

HB 477 -- TAXATION OF PARTNERS AND PARTNERSHIPS

SPONSOR: Christofanelli

This bill requires taxpayers in a partnership to report and pay any tax due as a result of federal adjustments from an audit or other action taken by the IRS or reported by the taxpayer on an amended federal income tax return. Such report will be made to the Department of Revenue, and payments of additional tax due will be made no later than 180 days after the final determination date of the IRS action, as defined in the bill.

Partners and partnerships will also report final federal adjustments as a result of partnership level audits or administrative adjustment requests, as defined in the bill. Such payments will be calculated and made as described in the bill. Partnerships will be represented in such actions by the partnership's state partnership representative, which will be the partnership's federal partnership representative unless otherwise designated in writing.

Partners will be prohibited from applying any deduction or credit on any amount determined to be owed under this bill.

The department will assess additional tax, interest, and penalties due as a result of federal adjustments under this bill no later than three years after the return was filed, as provided in current law, or one year following the filing of the federal adjustments report under this bill. For taxpayers who fail to timely file the federal adjustments report as provided under this bill, the department will assess additional tax, interest, and penalties either by three years after the return was filed, one year following the filing of the federal adjustments report, or six years after the final determination date, whichever is later.

Taxpayers may make estimated payments of the tax expected to result from a pending IRS audit. Such payments will be credited against any tax liability ultimately found to be due. If the estimated payments made exceed the final tax liability, the taxpayer will be entitled to a refund or credit for the excess amount, as described in the bill.

The provisions of this bill will apply to any adjustments to a taxpayer's federal taxable income or federal adjusted gross income with a final determination date occurring on or after January 1, 2020.

This bill is similar to SB 220 (2019).