6.5, Providing Feedback About an IRM Section - Outside of Clearance. A request or inquiry can also be made at using the *LB&I Policy Gateway*.

4.31.10.1.1
(04-04-2025)
Background

- (1) This Internal Revenue Manual (IRM) section provides guidance on Campus Pass-through Function (CPF) procedures related to field examinations of partnerships subject to the Centralized Partnership Audit Regime (BBA) where the assessment of taxes under Chapter 2 or 2A which are attributable to any partnership adjustment are being made under IRC 6501(c)(12).
- (2) This IRM implements procedures affecting BBA exam field support operation employees charged with providing field support for cases during the audit and post-audit processing of BBA cases where the Chapter 2 or 2A issues are being examined.
- (3) Exam field support operation (EFSO) procedures implementing the BBA regime include linkage, case building, statute procedures, and post examination processing for BBA Chapter 2 & 2A cases in conjunction with the field exam procedures regarding non-Chapter 1 tax adjustments.
- (4) Generally referred to as the "BBA Ch 2/2A CPF", but in IRM 4.31.9, Pass-Through Entities, Centralized Partnership Audit Regime (BBA) Field Examination Procedures, BBA Ch 2/2A CPF is referred to as the Ogden PTE BBA Ch 2/2A Team.
- (5) The Centralized Partnership Audit Regime (BBA) applies only to Chapter 1, Income Tax, and will not apply to other taxes, including Chapter 2, Tax on Self-

Employment Income (SECA), and Chapter 2A, Unearned Income Medicare Contribution – Net Investment Income Tax (NIIT).

- (6) IRC 6501(c)(12) provides in the case of any partnership adjustment determined under the BBA regime, the period for assessment of any tax imposed on any partner under Chapter 2 or 2A which is attributable to such adjustment shall not expire before the conclusion of the BBA audit which is the date that is one year after one of two events.
 - a. In the case of an adjustment pursuant to the decision of a court in a proceeding brought under IRC 6234, the period for assessment shall not expire before the date that is one year after the decision becomes final.
 - b. In any other case, the period for assessment shall not expire before the date that is one year after 90 days after the date on which the Notice of Final Partnership Adjustment (FPA) is mailed under IRC 6231.

4.31.10.1.2
(04-04-2025)

Authority

- (1) Section 1101 of the Bipartisan Budget Act of 2015 (BBA) as amended by the Protecting Americans from Tax Hikes Act of 2015 (PATH Act) and sections 201 through 207 of the Tax Technical Corrections Act of 2018 (TTCA) repealed Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) partnership procedures and electing large partnership provisions and replaced them with a new centralized partnership audit regime. Under TEFRA, any partnership tax, penalty, and interest adjustments were passed through to the partners.
- (2) The BBA centralized partnership audit regime generally provides for determination of adjustments, assessment, and collection of Chapter 1 tax attributable to such adjustments at the partnership level.
- (3) BBA Chapter 2/2A policies and procedures were established in the Ogden Campus in response to the partnership provisions of BBA: IRC 6241(9) and Treas. Reg. 301.6501(c)(12).
- (4) IRM 1.2.2.5.16, Delegation Order 4-19, Partnership Matters.

4.31.10.1.3
(04-04-2025)

Roles and Responsibilities

- (1) The director, pass-through entities practice area (PTE PA), is responsible for the policies and procedures in this IRM section.
- (2) The deputy director for field support is responsible for oversight of the field support operation program.
- (3) The program manager, field support operations, has direct oversight of campus field support operation managers and is responsible for administering the Ch 2/2A procedures in the field support operations program.
- (4) Field examination managers and campus field support operation managers are responsible for:
 - a. Ensuring employees follow the procedures in IRM 4.29, Pass-Through Control System.
 - b. Ensuring technical and administrative employees are trained in linked pass-through procedures.
 - c. Establishing PCS records and acting on PCS reports in a timely manner to assure an accurate PCS database.
- (5) The BBA Chapter 2/2A coordinator works with:

- a. Other campus pass-through coordinators, Technical Services pass-through coordinators (TSPCs) and the Appeals TEFRA/BBA Team (ATT).
- b. CPF employees and management.
- c. Other campus functional areas to ensure timely processing of BBA related returns.

(6) BBA Chapter 2/2A coordinator responsibilities include:

- a. Coordinating with campus and field pass-through coordinators on case processing issues.
- b. Coordinating with headquarters on any legal issues that need to be addressed by Chief Counsel.
- c. Reviewing key case linkage and report packages for completeness.
- d. Providing technical support to CPF employees.

(7) The campus PCS coordinator is responsible for:

- a. Identifying and resolving technical problems.
- b. Identifying and coordinating the resolution of PCS systemic problems.

4.31.10.1.4
(04-04-2025)
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. Investor return closures are evaluated throughout the year and the goal is adjusted as needed.

4.31.10.1.5
(04-04-2025)
Program Controls

- (1) Director, LB&I pass-through entities practice area provides management oversight of the PTE BBA exam field support operation employees.
- (2) The number of one-year assessment dates are monitored to determine if the closure goal is attainable or if it needs to be adjusted.

4.31.10.1.6
(04-04-2025)
Terms and Acronyms

Terms

| Term | Definition |
|-------------------------|--|
| Adjustment Year | The partnership (for AP or PTP) taxable year in which: <ul style="list-style-type: none"> 1. The decision of a court becomes final in a proceeding brought under IRC 6234I; 2. An administrative adjustment request is filed under IRC 6227 or; 3. In any other case, a notice of final partnership adjustment is mailed under IRC 6231 or if a waiver is executed to waive the restrictions under IRC 6232(b). |
| BBA Ch 2/2A Coordinator | Acts as a liaison between the Campus Pass-through Function (CPF), field offices, Technical Services, Appeals and Counsel for BBA Ch 2/2A cases. They also provide technical support for the CPF. |
| BBA Ch 2/2A CPF | BBA Chapter 2/2A Campus Pass-through Function (CPF) - the CPF is the suspense unit for BBA Ch 2/2A linked investor returns located in Ogden PTE. |

| Term | Definition |
|--|--|
| Chapter 2 | Tax on Self-Employment Income (SECA). |
| Chapter 2A | Unearned Income Medicare Contribution – Net Investment Income Tax (NIIT). |
| CPF (Formerly CTF) | Campus Pass-through Function - 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 Pass-through Control System (PCS), any partner, shareholder or investor returns related to key cases within their jurisdiction. For details see TEFRA CPF IRM 4.31.3 and ILSC CPF IRM 4.31.6. |
| Field Drafted Language (FDL) Investor | Generally, a BBA partner that did not report their distributive share of Sch K, Line 1 as either subject to SECA or NIIT. This includes non-filers. |
| Indirect Partner | Any individual or entity who has an interest in a partnership through their interest in one or more pass-through partners or through a wholly owned entity disregarded as separate from its owner for federal income tax purposes. |
| Negative Adjustment | Any adjustment that is a decrease in an item of income or gain, an increase to a deduction or loss, or a credit item. |
| Partnership | Any partnership required to file under IRC 6031(a). |
| Partnership Adjustment | Any adjustment to a partnership-related item as defined under IRC 6241. |
| Standard Partner Language (SPL) Investor | Generally, a BBA partner, either direct or indirect, that reported their distributive share of Schedule K-1, Line 1, from the BBA Partnership on their Schedule SE attached to their Form 1040, U.S. Individual Income Tax Return, or on their Form 8960, Net Investment Income Tax-Individuals, Estates, and Trusts, attached to their Form 1040 or Form 1041, U.S. Income Tax Return for Estates and Trusts. |

(2) The following table lists the commonly used acronyms:

Acronyms

| Acronym | Definition |
|---------|---|
| AIMS | Audit Information Management System (AIMS). |
| AP | Audited Partnership – the partnership under examination also known as Source Partnership. |
| ATT | Appeals TEFRA/BBA Team. |
| ATT AO | Appeals TEFRA/BBA Team Appeals Officer - the ATT AO acts as a liaison between Appeals and the Campus Pass-through Function (CPF) for TEFRA, linked Investor Level Statute Control (ILSC) cases, and BBA partnerships. |
| BSC | Brookhaven Service Center - the Campus Pass-through Function for SB/SE ILSC and TEFRA Linkages. |
| CEAS | Correspondence Examination Automation Support. |
| EFSO | Exam Field Support Operations. |

| Acronym | Definition |
|-----------|---|
| FDL | Field Drafted Language. |
| FPA | Notice of Final Partnership Adjustment. |
| ILSC | Investor Level Statute Control - pass-through entities or investors where the statute is controlled at the investor level and the entities are not subject to the TEFRA or BBA regime. |
| IU | Imputed underpayment - an amount of tax based on the audit adjustments. |
| NOPPA/PPA | Notice of Proposed Partnership Adjustment. It is also referred to as the "PPA" on systems such as AIMS and ERCS. |
| OYD | One Year Date - statute expiration date posted on PCS applicable to BBA partnerships with linked investors. IRC 6501(c)(12) provides in the case of any partnership adjustment to the partner returns must be made within one year of a final partnership determination that finalizes the key case (linked partnership under audit) adjustments. |
| PCS | Pass-through Control System - a database used to establish electronic linkage between a pass-through entity and its underlying investors. The database is used to manage inventory, systemically generate notices, and control statutes. |
| PO | Push-Out - an election to push out adjustments to partners under IRC 6226 instead of paying the imputed underpayment. |
| PTP | Pass-through partner - a pass-through entity that holds an interest in a partnership. |
| RGS | Report Generation Software. |
| SNOD | Statutory Notice of Deficiency - a notice of deficiency, also called a "90-day letter", is a legal notice in which the Commissioner determines the taxpayer's tax deficiency. |
| SPL | Standard Partner Language. |
| TCS | Tax Computation Specialist. |
| TE | Tax Examiner. |
| 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. |
| TSPC | Technical Services pass-through coordinator - acts as a liaison between the field group and the CPF for TEFRA, linked ILSC cases and BBA partnerships. |
| TEFRA | Tax Equity and Fiscal Responsibility Act of 1982 - The audit regime prior to BBA. Applicable partnerships were subject to TEFRA procedures by statute, or those excluded by statute could elect into TEFRA. Impacts partnership returns with tax years beginning September 3, 1982 until December 31, 2017. |

4.31.10.1.7
(04-04-2025)

Related Resources

- (1) The following references may be helpful:
- IRM 4.4, Audit Information Management System (AIMS) – Validity and Consistency
 - IRM 4.10.8, Report Writing
 - IRM 4.29, Pass-Through Control System
 - IRM 4.31, Pass-Through Entities
 - IRM 8.19.14, Bipartisan Budget Act of 2015 Procedure
 - IRM 25.6.22, Extension of Assessment Statute of Limitation by Consent
 - IRM 25.6.23, Examination Process-Assessment Statute of Limitations Controls

4.31.10.2
(04-04-2025)

Screening Incoming Mail

- (1) The CPF will screen all incoming mail to determine routing, priority handling, and to ensure that all documents affecting the CPF inventory are processed.
- (2) All incoming mail will be stamped to reflect the date received.
- Caution:** Care should be taken not to stamp any documents sent to the CPF by the field that are intended to be sent to taxpayers. It is also important to stamp documents in areas where the least amount of information will be stamped upon.
- (3) Correspondence normally received in the CPF includes the following:
- Form 4549, Report of Income Tax Examination Changes
 - Advance payments
 - Checks
 - Cash bonds (these must have a "999" blocking series to preclude the assessment of interest)
 - Taxpayer protests
 - Form 1040-X and Form 8082
 - Copies of tax returns
 - Form 5546 and Schedules K-1
 - Account maintenance transactions
 - Taxpayer correspondence or inquiries
- (4) Screening of incoming mail will be performed by tax examiners or qualified clerical personnel trained to be familiar with and knowledgeable about handling of the documents listed above.
- (5) The tax examiners should be familiar with the Taxpayer Advocate Service (TAS) criteria in order to correctly identify those cases that should be referred to TAS. See IRM 13.1.7, Taxpayer Advocate Service (TAS) Case Criteria

4.31.10.3
(04-04-2025)

**BBA Chapter 2/2A
Linkage**

- (1) PCS linkage is required when a BBA partnership key case is being audited and the agent determines there are additional assessments of Chapter 2/2A taxes to be made at the partner level. This is because partners are subject to general deficiency proceedings for assessments of SECA or NIIT related to BBA partnership adjustments.
- (2) Linkage is required if there is a possibility that the IRS will be relying on the IRC 6501(c)(12) statute exception to make assessments of Ch 2/2A taxes at the partner level at the conclusion of the BBA examination.

- (3) The field examiner and field group manager must determine who the relevant direct and indirect partners are prior to submitting the PCS linkage request. Form 15263, Bipartisan Budget Act (BBA) Partnership Chapter 2/2A Relevant Partner Determination, has been developed to assist the field examiner in making relevant partner determinations and is required with the linkage request. See IRM 4.31.9.6.4, BBA linkage procedures, for materiality and strategic limits used in determining relevant partners.
- (4) The linkage package consists of completed Form 15264, Bipartisan Budget Act (BBA) Chapter 2/2A Linkage Check Sheet and other required documents.
- (5) To request linkage on PCS, a field examiner will submit a complete linkage package to the linkage mailbox following guidance provided on Form 15264.
- (6) The linkage package must be logged and tracked to ensure timely processing. Incomplete packages will be returned to the field examiner and can be resubmitted when complete.

