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U.S. Tax Court: Final partnership adjustment held timely under BBA limitations period rules

The U.S. Tax Court held that the IRS timely issued a Notice of Final Partnership Adjustment (FPA) under the centralized partnership audit regime enacted by the Bipartisan Budget Act of 2015 (BBA).The partnership and the IRS had agreed under section 6235(b) to extend the section 6235(a)(1) limitations period. Because the FPA was issued within the extended section 6235(a)(1) period, the Tax Court held the FPA was timely.

The case is: *Katanga Properties, LLC v. Commissioner*, 167 T.C. No. 10 (Sept. 9, 2026). Read the Tax Court's opinion.

Summary

On June 10, 2021, the partnership filed its 2020 Form 1065. In May 2022, the IRS sent a notice to the partnership indicating that the IRS had selected the 2020 Form 1065 for exam. The partnership and IRS agreed to extend the limitations period for partnership adjustments under section 6235(a)(1) by executing a Form 872-M. The section 6235(a)(1) period was extended until May 30, 2025. The IRS issued a Notice of Proposed Partnership Adjustment (NOPPA) on April 16, 2024, and subsequently mailed the FPA on March 25, 2025. The partnership did not request any modifications under section 6225(c).

The partnership argued that section 6235(a) establishes sequential deadlines and that the IRS had only 330 days from the issuance of the NOPPA under section 6235(a)(3) to issue the FPA. The IRS contended that section 6235(a) allows adjustments until the latest applicable deadline in paragraphs (1), (2), or (3) of section 6235(a), including any extension under section 6235(b).

The Tax Court agreed with the IRS. The Tax Court acknowledged that under section 6235(a)(3), the IRS has at least 330 days after the issuance of a NOPPA to issue an FPA. The Tax Court also observed, however, that the 330-day period found in section 6235(a)(3) does not eliminate or otherwise supersede the periods set forth in sections 6235(a)(1) and (a)(2). The Tax Court also observed that the statutory language provides that no adjustment may be made after the later of the periods described in section 6235(a)(1), (2), or (3). The court concluded that because the parties validly extended the section 6235(a)(1) period to May 30, 2025, and the FPA was mailed on March 25, 2025, the FPA was timely.

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