

# Instructions for Form 1065X

(January 2012)



Department of the Treasury  
Internal Revenue Service

## Amended Return or Administrative Adjustment Request (AAR)

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

The IRS has created a page on IRS.gov for information about Form 1065X and its instructions, at [www.irs.gov/form1065x](http://www.irs.gov/form1065x). Information about any future developments affecting Form 1065X (such as legislation enacted after we release it) will be posted on that page.


### Purpose of Form

Use Form 1065X, if you are not filing electronically, to:

- Correct items on a previously filed Form 1065, Form 1065-B, or Form 1066 or
- Make an Administrative Adjustment Request (AAR) for a previously filed Form 1065, Form 1065-B, or Form 1066.

For the purposes of these instructions, consolidated audit proceedings of sections 6221 through 6234 will be referred to as TEFRA proceedings. In addition, partnerships that are subject to the consolidated audit proceedings of sections 6221 through 6234 will be referred to as “TEFRA partnerships” and those partnerships that are not subject to the consolidated audit proceedings will be referred to as “nonTEFRA partnerships”.

Form 1065X cannot be used to make a section 6222 notice of inconsistent treatment or a 6227(d) partner-level AAR. Continue to use Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR), to make those changes.

 *If you are a nonTEFRA partnership (see Item E of these instructions) electronically filing an amended return, use Form 1065. If you are not filing an amended return electronically, use Form 1065X.*

*Do not use Form 1065X to file an amended return or AAR for a TEFRA partnership (Form 1065) or amended return or AAR for an electing large partnership (Form 1065-B) if the amended return or AAR is required to be filed electronically or you are electing to file the amended return or AAR electronically. Instead, use Form 8082. See the Instructions for Form 8082 for more information.*

*Generally, the criteria used to determine whether the original Form 1065 or Form 1065-B is required to be filed electronically also are used to determine if the amended return or AAR must be filed electronically.*

*For information on when Form 1065 is required to be filed electronically, and*

*how to file an amendment or AAR for a partnership, see the Instructions for Form 1065.*

*For information on when Form 1065-B is required to be filed electronically, and how to file an amendment or AAR for an electing large partnership, see the Instructions for Form 1065-B.*


### Who Must File

**Amended return.** Partnerships and Real Estate Mortgage Investment Conduits (REMICs) that become aware of incorrect items of income, deductions, etc., use Form 1065X to correct their previously filed partnership or REMIC return. See *Specific Instructions*, later, for information on completing Form 1065X as an amended return.

**AAR-Partnerships (except Electing Large Partnerships).** Partnerships that are subject to the consolidated audit proceedings of sections 6221 through 6234 use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.

**AAR-Electing Large Partnerships (ELPs).** ELPs that need to correct errors on a previously filed Form 1065-B use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.

**AAR-REMICs.** REMICs that do not meet the small REMIC exception under sections 860F(e) and 6231, and related regulations, or make the election described in section 6231(a)(1)(B)(ii) not to be treated as a small REMIC, use Form 1065X to file for an AAR. See *Specific Instructions*, later, for information on completing Form 1065X as an AAR.

 *When a partnership's or REMIC's federal return is changed for any reason, it may affect its state return. For more information, contact the state tax agency to which the state return is filed.*

### When To File

Generally, a partnership or REMIC may file an amended return to change items on its return:

1. Within 3 years after the later of:
  - The date on which the partnership return for that year is filed or
  - The last day for filing the partnership return for that year (excluding extensions); and
2. In the case of a TEFRA partnership or REMIC, before a notice of final partnership administrative adjustment for that year is mailed to the Tax Matters

Partner or Tax Matters Person, or, in the case of an ELP, before the mailing to the partnership a notice of partnership administrative adjustment with respect to that year.