4.31.10.3.1
(04-04-2025)
**BBA Chapter 2/2A
Linkage Package
Received**

- (1) The field examiner will request linkage for BBA partnerships with relevant partners that have Chapter 2/2A issues when there are estimated material adjustments.

4.31.10.3.1.1
(04-04-2025)
Package Review

- (1) The BBA Ch 2/2A coordinator will monitor the linkage mailbox and review incoming linkage packages prior to accepting a linkage request from the field examiner.
- (2) Form 15264, Bipartisan Budget Act (BBA) Chapter 2/2A Linkage Check Sheet, is verified as complete and signed by the field group manager. The BBA Chapter 2/2A coordinator will verify the following on Form 15264:
 - a. Ch 2/2A issues are identified correctly.
 - b. The partnership AIMS record shows an AUDIT-CTRL-NUM on the BBA partnership page. The AUDIT-CTRL-NUM shown on the partnership AIMS record should also match the AUDIT-CTRL-NUM shown on Form 15264.
 - c. AIMS record shows the correct BBA-CHAPTER-2-2A-CD on the BBA partnership page. See the table below in Figure 4.31.10-1 for a description of the AIMS BBA Chapter 2/2A codes.

AIMS BBA-CHAPTER-2-2A-CD

| Value | Literal | Term Used on Form 15264 | Definitions |
|-------|---|---|---|
| 0 | No Issues / Default | N/A | N/A |
| 1 | IRC 6501(c)(12) OYD - Programing to be changed to: StandardPartner-Language | Standard language partner (Standard Partner Language to assess either more C2 and/or C2A tax) | Applies when the partner reported their distributive share of Sch K, Line 1 as either subject to SECA or NIIT, any guaranteed payment adjustment subject to SECA, and any investment income such as interest, dividends, and capital gains subject to NIIT. |

| Value | Literal | Term Used on Form 15264 | Definitions |
|-------|--|---|---|
| 2 | IRC 6501(a) Dual - Programming to be changed to: Field-DraftedLanguage | Field drafted language partner (Field Drafted Language to determine whether C2 and/or 2A tax applies) | Applies when the partner did not report their distributive share of Sch K, Line 1 as either subject to SECA or NIIT. Includes non-filers. |
| 3 | IRC 6501(a) and (c)(12) - Programming to be changed to: Field-DraftedLanguage AndStandardPartnerLanguage | Standard language partner and Field drafted language partners | Applies when a partnership has both types of partners. |
| 4 | Withdrawn | N/A | N/A |

Figure 4.31.10-1

- d. The net income adjustment figures are needed to make relevant partner determinations.
 - e. Incomplete and premature packages will be returned to the field group and can be resubmitted when complete and timely.
 - f. Form 15264, Bipartisan Budget Act (BBA) Chapter 2/2A Linkage Check Sheet, will be acknowledged by the BBA Chapter 2/2A coordinator and returned to the field examiner when a complete and timely package is accepted.
- (3) Form 15263, Bipartisan Budget Act (BBA) Partnership Chapter 2/2A Relevant Partner Determination, is verified for the following:
- a. The AUDIT-CTRL-NUM shown on the partnership AIMS record should also match the AUDIT-CTRL-NUM shown on Form 15263.
 - b. Relevant partners are identified correctly and do not fall below the strategic limits described in IRM 4.31.9.6.4, BBA linkage procedures.
 - c. Relevant partners requiring Field Drafted Language (FDL) must have an open AIMS with the group auditing the BBA partnership at the time of linkage. If the FDL partner is a pass-through entity, a separate linkage package is needed for the pass-through entity. See IRM 4.31.10.3.1.2.4, Pass-Through Investors.
 - d. Incomplete and premature packages will be returned to the field group and can be resubmitted when complete and timely.
- (4) Form 1065, U.S. Return of Partnership Income, is reviewed for the following:
- a. Schedule K-1's, or substitute Schedule K-1's, were included in the package.
 - b. The Schedule K-1 is matched to the investor return.
 - c. The distributive share of income or loss and other pass-through items reflected on the copy of the Schedule K-1 received will be matched against the amount of the pass-through items reflected on the investor's return.

- d. Where the amounts do not reconcile, appropriate action will be taken to clarify mismatched information through contacting the assigned field agent.
 - e. This mismatch may be attributed to a variety of situations (i.e., the name on the Schedule K-1 may be a nominee, actual losses may exceed the allowable loss limitation, etc.).
 - f. If the taxpayer has not reported income or loss consistent with the Schedule K-1, the field examiner must control the partner's return prior to submitting a BBA Ch 2/2A linkage package and prepare a partner-specific Form 886-A detailing why the partner is subject to either SECA or NIIT.
- (5) AIMS freeze code H will be added to the partnership AIMS record using command code (CC) AMFRZ.
 - (6) A field request to withdraw the linkage requires a new Form 15263, Bipartisan Budget Act (BBA) Partnership Chapter 2/2A Relevant Partner Determination, with an explanation of the request. Verify the AIMS BBA Ch 2/2A code was updated to a 4. The AIMS freeze code H is removed for a withdrawn linkage. If CPF controlled investors have been issued Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A, an administrative closing package is needed to close CPF controlled investors no change. Investors controlled by the field examiner may be PCS deleted using Form 14520, PCS Linkage Deletion Request, approved by the BBA Ch 2/2A coordinator prior to submitting to the PCS coordinator. Completed Form 14520 is filed in the key case file or investor direct link file.
 - (7) The field may submit a new Form 15263 to the CPF to revise the relevant partner determination when relevant partner determinations change during the audit. The PCS linkage for partners no longer relevant will be addressed in the same manner as a withdrawn linkage.

4.31.10.3.1.2
(04-04-2025)
Schedule K-1 Investor Verification

- (1) The CPF will perform basic research of the Schedule K-1 reconciliation or Form 1065 before establishing linkage including:
 - Non-filers
 - Trust investors
 - Spousal Social Security number (SSN)
 - Pass-through investors

4.31.10.3.1.2.1
(04-04-2025)
Non-Filer Identification

- (1) To identify a possible individual non-filer check the individual master file (IMF) record to confirm there is no transaction code (TC) 150 on the CC IMFOLT. If no TC 150 posted, then follow these next steps:
 - a. Research CC INOLES and verify name and filing status.
 - b. Check for date of death. If date of death is before the tax period, research for cross reference employer identification numbers (EINs) for an estate. Check CC IMFOLR for an alpha condition code F (final return) for the year of death. Check for a fiscal year filing during the year of death.
 - c. Check for prior name controls and cross-reference SSNs.
 - d. Check the module for the examined tax year to determine if a TC 971 with an action code of 001 or 002 exists.
 - e. Check other modules for a TC 976 to see if the return was misposted.

- f. If unable to identify a filing record, the field examiner must obtain AIMS controls for any relevant partner that is a non-filer prior to submitting a PCS linkage request.
- (2) To identify a possible business non-filer check the business master file (BMF) record to confirm there is no transaction code (TC) 150 on the CC BMFOLT. If no TC 150 posted, then follow these next steps:
 - a. Research CC INOLES and check for filing requirements and any fiscal filing requirement.
 - b. Research CC BMFOLI for the MFT for the filing requirement listed on CC INOLES.
 - c. Determine if the entity filed a fiscal return. If the entity includes a name with LLC with no TC 150 posted, this could be a disregarded entity.
 - d. If unable to identify a filing record, the field examiner must obtain AIMS controls for any relevant partner that is a non-filer prior to submitting a PCS linkage request.

4.31.10.3.1.2.2
(04-04-2025)

Determine Type of Trust Investors

- (1) Trusts with a fiduciary code 4 found on BMFOLR are grantor trusts. A grantor trust is not linked. Link the beneficiary/grantor that reported the Schedule K-1 amounts. See IRM 3.11.14.13.3(3), Fiduciary and Trust Code Editing.
- (2) Check for a grantor letter. This may be a letter or any disclosure statement with the return that identifies the beneficiary or grantor(s). The letter is usually located within the Form 1041. This letter is comparable to the investor K-1 and almost always is an individual.
- (3) If the grantor letter is available electronically or provided by the examining agent:
 - a. Research the investor.
 - b. Link the investor, bypassing the trust.
 - c. Associate the grantor letter with the Schedule K-1. Document the case file to reflect the controlling taxpayer identification number (TIN) of the beneficiary or grantor.
- (4) If grantor information is not available.
 - a. Search the Form 1041, if available, for an indication of the beneficiary's TIN.
 - b. Research CCs NAMEE, NAMEI, NAMEB, TRDBV, yK-1 and Accurant to determine the beneficiary's TIN.
- (5) Trusts with a fiduciary code 2 are simple trusts or taxable grantor trusts and fiduciary code 3 are complex trusts.
- (6) Set up linkage for the taxable trust.

Note: The fiduciary code is an indicator of what the trust type may be, but review of the return is necessary to verify it was coded correctly.

4.31.10.3.1.2.3
(04-04-2025)

Spousal SSN

- (1) If an IMF investor does not have a TC 150 posting on CC IMFOLT determine if the taxpayer filed jointly with a spouse. Research CC IMFOLT for a TC 594 posted with a cross reference SSN. This cross reference SSN should be the spouse's SSN. This SSN should reflect the TC 150 posted.

- (2) If no TC 594 or 590 has posted, research using CC INOLES or INOLEX for a cross reference SSN. This should be the spouse's SSN. Research the cross-reference SSN for the appropriate tax year using CC INOLES. If both names are present, research CC IMFOLT for filing status and TC 150 posting.
- (3) If the taxpayer filed jointly with a spouse, complete the following:
 1. Verify the spouse's name using CC INOLES and TC 150 posting using CC IMFOLT.
 2. Ensure the spouse's information matches the K-1.
 3. Complete Form 13129, K-1 Change Form, or an equivalent and maintain form with K-1.
 4. Set up the linkage using the spouse's SSN.
- (4) If the IMF investor does not have a TC 150 posted or joint return filed, the IMF is likely a non-filer. Field exam will follow non-filer procedures as stated in IRM 4.31.9. The CPF will not apply non-filer procedures for BBA Ch 2/2A non-filing investors.

4.31.10.3.1.2.4
(04-04-2025)

Pass-Through Investors

- (1) Pass-through investors controlled by the field will require their own key case linkage package to link the investors of the tier.
- (2) The BBA Ch 2/2A CPF does not establish copy cases for field-controlled tiers.
- (3) The BBA Ch 2/2A coordinator will monitor field-controlled tiers to ensure a linkage package is submitted.

4.31.10.3.1.2.4.1
(04-04-2025)

S Corporation

- (1) An S corporation may be an investor in a BBA partnership and should be linked as a tier if the BBA Ch 2/2A pass-through adjustment is determined using Standard Partner Language (SPL) and the S corporation is not controlled by a field group. There should be no tiering beyond the shareholders of the S corporation.
- (2) If the BBA Ch 2/2A pass-through adjustment requires Field Drafted Language (FDL), the S corporation must be controlled and examined by the field group.
- (3) An S corporation controlled by a field group is an ILSC key case. An ILSC linkage package must be submitted with linkage guidance. See IRM 4.31.5.12.2.4, When to Link the ILSC Key Case on PCS. The BBA Ch 2/2A coordinator will work with the ILSC coordinator to contact and request the field agent to submit an ILSC linkage package for the S corporation.
- (4) Generally, S corporations may be subject to net investment income tax (NIIT) but not subject to self-employment tax (SECA).

4.31.10.3.1.2.4.2
(04-04-2025)

BBA Elect-out Partnership

- (1) A BBA elect-out (BEO) partnership may be an investor in a BBA partnership and should be linked as a tier if the BBA Ch 2/2A pass-through adjustment is determined using Standard Partner Language (SPL) and the BEO partnership is not controlled by a field group.
- (2) If the BBA Ch 2/2A pass-through adjustment requires Field Drafted Language (FDL), the BEO partnership must be controlled and examined by the field group.

- (3) A BEO partnership controlled by a field group is an ILSC key case. An ILSC linkage package must be submitted with linkage guidance. See IRM 4.31.5.12.2.4, When to Link the ILSC Key Case on PCS. The BBA Ch 2/2A coordinator will work with the ILSC coordinator to contact and request the field agent to submit an ILSC linkage package.
- 4.31.10.3.1.2.4.3
(04-04-2025)
BBA Partnership
- (1) A BBA partnership may be an investor in a BBA partnership and should be linked as a tier if the BBA Ch 2/2A pass-through adjustment is determined using Standard Partner Language (SPL) and the BBA partnership is not controlled by a field group.
- (2) If the BBA Ch 2/2A pass-through adjustment requires Field Drafted Language (FDL), the BBA partnership must be controlled and examined by the field group.
- (3) A BBA partnership controlled by a field group is a BBA key case. A BBA Ch 2/2A linkage package must be submitted with linkage guidance. The BBA Ch 2/2A coordinator will monitor the BBA partnership controlled by the field group for a BBA Ch 2/2A linkage package and will contact and request the field agent to submit a linkage package as needed.
- 4.31.10.3.1.2.4.4
(04-04-2025)
Disregarded Entity
- (1) If a limited liability company (LLC) that is a disregarded entity is an investor in a BBA partnership, that entity is bypassed, and the owner/member of the disregarded entity should be linked instead.
- (2) While the disregarded entity does not file a return, it should have an EIN. If the disregarded entity's EIN is not shown on the Schedule K-1, the field agent may be contacted for assistance.
- 4.31.10.3.1.3
(04-04-2025)
Build Out
- (1) A revenue agent reviewer will complete a build out document, also known as a linkage plan, to communicate linkage instructions.
- (2) The build out will include a list of all relevant partners that will be linked along with their EIN, level, TIN, year, name, percentage of ownership and other pertinent information.
- (3) The completed build outs will be kept locally on a shared drive.
- (4) A build out is required and will assist the BBA Ch 2/2A CPF in verifying Form 15263, Bipartisan Budget Act (BBA) Chapter 2/2A Relevant Partner Determination.
- 4.31.10.3.2
(04-04-2025)
Linkage
- (1) A linkage package is submitted to the campus following established guidelines listed in IRM 4.31.10.3.1, BBA Chapter 2/2A Linkage Package Received. The campus needs sufficient time between linking and closing investor reports to secure the investor returns. Failure to timely link cases creates processing problems in the campus if they are controlling the investors.
- (2) The key case administrative file is set up on Report Generation Software (RGS) and includes the following documents as applicable:
- a. A history sheet must be included in each key case administrative file to show significant dates of key case and investor action.

