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## **Partnership Tax Alert**

### **Will Your Partnership or LLC Be Affected?**

**By: Lui Chambers, Tanya Feinleib and Bob Werner**

In the Bipartisan Budget Act of 2015 (the “BBA”), Congress made significant tax audit and enforcement changes for partnerships and entities taxed as partnerships (such as multi-member LLCs). These changes appear in proposed income tax regulations. Under the proposed rules, the IRS significantly streamlines partnership audit rules, which may result in more frequent partnership audits. While the AICPA and other professional groups have requested a delay in scheduled implementation, changes are currently targeted to apply to tax years beginning after December 31, 2017.

While the BBA changes do not apply to all partnerships and LLCs, partners and LLC members should carefully review governing documents for BBA application, and when applicable, amendments addressing the BBA should be made. Among the BBA’s most pressing items are the following:

- The IRS may collect any additional tax, interest, and penalty directly from the partnership rather than from the partners, and tax may be collected at the highest individual tax rate.
- Current partners could be responsible for tax liabilities of prior partners.
- Certain small “partnerships” are exempt from application of the new rules.
- Entities with trusts of any kind as a partner/LLC member may not elect out under the new rules.
- New elections and opt-outs (which allow certain entities to elect out of the rules on a year-to-year basis) will be available and agreements may need revision to specify who makes these decisions.

There are many new tax terms and concepts that likely will require you to adjust your partnership’s or LLC’s operating agreement.

If you think you may be affected by the BBA, please consult with your attorney for more information and planning to mitigate potential negative impacts.



**Lui Chambers**

Corporate and Business  
[lchambers@langleybanack.com](mailto:lchambers@langleybanack.com)  
(210) 253-6845



**Tanya Feinleib**

Trusts and Estates  
[tfeinleib@langleybanack.com](mailto:tfeinleib@langleybanack.com)  
(210) 653-6883



**Bob Werner**

Taxation  
[rwerner@langleybanack.com](mailto:rwerner@langleybanack.com)  
(210) 253-7112

SAN ANTONIO EAGLE PASS CARRIZO SPRINGS KARNES CITY CASTROVILLE NEW BRAUNFELS

**210.736.6600**

**LANGLEYBANACK.COM**