

1 that can be shared between incumbent uses and new  
2 licensed, and unlicensed services under such rules  
3 and identification of at least 1 gigahertz between 6  
4 gigahertz and 57 GHz for such use.

5 **TITLE XI—REVENUE PROVI-**  
6 **SIONS RELATED TO TAX COM-**  
7 **PLIANCE**

8 **SEC. 1101. PARTNERSHIP AUDITS AND ADJUSTMENTS.**

9 (a) REPEAL OF TEFRA PARTNERSHIP AUDIT  
10 RULES.—Chapter 63 of the Internal Revenue Code of  
11 1986 is amended by striking subchapter C (and by strik-  
12 ing the item relating to such subchapter in the table of  
13 subchapters for such chapter).

14 (b) REPEAL OF ELECTING LARGE PARTNERSHIP  
15 RULES.—

16 (1) IN GENERAL.—Subchapter K of chapter 1  
17 of such Code is amended by striking part IV (and  
18 by striking the item relating to such part in the  
19 table of parts for such subchapter).

20 (2) ASSESSMENT RULES RELATING TO ELECT-  
21 ING LARGE PARTNERSHIPS.—Chapter 63 of such  
22 Code is amended by striking subchapter D (and by  
23 striking the item relating to such subchapter in the  
24 table of subchapters for such chapter).

25 (c) PARTNERSHIP AUDIT REFORM.—

1 (1) IN GENERAL.—Chapter 63 of such Code, as  
2 amended by the preceding provisions of this section,  
3 is amended by inserting after subchapter B the fol-  
4 lowing new subchapter:

5 **“Subchapter C—Treatment of Partnerships**

“PART I—IN GENERAL

“PART II—PARTNERSHIP ADJUSTMENTS

“PART III—PROCEDURE

“PART IV—DEFINITIONS AND SPECIAL RULES

6 **“PART I—IN GENERAL**

“Sec. 6221. Determination at partnership level.

“Sec. 6222. Partner’s return must be consistent with partnership return.

“Sec. 6223. Designation of partnership representative.

7 **“SEC. 6221. DETERMINATION AT PARTNERSHIP LEVEL.**

8 “(a) IN GENERAL.—Any adjustment to items of in-  
9 come, gain, loss, deduction, or credit of a partnership for  
10 a partnership taxable year (and any partner’s distributive  
11 share thereof) shall be determined, any tax attributable  
12 thereto shall be assessed and collected, and the applica-  
13 bility of any penalty, addition to tax, or additional amount  
14 which relates to an adjustment to any such item or share  
15 shall be determined, at the partnership level pursuant to  
16 this subchapter.

17 “(b) ELECTION OUT FOR CERTAIN PARTNERSHIPS  
18 WITH 100 OR FEWER PARTNERS, ETC.—

1           “(1) IN GENERAL.—This subchapter shall not  
2           apply with respect to any partnership for any tax-  
3           able year if—

4                   “(A) the partnership elects the application  
5                   of this subsection for such taxable year,

6                   “(B) for such taxable year the partnership  
7                   is required to furnish 100 or fewer statements  
8                   under section 6031(b) with respect to its part-  
9                   ners,

10                   “(C) each of the partners of such partner-  
11                   ship is an individual, a C corporation, any for-  
12                   eign entity that would be treated as a C cor-  
13                   poration were it domestic, an S corporation, or  
14                   an estate of a deceased partner,

15                   “(D) the election—

16                           “(i) is made with a timely filed return  
17                           for such taxable year, and

18                           “(ii) includes (in the manner pre-  
19                           scribed by the Secretary) a disclosure of  
20                           the name and taxpayer identification num-  
21                           ber of each partner of such partnership,  
22                           and

23                   “(E) the partnership notifies each such  
24                   partner of such election in the manner pre-  
25                   scribed by the Secretary.

1           “(2) SPECIAL RULES RELATING TO CERTAIN  
2 PARTNERS.—

3           “(A) S CORPORATION PARTNERS.—In the  
4 case of a partner that is an S corporation—

5           “(i) the partnership shall only be  
6 treated as meeting the requirements of  
7 paragraph (1)(C) with respect to such  
8 partner if such partnership includes (in the  
9 manner prescribed by the Secretary) a dis-  
10 closure of the name and taxpayer identi-  
11 fication number of each person with re-  
12 spect to whom such S corporation is re-  
13 quired to furnish a statement under sec-  
14 tion 6037(b) for the taxable year of the S  
15 corporation ending with or within the part-  
16 nership taxable year for which the applica-  
17 tion of this subsection is elected, and

18           “(ii) the statements such S corpora-  
19 tion is required to so furnish shall be treat-  
20 ed as statements furnished by the partner-  
21 ship for purposes of paragraph (1)(B).

22           “(B) FOREIGN PARTNERS.—For purposes  
23 of paragraph (1)(D)(ii), the Secretary may pro-  
24 vide for alternative identification of any foreign  
25 partners.

1           “(C) OTHER PARTNERS.—The Secretary  
2           may by regulation or other guidance prescribe  
3           rules similar to the rules of subparagraph (A)  
4           with respect to any partners not described in  
5           such subparagraph or paragraph (1)(C).

6   **“SEC. 6222. PARTNER’S RETURN MUST BE CONSISTENT**  
7           **WITH PARTNERSHIP RETURN.**

8           “(a) IN GENERAL.—A partner shall, on the partner’s  
9           return, treat each item of income, gain, loss, deduction,  
10          or credit attributable to a partnership in a manner which  
11          is consistent with the treatment of such income, gain, loss,  
12          deduction, or credit on the partnership return.