- b. Form 15264, Bipartisan Budget Act (BBA) Chapter 2/2A Linkage Check Sheet.
- c. Copy of the key case return with schedule K-1s and schedule K-1 change forms.
- d. Field controlled investor memos.
- e. Build out.
- f. Form 15263, Bipartisan Budget Act (BBA) Partnership Chapter 2/2A Relevant Partner Determination.
- g. Schedule K-1 reconciliation.
- h. Investor Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A.
- i. Miscellaneous documents such as a PCS deletion request or AIMS reopen request.
- j. Investor report writing data once a closing package is received.

4.31.10.3.2.1
(04-04-2025)
**Linking BBA Ch 2/2A
Investors**

- (1) The CPF will process the linkage package within 30 days after receipt.
- (2) The BBA Ch 2/2A CPF will control Standard Partner Language (SPL) linked investors that do not have an open AIMS control at the time of linkage. Field (other than the group controlling the BBA partnership being linked), Appeals, and Brookhaven Service Center (BSC) controlled investors will receive email notification of the linkage from the BBA Ch 2/2A CPF. The email will include a memo providing guidance related to the BBA Ch 2/2A linkage.
- (3) The BBA Ch 2/2A CPF will process linkages for Field Drafted Language (FDL) investors after the field group establishes an AIMS control. The field examiner must control investors when working an NIIT-SECA Coverage issue for partners who claim they are not subject to either SECA or NIIT on their distributive share of partnership trade or business income. Field examiners will control and examine investors and prepare a partner-specific Form 886-A, Explanation of Items, detailing why the partner is subject to either SECA or NIIT.
- (4) For BBA Ch 2/2A CPF controlled investors that do not have open AIMS, establish AIMS using CC AM424 rather than establishing AIMS using PCS CC TSLOD. PCS CC TSLOD is programmed to link SBSE key case investors to PBC 295 and the investor AIMS will open in EGC 5400 rather than EGC 5700. The new PCS is being programmed to address both issues.
- (5) Establishing AIMS using CC AM424 rather than establishing AIMS using PCS CC TSLOD, will also allow an electronic blocking closure. PCS CC TSLOD will request returns from files at the time of linkage, this adds the literal **“RETURN REQUESTED”** on AIMS page 2, even though the return may be electronic. The **“RETURN REQUESTED”** will not allow an electronic blocking closure.
- (6) Establish the investor AIMS in Primary Business Code (PBC) 398 and Exam Group Code (EGC) 5700. Review Form 15264 to determine project code and tracking code for the AIMS record. When Form 15264 lists a project code, that key case project code is added to the AIMS record. When no project code is listed on Form 15264, apply project code 1431 to BBA Ch 2/2A CPF controlled investors.
- (7) If the investor return is filed by paper, request the return from files using CC ESTAB at the time of linkage.

- (8) Link using CC TSLOD. Input the data shown on Form 15264.
- (9) Add a PCS user message using TSCHG per the table below:

PCS Promoter Number and User Message

| Description | BBA Ch 2/2A Standard Partner Language (SPL) | BBA Ch 2/2A Field Drafted Language (FDL) | BBA Ch 2/2A Split Linkage - SPL and FDL |
|--------------------|---|---|---|
| Promoter Number | 4012SB/ 4012LB | 4001SB/ 4001LB | 4003SB/ 4003LB |
| User Message | BBA CH2/2A SPL | BBA CH2/2A FDL | BBA CH2/2A SPLIT |

- (10) Linking the record creates a Pass-through Investor Control File (PICF) code of 6 on the investor account record. The current PCS is using ILSC PCS codes for the BBA Ch 2/2A investor record. It is important to review the key case PCS promoter number and user message to identify the type of key case. If the investor is also linked to a TEFRA audit regime the PICF code will systemically change to 4. When only a BBA Ch 2/2A and/or an ILSC linkage remain, the PICF code will systemically update to reflect the remaining linkage. The PICF code of the BBA key case will generally be 2. If the partnership is also a relevant partner in another linked BBA partnership, the PICF code of the BBA key case will be 6. As with the investor code, the current PCS is using ILSC PCS codes for the BBA Ch 2/2A key case record.
- (11) When complete, PCS linkage must match the build out. Verify that the AIMS record is fully established before building case files for the investor returns.
- (12) If a return is linked in error, prepare Form 14520, PCS Linkage Deletion Request. Form 14520 must be approved by a manager, lead, or BBA Ch 2/2A coordinator prior to submitting to the PCS coordinator for processing.

4.31.10.3.2.2 (04-04-2025)

Notification of Beginning of Pass-Through Examination

- (1) Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A, was created to inform BBA Ch 2/2A investors of a pass-through audit. It is not required by law but is available to send as a courtesy to taxpayers that may not otherwise be aware of the pass-through audit.
- (2) BBA Ch 2/2A investors may be unaware of an examination until they receive an audit report or request to extend the statute. Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A, was created to help keep taxpayers informed.
- (3) The BBA Ch 2/2A CPF will send Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A, to all taxable investors controlled by the campus, unless specifically told not to send them on the Form 15264, Bi-partisan Budget Act (BBA) Chapter 2/2A Linkage Check Sheet.
- (4) Do not contact the taxpayer if there is a Z freeze or a TC 914 on the taxpayer account. If there is a Z freeze or a TC 914 on the taxpayer account, give the BBA Ch 2/2A entity and investor information to the BBA Ch 2/2A coordinator for immediate and appropriate action.

- (5) The field examiner will send Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A, to the linked investors they control as they deem appropriate.

4.31.10.3.2.3
(04-04-2025)
AIMS Reject Reports

- (1) For AIMS rejects, see ILSC guidance IRM 4.31.6.2.2.3, AIMS Reject Reports.

4.31.10.3.2.4
(04-04-2025)
**Investor Returns
Controlled Outside the
Campus Pass-Through
Function (CPF)**

- (1) Contact the controlling area immediately if an investor return is controlled outside the Campus Pass-through Function (CPF). The CPF either needs to secure control of the investor return or ensure that the controlling area does not issue a statutory notice of deficiency (SNOD). Generally, only one SNOD may be issued to a BBA Ch 2/2A investor. If the area in control of the investor return issues a SNOD and does not include the BBA Ch 2/2A pass-through results, a petition filed by the investor may result in barring any pass-through assessments.
- (2) The CPF will send a copy of the Schedule K-1 with a memo providing guidance related to the BBA Ch 2/2A linkage by email to:
 - The examining agent (status 10 to 19), unless the agent is also examining the key case
 - Brookhaven Service Center (BSC) CPF
 - Appeals
- (3) Secure cases in status code 06 or 08.
 - a. Contact the PBC/EGC owner using the AIMS/ERCS website to get the AIMS transferred.
 - b. A paper return may not be received since many returns are electronically filed.
 - c. Returns selected due to an amended return should not be requested and allowed to be sent to the field.
- (4) The BBA Ch 2/2A coordinator must be involved when notifying those outside the campus of a BBA Chapter 2/2A examination when the return is in status code 2X, 3X, 4X, 5X, or 8X.

Note: If the return is in status 82, a petition was already filed, another SNOD cannot be issued.

4.31.10.3.3
(04-04-2025)
**CPF Employee Group
Codes**

- (1) All BBA Ch 2/2A investor returns in the CPF are maintained in AIMS status code 33 with a source code 64.
- (2) The CPF will use the following AIMS employee group codes (EGCs) to control BBA Ch 2/2A inventory:

| Employee Group Code | Description | Aging Criteria |
|---------------------|------------------------------------|----------------|
| 5700 | Newly Established Investor Returns | 60 days |

| Employee Group Code | Description | Aging Criteria |
|---------------------|--|----------------|
| 5701-5707 | Incomplete Files | 90 days |
| 5708 | Form 872-L to Technical for Countersignature | 30 days |
| 5709 | Reserved | none |
| 5710 | Classification/K-1 Verification | 60 days |
| 5711 | BBA Ch 2/2A Barred | none |
| 5712 | Coordinator/Technical Request | 30 days |
| 5716 | Dual Status (CPF ILSC/TEFRA to BBA Ch 2/2A transfer) | 30 days |
| 5717 | Transfer In (requires manual CPF update from EGC 5417) | 30 days |
| 5718 | Investor Suspense | none |
| 5720-5739 | Report Writing | 60 days |
| 5740-5749 | 30 Day Letter | 60 days |
| 5750-5759 | 90 Day Letter | 120 days |
| 5760 | Tier Suspense | none |
| 5761-5763 | Tier Incomplete File | 90 days |
| 5764-5766 | Tier Report Writing | 60 days |
| 5767 | Tier Report Writing-Prepare Investors | 30 days |
| 5768 | Post Tier Report Writing Suspense | 180 days |
| 5776 | Appeals Transfer (Docketed/non-docketed) | 15 days |
| 5777 | Protesting Investor Preparation | 45 days |
| 5782 | Survey Cases | 60 days |

Note: The aging criteria is the maximum amount of time a return should be idle in an EGC.

4.31.10.3.4
(04-04-2025)
Case Building

- (1) The BBA Ch 2/2A CPF will establish virtual case files to store case related documents.
- (2) The key case administrative file will hold the documents described in IRM 4.31.10.3.2, Linkage.
- (3) The BBA Ch 2/2A investor file will hold the investor return, adjustment documents, amended returns, Schedule K-1 from the direct link and any correspondence with the taxpayer. The Schedule K-1 is matched to the investor return.

4.31.10.3.4.1
(04-04-2025)
Screening Investor Return

- (1) The distributive share of income or loss and other pass-through items reflected on the copy of the Schedule K-1 received from the key case CPF will be matched against the amount of the pass-through items reflected on the investor's return prior to linkage submission request.

- (2) The BBA Ch 2/2A TE will review the investor return and Schedule K-1 to verify there are no discrepancies.
- (3) If the amounts do not reconcile, contact the BBA Ch 2/2A coordinator for further guidance.

4.31.10.4
(04-04-2025)

Transferring Cases

- (1) The following subsections cover the transfer of returns into and out of the CPF.

4.31.10.4.1
(04-04-2025)

Transferring Cases into the CPF

- (1) Standard Partner Language (SPL) linked investors may transfer into the BBA Ch 2/2A CPF when the only remaining investor issue relates to BBA Ch 2/2A linkages. If the BBA Ch 2/2A linked investor also has an ILSC linkage, the investor will be controlled by the ILSC CPF. Prior to transfer, the BBA Ch 2/2A coordinator will be contacted to verify the investor case can transfer to the BBA Ch 2/2A CPF.
- (2) Field Drafted Language (FDL) linked investors may transfer into the BBA Ch 2/2A CPF when the field examiner provides a partner-specific Form 886-A, Explanation of Items, with Field Drafted Language (FDL), and the only remaining investor issue relates to BBA Ch 2/2A linkage. If the BBA Ch 2/2A linked investor also has an ILSC linkage, the investor will be controlled by the ILSC CPF. Prior to transfer, the BBA Ch 2/2A coordinator will be contacted to verify the investor case can transfer to the BBA Ch 2/2A CPF.
- (3) Investors transferred to the CPF without approval will be returned to the originator for proper case handling.
- (4) Returns are transferred to the CPF in EGC 5417 due to AIMS programming for status code 33 cases. Upon receiving the AIMS database for approved cases, the PCS coordinator will update the EGC 5417 to EGC 5717. Cases that are not approved for transfer will be returned to the field group for suspense. Review IRM 4.4.33, AIMS Procedures and Processing Instructions, Transfers, before accepting the return into inventory. When the AIMS is transferred, the documents submitted to the CPF should include, but are not limited to:
 - Return
 - Previously processed Form(s) 4549 (if applicable)
 - Form 3210, Document Transmittal, if paper
 - Form 872, Consent to Extend the Time to Assess Tax, current and prior
 - Form 3198, Special Handling Notice for Examination Case Processing
 - Form 5344, Examination Closing Record
 - Partner-specific Form 886-A with Field Drafted Language (FDL) for FDL linked partner
- (5) The PCS coordinator will monitor AIMS records in EGC 5717 to ensure the return information is received timely. If not received within 30 days, the return either needs to be located, or the AIMS will be updated back to the field group EGC by the PCS coordinator.
- (6) When the return information is received, the EGC should be updated to the appropriate 57XX employee group code.

