

Part III - Administrative, Procedural, and Miscellaneous
Partnership Magnetic Media Filing Requirements

Notice 97-77

PURPOSE

This notice provides guidance to partnerships having more than 100 partners regarding the requirement to file partnership tax returns on magnetic media under § 6011(e) of the Internal Revenue Code, as amended by § 1224 of the Taxpayer Relief Act of 1997 (Act), Pub. L. 105-34, 111 Stat. 788 (August 5, 1997).

BACKGROUND

Section 6011(e)(1) generally provides that the Secretary will prescribe regulations providing standards for determining which returns must be filed on magnetic media or in other machine-readable form.

Section 6011(e)(2) defines the requirements of the regulations, and provides that, in prescribing the regulations under § 6011(e)(1), the Secretary will not require any person to file returns on magnetic media unless such person is required to file at least 250 returns during the calendar year, and will take into account (among other relevant factors) the ability of the taxpayer to comply at reasonable cost with the requirements of such regulations.

Section 1224 of the Act amended § 6011(e)(2) to provide that the Secretary will require partnerships having more than 100 partners to file returns on magnetic media. Section 1226 of the Act provides that § 1224 is effective for tax years ending on or

after December 31, 1997. However, the legislative history of the Act, as provided in H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 675 (1997), indicates that § 1224 is effective for tax years beginning after December 31, 1997. The Tax Technical Corrections Act of 1997, which is currently pending in Congress, provides that the effective date in § 1226 of the Act is for partnership tax years beginning after December 31, 1997. H.R. 2645, 105th Cong., 1st Sess. § 11(c) (1997).

TAX YEARS BEGINNING AFTER DECEMBER 31, 1997

The Service intends to implement § 1224 of the Act by issuing regulations as required by § 6011(e). The regulations will address the mandatory magnetic media filing requirements for Form 1065, U.S. Partnership Return of Income, for Schedules K-1, Shareholder's Share of Income, Credits, Deductions, etc., and for all other related forms and schedules. These regulations, however, will only address the requirements for tax years beginning after December 31, 1997.

TAX YEARS BEGINNING BEFORE JANUARY 1, 1998

The Service will not require magnetic media filing of partnership tax returns for partnership tax years beginning before January 1, 1998. Therefore, a partnership with more than 100 partners will not be required to file its partnership tax return on magnetic media for a tax year ending December 31, 1997, and no penalties will be imposed on the partnership for not filing such partnership tax return on magnetic media.

DRAFTING INFORMATION

The principal author of this notice is Bridget E. Finkenaur of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this notice, contact Ms. Finkenaur at (202) 622-4940 (not a toll-free number).