

March 19, 2018

IRS Announces Five New Compliance Campaigns Focusing on Corporate Spin-Offs and Partnerships

On March 13, 2018, the IRS announced five new Large Business and International Division (“LB&I”) compliance campaigns, adding to the 24 campaigns announced last year and discussed in the [Tax Controversy quarterly newsletter](#) and in a previous client [alert](#). Its announcement marks a continuation of the LB&I’s modified compliance orientation, which seeks to focus more of its resources on high-risk substantive issues and voluntary compliance efforts and less on traditional audits and audit targets, such as large taxpayers. The five new campaigns are as follows:

- **Costs that Facilitate an IRC Section 355 Transaction:** LB&I will conduct issue-based audits of taxpayers who may have improperly deducted costs associated with tax-free spin-offs under Section 355 instead of capitalizing them.
- **Self-Employment Contributions Act (SECA) Tax:** this campaign will focus on whether partners and LLC members who provide services to their partnerships or LLCs have appropriately reported and paid self-employment tax associated with their earnings, and may involve issue-based audits, as well as outreach to tax professionals, including software providers.
- **Partnership Stop Filer:** LB&I will be looking at partnerships that have stopped filing returns, and may conduct issue-based audits or send soft letters encouraging partnerships to file delinquent returns.
- **Sale of Partnership Interest:** this campaign will focus on whether partners properly reported the character of the gain or loss from the sale of partnership interests and paid any taxes due at the appropriate rate, considering the holding period and assets held by the partnership.
- **Partial Disposition Election for Buildings:** LB&I is looking at taxpayers who reported partial dispositions of buildings, including structural components, to see if they complied with 2014 substantiation requirements. The campaign will involve issue-based audits and potential changes to forms, instructions, and related publications.