13          “(b) UNDERPAYMENT DUE TO INCONSISTENT  
14          TREATMENT ASSESSED AS MATH ERROR.—Any under-  
15          payment of tax by a partner by reason of failing to comply  
16          with the requirements of subsection (a) shall be assessed  
17          and collected in the same manner as if such underpayment  
18          were on account of a mathematical or clerical error ap-  
19          pearing on the partner’s return. Paragraph (2) of section  
20          6213(b) shall not apply to any assessment of an under-  
21          payment referred to in the preceding sentence.

22          “(c) EXCEPTION FOR NOTIFICATION OF INCON-  
23          SISTENT TREATMENT.—

24                 “(1) IN GENERAL.—In the case of any item re-  
25                 ferred to in subsection (a), if—

1           “(A)(i) the partnership has filed a return  
2           but the partner’s treatment on the partner’s re-  
3           turn is (or may be) inconsistent with the treat-  
4           ment of the item on the partnership return, or

5           “(ii) the partnership has not filed a return,  
6           and

7           “(B) the partner files with the Secretary a  
8           statement identifying the inconsistency,  
9           subsections (a) and (b) shall not apply to such item.

10          “(2) PARTNER RECEIVING INCORRECT INFOR-  
11          MATION.—A partner shall be treated as having com-  
12          plied with subparagraph (B) of paragraph (1) with  
13          respect to an item if the partner—

14               “(A) demonstrates to the satisfaction of  
15               the Secretary that the treatment of the item on  
16               the partner’s return is consistent with the treat-  
17               ment of the item on the statement furnished to  
18               the partner by the partnership, and

19               “(B) elects to have this paragraph apply  
20               with respect to that item.

21          “(d) FINAL DECISION ON CERTAIN POSITIONS NOT  
22          BINDING ON PARTNERSHIP.—Any final decision with re-  
23          spect to an inconsistent position identified under sub-  
24          section (c) in a proceeding to which the partnership is not  
25          a party shall not be binding on the partnership.

1 “(e) ADDITION TO TAX FOR FAILURE TO COMPLY  
2 WITH SECTION.—For addition to tax in the case of a  
3 partner’s disregard of the requirements of this section, see  
4 part II of subchapter A of chapter 68.

5 **“SEC. 6223. PARTNERS BOUND BY ACTIONS OF PARTNER-**  
6 **SHIP.**

7 “(a) DESIGNATION OF PARTNERSHIP REPRESENTA-  
8 TIVE.—Each partnership shall designate (in the manner  
9 prescribed by the Secretary) a partner (or other person)  
10 with a substantial presence in the United States as the  
11 partnership representative who shall have the sole author-  
12 ity to act on behalf of the partnership under this sub-  
13 chapter. In any case in which such a designation is not  
14 in effect, the Secretary may select any person as the part-  
15 nership representative.

16 “(b) BINDING EFFECT.—A partnership and all part-  
17 ners of such partnership shall be bound—

18 “(1) by actions taken under this subchapter by  
19 the partnership, and

20 “(2) by any final decision in a proceeding  
21 brought under this subchapter with respect to the  
22 partnership.

23 **“PART II—PARTNERSHIP ADJUSTMENTS**

“Sec. 6225. Partnership adjustment by Secretary.

“Sec. 6226. Alternative to payment of imputed underpayment by partnership.

“Sec. 6227. Administrative adjustment request by partnership.

1 **“SEC. 6225. PARTNERSHIP ADJUSTMENT BY SECRETARY.**

2 “(a) IN GENERAL.—In the case of any adjustment  
3 by the Secretary in the amount of any item of income,  
4 gain, loss, deduction, or credit of a partnership, or any  
5 partner’s distributive share thereof—

6 “(1) the partnership shall pay any imputed un-  
7 derpayment with respect to such adjustment in the  
8 adjustment year as provided in section 6232, and

9 “(2) any adjustment that does not result in an  
10 imputed underpayment shall be taken into account  
11 by the partnership in the adjustment year—

12 “(A) except as provided in subparagraph  
13 (B), as a reduction in non-separately stated in-  
14 come or an increase in non-separately stated  
15 loss (whichever is appropriate) under section  
16 702(a)(8), or

17 “(B) in the case of an item of credit, as a  
18 separately stated item.

19 “(b) DETERMINATION OF IMPUTED UNDERPAY-  
20 MENTS.—For purposes of this subchapter—

21 “(1) IN GENERAL.—Except as provided in sub-  
22 section (c), any imputed underpayment with respect  
23 to any partnership adjustment for any reviewed year  
24 shall be determined—

25 “(A) by netting all adjustments of items of  
26 income, gain, loss, or deduction and multiplying



1 such net amount by the highest rate of tax in  
2 effect for the reviewed year under section 1 or  
3 11,

4 “(B) by treating any net increase or de-  
5 crease in loss under subparagraph (A) as a de-  
6 crease or increase, respectively, in income, and

7 “(C) by taking into account any adjust-  
8 ments to items of credit as an increase or de-  
9 crease, as the case may be, in the amount de-  
10 termined under subparagraph (A).

11 “(2) ADJUSTMENTS TO DISTRIBUTIVE SHARES  
12 OF PARTNERS NOT NETTED.—In the case of any ad-  
13 justment which reallocates the distributive share of  
14 any item from one partner to another, such adjust-  
15 ment shall be taken into account under paragraph  
16 (1) by disregarding—

17 “(A) any decrease in any item of income or  
18 gain, and

19 “(B) any increase in any item of deduc-  
20 tion, loss, or credit.

21 “(c) MODIFICATION OF IMPUTED UNDERPAY-  
22 MENTS.—

23 “(1) IN GENERAL.—The Secretary shall estab-  
24 lish procedures under which the imputed under-

1 payment amount may be modified consistent with  
2 the requirements of this subsection.

