that may be considered include those related to the partnership representative, including nominating that person, ensuring that that nomination is made on the partnership's tax return, and detailing the partnership representative's responsibilities to the other partners. For example, although the partnership representative is not required to provide information to the partners under the centralized partnership audit regime rules, the partners may wish to require the partnership representative to share all information he or she receives from the Service with the partners, and refrain from settling a tax adjustment with the Service or electing to push out amounts due without partner approval. The partnership agreement can provide indemnification provisions for the partnership representative, detail costs the partnership representative may incur in handling an audit, as well as require the partners to cooperate with the partnership representative and provide information as needed.

There remains a great deal of uncertainty as to how the new rules will be put into practice once the Service commences audits under the centralized partnership audit regime. However, attorneys can act now to familiarize themselves with the new rules, educate clients regarding the rules and choices they have under them, work with clients’ tax advisors to plan for the changes, and update governing documents.

Lauren N. Page is an associate with Smith Moore Leatherwood in Wilmington. Her principal areas of practice are estate planning and administration, guardianships, business tax planning and tax services. She is a member of the NCBA Estate Planning and Fiduciary Law Section Legislative Committee.