**Note.** See sections 6227(b) and 6229(b)(1)(B) if the TEFRA partnership statute has been extended.

### What To Attach

If the corrected amount involves an item of income, deduction, or credit that must be supported with a schedule, statement, or form, attach the appropriate schedule, statement, or form to Form 1065X. Include the entity's name and employer identification number (EIN) on any attachments. See the Instructions for Form 1065, 1065-B, or 1066 (as applicable) for a list of forms that may be required.

If the attachments needed to support the corrected amount include copies of forms or schedules from previously filed tax returns, write at the top of each previously filed form or schedule, “Copy Only—Do Not Process.”

In addition, if the ELP or REMIC requests that the IRS electronically deposit a refund of \$1 million or more, attach Form 8302, Electronic Deposit of Tax Refund of \$1 Million or More.

### Who Must Sign

**NonTEFRA Partnerships.** One general partner or Limited Liability Company (LLC) member manager must sign the return. Form 1065X is not considered to be a return unless it is signed. When a return is made for a partnership by a receiver, trustee, or assignee, the fiduciary must sign the return instead of the general partner or LLC member manager. Returns and forms signed by a receiver or trustee in bankruptcy on behalf of a partnership must be accompanied by a copy of the order or instructions of the court authorizing the signing of the return or form.

**TEFRA Partnerships.** The Tax Matters Partner (TMP) must sign the amended return. See *Tax Matters Partner*, later, for the definition of a TMP.

**ELPs.** The Partner with Authority (PWA) must sign the amended return. See *Partner with Authority*, later, for the definition of a PWA.

**REMICs with a startup day after November 9, 1988.** For these REMICs, Form 1065X may be signed by any person who could sign the return of the entity in the absence of the REMIC election. Thus, the return of a REMIC that

is a corporation or trust would be signed by a corporate officer or a trustee, respectively. For REMICs with only segregated pools of assets, the return would be signed by any person who could sign the return of the entity owning the assets of the REMIC under applicable state law.

**REMICs with a startup day before November 10, 1988.** These REMICs may elect to apply the rules for REMICs with a startup day after November 9, 1988 (as described in Regulations section 1.860F-4(c)(2)(iii)). Otherwise, Form 1066 must be signed by a residual interest holder or, as provided in section 6903, by a fiduciary as defined in section 7701(a)(6) who is acting for the REMIC and who has furnished adequate notice as described in Regulations section 301.6903-1(b).

In the prior paragraph, the term “startup day” means any day selected by a REMIC that is on or before the first day on which interests in such REMIC are issued. Otherwise, “startup day” is the day on which the REMIC issued all of its regular and residual interests. However, a sponsor may contribute property to a REMIC in exchange for regular and residual interests over any period of 10 consecutive days and the REMIC may designate any one of those 10 days as the startup day. The day so designated is then the startup day, and all interests are treated as issued on that day.

## Where To File

Form 1065X must be filed with the service center where the original return was filed.

## Definitions

**Tax Matters Partner.** If the partnership is subject to the TEFRA procedures, it can designate a partner as the tax matters partner (TMP) for the tax year for which the return is filed. The TMP is a general partner (in most cases, the TMP must also be a U.S. person) designated by the partnership to represent the partnership in consolidated audit and litigation proceedings under sections 6221 through 6234. The designation is made by completing the Designation of Tax Matters Partner section on page 3 of Form 1065.

Additionally, a REMIC may designate a tax matters person in the same manner in which a partnership may designate a tax matters partner under Regulations section 301.6231(a)(7)-1. When applying that section, treat all holders of a residual interest in the REMIC as general partners. The designation may be made by completing the Designation of Tax Matters Person section on page 4 of Form 1066.

For a limited liability company (LLC), only a member manager of the LLC is treated as a general partner. A member manager is any owner of an interest in the LLC who, alone or together with others, has continuing exclusive authority to

make the management decisions necessary to conduct the business for which the LLC was formed. If there are no elected or designated member managers, each owner is treated as a member manager. For details, see Regulations section 301.6231(a)(7)-2.