3 “(2) AMENDED RETURNS OF PARTNERS.—

4 “(A) IN GENERAL.—Such procedures shall  
5 provide that if—

6 “(i) one or more partners file returns  
7 (notwithstanding section 6511) for the tax-  
8 able year of the partners which includes  
9 the end of the reviewed year of the part-  
10 nership,

11 “(ii) such returns take into account  
12 all adjustments under subsection (a) prop-  
13 erly allocable to such partners (and for any  
14 other taxable year with respect to which  
15 any tax attribute is affected by reason of  
16 such adjustments), and

17 “(iii) payment of any tax due is in-  
18 cluded with such return,

19 then the imputed underpayment amount shall  
20 be determined without regard to the portion of  
21 the adjustments so taken into account.

22 “(B) REALLOCATION OF DISTRIBUTIVE  
23 SHARE.—In the case of any adjustment which  
24 reallocates the distributive share of any item  
25 from one partner to another, paragraph (2)

1 shall apply only if returns are filed by all part-  
2 ners affected by such adjustment.

3 “(3) TAX-EXEMPT PARTNERS.—Such proce-  
4 dures shall provide for determining the imputed un-  
5 derpayment without regard to the portion thereof  
6 that the partnership demonstrates is allocable to a  
7 partner that would not owe tax by reason of its sta-  
8 tus as a tax-exempt entity (as defined in section  
9 168(h)(2)).

10 “(4) MODIFICATION OF APPLICABLE HIGHEST  
11 TAX RATES.—

12 “(A) IN GENERAL.—Such procedures shall  
13 provide for taking into account a rate of tax  
14 lower than the rate of tax described in sub-  
15 section (b)(1)(A) with respect to any portion of  
16 the imputed underpayment that the partnership  
17 demonstrates is allocable to a partner which—

18 “(i) in the case of ordinary income, is  
19 a C corporation, or

20 “(ii) in the case of a capital gain or  
21 qualified dividend, is an individual.

22 In no event shall the lower rate determined  
23 under the preceding sentence be less than the  
24 highest rate in effect with respect to the income  
25 and taxpayer described in clause (i) or clause

1 (ii), as the case may be. For purposes of clause  
2 (ii), an S corporation shall be treated as an in-  
3 dividual.

4 “(B) PORTION OF IMPUTED UNDER-  
5 PAYMENT TO WHICH LOWER RATE APPLIES.—

6 “(i) IN GENERAL.—Except as pro-  
7 vided in clause (ii), the portion of the im-  
8 puted underpayment to which the lower  
9 rate applies with respect to a partner  
10 under subparagraph (A) shall be deter-  
11 mined by reference to the partners’ dis-  
12 tributive share of items to which the im-  
13 puted underpayment relates.

14 “(ii) RULE IN CASE OF VARIED  
15 TREATMENT OF ITEMS AMONG PART-  
16 NERS.—If the imputed underpayment is  
17 attributable to the adjustment of more  
18 than 1 item, and any partner’s distributive  
19 share of such items is not the same with  
20 respect to all such items, then the portion  
21 of the imputed underpayment to which the  
22 lower rate applies with respect to a partner  
23 under subparagraph (A) shall be deter-  
24 mined by reference to the amount which  
25 would have been the partner’s distributive

1 share of net gain or loss if the partnership  
2 had sold all of its assets at their fair mar-  
3 ket value as of the close of the reviewed  
4 year of the partnership.

5 “(5) OTHER PROCEDURES FOR MODIFICATION  
6 OF IMPUTED UNDERPAYMENT.—The Secretary may  
7 by regulations or guidance provide for additional  
8 procedures to modify imputed underpayment  
9 amounts on the basis of such other factors as the  
10 Secretary determines are necessary or appropriate to  
11 carry out the purposes of this subsection.

12 “(6) YEAR AND DAY FOR SUBMISSION TO SEC-  
13 RETARY.—Anything required to be submitted pursu-  
14 ant to paragraph (1) shall be submitted to the Sec-  
15 retary not later than the close of the 270-day period  
16 beginning on the date on which the notice of a pro-  
17 posed partnership adjustment is mailed under sec-  
18 tion 6231 unless such period is extended with the  
19 consent of the Secretary.

20 “(7) DECISION OF SECRETARY.—Any modifica-  
21 tion of the imputed underpayment amount under  
22 this subsection shall be made only upon approval of  
23 such modification by the Secretary.

24 “(d) DEFINITIONS.—For purposes of this sub-  
25 chapter—

1           “(1) REVIEWED YEAR.—The term ‘reviewed  
2 year’ means the partnership taxable year to which  
3 the item being adjusted relates.

4           “(2) ADJUSTMENT YEAR.—The term ‘adjust-  
5 ment year’ means the partnership taxable year in  
6 which—

7                   “(A) in the case of an adjustment pursu-  
8 ant to the decision of a court in a proceeding  
9 brought under section 6234, such decision be-  
10 comes final,

11                   “(B) in the case of an administrative ad-  
12 justment request under section 6227, such ad-  
13 ministrative adjustment request is made, or

14                   “(C) in any other case, notice of the final  
15 partnership adjustment is mailed under section  
16 6231.