- (7) Before closing the case to the TSPC for transfer to the CPF, the field examiner must update the partner's statute to alpha code AF (or RR until AF is available) if the partner's statute is within 210 days of expiration.
- (8) Incoming investor returns are reviewed by the PCS coordinator:
 - a. To verify approval was obtained to transfer the BBA Ch 2/2A investor to the CPF.
 - b. To verify any Form 5344, partial action was completed. The pending pass-through adjustments should be the only remaining issue.
 - c. For an unprocessed Form 8339, PCS Change. If the unprocessed Form 8339 will close out the last linkage, the transferring area should be notified that the case should have been fully closed. It is the responsibility of the transferring area to close the case.
 - d. For an open ILSC linkage. If one exists the case must be controlled as an ILSC investor.
 - e. For special instructions on Form 3198.
 - f. To verify the status codes are correct.
- (9) All required documents may be forwarded to the campus via e-mail if the case file is electronic.

4.31.10.4.2
(04-04-2025)

Responding to Field Requests for Returns

- (1) Requests for AIMS controls, tax returns or other documents from an area field group will be sent to the PCS coordinator using Form 15277, AIMS Database Transfer Request Campus Pass-Through Function (CPF).
- (2) The PCS coordinator should ensure Form 15277, AIMS Database Transfer Request Campus Pass-Through Function (CPF), has the proper information and is signed by the manager.
- (3) Any requested returns or documents can be attached to the Form 15277. If any original paper documents are requested, they should be mailed to the area field group. The PCS coordinator will email the Form 15277 to the requestor with a cc to the manager after marking the completed action and signing the bottom of the form.
- (4) Any returns transferred with no PICF code should be sent with an AIMS freeze code 6, if the CPF needs the return again.
- (5) The AIMS will be transferred to the group using CC AMSOC. AIMS will update the status to transfer status 07 and transfer EGC 1998/2998.
- (6) The PCS coordinator will ensure the AIMS data base is updated from the transfer EGC to the group's status, PBC, Secondary Business Code (SBC), and EGC codes, and the correct statute date.
- (7) The BBA Ch 2/2A coordinator should review the Form 15277 to verify the linkages and ensure statute implications are considered.

4.31.10.5
(04-04-2025)

BBA Ch 2/2A Investor Suspense

- (1) BBA Ch2/2A investors controlled by the CPF must be maintained and held in suspense until conclusion of the BBA key case examination.
 - a. Perfected taxable investors will be held in EGC 5718 until a report is ready to be written.
 - b. Perfected tier investors will be held in EGC 5760.

- (2) Minimum requirements for returns held in suspense are:
 - a. Must be linked or related to a linked BBA Ch 2/2A pass-through examination.
 - b. The statute has been verified and updated to alpha code AF, when the statute is within 210 days of expiration.

4.31.10.5.1
(04-04-2025)
Statute Control

- (1) A Form 895 is prepared for each relevant partner. Form 895 is included in the case file. A statute control record, such as a TXMOD control, may be used instead of the Form 895. Use of the statute control record should be notated on the history sheet. See IRM 25.6.23, Statute of Limitations, Examination Process-Assessment Statute of Limitations Controls.

4.31.10.5.1.1
(04-04-2025)
AF Statute

- (1) Alpha statute code AF is used on partners in a BBA partnership that are subject to Chapter 2/2A adjustments, and their statute is protected by IRC 6501(c)(12). Alpha statute code AF will be used primarily with Pass-through Control System (PCS) linked partner returns controlled in the Campus Pass-through Function (CPF).
- (2) Generally, the alpha statute code should not be entered on AIMS and on statute control records prior to 180 days before expiration of the normal statutory period for assessment. Review of an investor statute will begin when there are 210 days remaining on the investor statute.
- (3) To apply alpha statute code AF, conduct research to ensure the investor does not have any other PCS linkages or other issues that require an extension of the partner's 6501(a) statute.
 - a. Research the investor TSUMYI to identify the examined key cases the investor is linked to.
 - b. If all linked key cases are BBA Chapter 2/2A linkages, include a TSINQP print for each examined key case file in the investor file.
 - c. If any one of the linkages requires statute protection, the alpha statute code AF cannot be used.
 - d. Verify there are no amended returns or other issues that require a statute extension.
- (4) The employee charged with the tax return must update the alpha statute code when the criteria that was relied upon is no longer met. If an ILSC linkage is added when the investor is controlled with an alpha statute code AF, the AIMS statute must be converted back to a live statute immediately.

4.31.10.5.1.2
(04-04-2025)
One Year Date

- (1) The statute control record is updated to reflect the one-year assessment statute date when a closing package is received.
- (2) When a statutory notice of deficiency is issued, the statute control record is updated to reflect the change in the one-year assessment date described in IRM 4.31.10.7.3.1, Updating the OYD when Issuing Statutory Notices of Deficiency.

4.31.10.6
(04-04-2025)

Key Case Preliminary Packages

- (1) A preliminary package is submitted to the BBA Ogden SharePoint/BBA Ch 2-2A folder/BBA Ch 2-2A Preliminary Packages folder.
- (2) An acknowledgement email will be sent when the preliminary package is received.
- (3) Signed Form 15372, Bipartisan Budget Act (BBA) Chapter 2/2A Revenue Agent Report (RAR) Package Check Sheet, will be returned to the originator (TSPC or ATT AO) when the package is reviewed and approved.

4.31.10.6.1
(04-04-2025)

Submitted by Technical Services

- (1) Technical Services will submit a preliminary package to the BBA Ch 2/2A CPF after issuance of the NOPPA.
- (2) The AIMS freeze code H will remain until a closing package is received.
- (3) The TSPC will submit the following documents when the NOPPA is issued:
 - Form 15372, BBA Chapter 2/2A RAR Package Check Sheet
 - Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations, Form 886-S, Partners' Share of Income, Deduction and Credits, substitute reflecting the adjustments, Form 886-A, Explanation of Items, and/or Ch 2/2A relevant workpapers

Note: A BBA Ch 2/2A no change determination will only have a Form 4605-A with no change language.

4.31.10.6.2
(04-04-2025)

Submitted by Appeals

- (1) Appeals will submit a preliminary package to the BBA Ch 2/2A CPF when a BBA Partnership moves to the Ogden BBA Operations after the issuance of the NOPPA. The AIMS freeze code H will remain until a closing package is received.
- (2) The ATT AO will submit the following documents, as applicable, when the BBA partnership is transferred to the Ogden BBA Operations:
 - Form 15372, BBA Chapter 2/2A RAR Package Check Sheet
 - Form 5402, Appeals Transmittal and Case Memo
 - Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations, Form 886-S, Partners' Share of Income, Deduction and Credits, substitute reflecting the adjustments, Form 886-A, Explanation of Items, and/or Ch 2/2A relevant workpapers

Note: Appeals does not prepare a Form 4605-A with no change language. If there is a no change determination by Appeals, Form 5402, Appeals Transmittal and Case Memo, is submitted to verify the no change determination.

4.31.10.6.3
(04-04-2025)

Preliminary Package Review

- (1) All documents submitted with the preliminary package will be reviewed by a revenue agent reviewer to ensure complete and accurate information is available for investor report writing. Discrepancies should be resolved with the originating area, Technical Services or Appeals, as soon as possible. The preliminary package will be stored electronically and is utilized for build out purposes.

- (2) When Form 4605-A, Examination Changes - Partnerships, Fiduciaries, S Corporations, and Interest Charge Domestic International Sales Corporations, submitted with a preliminary package, shows no changes and the BBA partnership Chapter 1 reflects changes, the BBA Ch 2/2A issue may no longer be relevant or the field agent may have chosen to no change the BBA Ch 2/2A issue. In this instance the BBA Ch 2/2A CPF may process a BBA Ch 2/2A no change closing package after the BBA partnership NOPPA is issued. After the NOPPA is issued, the BBA Ch 2/2A no change determination submitted with the preliminary package will not change and there is no need to continue to hold investor linkages open. The investor linkages can close no change and BBA partnership AIMS freeze code H can be released.

4.31.10.7
(04-04-2025)
Key Case Closing Packages

- (1) Technical Services, ATT, and the BBA Operations will submit BBA Ch 2/2A closing packages to the BBA Ch 2/2A CPF at the conclusion of the BBA audit.
- (2) A closing package is submitted to the BBA Ogden SharePoint/BBA Ch 2-2A folder/BBA Ch 2-2A Closing Packages folder.
- (3) An acknowledgement email will be sent when the closing package is received.
- (4) Signed Form 15372, BBA Chapter 2/2A RAR Package Check Sheet, will be returned to the originator (TSPC, ATT AO, or Ogden BBA Operations RA) when the package is reviewed and approved.

4.31.10.7.1
(04-04-2025)
Closing Package Review

- (1) All documents submitted with the closing package will be reviewed by a revenue agent reviewer to ensure complete and accurate information is available for investor report writing. Discrepancies should be resolved with the originating area, Technical Services, ATT, or the Ogden BBA Operations, as soon as possible.
- (2) The packages will be recorded in an electronic logbook when received.
- (3) Review Form 15372, BBA Chapter 2/2A RAR Package Check Sheet, when the package is received from Technical Services, Appeals, or the BBA Operations.
- (4) Review the report writing information (Form 4605-A, Form 886-S, and Form 886-A) to ensure it is complete and accurate.
- (5) The BBA Ch 2/2A coordinator will check PCS to verify investors are properly linked.
- (6) If corrections are needed with a closing package, the CPF will contact the originating function, either Technical Services, Appeals, or BBA Operations.
- (7) Approved packages will have a BBA one-year date (OYD) posted on PCS (see IRM 4.31.10.7.3, One-Year Assessment Dates) and the AIMS freeze code H will be released. The closing package will be stored electronically on RGS/CEAS.

4.31.10.7.2
(04-04-2025)
Types of Closing Packages

- (1) In general, letters should be issued to the investors within 30 days, but no later than 60 days after the package is assigned to a report writer, or in the case of a no change package within 30 days after the package is assigned to a tax examiner.

4.31.10.7.2.1
(04-04-2025)
No Change

- (1) A no change package is submitted when Letter 6099 and Letter 6099-A is prepared by Technical Services or when Letter 6099-B and Letter 6099-D is prepared by Appeals.
- (2) A package will include the following:
 - Form 15372
 - Letter 6099, Letter 6099-A, Letter 6099-B or Letter 6099-D
 - Form 4605-A with no change language (or Form 5402, Appeals Transmittal and Case Memo, for Appeals cases)
- (3) A preliminary package may also result in a no change package and would not include Letter 6099, Letter 6099-A, Letter 6099-B or Letter 6099-D. See IRM 4.31.10.6.3, Preliminary Package Review.
- (4) A withdrawn linkage request or revised relevant partner determination may result in an administrative no change package for CPF controlled investors. See IRM 4.31.10.3.1.1, Package Review.

4.31.10.7.2.2
(04-04-2025)
**Agreed Form 14792 -
Modification and FPA
are Waived**

- (1) An agreed package is submitted when the PR signed Form 14792, Partnership Examination Changes, Imputed Underpayment Computation and Partnership Level Determinations as to Penalties, Additions to Tax and Additional Amounts, waiving modification and the FPA. The imputed underpayment (IU) is agreed and Chapter 2/2A adjustments need to be made.
- (2) A package will include the following:
 - Form 15372
 - Countersigned Form 14792
 - Form 4605-A, Form 886-S or substitute reflecting the adjustments, Form 886-A and/or Ch 2/2A relevant workpapers
 - Form 2848 for Chapter 2/2A issues (if necessary)
 - Form 5402 (for Appeals cases)
- (3) When the BBA partnership exam results in a net negative adjustment, no Chapter 2/2A pass-through adjustment will be processed at the investor level. A net negative adjustment is reported by the BBA partnership in the adjustment year and any resulting change to Chapter 2/2A will be reflected on the partner adjustment year Schedule K-1.
- (4) If the IU is agreed and it is determined we will not make Chapter 2/2A adjustments, BBA Chapter 2/2A CPF will need an agreed no change package to close the linkage.