**Partner with Authority.** Each ELP must designate a partner (or other person) who shall have the sole authority to act on behalf of the partnership. See section 6255(b)(1). If the partnership fails to designate a partner with authority, the IRS can select any partner to serve as the partner with such authority. The PWA has the authority to file an administrative adjustment request on behalf of the partnership. The PWA does this by filing Form 1065X.

## Paid Preparer's Information

If a partner or an employee of the partnership or REMIC completes Form 1065X, the “Paid Preparer Use Only” space should remain blank. In addition, anyone who prepares Form 1065X but does not charge the partnership or REMIC should not complete this section.

Generally, anyone who is paid to prepare Form 1065X must do the following.

- Sign the return in the space provided for the preparer's signature.
- Fill in the other blanks in the “Paid Preparer Use Only” area of the return. A paid preparer cannot use a social security number in the “Paid Preparer Use Only” box. The paid preparer must use a preparer tax identification number (PTIN).
- Give the partnership or REMIC a copy of the return in addition to the copy to be filed with the IRS.

**Note.** A paid preparer may sign original or amended returns by rubber stamp, mechanical device, or computer software program.

## Interest and Penalties

**Interest.** Interest is charged on taxes not paid by the due date, even if an extension of time to file is granted. Interest is also charged on penalties imposed for negligence, fraud, substantial valuation misstatements, substantial understatements of tax, and reportable transaction understatements. The interest is charged from the due date (including extensions) to the date of payment. The interest charge is figured at a rate determined under section 6621.

**Late payment penalty.** The penalty for not paying the tax when due is usually 1/2 of 1% of the unpaid tax for each month or part of a month that the tax remains unpaid. The penalty cannot exceed 25% of the unpaid tax.

**Other penalties.** Penalties can also be imposed for negligence, substantial understatements of tax, reportable transaction understatements, and fraud. See sections 6662, 6662A, and 6663.

## Protective AARs

Generally, a protective AAR is a request for credit or refund based on current litigation or expected changes in tax law or other legislation. The TMP or PWA files a protective AAR when the right to a refund is contingent on future events and may not be determinable until after the period for filing an AAR has expired. Protective AARs are subject to AAR statutes set forth in sections 6227, 6228, and 6229. If you are a TMP filing on behalf of the partnership, the petition period described in section 6228 can be extended by using Form 9248, Agreement to Extend the Time to File a Petition for Adjustment by the Tax Matters Partner With Respect to Partnership Items.

A protective AAR must clearly state that it is a protective AAR, alert the IRS to the essential nature of the adjustment, and specify the line item to be protected.

**Judicial review of an AAR (for returns subject to the TEFRA procedures or ELPs).** If the IRS fails to act on an AAR, the TMP or PWA may file a petition for judicial review with the United States Tax Court, United States Court of Federal Claims, or United States District Court. The TMP or PWA must file the petition before the date that is 2 years after the date the TMP or PWA filed the AAR, but not until after the date that is 6 months from the date of such filing. The 2-year period may be extended if the IRS and the TMP or PWA agree in writing. For more details, see sections 6228 and 6252.

## Specific Instructions

### Name and Address

Print or type the legal name of the entity, address, and EIN on the appropriate lines. Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead.

If the entity receives its mail in care of a third party (such as an accountant or attorney), enter on the street address line “C/O” followed by the third party's name and street address or P.O. box.

If the entity's address is outside the United States, or its possessions or territories, enter the information on the line for “City or town, state, and ZIP code” in the following order: city, province or state, and foreign country. Follow the foreign country's practice in placing the postal code in the address. Do not abbreviate the country name.

### Item A

If the answer to item A is “Yes,” the partnership return is not subject to the TEFRA proceedings. You should proceed to item E and check the “Not subject to TEFRA” box.

## Items B through E

These items are used to determine if the partnership is subject to the rules for consolidated audit procedures (TEFRA procedures).