17 **“SEC. 6226. ALTERNATIVE TO PAYMENT OF IMPUTED UN-  
18                   DERPAYMENT BY PARTNERSHIP.**

19           “(a) IN GENERAL.—If the partnership—

20                   “(1) not later than 45 days after the date of  
21 the notice of final partnership adjustment, elects the  
22 application of this section with respect to an im-  
23 puted underpayment, and

24                   “(2) at such time and in such manner as the  
25 Secretary may provide, furnishes to each partner of

1 the partnership for the reviewed year and to the Sec-  
2 retary a statement of the partner's share of any ad-  
3 justment to income, gain, loss, deduction, or credit  
4 (as determined in the notice of final partnership ad-  
5 justment),  
6 section 6225 shall not apply with respect to such under-  
7 payment and each such partner shall take such adjust-  
8 ment into account as provided in subsection (b). The elec-  
9 tion under paragraph (1) shall be made in such manner  
10 as the Secretary may provide and, once made, shall be  
11 revocable only with the consent of the Secretary.

12 “(b) ADJUSTMENTS TAKEN INTO ACCOUNT BY  
13 PARTNER.—

14 “(1) TAX IMPOSED IN YEAR OF STATEMENT.—

15 Each partner's tax imposed by chapter 1 for the tax-  
16 able year which includes the date the statement was  
17 furnished under subsection (a) shall be increased by  
18 the aggregate of the adjustment amounts determined  
19 under paragraph (2) for the taxable years referred  
20 to therein.

21 “(2) ADJUSTMENT AMOUNTS.—The adjustment  
22 amounts determined under this paragraph are—

23 “(A) in the case of the taxable year of the  
24 partner which includes the end of the reviewed  
25 year, the amount by which the tax imposed

1 under chapter 1 would increase if the partner’s  
2 share of the adjustments described in sub-  
3 section (a) were taken into account for such  
4 taxable year, plus

5 “(B) in the case of any taxable year after  
6 the taxable year referred to in subparagraph  
7 (A) and before the taxable year referred to in  
8 paragraph (1), the amount by which the tax im-  
9 posed under chapter 1 would increase by reason  
10 of the adjustment to tax attributes under para-  
11 graph (3).

12 “(3) ADJUSTMENT OF TAX ATTRIBUTES.—Any  
13 tax attribute which would have been affected if the  
14 adjustments described in subsection (a) were taken  
15 into account for the taxable year referred to in para-  
16 graph (2)(A) shall—

17 “(A) in the case of any taxable year re-  
18 ferred to in paragraph (2)(B), be appropriately  
19 adjusted for purposes of applying such para-  
20 graph, and

21 “(B) in the case of any subsequent taxable  
22 year, be appropriately adjusted.

23 “(c) PENALTIES AND INTEREST.—

24 “(1) PENALTIES.—Notwithstanding subsections  
25 (a) and (b), any penalties, additions to tax, or addi-



1 tional amount shall be determined as provided under  
2 section 6221 and the partners of the partnership for  
3 the reviewed year shall be liable for any such pen-  
4 alty, addition to tax, or additional amount.

5 “(2) INTEREST.—In the case of an imputed un-  
6 derpayment with respect to which the application of  
7 this section is elected, interest shall be determined—

8 “(A) at the partner level,

9 “(B) from the due date of the return for  
10 the taxable year to which the increase is attrib-  
11 utable (determined by taking into account any  
12 increases attributable to a change in tax at-  
13 tributes for a taxable year under subsection  
14 (b)(2)), and

15 “(C) at the underpayment rate under sec-  
16 tion 6621(a)(2), determined by substituting ‘5  
17 percentage points’ for ‘3 percentage points’ in  
18 subparagraph (B) thereof.

19 **“SEC. 6227. ADMINISTRATIVE ADJUSTMENT REQUEST BY**  
20 **PARTNERSHIP.**

21 “(a) IN GENERAL.—A partnership may file a request  
22 for an administrative adjustment in the amount of one or  
23 more items of income, gain, loss, deduction, or credit of  
24 the partnership for any partnership taxable year.

1 “(b) ADJUSTMENT.—Any such adjustment under  
2 subsection (a) shall be determined and taken into account  
3 for the partnership taxable year in which the administra-  
4 tive adjustment request is made—

5 “(1) by the partnership under rules similar to  
6 the rules of section 6225 (other than paragraphs  
7 (2), (6) and (7) of subsection (c) thereof) for the  
8 partnership taxable year in which the administrative  
9 adjustment request is made, or

10 “(2) by the partnership and partners under  
11 rules similar to the rules of section 6226 (deter-  
12 mined without regard to the substitution described  
13 in subsection (c)(2)(C) thereof).

14 In the case of an adjustment that would not result in an  
15 imputed underpayment, paragraph (1) shall not apply and  
16 paragraph (2) shall apply with appropriate adjustments.

17 “(c) PERIOD OF LIMITATIONS.—A partnership may  
18 not file such a request more than 3 years after the later  
19 of—

20 “(1) the date on which the partnership return  
21 for such year is filed, or

22 “(2) the last day for filing the partnership re-  
23 turn for such year (determined without regard to ex-  
24 tensions).

1 In no event may a partnership file such a request after  
2 a notice of an administrative proceeding with respect to  
3 the taxable year is mailed under section 6231.

4 **“PART 1—PROCEDURE**

- “Sec. 6231. Notice of proceedings and adjustment.
- “Sec. 6232. Assessment, collection, and payment.
- “Sec. 6233. Interest and penalties.
- “Sec. 6234. Judicial review of partnership adjustment.
- “Sec. 6235. Period of limitations on making adjustments.

5 **“SEC. 6231. NOTICE OF PROCEEDINGS AND ADJUSTMENT.**

6 “(a) IN GENERAL.—The Secretary shall mail to the  
7 partnership and the partnership representative—

8 “(1) notice of any administrative proceeding  
9 initiated at the partnership level with respect to an  
10 adjustment of any item of income, gain, loss, deduc-  
11 tion, or credit of a partnership for a partnership tax-  
12 able year, or any partner’s distributive share thereof,

13 “(2) notice of any proposed partnership adjust-  
14 ment resulting from such proceeding, and

15 “(3) notice of any final partnership adjustment  
16 resulting from such proceeding.