4.31.10.7.2.3
(04-04-2025)
**Agreed Form 15027 with
a Signed Form 14726
(FPA Waiver) -
Modification with FPA
Waived**

- (1) An agreed package is submitted when the PR signed Form 15027, Partnership Summary of Approved Modifications and the Imputed Underpayments, agreeing to the modification, and Form 14726, Waiver of the Notice of Final Partnership Adjustment (FPA), waiving the FPA, are countersigned. Any remaining IU will be assessed and Ch 2/2A adjustments need to be made.
- (2) A package will include the following:
 - Form 15372
 - Countersigned Form 15027 and Form 14726
 - Form 4605-A, Form 886-S or substitute reflecting the adjustments, Form 886-A, Explanation of Items, and/or Ch 2/2A relevant workpapers

- Form 2848 for Chapter 2/2A issues (if necessary)
- Form 5402 (for Appeals cases)

4.31.10.7.2.4
(04-04-2025)
**Agreed Form 15027
(issued with FPA) - No
Modification or
Modification**

- (1) The agreed Form 15027, Partnership Summary of Approved Modifications and the Imputed Underpayments, may or may not have an election to push out partnership adjustments.
- (2) An agreed package is submitted when the PR signed Form 15027, agreeing to no modifications or with modification is countersigned. The IU is agreed or election to Push-Out is submitted and Ch 2/2A adjustments need to be made.
- (3) A package will include the following:
 - Form 15372
 - Dated Letter 5933 or Letter 5933-A with certified mail number
 - Countersigned Form 15027
 - Form 4605-A, Form 886-S or substitute reflecting the adjustments, Form 886-A and/or Ch 2/2A relevant workpapers
 - Form 2848 for Chapter 2/2A (if necessary)
 - Form 5402 (for Appeals cases)

4.31.10.7.2.5
(04-04-2025)
**FPA Default - No
Modification or
Modification**

- (1) The FPA default may or may not have an election to push out partnership adjustments.
- (2) A default package is submitted when the 90-day petition period expires and no petition is filed.
- (3) A package will include the following:
 - Form 15372
 - Dated Letter 5933 or Letter 5933-A with certified mail number
 - Form 4605-A , Form 886-S or substitute reflecting the adjustments, Form 886-A and/or Ch 2/2A relevant workpapers
 - Form 2848 for Chapter 2/2A (if necessary)
 - Form 5402 (for Appeals cases)

4.31.10.7.2.6
(04-04-2025)
Court Decision

- (1) A court decision may or may not have an election to push out partnership adjustments.
- (2) A court decision package is submitted when the court decision is final, which is 90 days from the date the Tax Court decision is entered or 60 days from a date a Court of Claims or District Court decision is entered – unless the Tax Court's decision is appealed within 90 days of being entered or the Court of Claims or District Court's decision is appealed within 60 days of being entered.
- (3) A package will include the following:
 - Form 15372
 - Court Decision document
 - Form 4605-A , Form 886-S or substitute reflecting the adjustments, Form 886-A and/or Ch 2/2A relevant workpapers
 - Form 2848 for Chapter 2/2A (if necessary)
 - Form 5402 (for Appeals cases)

4.31.10.7.3
(04-04-2025)**One-Year Assessment
Dates**

- (4) A petitioned FPA will go to Appeals and the Ch 2/2A pass-through adjustment will be addressed with a court decision package. If the petition is to Court of Claims or District Court, it will not go to Appeals.
- (1) A one-year date (OYD) is a statute expiration date posted on PCS that affects a taxpayer's account as a result of a BBA partnership examination with Chapter 2/2A pass-through adjustments for the taxpayer.
- (2) IRC 6501(c)(12) provides in the case of any partnership adjustment determined under the BBA regime, the period for assessment of any tax imposed on a partner under Chapter 2 or 2A which is attributable to such adjustment shall not expire before the conclusion of the BBA audit which is the date that is one year after one of two events.
- In the case of an adjustment pursuant to the decision of a court in a proceeding brought under IRC 6234, the period for assessment shall not expire before the date that is one year after the decision becomes final.
 - In any other case, the period for assessment shall not expire before the date that is one year after 90 days after the date on which the FPA is mailed under IRC 6231.
- (3) If the FPA is waived, either by signing Form 14792 or Form 14726 the partners' statute remains open ended for BBA Chapter Ch 2/2A tax assessments.
- (4) Use the date the waiver was countersigned to compute a OYD for monitoring purposes.

Note: A best practice is to make the assessment within the OYD.

- (5) When the FPA defaults or a court decision becomes final, we have a true one-year date. As a matter of practice, the campus will subtract one day from the true one-year date when the one-year date is entered on PCS. This is done to help ensure the assessments are made prior to the expiration date.
- (6) Closing package OYDs are computed as following:
- No Change:** The partner statute of limitation (SOL) remains open. No true OYD. BBA Ch 2/2A CPF will use one year from the date the no change package is received to compute a OYD for monitoring purposes only.
 - Agreed Form 14792 and agreed Form 15027 with Form 14726:** The partner SOL remains open. No true OYD. BBA Ch 2/2A CPF will use one year from the date the agreement is countersigned to compute a OYD for monitoring purposes only.
 - Agreed Form 15027 (issued with FPA) modified or not:** The partner SOL remains open for one year after 90 days from the date on which the FPA is mailed. BBA Ch 2/2A CPF will use the date the FPA (Letter 5933-A) was mailed, plus 90 days, plus one year, minus one day, to compute the OYD.

Note: If Form 15027 is signed by the PR prior to the FPA default date, but countersigned after the FPA default date, linked investors can still be closed agreed.

- d. **FPA Default:** BBA Ch 2/2A CPF will use the default date, plus one year, minus one day, to compute the OYD. When no court petition is filed after issuance of Letter 5993 or Letter 5933-A, the FPA defaults 90 days after the date on which the FPA is mailed under IRC 6234.
 - e. **Court Decision Finalized:** BBA Ch 2/2A CPF will use the date the court decision becomes final, plus one year, minus one day, to compute the OYD. Keep in mind that if the court's decision is properly appealed, it does not yet become final and the one-year assessment period under IRC 6501(c)(12) would not yet be triggered.
- (7) The PCS coordinator will input the closing package OYD on PCS and release the AIMS freeze code H when applicable.
- a. A T indicator must be posted to the key case and investor PCS record to allow the posting of the OYD.
 - b. After the OYD is posted on PCS, the T indicator is removed from the key case record and investor records not controlled by the CPF.
 - c. The T indicator will remain on the CPF controlled investors to allow the OYD to populate on AIMS. CPF controlled investors with a OYD on PCS will show a PICF code of 5.
 - d. The T indicator will be removed by the PCS coordinator on a petitioned investor moving to Appeals, prior to the investor transferring to Appeals.
- (8) The PCS coordinator will assist the field in processing Form 8339 to resolve linkages for field-controlled investors with a OYD. Form 8339 should show 22222222 to resolve the linkage, since field-controlled investors do not have the T indicator.

4.31.10.7.3.1 (04-04-2025)

Updating the OYD when Issuing Statutory Notices of Deficiency

- (1) When a statutory notice of deficiency is issued, update the report package received indicator on PCS to an S. See IRM Exhibit 4.29.3-3, Report Package Received Indicator Codes.
- (2) The OYD should be extended 90 days to allow for the processing of the statutory notice.
- (3) The one-year assessment date will be updated using CC TSCHG, item 05. The new OYD will be input as (YYYYMMDD).
- (4) If the investor agrees, the OYD may need to be adjusted again depending upon the action taken by the investor.
 - a. If the investor agrees within the first 30 days, the OYD may be shorter than the 90-day period and needs to be adjusted to 60 days from the agreement date plus the number of days suspended.
 - b. If the partner agrees after 30 days, the OYD will be longer and needs to be adjusted to 60 days from the agreement date plus the number of days suspended.
 - c. See IRM Exhibit 4.8.9-3, Assessment Statutes: Agreed Case Without Form 872-A Consent, Agreed Case With Form 872-A Consent, Defaulted 90-Day Letter Without Form 872-A Consent, Defaulted 90-Day Letter With Form 872-A Consent.
 - d. There may be additional tack on days depending upon when the SNOD was issued compared to the OYD.

- (5) If the statutory notice is petitioned, the T indicator will need to be removed by the PCS coordinator and 22222222 will be entered into the OYD. The time should reflect the amount of technical time spent up until the case is transferred to Appeals.
- (6) The assessment statute expiration date (ASED) will be updated by the Appeals coordinator to a QQ alpha code when the case is forwarded to Appeals.

4.31.10.8
(04-04-2025)
**No Change Closing
Package Procedures**

- (1) The BBA Ch 2/2A Team will receive an approved closing package electronically prepared by the BBA Ch 2/2A coordinator. A copy of the closing package will be uploaded to RGS/CEAS. Update the report package received indicator on PCS to Y for all direct investors. See IRM Exhibit 4.29.3-3, Report Package Received Indicator Codes.
- (2) No change closing packages will not require an investor report be written and the BBA Ch 2/2A CPF will close the investor PCS linkages no change. BBA Ch 2/2A CPF controlled investors can be closed following streamlined no change procedures.
- (3) Pull all CPF controlled investors to issue Letter 5694, Investor No Adjustment, with selectable paragraph check box 1, to taxable investors that received Letter 3458, Notice of Potential Adjustment Affecting Taxes under Chapters 2 and 2A.
- (4) For an agreed no change due to a net negative adjustment, also select check box 8 and include the following paragraph:
 - When the BBA partnership exam results in a net negative adjustment, no Ch 2/2A pass-through adjustment will be processed at the investor level. A net negative adjustment is reported by the BBA partnership in the adjustment year and any resulting change to Chapter 2/2A will be reflected on the partner adjustment year Schedule K-1.
- (5) Prepare and input Form 8339. When the investor is linked to a pass-through entity that has an open linkage to another BBA or TEFRA partnership, the Form 8339 would include element 05-T to remove the 1's.
- (6) Prepare the case for final closure if there are no remaining TEFRA, ILSC, or BBA Chapter 2/2A linkages. See IRM 4.31.10.13, Investor Closing Procedures.
- (7) Send the case to suspense to wait for additional packages if there are open linkages for either TEFRA, ILSC or BBA Chapter 2/2A. An ILSC linkage will always take priority to allow IRC 6501(a) statute protection.

4.31.10.8.1
(04-04-2025)
**Outside Investors – No
Change Package**

- (1) The BBA Ch 2/2A Team will resolve the linkage for outside investors.
- (2) Complete Form 8339, PCS Change, to resolve the linkage with 22222222. When a tier is linked to a pass-through entity that has an open linkage to another BBA partnership, the Form 8339 would include element 05-T to remove the 2's.

Note: Field-controlled investors do not have the T indicator.

- (3) The field, Appeals and BSC controlled investors will receive notification of the no change closing package from the BBA Ch 2/2A CPF.

- (4) The BBA Ch 2/2A Team will **not** send a no change letter to an outside investor when working a no change closing package when the case is forwarded to Appeals.
- 4.31.10.9
(04-04-2025)
**Change Closing
Package Procedures**
- (1) The BBA Ch 2/2A Team will receive an approved closing package electronically prepared by the BBA Ch 2/2A coordinator.
- (2) Upload a copy of the closing package to RGS/CEAS.
- (3) Update the report package received indicator on PCS to Y for all direct investors. See IRM Exhibit 4.29.3-3, Report Package Received Indicator Codes.
- (4) Pull all CPF controlled direct investors to prepare for report writing and associate a copy of the closing package to each investor file.
- a. For taxable investors not in the CPF, see IRM 4.31.10.9.1, Outside Taxable Investors - Change Package.
- b. For tier investors not in the CPF, report writing guidance will be provided by the BBA Ch 2/2A coordinator, see IRM 4.31.10.11.1, Tier is Also a Key Case.
- (5) The investors must be assigned to the report writer within 30 days of the closing package being received in the BBA Ch 2/2A Team.
- (6) Update the taxable investor to EGC 5722 or 5724.
- (7) Update the tier investor to EGC 5764, Tier Report Writing.
- 4.31.10.9.1
(04-04-2025)
**Outside Taxable
Investors – Change
Package**
- (1) The BBA Ch 2/2A Team will send a copy of the key case or tier report change package with a memo providing report writing guidance by email to:
- Examining agent (status 10 to 19)
 - Appeals
- (2) The memo must be acknowledged by the recipient.
- (3) Update the report package received indicator code on PCS to an R (for the field) or A (for Appeals) once the memo is acknowledged.
- (4) If the investor is in the BSC CPF, the BBA Ch 2/2A coordinator will coordinate with BSC to provide processing guidance.
- (5) If the investor is in AIMS status 2X-5X, contact the BBA Ch 2/2A coordinator for assistance.
- 4.31.10.10
(04-04-2025)
**Monitoring the Closing
Package**
- (1) The BBA Ch 2/2A Team will monitor the closing package to determine when the linkage for all investors both direct and indirect (when applicable) has been resolved. The linkage is resolved when the investor has agreed, been no changed, SNOD defaulted or the investor has petitioned tax court.
- (2) When there are tiers, see IRM 4.31.10.11.4, Post Tier Report Writing.
- (3) Notify the BBA Ch 2/2A coordinator that the closing package is complete when the last investor linkage is resolved.

- (4) Upload the key case admin file to RGS/CEAS.

Note: There is no need to maintain a paper file when all documents from the key case admin file are on RGS/CEAS.

4.31.10.11
(04-04-2025)
**BBA Chapter 2/2A Tier
Report Writing**

- (1) The Technical Team will receive the CPF controlled tier partner and complete the tier report as soon as possible.
- (2) The report is reviewed, linkages checked, all amended returns associated to the file and sent to the Technical Team for report writing.
- (3) The CPF tier report consists of:
 - Form 4605-A
 - Form 886-S or Form 886-X
 - Workpapers
- (4) Upload to RGS/CEAS once the report is written.
- (5) The CPF tier file will remain open until all tier investor linkages have been resolved.

4.31.10.11.1
(04-04-2025)
Tier is Also a Key Case

- (1) When the tier is also a key case, coordinate with the field examiner on the report preparation.
- (2) Consider the timing of the investor adjustments if a SNOD is needed.

4.31.10.11.2
(04-04-2025)
Writing the Tier Report

- (1) Investors below the tier waiting for the tier report will be held in suspense until the tier report is written.
- (2) Verify the investor linkages are complete per the build out. See IRM 4.31.10.3.1.3, Build Out.
- (3) The Technical Team report writer prepares the report and saves the tier report package to RGS/CEAS.
- (4) The tier report package consists of:
 - Form 4605-A
 - Form 886-S or Form 886-X
 - Form 886-A if applicable
 - Workpapers
 - Copy of the key case partnership report and any applicable intervening tier reports
- (5) The tier report is not sent to the entity and is only used to prepare the investor reports
- (6) Complete Form 8339. When the tier is linked to a pass-through entity that has an open linkage to another BBA partnership, the Form 8339 would include element 05-T to remove the 1's.
- (7) Prepare Form 5344 but do not add the disposal code because that will depend on the investor closure type. The Form 5344 should stay with the case file until the tier entity is ready to close after investor actions are determined.