### Consolidated REMIC proceedings.

Generally, the tax treatment of REMIC items is determined at the REMIC level in a consolidated REMIC proceeding, rather than in separate proceedings with individual residual interest holders. A REMIC subject to consolidated REMIC procedures will have checked the box on item G on page 4 of its original Form 1066.

## Items B and C

All partnerships (except ELPs) and REMICs **ARE** subject to TEFRA partnership audit procedures unless the partnership or REMIC is subject to the small partnership exception. See section 6231(a)(1)(B).

A small partnership is a partnership with 10 or fewer partners at all times during the year. All partners must be U.S. individuals and their estates, resident alien individuals, or C corporations. If both these conditions are met, check the "Yes" box for item B and item C.

**Note.** For making the small partnership determination, a husband and wife each having their own partnership interest are considered one partner. An individual who has passed away during the year and their estate are considered one partner.

## Item D

A partnership defined as a small partnership can elect to be treated as a TEFRA partnership. The partnership elects TEFRA treatment by attaching a statement to the tax return for the first year they wish the election to be effective. This statement must be signed by all partners. See Regulations section 301.6231(a)(1)-1(b). Form 8893, Election of Partnership Level Tax Treatment, is the statement that can be used to make this election. If you answer "Yes" to item D, also enter the tax year of the filing of this election in the space provided.

## Item E

If at any time during the tax year, there are more than 10 partners or any of the following are partners in the partnership, then the partnership is not a small partnership.

- Another partnership.
- A limited liability company (LLC) which files as a partnership or is treated as a disregarded entity.
- Any type of trust, including a grantor trust.
- A nominee.
- A nonresident alien.
- An S corporation.

If in item...	The box checked is...	Then in item E, check...
B	No	Subject to TEFRA
C	No	Subject to TEFRA
D	Yes	Subject to TEFRA
B and C	Yes	Not subject to TEFRA
D	No	Not subject to TEFRA

## Item F

Check the box to indicate whether you are filing an amended return or an AAR.

**Amended return.** Check this box if you checked the "Not subject to TEFRA" box in item E, and you are not an ELP. This means that you are filing a request to correct a previously filed nonTEFRA partnership return or REMIC return.

If your partnership or REMIC return meets the exception under section 860F(e) or section 6231, and does not file an election to be treated as a TEFRA partnership under section 6231(a)(1)(B)(ii), and you received a corrected Form 1099 or are making changes to income, deductions, or credits, but there are no flow-through changes from a TEFRA partnership, then you are filing an amended return. Check the "Amended Return" box.

**Administrative Adjustment Request (AAR).** Check this box if you are filing a request to correct a previously filed partnership or REMIC return and you are one of the following.

- The TMP of the TEFRA partnership or REMIC. The REMIC must be subject to consolidated REMIC proceedings. For more information on consolidated REMIC proceedings, see the Instructions for Form 1066.
- An ELP correcting a previously filed return.

## Item G

A substituted return is an amended return in which the TMP requests that the treatment of an item shown on the AAR be substituted for the treatment of the item on the pass-through entity's return. If the IRS allows substituted return treatment, the changes shown on the amended return will be treated as corrections of mathematical or clerical errors, and the IRS may credit or refund any overpayment of tax to the partners or residual interest holders based on the amended return or assess any resulting tax without a deficiency or entity level proceeding. See section 6227(c)(1).

If the request is not treated as a substituted return, the IRS may credit or refund any overpayment of tax to the partners or residual interest holders per the request, conduct an examination of the pass-through entity's return, or take no action on the request. When a request is not treated as a substituted return, the IRS cannot assess tax without a

deficiency or entity level proceeding. See section 6227(c)(2).

**ELPs.** An ELP cannot request substituted treatment. See section 6251(b).

## Part I—Amended or Administrative Adjustment Request (AAR) Items for Partnerships Filing Form 1065 Only

For information on income, deductions, credits, etc., see the Instructions for Form 1065, Schedules K and K-1, for the tax year being amended or otherwise adjusted. See the Instructions for Form 1065 for a list of forms that may be required.