17 Any notice of a final partnership adjustment shall not be  
18 mailed earlier than 270 days after the date on which the  
19 notice of the proposed partnership adjustment is mailed.  
20 Such notices shall be sufficient if mailed to the last known  
21 address of the partnership representative or the partner-  
22 ship (even if the partnership has terminated its existence).

23 The first sentence shall apply to any proceeding with re-

1 spect to an administrative adjustment request filed by a  
2 partnership under section 6227.

3 “(b) FURTHER NOTICES RESTRICTED.—If the Sec-  
4 retary mails a notice of a final partnership adjustment to  
5 any partnership for any partnership taxable year and the  
6 partnership files a petition under section 6234 with re-  
7 spect to such notice, in the absence of a showing of fraud,  
8 malfeasance, or misrepresentation of a material fact, the  
9 Secretary shall not mail another such notice to such part-  
10 nership with respect to such taxable year.

11 “(c) AUTHORITY TO RESCIND NOTICE WITH PART-  
12 NERSHIP CONSENT.—The Secretary may, with the con-  
13 sent of the partnership, rescind any notice of a partner-  
14 ship adjustment mailed to such partnership. Any notice  
15 so rescinded shall not be treated as a notice of a partner-  
16 ship adjustment for purposes of this subchapter, and the  
17 taxpayer shall have no right to bring a proceeding under  
18 section 6234 with respect to such notice.

19 **“SEC. 6232. ASSESSMENT, COLLECTION, AND PAYMENT.**

20 “(a) IN GENERAL.—Any imputed underpayment  
21 shall be assessed and collected in the same manner as if  
22 it were a tax imposed for the adjustment year by subtitle  
23 A, except that in the case of an administrative adjustment  
24 request to which section 6227(b)(1) applies, the under-  
25 payment shall be paid when the request is filed.

1           “(b) LIMITATION ON ASSESSMENT.—Except as oth-  
2 erwise provided in this chapter, no assessment of a defi-  
3 ciency may be made (and no levy or proceeding in any  
4 court for the collection of any amount resulting from such  
5 adjustment may be made, begun or prosecuted) before—

6           “(1) the close of the 90th day after the day on  
7 which a notice of a final partnership adjustment was  
8 mailed, and

9           “(2) if a petition is filed under section 6234  
10 with respect to such notice, the decision of the court  
11 has become final.

12           “(c) PREMATURE ACTION MAY BE ENJOINED.—Not-  
13 withstanding section 7421(a), any action which violates  
14 subsection (b) may be enjoined in the proper court, includ-  
15 ing the Tax Court. The Tax Court shall have no jurisdic-  
16 tion to enjoin any action under this subsection unless a  
17 timely petition has been filed under section 6234 and then  
18 only in respect of the adjustments that are the subject  
19 of such petition.

20           “(d) EXCEPTIONS TO RESTRICTIONS ON ADJUST-  
21 MENTS.—

22           “(1) ADJUSTMENTS ARISING OUT OF MATH OR  
23 CLERICAL ERRORS.—

24           “(A) IN GENERAL.— If the partnership is  
25 notified that, on account of a mathematical or

1 clerical error appearing on the partnership re-  
2 turn, an adjustment to a item is required, rules  
3 similar to the rules of paragraphs (1) and (2)  
4 of section 6213(b) shall apply to such adjust-  
5 ment.

6 “(B) SPECIAL RULE.—If a partnership is  
7 a partner in another partnership, any adjust-  
8 ment on account of such partnership’s failure to  
9 comply with the requirements of section  
10 6222(a) with respect to its interest in such  
11 other partnership shall be treated as an adjust-  
12 ment referred to in subparagraph (A), except  
13 that paragraph (2) of section 6213(b) shall not  
14 apply to such adjustment.

15 “(2) PARTNERSHIP MAY WAIVE RESTRIC-  
16 TIONS.—The partnership may at any time (whether  
17 or not any notice of partnership adjustment has  
18 been issued), by a signed notice in writing filed with  
19 the Secretary, waive the restrictions provided in sub-  
20 section (b) on the making of any partnership adjust-  
21 ment.

22 “(e) LIMIT WHERE NO PROCEEDING BEGUN.—If no  
23 proceeding under section 6234 is begun with respect to  
24 any notice of a final partnership adjustment during the  
25 90-day period described in subsection (b) thereof, the

1 amount for which the partnership is liable under section  
2 6225 shall not exceed the amount determined in accord-  
3 ance with such notice.

4 **“SEC. 6233. INTEREST AND PENALTIES.**

5 “(a) INTEREST AND PENALTIES DETERMINED FROM  
6 REVIEWED YEAR.—

7 “(1) IN GENERAL.—Except to the extent pro-  
8 vided in section 6226(c), in the case of a partnership  
9 adjustment for a reviewed year—

10 “(A) interest shall be computed under  
11 paragraph (2), and

12 “(B) the partnership shall be liable for any  
13 penalty, addition to tax, or additional amount  
14 as provided in paragraph (3).

15 “(2) DETERMINATION OF AMOUNT OF INTER-  
16 EST.—The interest computed under this paragraph  
17 with respect to any partnership adjustment is the in-  
18 terest which would be determined under chapter 67  
19 for the period beginning on the day after the return  
20 due date for the reviewed year and ending on the re-  
21 turn due date for the adjustment year (or, if earlier,  
22 the date payment of the imputed underpayment is  
23 made). Proper adjustments in the amount deter-  
24 mined under the preceding sentence shall be made  
25 for adjustments required for partnership taxable

1 years after the reviewed year and before the adjust-  
2 ment year by reason of such partnership adjustment.