4.31.10.11.3
(04-04-2025)
**Tier Report Written -
Prepare Investors**

- (8) The tier entity will remain open until investor actions are complete for this key case. Form 8339 and Form 5344 will be kept with the case file until closure.
 - (9) Update the AIMS to EGC 5767, Tier Report Written – Prepare Investors.
- (1) The BBA Ch 2/2A Team will receive a tier report package from the Technical Team.
 - (2) Verify the tier report package is uploaded to RGS/CEAS. For field-controlled tiers, package information will be provided by the BBA Ch 2/2A coordinator.
 - (3) Update the report package received indicator on PCS to Y using CC TSCHG on the tier investors.
 - (4) Pull all CPF controlled investors to prepare for report writing. Associate a copy of the tier report package to each investor file. For taxable investors not in the CPF, see IRM 4.31.10.9.1, Outside Taxable Investors - Change Package.
 - (5) Assign the investors to a report writer within 30 days of the BBA Ch 2/2A Team receiving the tier report package.
 - (6) Prior to the assignment of a taxable investor file to a report writer the following actions should be taken:
 - a. Associate any applicable documents with the investor file
 - b. Update the investor file to EGC 5722 or 5724
 - (7) Prior to the assignment of a tier investor file to a report writer the following actions should be taken:
 - a. Associate any applicable documents with the investor file
 - b. Update the investor file to EGC 5764, Tier Report Writing
 - (8) For field-controlled tiers, the BBA Ch 2/2A Team will receive report writing guidance from the BBA Ch 2/2A coordinator.
 - (9) Update the tier file of the tier report package to EGC 5768, Post Tier Report Writing Suspense.

4.31.10.11.4
(04-04-2025)
Post Tier Report Writing

- (1) The BBA Ch 2/2A Team will monitor the tier report package to determine when the linkage for all tier investors has been resolved. The linkage is resolved when the investor has:
 - Agreed
 - Been no changed
 - Filed a valid protest in response to the 30-Day letter
 - Allowed the SNOD to default
 - Petitioned tax court
- (2) When the last tier investor linkage is resolved the tier can be closed. See IRM 4.31.10.11.5, Tier Full Closure.
- (3) If the tier is linked to another open key case, see IRM 4.31.10.11.6, Tier Partial Closure.

4.31.10.11.5
(04-04-2025)

Tier Full Closure

- (1) The tier can fully close when the tier has no open BBA Chapter 2/2A or ILSC linkages and all tier investor linkages have been resolved.

Note: When an investor SNOD cannot be issued due to another open linkage, the tier may be closed if the tier package is documented on RGS/CEAS and associated to the investor file.

- (2) Input Form 8339, PCS Change.
- (3) Determine the disposal code for the tier and update the Form 5344, Examination Closing Record. The disposal code (DC) will depend on the type of investor closure:
 - a. DC 02 – Use when the examination results in no changes to the key case entity.
 - b. DC 04 – Use when an agreement is obtained from all tier investors.
 - c. DC 08 – Use when all tier investors did not sign a report. This includes when an investor SNOD defaults.
- (4) Submit the tier to the closing team for final closure.

4.31.10.11.6
(04-04-2025)

Tier Partial Closure

- (1) If the tier has any open linkages remaining, input Form 8339, PCS Change, and determine the tier partial action:
 - a. When the tier has an open ILSC linkage, update AIMS to EGC 5460, Tier Suspense, even if another BBA Ch 2/2A open linkage exists. The ILSC linkage takes priority.
 - b. When the direct link of the tier is linked to another BBA Ch 2/2A case, the linkage must remain open. The Form 8339 should have a 05-T.
 - c. When the tier is linked to another open BBA Ch 2/2A case, the tier and the relevant tier investors should remain open in the BBA Ch 2/2A Team.

4.31.10.12
(04-04-2025)

BBA Chapter 2/2A Report Writing

- (1) The following subsections cover the BBA Chapter 2/2A taxable investor report writing procedures. Also, refer to IRM 4.10.8, Report Writing, as needed.

4.31.10.12.1
(04-04-2025)

Procedure for Processing Written Reports

- (1) In general, each linked investor return with an assessment of Chapter 2/2A taxes must have a report written disclosing the results of the examination of the pass-through return to which the investor is linked.
- (2) The CPF must secure signed agreements from each investor.
- (3) One or more of the investors may choose to dispute the proposed Chapter 2/2A adjustments of the pass-through entity.
- (4) The report provides the investor the opportunity to agree or appeal the adjustment.
- (5) Note the investor case file, and update AIMS to EGC 572X.

4.31.10.12.2
(04-04-2025)

BBA Chapter 2/2A Report Writing Assessment Cases

- (1) The BBA Ch 2/2A CPF will follow the strategic limits outlined in IRM 4.31.6.10.2, ILSC Report Writing Assessment Cases.
- (2) The BBA Ch 2/2A CPF will use RGS to calculate the assessment amount of self-employment tax (SE Tax) and net investment income tax (NIIT) applicable to the investor. RGS will also be used to prepare reports necessary to send to the investor.
- (3) Reports with adjustments to self-employment tax prepared by the BBA Ch 2/2A report writer will not include the self-employment tax deduction (statutory-SE AGI adjustment). The investor report will only reflect the tax change for self-employment tax. The Form 886-A prepared and sent to the investor will include the supporting income information used to calculate the self-employment income tax
- (4) Reports with adjustments to net investment income tax (NIIT) will only show an adjustment to NIIT. The Form 886-A prepared and sent to the investor will include the supporting income information used to calculate NIIT.

4.31.10.12.3
(04-04-2025)

BBA Chapter 2/2A Net Negative Cases

- (1) When the BBA partnership exam results in a net negative adjustment, no Chapter 2/2A pass-through adjustment will be processed at the investor level. A net negative adjustment is reported by the BBA partnership in the adjustment year and any resulting change to Chapter 2/2A will be reflected on the partner adjustment year Schedule K-1.
- (2) If the IU is agreed and it is determined we will not make Chapter 2/2A adjustments, BBA Chapter 2/2A CPF will need an agreed no change package to close the linkage. A no change report is not prepared for a net negative adjustment. See IRM 4.31.10.8, No Change Closing Package Procedures.

4.31.10.12.4
(04-04-2025)

Case File Requirements

- (1) Upon assignment, the report writer should check the case file to ensure it includes the following items:
 - a. The original tax return or copy, if they cannot be obtained, a CC TRDBV print may be used.
 - b. Any amended returns, TC 29X or TC 30X.
 - c. The closing package or tier report package.
 - d. If the linked investor requires Field Drafted Language (FDL), the investor case file should include a partner-specific Form 886-A.
 - e. Form 2848, if applicable.
 - f. Schedule K-1
 - g. Form 895 when applicable.
 - h. Examiners performed IDRS research to check for validity of current AIMS and PCS data and ensured no activity has taken place on the taxpayer's account that may affect the case such as a prior assessment information (a Form 1040X, partial assessments, or other changes to the investor's account). All research must be documented on Form 4700-T, CPF Pass-Through Investors Workpapers. Refer to IRM 4.19.10, Examination General Overview.
 - i. Any related returns for a carryback/carryover issue.
- (2) If any of these items are not present in the investor case file, the report writer must secure the information necessary for the preparation of the examination

report. Depending on the one-year assessment date, this may require returning the case file to another unit to secure the necessary information.

- (3) The report writer must verify that the OYD is correct. See IRM 4.31.10.7.3, One-Year Assessment Dates.

4.31.10.12.5
(04-04-2025)

Investor Report Writing Procedures

- (1) The investor's return file with the closing package or tier package will be assigned to a report writer to prepare an adjustment report.
- (2) The report writer must verify the investor statute date and statute control using local procedures, as well as the one-year assessment date.
- (3) The report writer will complete Form 4700-T, CPF Pass-Through Investor Workpapers, on all cases to reflect the investor's applicable adjustment from the pass-through entity. The report writer will maintain Form 886-S or Form 886-X, the key case report package or tier report package and any other documents received from the key case examination with the Form 4700-T as part of the workpapers.
- (4) The investor return will normally be adjusted to reflect the amount shown on the Form 886-S or Form 886-X.
- (5) The examiner will prepare Letter 5694, Investor No Adjustment, to issue to the taxpayer if the assessment amount from the key case results in no adjustment to the investor.

4.31.10.12.6
(04-04-2025)

Preparation of Examination Report

- (1) The report writer will input and generate Form 4549 for the proposed tax. For each POA, prepare a copy of Form 4549. The Form 4549 must include the name, telephone number and the unique identifying number of the person to contact.
- (2) The Form 4549 should list each issue and the EIN of the pass-through entity that had the adjustment.
 - a. The EIN provides a unique identifier to help the taxpayer understand where the changes came from.
 - b. The EIN provides clarity when there are multiple pass-through adjustments with similar names.
 - c. If adjustments are coming from more than one key case, the EINs and adjustment amounts should be stated separately.

4.31.10.12.6.1
(04-04-2025)

IRC Section 6404(g) Suspension of Interest and Certain Penalties

- (1) In general, the notice date for purposes of IRC 6404(g) is the date adequate notice is mailed or provided to the individual investor. For BBA Ch 2/2A purposes it is the date a report is given to the investor. All other IRC 6404(g) rules apply.
- (2) Notification to BBA Ch 2/2A investors will be their initial audit report. Typically, this will be a 30-day letter.
- (3) In the case of an individual who files a return on or before the due date for the return (including extensions), the IRS has a 36-month period to notify the taxpayer, specifically stating the taxpayer's liability and the basis for the liability before the close of the 36-month period, beginning on the later of:
 - a. The date on which the return is filed; or

- b. The due date of the return without regard to extensions.
- (4) If notice is not provided to the taxpayer before the close of the 36-month period, then any imposition of interest, penalty, additions to tax or additional amounts that are calculated in reference to the 36-month period are suspended.
- (5) The term suspension period means the period:
 - a. Beginning on the day after the close of the 36-month period under (3) above and
 - b. Ending on the date which is 21 days after the date on which notice is provided to the taxpayer.
- (6) The exceptions to the general rule for suspension of interest and certain penalties where the Service fails to contact the taxpayer are:
 - a. Any penalty imposed by IRC 6651, Failure to file tax return or to pay tax
 - b. Any interest, penalty, addition to tax, or additional amount in a case involving fraud
 - c. Any interest, penalty, addition to tax, or additional amount with respect to any tax liability shown on the return
 - d. Any interest, penalty, addition to tax, or additional amount with respect to any gross misstatement
 - e. Any interest, penalty, addition to tax, or additional amount with respect to any reportable transaction with respect to which the requirement of IRC 6664(d)(3)(A) is not met and any listed transaction (as defined in IRC 6707A(c))
 - f. Any criminal penalty
- (7) The notice date must be annotated by the TE on the history sheet in the case file, and also annotated on the case file copy of the examination report in the Remarks area with the following statement:
 - IRC 6404(g) does apply and notice was provided on (mail out date).
- (8) TC 971 with action code 064 will be input on MF for the identified cases to record the notice date. MF will automatically compute the interest with only one notice date. Cases with additional notice dates will require manually computed restricted interest (TC 340).
- (9) All IRC 6404(g) cases where an assessment is being made will require special instructions on Form 3198, Special Handling Notice for Examination Case Processing. If another assessment is necessary, it must again be stated whether IRC 6404(g) applies, and if it does, the notice date for the subsequent assessment must be entered in the Special/Restricted Interest Features section of the Form 3198.

4.31.10.12.6.2
(04-04-2025)

Completion of Workpapers

- (1) The report writer will complete Form 4700-T, CPF Pass-Through Investor Workpapers, on all cases to reflect the partner's applicable adjustment from the examined partnership.
- (2) Workpapers must be appropriately annotated by the report writer to include all actions taken and how conclusions were reached to prepare the investor report.

- (3) The following items should be included on the Form 4700-T:
 - a. One-Year Statute Date
 - b. Package type that created the OYD
 - c. Identification of the key case entity and direct linked entity if the partner is indirect (includes the year the adjustments relate to)
 - d. Field Drafted Language determinations
 - e. Interest suspension considerations
 - f. Carryforward and carryback determinations
 - g. Amended return or prior adjustment considerations
 - h. POA identification and documentation
 - i. Correspondence received by the report writer from the taxpayer and authorized POA
 - j. IDRS research and other research conducted
 - k. Other pertinent information needed to substantiate the adjustment determinations
- (4) The Form 4700-T, CPF Pass-Through Investor Workpapers, is available in RGS and should be used and maintained there.

4.31.10.12.6.3
(04-04-2025)
**Report Generation
System (RGS)**

- (1) In general, Report Generation System (RGS) is used in the CPF when preparing IMF or BMF reports except trusts. Although Form 1041, U.S. Income Tax Return for Estates and Trusts, reports can't be prepared in RGS, the report documents must be uploaded to RGS case file and maintained there. There are times when Pass-through adjustments result in no change to the underlying investors. Since the pass-through adjustments are not an examination, capturing the EOAD data is not required if those adjustments will result in a no change and no report was prepared.
- (2) Reason codes should be input on RGS for each item adjusted to capture Examination Operational Automation Database (EOAD) data per IRM 4.10.16, Examination Operational Automation Database (EOAD). The list of reason codes can be found in IRM Exhibit 4.10.16-4, Reason Codes.
- (3) BBA Chapter 2/2A adjustments will originate from a BBA partnership examination. Therefore, the reason codes from the pass-through section should be used. An exception would be an adjustment specific to the investor's return.