If you are a TEFRA partnership, the IRS will process Form 1065X following the guidelines set forth in sections 6227(c)(1) and 6227(c)(2).

**Column (a).** Enter the amounts from Schedule K of Form 1065 as originally filed or as was previously adjusted. If the return was changed or audited by the IRS, enter the amounts as adjusted.

**Column (b).** Enter the net increase or decrease for each line being changed. Use parentheses around all amounts that are decreases. Explain the increase or decrease in Part III.

**Line 3.** Use line 3 to show amendments to other net rental income (loss). For more information on how other net rental income (loss) is calculated, see *Line 3. Other Net Rental Income (Loss)* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

If the partnership is reporting more than one rental activity, show the separate calculation for each activity in Part III.

**Line 9c.** For more information on the three types of unrecaptured section 1250 gain that can be reported, see *Line 9c. Unrecaptured Section 1250 Gain* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

If the partnership is reporting more than one type of unrecaptured section 1250 gain, show the separate calculation for each gain in Part III.

**Line 11.** Enter any other item of income or loss not included in lines 1 through 10. For information on the types of income and loss reported, see *Line 11. Other Income (Loss)* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of income and loss reported on this line.

**Line 13d.** Enter deductions not included on lines 12, 13a, 13b, 13c, and 16l. For more information on the types of deductions reported, see *Line 13d. Other Deductions* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of the deductions reported on this line.

**Line 15d.** Enter credits (other than credits reported on lines 15a through 15c) related to rental real estate activities. These credits may include any type of credit listed in *Line 15f. Other Credits* of the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of the rental real estate credits reported on this line.

**Line 15e.** Enter credits (other than credits reported on lines 15a through 15d) related to rental activities. These credits may include any type of credit listed in *Line 15f. Other Credits* of the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of the rental credits reported on this line.

**Line 15f.** Enter credits, except for credits or expenditures shown or listed for lines 15a through 15e. If any of the credits are attributable to rental activities, enter them on line 15d or line 15e as appropriate. For more information on the types of credits listed, see *Line 15f. Other Credits* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of credits reported on this line. If any of the credits are subject to recapture, include in Part III the credit recapture information.

**Line 16m.** Use line 16m to show amendments to total reduction in taxes available for credit. For more information about the reduction in taxes that are reported, see *Line 16m. Reduction in Taxes Available for Credit (Code N)* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of reductions reported on this line.

**Line 16n.** Use Part III to report amendments to other foreign tax information. For more information about the other foreign tax information associated with this line, see *Line 16n. Other Foreign Tax Information* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

**Line 17f.** Use line 17f to show amendments to other AMT items that are not shown on lines 17a through 17e. For more information about the other AMT items associated with this line, see *Line 17f. Other AMT Items* in the Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

In Part III, identify the different types and amounts of other AMT items reported on this line.

**Line 20c.** Use Part III to report amendments to other items and amounts. For more information on other items and amounts associated with this line, see *Line 20c. Other Items and Amounts* in the

Instructions for Form 1065 for the tax year being amended or otherwise adjusted.

### Amended Schedules K-1

File amended Schedules K-1 with Form 1065X and furnish copies of the amended Schedules K-1 to the partners. If the partnership is filing Form 1065X for an AAR, inform the partners receiving the amended Schedules K-1 that the partnership is filing the AAR. If the partnership is not subject to the rules for consolidated audit proceedings (TEFRA proceedings) under sections 6221 through 6234, it must furnish the amended Schedules K-1 to its partners. The partners must then file their own amended returns.

## Part II—Amended or Administrative Adjustment Requests (AAR) Items for ELPs and REMICs Only

**ELPs only.** An ELP may file an AAR to adjust its partnership items. Generally, the ELP has two choices for handling the adjustment.