3 “(3) PENALTIES.—Any penalty, addition to tax,  
4 or additional amount shall be determined at the  
5 partnership level as if such partnership had been an  
6 individual subject to tax under chapter 1 for the re-  
7 viewed year and the imputed underpayment were an  
8 actual underpayment (or understatement) for such  
9 year.

10 “(b) INTEREST AND PENALTIES WITH RESPECT TO  
11 ADJUSTMENT YEAR RETURN.—

12 “(1) IN GENERAL.—In the case of any failure  
13 to pay an imputed underpayment on the date pre-  
14 scribed therefor, the partnership shall be liable—

15 “(A) for interest as determined under  
16 paragraph (2), and

17 “(B) for any penalty, addition to tax, or  
18 additional amount as determined under para-  
19 graph (3).

20 “(2) INTEREST.—Interest determined under  
21 this paragraph is the interest that would be deter-  
22 mined by treating the imputed underpayment as an  
23 underpayment of tax imposed in the adjustment  
24 year.



1           “(3) PENALTIES.—Penalties, additions to tax,  
2           or additional amounts determined under this para-  
3           graph are the penalties, additions to tax, or addi-  
4           tional amounts that would be determined—

5                   “(A) by applying section 6651(a)(2) to  
6           such failure to pay, and

7                   “(B) by treating the imputed under-  
8           payment as an underpayment of tax for pur-  
9           poses of part II of subchapter A of chapter 68.

10 **“SEC. 6234. JUDICIAL REVIEW OF PARTNERSHIP ADJUST-**  
11 **MENT.**

12           “(a) IN GENERAL.—Within 90 days after the date  
13 on which a notice of a final partnership adjustment is  
14 mailed under section 6231 with respect to any partnership  
15 taxable year, the partnership may file a petition for a re-  
16 adjustment for such taxable year with—

17                   “(1) the Tax Court,

18                   “(2) the district court of the United States for  
19           the district in which the partnership’s principal place  
20           of business is located, or

21                   “(3) the Claims Court.

22           “(b) JURISDICTIONAL REQUIREMENT FOR BRINGING  
23 ACTION IN DISTRICT COURT OR CLAIMS COURT.—

24                   “(1) IN GENERAL.—A readjustment petition  
25           under this section may be filed in a district court of

1 the United States or the Claims Court only if the  
2 partnership filing the petition deposits with the Sec-  
3 retary, on or before the date the petition is filed, the  
4 amount of the imputed underpayment (as of the  
5 date of the filing of the petition) if the partnership  
6 adjustment was made as provided by the notice of  
7 final partnership adjustment. The court may by  
8 order provide that the jurisdictional requirements of  
9 this paragraph are satisfied where there has been a  
10 good faith attempt to satisfy such requirement and  
11 any shortfall of the amount required to be deposited  
12 is timely corrected.

13 “(2) INTEREST PAYABLE.—Any amount depos-  
14 ited under paragraph (1), while deposited, shall not  
15 be treated as a payment of tax for purposes of this  
16 title (other than chapter 67).

17 “(c) SCOPE OF JUDICIAL REVIEW.—A court with  
18 which a petition is filed in accordance with this section  
19 shall have jurisdiction to determine all items of income,  
20 gain, loss, deduction, or credit of the partnership for the  
21 partnership taxable year to which the notice of final part-  
22 nership adjustment relates, the proper allocation of such  
23 items among the partners, and the applicability of any  
24 penalty, addition to tax, or additional amount for which  
25 the partnership may be liable under this subchapter.

1           “(d) DETERMINATION OF COURT REVIEWABLE.—  
2 Any determination by a court under this section shall have  
3 the force and effect of a decision of the Tax Court or a  
4 final judgment or decree of the district court or the Claims  
5 Court, as the case may be, and shall be reviewable as such.  
6 The date of any such determination shall be treated as  
7 being the date of the court’s order entering the decision.

8           “(e) EFFECT OF DECISION DISMISSING ACTION.—If  
9 an action brought under this section is dismissed other  
10 than by reason of a rescission under section 6231(c), the  
11 decision of the court dismissing the action shall be consid-  
12 ered as its decision that the notice of final partnership  
13 adjustment is correct, and an appropriate order shall be  
14 entered in the records of the court.

15 **“SEC. 6235. PERIOD OF LIMITATIONS ON MAKING ADJUST-**  
16 **MENTS.**

17           “(a) IN GENERAL.—Except as otherwise provided in  
18 this section, no adjustment under this subpart for any  
19 partnership taxable year may be made after the later of—

20                   “(1) the date which is 3 years after the latest  
21 of—

22                           “(A) the date on which the partnership re-  
23 turn for such taxable year was filed,

24                           “(B) the return due date for the taxable  
25 year, or

1           “(C) the date on which the partnership  
2           filed an administrative adjustment request with  
3           respect to such year under section 6227, or

4           “(2) in the case of any modification of an im-  
5           puted underpayment under section 6225(c), the date  
6           that is 270 days (plus the number of days of any ex-  
7           tension consented to by the Secretary under para-  
8           graph (4) thereof) after the date on which every-  
9           thing required to be submitted to the Secretary pur-  
10          suant to such section is so submitted, or

11          “(3) in the case of any notice of a proposed  
12          partnership adjustment under section 6231(a)(2),  
13          the date that is 270 days after the date of such no-  
14          tice.

15          “(b) EXTENSION BY AGREEMENT.—The period de-  
16          scribed in subsection (a) (including an extension period  
17          under this subsection) may be extended by an agreement  
18          entered into by the Secretary and the partnership before  
19          the expiration of such period.