Example: If the investor filed an amended return where the issues are not related to the entity examination. Those amended return adjustments should use non-pass-through related reason codes.

- (4) The use of National Research Program (NRP) issue codes would only be applicable if the entity that was examined was part of an NRP sample. In such an instance, the case file will be clearly marked to identify it as an NRP related investor. Generally, BBA Chapter 2/2A cases will fall under non-NRP.

4.31.10.12.7
(04-04-2025)
**30-Day Letter
Procedures**

- (1) The report writer will send a Letter 525-D, 30-Day Letter Related to Pass-through Entity Examination, Form 872-L, Consent to Extend the Time to Assess Certain Taxes Attributable to Partnership Items, and two copies of Form 4549, Report of Income Tax Examination Changes, to the investor to secure agreement to the pass-through issue(s). Report writers should always consider IRC 6404(g) and input a TC 971 with action code 064 whenever applicable.

- (2) The statute date on Form 872-L should be extended to 18 months past the date of the 30-day letter. This will allow processing time to ensure sufficient time on the statute if the taxpayer submits a protest in response to the 30-day letter
- (3) The case file will be suspended for 45 days awaiting response from the taxpayer. If the taxpayer does not respond, issue a statutory notice within 30 days unless there are adjustments pending from another pass-through examination.
- (4) Generally, the 30-day letter will act as notification for purposes of IRC 6404(g).
- (5) When there is less than 90 days left on the investor's IRC 6501(c)(12) One-Year Statute Date (OYD), the CPF should immediately issue a statutory notice of deficiency.

Reminder: When issuing a stat notice, remember that it must include all other pass-through adjustments.

- (6) Letter 929, Transmittal to Taxpayer of Copy of Signed Consent, will be used to transmit the countersigned Form 872-L, Consent to Extend the Time to Assess Certain Taxes Attributable to Partnership Items, to the taxpayer.

4.31.10.12.7.1

(04-04-2025)

Agreement Received

- (1) The assessments must be made as soon as possible after the agreement is received. The case may also be closed agreed without an executed agreement form if a full payment not specifically designated as a 6603 Deposit, is received in response to a proposed tax, and there is no evidence the taxpayer intends to file a protest. For additional agreed closing information see IRM 4.10.8.2.4.2, Execution and Receipt of Audit Reports and Waivers.
 - a. Prepare and input Form 8339 to enter the amount of the assessment. Box 11, Change(s), will be completed with Item 5 (the investor one-year date field), with 11111111, assessment amount and time. The investor case will not be allowed to close without this entered on the investor linkage.
 - b. If the case is to be full closed (no remaining TEFRA, ILSC, or BBA Chapter 2/2A linkages), the case is prepared for final closure. If there are open linkages (either TEFRA, ILSC or BBA Chapter 2/2A), a partial assessment will be made, and the case will be sent to suspense to await additional packages. (See the Form 5344 procedures at IRM 4.31.10.13, Investor Closing Procedures.)

Note: Carryover/carryback assessment amounts and time should be included on the Form 8339 of the exam year return.

4.31.10.12.7.2

(04-04-2025)

Acceptance of Faxed Agreements

- (1) Consents to assess additional tax (Form 4549, Form 870, and others) can be accepted by fax if taxpayer contact has been made and the case history documents the date of contact and the desire of the taxpayer to submit the consent by fax.

4.31.10.12.7.3
(04-04-2025)

**Protest Received After
the Receipt of 30-Day
Letter**

- (1) If an investor does not agree to the proposed BBA Ch 2/2A adjustments sent with the 30-day letter and files a protest, the investor return will be sent to the Appeals office identified in the taxpayer's protest.
 - a. Review the protest to ensure the protest is complete and meets the requirements as shown in Pub 5, Your Appeal Rights and How to Prepare a Protest if You Disagree.
 - b. There must be at least 365 days remaining on the statute of limitations of any investor return received in Appeals. See IRM 8.20.5.3.1.3, Cases Not Accepted by Appeals.
- (2) The report writer must determine the correct statute date.
 - a. Appeals requires a minimum of 12 months on the statute when the case is received.
 - b. Transfer case to Appeals with at least 13 months remaining on statute.
- (3) The following table shows what action to consider based upon IRC 6501 statute:

| If ... | Then ... |
|---|---|
| The IRC 6501 statute (ASED) is longer than the OYD | IRC 6501 date should be considered. |
| The IRC 6501 date is less than 13 month or has expired and the relied upon statute is the IRC 6501(c)(12) One-Year Statute Date | Statute extension Form 872-L, Consent to Extend the Time to Assess Certain Taxes Attributable to Partnership Adjustments, should be requested |

- (4) The Form 872-L statute extension must be received and executed prior to the expiration of the IRC 6501(c)(12) statute date.
- (5) The statute date (ASED) and OYD should be updated to the extended date prior to forwarding the case to Appeals.
- (6) The PCS coordinator will remove the T indicator from the investor record before updating the OYD. Removing the T indicator will change the PICF code 5 back to a PICF code 6.
- (7) When the protest is complete and meets the requirements shown in Pub 5, Your Appeal Rights and How to Prepare a Protest if You Disagree, and the statute date has more than 13 months remaining, complete the following:
 1. Update the report package received indicator code on PCS to an A to show the case is going to Appeals.
 2. Send the protesting investor to AIMS EGC 5777.
 3. BBA Chapter 2/2A coordinator should review the protest before the case is sent to Appeals.
- (8) Perfected protests must be updated and sent to Appeals within 15 days.
- (9) The CPF will forward the case file going to Appeals within 15 days of receiving a valid protest unless an investor statute extension is being prepared. If a statute extension is requested the case will be forwarded within 15 days of receiving the extension. Delays are not in the best interest of the taxpayer and

may require the CPF to extend the statute to meet Appeals time frame. Update the investor AIMS to EGC 5776, when the file is ready to be transferred to Appeals (DC 07).

4.31.10.12.8
(04-04-2025)
Statutory Notice of Deficiency

- (1) If there is no response to the 30-day letter the report writer will research for other open ILSC or BBA Chapter 2/2A linkages. Generally, only one Statutory Notice of Deficiency (SNOD) may be issued to a taxpayer for a given tax year. See IRC 6212(c) The following table shows what actions to be complete based upon case status:

| If ... | Then ... |
|---|---|
| No other linkages exist | Issue Letter 531, Notice of Deficiency. (See IRM 4.8.9, Statutory Notice of Deficiency.) |
| Other ILSC or BBA Chapter 2/2A linkages exist | The investor should remain in suspense, statute permitting. |
| The investor will not extend the statute | BBA Chapter 2/2A coordinator will need to reach out to the examiner, Appeals or ILSC coordinator to obtain the other linkage assessment amounts to include in the Notice of Deficiency. |
| An agreement to the 30-day letter is date stamped prior to the date the 90-day letter (Letter 531) was issued | The agreed case can be processed and closed. No action will be taken to rescind the 90-day letter since an agreement was already received. |
| The agreement to the 30-day letter is received after the date the 90-day letter was issued | The agreed case can be closed as an agreement to the 90-day letter. |

- (2) Once the SNOD is issued, the case file will be suspended for 105 days awaiting a response from the taxpayer. See IRM 4.31.10.7.3.1, Updating the OYD when Issuing Notices of Deficiency, for determining the new OYD after issuing a statutory notice of deficiency. Also refer to IRM 4.8.9.22.1, Updating the Assessment Statute Expiration Date.
- A SNOD will not be considered to be agreed without a signed agreement.
 - A taxpayer making a payment that is equal to or greater than the balance due on the report will not be considered agreed.
 - Without a signed agreement the SNOD will have to default before the case can be closed.
 - The investor AIMS database is updated to status 24 and the statute OYD must be recalculated to reflect the issuance of the SNOD.
- (3) If an agreement to pass-through issues is received, assessments must be made as soon as possible after the agreement is received. The OYD must be recalculated based on the Statutory Notice of Deficiency.

- (4) Prepare and input Form 8339 to enter the amount of the assessment. Box 11, Change(s), will be completed with Item 5, (the investor one-year date field) with 11111111, assessment amount and time. The investor case will not be allowed to close without this.
- (5) If the case is to be fully closed, meaning all ILSC and BBA Chapter 2/2A linkages were addressed, the case is prepared for final closure. If there is an open TEFRA linkage complete a partial adjustment and send the case to TEFRA suspense to await additional packages. (See Form 5344 procedures at IRM 4.31.10.13, Investor Closing Procedures.)
- (6) In some instances, a statutory notice is sent because the taxpayer refused to sign a Form 872-L, Consent to Extend the Time to Assess Certain Taxes Attributable to Partnership Adjustments. If a Form 872-L is received after the statutory notice is issued, and the taxpayer was given plenty of time to extend their statute or file a protest, then the statutory notice should not be rescinded. The taxpayer's only option will be to file a petition. These determinations will be a judgement call made on a case by case review by the BBA Chapter 2/2A coordinator or manager.

4.31.10.12.8.1
(04-04-2025)
Petition Filed

- (1) If a petition is filed with the Tax Court, the petitioning investor will be sent to the requesting Appeals area through the Appeals coordinator.
- (2) The PCS coordinator will remove the T indicator from the investor record. Removing the T indicator will change the PICF code 5 to PICF code 6.
- (3) Update the OYD per IRM 4.31.10.7.3.1, Updating the OYD when Issuing Statutory Notices of Deficiency.
- (4) Update the petitioning investor AIMS to EGC 5776 before transferring to Docketed Appeals (DC 11). Appeals will fully close the investor when the tax court decision is final.
- (5) The ASED will be updated by the Appeals coordinator to an alpha statute code QQ.

4.31.10.12.8.2
(04-04-2025)
No Response

- (1) If no response is received from the investor, and no petition to the Tax Court is filed, the SNOD will be defaulted, and the tax assessed per the SNOD. The OYD will need to be recalculated based on the defaulted SNOD. See IRM 4.31.10.7.3.1, Updating the OYD when Issuing Statutory Notices of Deficiencies.
- (2) Prepare and input Form 8839 to enter the amount of the assessment. Box 11, Change(s), will be completed with Item 5 (the investor one-year date field) with 11111111, assessment amount and time. The investor case will not be allowed to close without this.
- (3) If the case is to be fully closed, meaning all ILSC and BBA Chapter 2/2A linkages were addressed, the case is prepared for final closure. If there is an open TEFRA linkage complete a partial adjustment and send the case to TEFRA suspense to await additional packages. (See the Form 5344 procedures at IRM 4.31.10.13, Investor Closing Procedures.)

4.31.10.13
(04-04-2025)
Investor Closing Procedures

- (1) Form 5344, Examination Closing Record, is prepared by the investor CPF to process BBA Ch 2/2A and ILSC pass-through adjustments each time an agreement is received by the investor CPF.
 - a. A copy of the Form 5344, Examination Closing Record, will remain in the file until all pass-through issues have been resolved.
 - b. The closing function will input the PCS CC TSCLS as part of the final AMCLSE procedure.
- (2) Cases must be closed with more than 60 days on the statute for the case to close systemically.
- (3) Cases with 60 days or fewer on the statute must be closed manually.

4.31.10.13.1
(04-04-2025)
Proper Completion of Form 5344

- (1) Special attention must be given to certain entry items on Form 5344, Examination Closing Record.
- (2) **CC TSCLS:** Check this block when an investor return is linked on PCS. Complete this portion only at the time of final closing.
- (3) **Item 8 - Agreement Date (partial or final closings):** Enter the earliest received date as reflected on the signed Form 4549, Report of Income Tax Examination Changes. The date the agreement was received is required to be entered on agreed deficiency cases if the disposal code is 03, 04, or 09 and Item 12 contains an increase in tax and the MFT is 02, 05, 30, 51 or 52. If no agreement is signed, but the taxpayer full pays the deficiency prior to the issuance of a Statutory Notice, the case will be considered agreed and closed DC 04 as of the date of payment. See IRM 4.19.13.30, Campus Exam Closing Actions.
- (4) **Item 13 - Disposal Code:** Cases closed no change should use disposal code 01 or 02. The adjustment amount on the Form 5344, Examination Closing Record, should be left blank and will show \$0 upon completion. Cases closed agreed will generally use disposal codes 03 or 04. The adjustment amount on the Form 5344, Examination Closing Record, requires an entry other than zero. If you have a situation where the adjustments made to the entity net to zero, enter \$1. After issuance of a 90-day letter, use disposal codes 09 or 10. Refer to IRM 4.31.10.13.1(2). The following table shows when to use different disposal codes:

| Disposal Code | When to Use the Disposal Code |
|--|--|
| 01 – No Change with Adjustments | <ul style="list-style-type: none"> a. Applies to no change examined returns (even if a 30-day letter was issued) if there is an adjustment to the tax base data such as income or deduction items but no change in tax liability or refundable credits; or tax changes fell below the tolerance level. An audit report must accompany the case file. b. Applies to pass-through investor returns unless the key case is a no change. c. For carryback/carryover returns, if the return was examined to determine if there were any adjustments and the determination results in no adjustments. |
| 02 – No Change | <ul style="list-style-type: none"> a. In general, this code should be utilized when the examination results in no changes to the key case and no changes will be made to the partners as a result. b. All partners below the key case being closed DC 02 should be closed DC 02 as well, given no other linkages exist or prior partials were processed. |
| 03 – Agreed Prior to 30-Day Letter | <ul style="list-style-type: none"> a. Applies only to returns if an agreement is received prior to the issuance of a 30-day letter. b. Should not be seen in CPF. c. Applies to claims allowed in full. |
| 04 – Agreed After the 30-Day Letter | <ul style="list-style-type: none"> a. Applies only to returns if an agreement is received after the issuance of a 30-day letter. b. Applies if no agreement is signed, but the taxpayer full pays the deficiency prior to the issuance of a Statutory Notice. The payment must be a payment of tax to qualify, not a cash bond. See IRM 20.4.8.1 , Cash Bonds. |
| 07 – Non-docketed Appeals | Disposal code 07 is used for returns closed to Appeals before issuance of a statutory notice of deficiency. |
| 09 – Agreed – After Notice of Deficiency | Disposal code 09 is used when a taxpayer agrees to the statutory notice of deficiency. |
| 10 – Default – Notice of Deficiency | Applies only to returns if the taxpayer fails to file a petition or sign an agreement after the issuance of a 90-day letter or the notice goes unclaimed by the taxpayer. |
| 11- Petitioned | Applies only to returns if the taxpayer petitions tax court after the issuance of a 90-day letter. |

| Disposal Code | When to Use the Disposal Code |
|---|---|
| 12 - Other | <ul style="list-style-type: none"> a. Applies to any other manner of closing not identified above, such as direct transfers to Justice Department for settlement, interest only or penalty only cases; barred assessment cases. b. Audit Recons if a new AIMS base was opened and the exam resulted in no change from the original examination - See IRM 4.13.3.7.2, Insufficient/Partial Documentation. c. Identity theft cases when closing cases and forwarding case files to Accounts Management unit at the campus. |
| 13 - Undeliverable - Notice of Deficiency | Used when a Notice of Deficiency is returned as undeliverable. |
| 32 – Survey After Assignment | Carryback/carryover years that were secured but were not examined to determine if any adjustments applied. |

