



888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401
Annapolis (410) 224-4920 • DC (301) 970-2524 • Baltimore (410) 841-2440 • Fax (410) 224-4927

Partners

Patrick M. Hantske, CPA
Michele L. Moore, CPA
John G. Wiland, CPA
Philip J. Wimbish Jr., CPA
Eric P. Siegfried, CPA

Of Counsel

Edward F. Mullen Jr., CPA
Sharon M. Wimbish, CPA
Mary K. Stone

January 2022

2021 Partnership Audit Regime (CPAR) Notice

Opt-Out Election for Qualifying Partnerships

Partnerships with 100 or fewer **eligible** partners qualify to elect out of the IRS Centralized Partnership Audit Procedures (CPAR). Generally, eligible partners include individuals, C or S Corporations, and estates of deceased partners. The opt-out election must be made annually with a timely filed (including extensions) return. We will generally recommend that qualifying partnerships opt-out of CPAR. If your partnership qualifies to make the opt-out election, the appointment of a partnership representative (PR) is not mandatory, although recommended. A small partnership cannot opt-out of CPAR if it issues a K-1 to a partnership, a disregarded entity (i.e. sole member LLC), a trust or certain other partners.

Push-Out Election for Other Partnerships

In the event of an IRS audit under CPAR, the PR has the authority to make a “push out” election which would make the partners responsible for any resulting tax liability, thus avoiding the CPAR taxation at the partnership level. The push-out election is made by the PR upon the conclusion of an IRS audit.

Completion of your 2021 Partnership Tax Return

In order to complete your 2021 partnership return, we need you to identify and designate a partnership representative (PR). The PR does not have to be a partner. If a PR is not appointed now, the IRS will designate one upon audit, if applicable. We also need your confirmation to opt-out of CPAR, if eligible. Please make applicable indications on the **2021 Business Tax Preparation Acknowledgement Form** and return to us to complete the partnership’s 2021 tax preparation.

Summary

This is a very brief overview of the new complex partnership audit procedures. We recommend you have your partnership/operating agreements reviewed and amended, as necessary, in light of CPAR.

Please don’t hesitate to call us with questions or for additional information and guidance.

Very truly yours,

Mullen, Sondberg, Wimbish & Stone, PA
www.mswspa.com