20          “(c) SPECIAL RULE IN CASE OF FRAUD, ETC.—

21                 “(1) FALSE RETURN.—In the case of a false or  
22                 fraudulent partnership return with intent to evade  
23                 tax, the adjustment may be made at any time.

24                 “(2) SUBSTANTIAL OMISSION OF INCOME.—If  
25                 any partnership omits from gross income an amount

1 properly includible therein and such amount is de-  
2 scribed in section 6501(e)(1)(A), subsection (a) shall  
3 be applied by substituting ‘6 years’ for ‘3 years’.

4 “(3) NO RETURN.—In the case of a failure by  
5 a partnership to file a return for any taxable year,  
6 the adjustment may be made at any time.

7 “(4) RETURN FILED BY SECRETARY.—For pur-  
8 poses of this section, a return executed by the Sec-  
9 retary under subsection (b) of section 6020 on be-  
10 half of the partnership shall not be treated as a re-  
11 turn of the partnership.

12 “(d) SUSPENSION WHEN SECRETARY MAILS NOTICE  
13 OF ADJUSTMENT.—If notice of a final partnership adjust-  
14 ment with respect to any taxable year is mailed under sec-  
15 tion 6231, the running of the period specified in sub-  
16 section (a) (as modified by the other provisions of this sec-  
17 tion) shall be suspended—

18 “(1) for the period during which an action may  
19 be brought under section 6234 (and, if a petition is  
20 filed under such section with respect to such notice,  
21 until the decision of the court becomes final), and

22 “(2) for 1 year thereafter.

23 **“PART 2—DEFINITIONS AND SPECIAL RULES**

“Sec. 6241. Definitions and special rules.

1 **“SEC. 6241. DEFINITIONS AND SPECIAL RULES.**

2 “For purposes of this subchapter—

3 “(1) PARTNERSHIP.—The term ‘partnership’  
4 means any partnership required to file a return  
5 under section 6031(a).

6 “(2) PARTNERSHIP ADJUSTMENT.—The term  
7 ‘partnership adjustment’ means any adjustment in  
8 the amount of any item of income, gain, loss, deduc-  
9 tion, or credit of a partnership, or any partner’s dis-  
10 tributive share thereof.

11 “(3) RETURN DUE DATE.—The term ‘return  
12 due date’ means, with respect to the taxable year,  
13 the date prescribed for filing the partnership return  
14 for such taxable year (determined without regard to  
15 extensions).

16 “(4) PAYMENTS NONDEDUCTIBLE.—No deduc-  
17 tion shall be allowed under subtitle A for any pay-  
18 ment required to be made by a partnership under  
19 this subchapter.

20 “(5) PARTNERSHIPS HAVING PRINCIPAL PLACE  
21 OF BUSINESS OUTSIDE UNITED STATES.—For pur-  
22 poses of sections 6234, a principal place of business  
23 located outside the United States shall be treated as  
24 located in the District of Columbia.

25 “(6) PARTNERSHIPS IN CASES UNDER TITLE 11  
26 OF UNITED STATES CODE.—

1           “(A) SUSPENSION OF PERIOD OF LIMITA-  
2           TIONS ON MAKING ADJUSTMENT, ASSESSMENT,  
3           OR COLLECTION.—The running of any period of  
4           limitations provided in this subchapter on mak-  
5           ing a partnership adjustment (or provided by  
6           section 6501 or 6502 on the assessment or col-  
7           lection of any imputed underpayment deter-  
8           mined under this subchapter) shall, in a case  
9           under title 11 of the United States Code, be  
10          suspended during the period during which the  
11          Secretary is prohibited by reason of such case  
12          from making the adjustment (or assessment or  
13          collection) and—

14                   “(i) for adjustment or assessment, 60  
15                   days thereafter, and

16                   “(ii) for collection, 6 months there-  
17                   after.

18          A rule similar to the rule of section 6213(f)(2)  
19          shall apply for purposes of section 6232(b).

20          “(B) SUSPENSION OF PERIOD OF LIMITA-  
21          TION FOR FILING FOR JUDICIAL REVIEW.—The  
22          running of the period specified in section 6234  
23          shall, in a case under title 11 of the United  
24          States Code, be suspended during the period  
25          during which the partnership is prohibited by

1 reason of such case from filing a petition under  
2 section 6234 and for 60 days thereafter.

3 “(7) TREATMENT WHERE PARTNERSHIP  
4 CEASES TO EXIST.—If a partnership ceases to exist  
5 before a partnership adjustment under this sub-  
6 chapter takes effect, such adjustment shall be taken  
7 into account by the former partners of such partner-  
8 ship under regulations prescribed by the Secretary.

9 “(8) EXTENSION TO ENTITIES FILING PART-  
10 NERSHIP RETURN.—If a partnership return is filed  
11 by an entity for a taxable year but it is determined  
12 that the entity is not a partnership (or that there is  
13 no entity) for such year, then, to the extent provided  
14 in regulations, the provisions of this subchapter are  
15 hereby extended in respect of such year to such enti-  
16 ty and its items and to persons holding an interest  
17 in such entity.”.

18 (2) CLERICAL AMENDMENT.—The table of sub-  
19 chapters for chapter 63 of the Internal Revenue  
20 Code of 1986, as amended by the preceding provi-  
21 sions of this section, is amended by inserting after  
22 the item relating to subchapter B the following new  
23 item:

“SUBCHAPTER C. TREATMENT OF PARTNERSHIPS.”.

24 (d) BINDING NATURE OF PARTNERSHIP ADJUST-  
25 MENT PROCEEDINGS.—Section 6330(c)(4) of such Code



1 is amended by striking “or” at the end of subparagraph  
2 (A), by striking the period at the end of subparagraph  
3 (B) and inserting “; or”, and by inserting after subpara-  
4 graph (B) the following new subparagraph:

5                   “(C) a final determination has been made  
6                   with respect to such issue in a proceeding  
7                   brought under subchapter C of chapter 63.”.