- (5) **Item 14 - Statute Extended to Date (partial or final closings):** See IRM 4.38.1.7.3.1.23 paragraph 3, Item 14: Statute Extended to. Use care to ensure the correct information is shown on AIMS as there are various situations that can exist on BBA Ch 2/2A closures. To compute the ASSED after a notice of deficiency, refer to IRM 4.8.9.22.1, Updating the Assessment Statute Expiration Date. The following table shows which statute date to use for different closure types:

| Type of Closure | Statute Date to Use |
|-----------------|--|
| Full Closure | <ul style="list-style-type: none"> a. If the IRC 6501 date has sufficient time remaining to make the necessary adjustment, no entry will be required. b. If the IRC 6501 has insufficient time remaining to allow an adjustment to be made, or the IRC 6501 has expired, the Extended to Date should reflect the one-year assessment date. Use the later of the one-year date or IRC 6501 date. Never shorten the taxpayer's ASSED. |

| Type of Closure | Statute Date to Use |
|-----------------|---|
| Partial Closure | <p>a. On partial assessments, after the partial closure has been completed, the statute date on AIMS must be corrected to the original date. If the statute date on AIMS contains alpha characters in the statute date, such as AF or DD, that date must be updated to the one-year assessment statute date to input the adjustment. Use the later of the one-year date or IRC 6501 date. Never shorten the taxpayer's ASED.</p> <p>b. On partial assessments, after the partial closure is completed, the statute date on AIMS must be corrected to the appropriate alpha code to reflect the true condition of the statute date and prevent the case from showing as an action item on the AIMS 4.0 listing.</p> |
| No Change Cases | It is not necessary to update the alpha code to numeric if the IRC 6501 statute has expired. See IRM 4.38.1.7.3.1.23.1(2), Alpha Codes. |

Note: There may be times when a numeric entry is required in the statute date field because of various validity checks. In those instances where the system requires the statute be updated, use the later of the one-year assessment date or IRC 6501 date. **Never** shorten the taxpayers ASED.

- (6) **Item 28 - Examiner's Time (final closing only):** Enter the technical time spent processing the return. This will include the report writing time. If prior partial closures were processed, the entry will be the total of all technical time spent on the case by the area and/or the CPF. Local procedures must be developed to record the cumulative time applied to each return by the CPF technical employees. Form 5344 will record all time applied (except the 631 or 632 below the line time) by technical employees, whether in the area or in the CPF.
- (7) **Item 30 - Examination Technique (final closing only):** See IRM 4.4, Audit Information Management System (AIMS) - Validity and Consistency.
- (8) **Item 31 - Examiners Grade (final closing only):** Enter the grade of the examiner that corresponds to the employee group code entered in item 29.
- (9) **Item 38-40 Block Number:** If the case meets the requirements for electronic closure, use block number 40X.
- (10) **Item 408 - Related Return Alpha Code:** Enter P. Items 405-407 should be blank unless using RGS, then only item 405 is entered. This applies to carryback and carryover years as well.
- (11) **Item 411 - Payment Code (final closing only):** The payment code indicates if there is a payment or partial payment on the account. The codes are in the following table (IRM 4.38.1.7.3.1.55.1, Valid Codes):

| Payment Code | Definition |
|--------------|--------------|
| F | Full Paid |
| P | Part Paid |
| N | No Payment |
| O | Total Offset |

- (12) **Item 412 - Installment Agreement Code (final closing only);** Indicates if the taxpayer has an installment agreement. See IRM 4.38.1.7.3.1.56, Item 412: Installment Agreement Code.
- (13) In an instance where a partner must be fully closed after a prior partial assessment, and the final linkage is a no change, that partner needs to be closed using the disposal code of the most recent partial closure.

4.31.10.13.2
(04-04-2025)
Case File Assembly

- (1) After completion of the required reports, Form 4549 and closing documents, Form 5344 and Form 8339 (if return is linked on PCS), the report writer should prepare the case for processing by administrative support personnel. The CPF will maintain either a paper file or an RGS/CEAS electronic file. The case file should contain the following documents:

- a. Form 5344 (required)
- b. The taxpayer's return or an electronic copy (required)
- c. Amended return (required if applicable)
- d. AMDISA print (required)
- e. Form 4549 or Letter 5694 (required)
- f. The closing document with the agreement date (required if applicable)
- g. Correspondence and telephone communications (in date order with most current date first) (if present)
- h. Form 4700-T (required)
- i. Key case or tier report package with current TSUMYI (TSUMYI and TSUMYP if a tier return) (required)
- j. Schedules K-1 (required)
- k. Miscellaneous documents (if present)
- l. Form 8339 for each key case adjustment impacting the assessment; or in lieu of the Form 8339, a TSCHG print notated with the name of the person who did the input (required)
- m. Form 3198 (if present)
- n. Form 12616-T and/or RGS case history sheet (required).

Example: Paper case files may only have Form 12616-T, electronic case files returns may only have the RGS case history sheet and paper files converted to electronic files may have both

- o. Form 895 (if present).
- (2) The report writer will indicate on the history sheet or RGS case history what letters should be issued or any additional actions that may be required. The history sheet will also indicate the appropriate closing action. The report writer is responsible for instructing administrative support and closing operators of the appropriate actions required based on the type of closure.

- (3) If AIMS page 2, displays “RET-NOT-REQ” and there are no original documents that must be returned to files the investor case can be closed paperless, providing all required documents are stored in the RGS case file. Use blocking number 40X.
- (4) If AIMS page 2, displays “RETURN REQUESTED” and all required documents are stored in the paper or RGS case file. Transmit Form 13181, Examination Report Generation Software (RGS) Closing Information Cover Sheet, to files in place of paper file documents and close with block number 08X or 38X. Any original documents that must be returned to files can be attached to the Form 13181. All other documents, that are copies of documents found in the RGS file, may be destroyed.
- (5) For cases closed no change (DC 02) through RGS or the Generalized IDRS Interface (GII), the cases will include the following (efforts should be made to discard any unneeded or duplicative items):
 - a. Form 5344 on top of the file, and in any order;
 - b. Return or an electronic copy;
 - c. Schedules K-1;
 - d. Amended return;
 - e. History sheet (for paper case files) or case history (for RGS electronic case files);
 - f. AMDISA print;
 - g. Form 8339 or TSCHG print;
 - h. Key case report package, unless stored electronically on RGS/CEAS. If electronic, notate on the case history;
 - i. TSUMYI Print (TSUMYP if a tier);
 - j. If the investor had previous adjustments, see paragraph (1) for required case file documents.

4.31.10.13.3
(04-04-2025)
Partial Closures

- (1) A partial adjustment will be made when there is another open linkage.
- (2) If the open linkage is a BBA Chapter 2/2A linkage, the case will need to remain in BBA Ch 2/2A suspense.
- (3) If the open linkage is an ILSC linkage, the case will need to be transferred to ILSC Suspense.
- (4) When there are multiple open linkages and one is an open ILSC Linkage, the case must stay in ILSC suspense, so the statute remains protected.

4.31.10.14
(04-04-2025)
Reports and Accomplishment

- (1) The PCS generates the administrative reports used to monitor the investor returns and the related key cases.

4.31.10.14.1
(04-04-2025)
Reports

- (1) Each CPF will use PCS and AIMS reports to monitor linked returns. Specific information is provided on PCS reports in IRM 4.29, Pass-Through Control System. The CPF personnel should use the Handbook if they have questions about PCS generated reports. Information on AIMS reports is provided in IRM 4.4.27, Reports.

- (2) Cases in status code 33, EGC 57XX, will be included on CPF PCS reports. These criteria, although not all will be used for every report, are also used to determine CPF staffing levels and for specific measurements.
- (3) BBA Chapter 2/2A related partner returns that are controlled in the field or in Appeals, will not be in the CPF physical inventory.
- (4) SSIVL. See IRM 4.4.16.7, Other Inventory Monitoring Tools.
- (5) AIMS 4.0 Statute Control Report is a monthly report with documentation requirements that is to be maintained for three years. See IRM 4.4.27.5.1.1, Procedures for Working Statute Control Report and IRM 25.6.23.5.6, Campus Statute Controls – Corr Exam and CPF.
- (6) CCA 42-43 IDRS Overage Report (ORCAS) age listings.

| ORCAS Reports |
|--|
| <p>This report contains all cases controlled to an IDRS employee number and can be used to:</p> <ol style="list-style-type: none"> a. Identify cases requiring action. b. Identify specific cases for review. c. Monitor the size of the employees' inventories. d. Determine if employees are working inventory in the proper order. e. Set closure expectations. f. Identify potential management problem cases. g. Monitor statutes. |
| <p>This report is available on the ORCAS delivery database and on Control-D every Monday morning, Report Name: Overage Report, Job Name: CCA 4243. The CCA report will be generated by the managers. Employees may also have access to generate their own reports for cases assigned to them (local option).</p> |
| <p>Items on the Report - For each case shown, the following information is provided:</p> <ol style="list-style-type: none"> a. TIN - Taxpayer identification number b. IRS Rcd Date - The date IRS received the case c. Status - Case history status code (A - Active, B- Background, C - Closed, M - Other long term delay, and S - Suspense) d. Category - Category of case e. Freeze Codes - Freeze codes on the IDRS account f. MFT - Master File Tax g. Mod Per - Tax period on assigned account h. Assigned Date - The date the case was assigned to a tax examiner i. Activity Code - A 10 character field on IDRS the tax examiner uses to enter actions taken on the case j. Name Ctrl - Name control on taxpayer's account k. Action Date - Date of last action input on the account l. Age - Number of days case has aged on IDRS m. MF Mod Balance - Module balance on IDRS n. Stat Age - Indicates statute conditions for current and previous years returns - over, expired, or days remaining on statute o. STAUP Cycle - Stops notices from generating until cycle listed |

| ORCAS Reports | |
|---|--|
| <p>The manager/lead must review this report to ensure cases are being worked according to IRS receive dates. Annotate cases for follow-up actions by COB Monday. The reports should be maintained for two months. Highlight the cases on the report where:</p> <ol style="list-style-type: none"> The TE has failed to take timely actions such as follow-up on a case when the purge date has passed. The case is in Nullified Unpostable (NLUN) category over 14 days old. The Statute of Limitations will expire within 180 days. The STAUP has expired or there is no STAUP on a balance due account. | |
| <p>Manager/lead will provide the tax examiner with the page(s) of the report where the cases are controlled to their IDRS number. Tax examiner will notate the actions taken on each case worked and any updates on an added comment section.</p> | |
| <p>The report should be returned to the manager/lead by the end of the employee's work week. Tax examiners must work cases in the following priority order:</p> <ol style="list-style-type: none"> Cases controlled using Category Code NLUN. Cases with ASED expiring within 180 days. Cases where the taxpayer was contacted, and the suspense date has expired. Cases with mismatched (erroneous) case controls, category codes, and/or activity codes. Remaining cases in oldest IRS received date order. | |

4.31.10.14.2
(04-04-2025)
**Accomplishments and
Inventory**

- (1) Accomplishments for CPF closures where the report writing was done in the campus will be closed in employee group code 57XX according to the designated breakouts.

4.31.10.14.3
(04-04-2025)
**Inventory and Validation
Listing (IVL)**

- (1) Inventory validations must be completed as outlined in IRM 4.4.16.3, Inventory Validation Listing (IVL).
- (2) Consider the accuracy of PCS linkages, any other database records, and statutes.
- (3) Ensure AIMS and other aspects of the case is correct. AIMS may be correct, but all PCS linkages may be closed and the case is no longer needed in inventory. Identify and clean up the inventory.