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**From:**
**Sent:** Tuesday, December 29, 2009 10:56:16 AM
**To:**
**Cc:**
**Subject:** RE: Partnership vs. non-partnership question #2

1. The flow through loss from tier one is a partnership item of tier one that can only be disallowed by issuing an FPAA to tier one. Sente Investment Club v. Commissioner, 95 T.C. 243 (1990).

2. Section 469 is an affected item with both partnership item and partner level components. See Estate of Quick v. Commissioner. A partnership item component would be whether an actual working interest exists. If we are challenging this aspect, we would have to do so through an FPAA. The ultimate disallowance of the loss occurs at the partner level through an affected item notice of deficiency issued after the partnership proceeding is complete.