8           (e) RESTRICTION ON AUTHORITY TO AMEND PART-  
9   NER INFORMATION STATEMENTS.—Section 6031(b) of  
10 such Code is amended by adding at the end the following:  
11 “Except as provided in the procedures under section  
12 6225(e), with respect to statements under section 6226,  
13 or as otherwise provided by the Secretary, information re-  
14 quired to be furnished by the partnership under this sub-  
15 section may not be amended after the due date of the re-  
16 turn under subsection (a) to which such information re-  
17 lates.”.

18           (f) CONFORMING AMENDMENTS.—

19                   (1) Section 6031(b) of such Code is amended  
20                   by striking the last sentence.

21                   (2) Section 6422 of such Code is amended by  
22                   striking paragraph (12).

23                   (3) Section 6501(n) of such Code is amended  
24                   by striking paragraphs (2) and (3) and by striking  
25                   “CROSS REFERENCES” and all that follows through

1 “For period of limitations” and inserting “CROSS  
2 REFERENCE.—For period of limitations”.

3 (4) Section 6503(a)(1) of such Code is amended  
4 by striking “(or section 6229” and all that follows  
5 through “of section 6230(a))”.

6 (5) Section 6504 of such Code is amended by  
7 striking paragraph (11).

8 (6) Section 6511 of such Code is amended by  
9 striking subsection (g).

10 (7) Section 6512(b)(3) of such Code is amend-  
11 ed by striking the second sentence.

12 (8) Section 6515 of such Code is amended by  
13 striking paragraph (6).

14 (9) Section 6601(c) of such Code is amended by  
15 striking the last sentence.

16 (10) Section 7421(a) of such Code is amended  
17 by striking “6225(b), 6246(b)” and inserting  
18 “6232(c)”.

19 (11) Section 7422 of such Code is amended by  
20 striking subsection (h).

21 (12) Section 7459(c) of such Code is amended  
22 by striking “section 6226” and all that follows  
23 through “or 6252” and inserting “section 6234”.

24 (13) Section 7482(b)(1) of such Code is amend-  
25 ed—

1 (A) in subparagraph (E), by striking “sec-  
2 tion 6226, 6228, 6247, or 6252” and inserting  
3 “section 6234”,

4 (B) by striking subparagraph (F), by strik-  
5 ing “or” at the end of subparagraph (E) and  
6 inserting a period, and by inserting “or” at the  
7 end of subparagraph (D), and

8 (C) in the last sentence, by striking “sec-  
9 tion 6226, 6228(a), or 6234(c)” and inserting  
10 “section 6234”.

11 (14) Section 7485(b) of such Code is amended  
12 by striking “section 6226, 6228(a), 6247, or 6252”  
13 and inserting “section 6234”.

14 (g) EFFECTIVE DATE.—

15 (1) IN GENERAL.—Except as otherwise pro-  
16 vided in this subsection, the amendments made by  
17 this section shall apply to returns filed for partner-  
18 ship taxable years beginning after December 31,  
19 2017.

20 (2) ADMINISTRATIVE ADJUSTMENT RE-  
21 QUESTS.—In the case of administrative adjustment  
22 request under section 6227 of such Code, the  
23 amendments made by this section shall apply to re-  
24 quests with respect to returns filed for partnership  
25 taxable years beginning after December 31, 2017.

1           (3) ADJUSTED PARTNERS STATEMENTS.—In  
2           the case of a partnership electing the application of  
3           section 6226 of such Code, the amendments made  
4           by this section shall apply to elections with respect  
5           to returns filed for partnership taxable years begin-  
6           ning after December 31, 2017.

7           (4) ELECTION.—A partnership may elect (at  
8           such time and in such form and manner as the Sec-  
9           retary of the Treasury may prescribe) for the  
10          amendments made by this section (other than the  
11          election under section 6221(b) of such Code (as  
12          added by this Act)) to apply to any return of the  
13          partnership filed for partnership taxable years begin-  
14          ning after the date of the enactment of this Act and  
15          before January 1, 2018.

16 **SEC. 1102. PARTNERSHIP INTERESTS CREATED BY GIFT.**

17          (a) IN GENERAL.—Section 761(b) of the Internal  
18          Revenue Code of 1986 is amended by adding at the end  
19          the following: “In the case of a capital interest in a part-  
20          nership in which capital is a material income-producing  
21          factor, whether a person is a partner with respect to such  
22          interest shall be determined without regard to whether  
23          such interest was derived by gift from any other person.”.

24          (b) CONFORMING AMENDMENTS.—Section 704(e) of  
25          such Code is amended—

1 (1) by striking paragraph (1) and by redesignig-  
2 nating paragraphs (2) and (3) as paragraphs (1)  
3 and (2), respectively,

4 (2) by striking “this section” in paragraph (2)  
5 (as so redesignated) and inserting “this subsection”,  
6 and

7 (3) by striking “FAMILY PARTNERSHIPS” in  
8 the heading and inserting “PARTNERSHIP INTER-  
9 ESTS CREATED BY GIFT”.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to partnership taxable years begin-  
12 ning after December 31, 2015.

13 **TITLE XII—DESIGNATION OF**  
14 **SMALL HOUSE ROTUNDA**

15 **SEC. 1201. DESIGNATING SMALL HOUSE ROTUNDA AS**  
16 **“FREEDOM FOYER”.**

17 The first floor of the area of the House of Represent-  
18 atives wing of the United States Capitol known as the  
19 small House rotunda is designated the “Freedom Foyer”.