1. It may combine the adjustment with the same partnership item for the year in which the IRS allows the adjustment and pass it through to the current partners for that year. However, if the adjustment involves the reduction in a credit which exceeds the amount of that credit for the partnership tax year in which the adjustment is allowed, the partnership must pay tax in an amount equal to the excess amount.

2. It may elect not to pass the adjustment through to current partners by paying tax on any imputed underpayment that results from the adjustment. If the partnership elects to pay the tax, enter it on Part II, line 16. Attach a computation of the tax to Form 1065X.

In either case, the partnership is liable for any interest and penalties on imputed underpayments that result from the adjustment. See section 6242(b) for details. Interest is figured on the imputed underpayment for the period beginning on the day after the due date (excluding extensions) of the partnership return for the tax year the adjustment takes effect, or, if earlier, the date the partnership paid the tax due under 2 above. The adjusted year is the partnership tax year in which the item being adjusted arose.

**ELPs and REMICs.** Identify in Part II of Form 1065X the amount and treatment of any item the partnership or REMIC is changing from the way it was reported on the original return.

**Column (a).** Enter a description of the item that the partnership or REMIC is adjusting or amending.

**Column (b).** Enter the amounts from the ELP's or REMIC's return as originally filed or as it was later adjusted. If the return was changed or audited by the IRS, enter the amounts as adjusted.

**Column (c).** Enter the net increase or net decrease for each line being changed. Use parentheses around all amounts that are decreases. Explain the increase or decrease in Part III.

**Column (d).** Add the increase in column (c) to the amount in column (b) or subtract the column (c) decrease from column (b). Enter the result in column (d).

**Line 6.** Show any increase or decrease to the ELP's tax or other payments.

**Line 10.**

**ELPs.** Enter the line 6 amounts on line 10.

**REMICs.** Add the amounts on lines 7 through 9 and enter the total for each column on line 10.

**Line 11.** Enter the amount of tax deposited with Form 7004, Application for Automatic Extension of Time To File Certain Business Income Tax, Information, and Other Returns.

**Line 14.** Enter the amount from the "Overpayment" line of the original return, even if the ELP or REMIC chose to credit all or part of this amount to the next year's estimated tax. This amount must be considered in preparing Form 1065X because any refund due from the original return will be refunded separately from any additional refund claimed on Form 1065X. If the original return was changed by the IRS and the result was an additional overpayment of tax, also include that amount on line 14.

**Line 16.** If the ELP or REMIC does not use electronic fund transfers, including the Electronic Federal Tax Payment System (EFTPS), enclose a check with this form. Make the check payable to the "United States Treasury."

**Line 17.** If the ELP or REMIC is entitled to a refund larger than the amount claimed on the original return, line 17 will show only the additional amount of overpayment. This additional amount will be refunded separately from the amount claimed on the original return. The IRS will figure any interest due and include it in the refund.

## Amended Schedules K-1 or Schedules Q

If the ELP or REMIC is filing Form 1065X for an AAR, do not furnish the amended Schedules K-1 or Schedules Q to the partners or residual interest holders. If the REMIC is not filing for an AAR and is not subject to the rules for consolidated audit proceedings under sections 6221 through 6231, the REMIC must furnish the amended Schedules Q to its residual interest holders.

## Part III—Explanation of Changes to Items in Part I and Part II

For each amended item, explain in detail the reasons for the change. Include any computations necessary to support the amended item.

**Changes in allocations.** If there is a change in the allocation of income, gain, loss, deduction, or credit to a partner, check the box in Part III and specify the nature and reasons for the changes.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB

control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average times are:

- Recordkeeping** . . . . . 21 hr., 3 min.
- Learning about the law or the form** . . . . . 3 hr., 58 min.
- Preparing and sending the form to the IRS** . . . . . 4 hr., 29 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:M:S, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where To File*, earlier.