

# Instructions for Form 8985 and Form 8985-V



Department of the Treasury  
Internal Revenue Service

(Rev. January 2024)

## Pass-Through Statement—Transmittal/Partnership Adjustment Tracking Report (Required Under Sections 6226 and 6227) For use with Form 8985 and Form 8985-V (December 2019)

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

## Future Developments

For the latest information about developments related to Forms 8985 and 8985-V and their instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8985](https://www.irs.gov/Form8985).

## What's New

This revision of the Instructions for Form 8985 includes an update on using the Part V statements section for making a correction to the amounts reported in Part IV. See [Statements provided in addition to amounts in Part IV](#).

## Purpose of Form

Form 8985 is used to summarize and transmit Forms 8986, Partner's Share of Adjustment(s) to Partnership-Related Item(s), by an audited partnership, administrative adjustment request (AAR) partnership, or pass-through partner. Form 8985 is also

used to report payment made and related calculations by a pass-through partner.

Form 8985-V is used by a pass-through partner to submit a tax payment related to a BBA exam or BBA AAR.

## Definitions

**AAR partnership** is a BBA partnership (see below) which has filed an AAR under section 6227.

**AAR partnership's adjustment year** is the partnership tax year that includes the date the AAR was filed with the IRS.

**Affected partner** is a partner that held an interest in the pass-through partner entity at any time during the tax year of the pass-through partner to which the adjustments in the statement relate.

**Audited partnership**, for purposes of Form 8985, is a BBA partnership that made the election under section 6226 to have its partners report their share of adjustments to partnership-related items.

**Audited partnership's adjustment year** is the year that includes the date the court decision became final, if the partnership filed a petition under section 6234. Otherwise, it is the year that includes the date the final partnership adjustment (FPA) letter was mailed, or the FPA waiver was executed by the IRS.

**Adjustments that do not result in an IU.** A partnership adjustment does not result in an imputed underpayment (IU) if the result of netting with respect to any grouping or subgrouping that includes the particular partnership adjustment is zero or less than zero. Adjustments do not result in an IU if the calculation of the IU on those adjustments results in an amount that is zero or less than zero. Any adjustment to an item which is not a monetary item (for example, an election made by the partnership) is an adjustment that does not result in an IU.

**BBA AAR** is an administrative adjustment request filed by a BBA partnership.

**BBA partnership** is a partnership that is subject to the centralized partnership audit regime that was enacted into law by section 1101 of the Bipartisan Budget Act of 2015 (BBA). The BBA is generally effective for tax years beginning on or after January 1, 2018.

**Designated individual (DI)** is the individual through whom an entity partnership representative acts.

**Extended due date of the partnership's adjustment year return** is, for purposes of Form 8985, the extended due date of the AAR or audited partnership's adjustment year return regardless of whether the partnership is required to file a return for the adjustment year or timely filed a request for an extension.

**Finally determined** The partnership adjustment(s) become finally determined upon the expiration of the time to file a petition under section 6234 or, if a petition is filed under section 6234, the date when the court's decision becomes final or the date the closing agreement is entered into between the IRS and the partnership.

**First affected year** is the partner's tax year that includes the end of the audited or AAR partnership's reviewed year(s). Each

reviewed year of an audited partnership should have a corresponding first affected year for each partner.

**Imputed underpayment (IU)** is the amount determined under sections 6225, 6226, and 6227, and the regulations thereunder.

**Partnership representative (PR)** is the person designated by the partnership or by the IRS under section 6223 and the regulations thereunder to act on behalf of a BBA partnership.

**Pass-through partner** is a pass-through entity that holds an interest, either directly or indirectly, in a partnership.

Pass-through entities include partnerships, S corporations, trusts, and decedents' estates. For purposes of Form 8985, a pass-through entity is not a wholly owned entity disregarded as separate from its owner for federal tax purposes or a trust that is wholly owned by only one person.

**Pass-through partner's tax year end to which the adjustments relate** is the end of the pass-through partner's tax year which includes the audited or AAR partnership's reviewed year end date.

**Note.** An entity partner can be both a non-pass-through partner and a pass-through partner. To the extent the adjustments an entity partner received on a Form 8986 relate to items that are taxable at the entity level, it is considered a non-pass-through partner. With regard to adjustments that pass through to its owners/beneficiaries, it is considered a pass-through partner.

**Reporting year** is the partner's tax year(s) that includes the date the AAR or audited partnership furnished the Forms 8986, Partner's Share of Adjustment(s) to Partnership-Related Item(s), to its partners.

**Reviewed year** is the AAR or audited partnership's tax year to which the partnership adjustment(s) relates.

**Reviewed year adjustments** are adjustments originating from the AAR or audited partnership's reviewed year(s).

**Reviewed year partner** is any person that held an interest in the audited or AAR partnership at any time during the partnership's reviewed year.

## General Instructions

### Who Should Prepare Form 8985

The following persons or entities should prepare Form 8985.

- Audited partnerships that have made an election under section 6226.
- Direct or indirect pass-through partners that receive a Form 8986 related to an AAR or audited partnership, regardless of whether they furnish statements to their partners or choose to pay in lieu of furnishing statements to their partners.
- Partnerships that file an AAR under section 6227 and either elect to push out the resulting adjustments to their partners or have adjustments that do not result in an IU.

### Who Must Sign Form 8985

If prepared by an audited partnership or an AAR partnership, Form 8985 should be signed by the authorized PR or DI for the reviewed tax year. If prepared by a pass-through partner, Form 8985 should be signed by an individual who has the authority to sign the partner's information return. If the pass-through partner is a BBA partnership, this should be signed by the pass-through partner's PR or DI for the first affected year.

**Special instructions for pass-through partners.** If the PR or DI shown on the pass-through partner's first affected year tax return has changed or you would like to make a change, submit a Form 8979 authorizing the change. If the Form 8985 you are submitting is related to an AAR filing, the Form 8979 should be included with the Form 8985. However, if the Form 8985 is related to a BBA audit, fax the Form 8979 separately to 888-981-6982, and in Part V of the Form 8985 (which must be

submitted electronically) include a statement indicating that the PR or DI has changed and the date the Form 8979 was faxed.

**Special instructions for a BBA partnership making a push out election as a result of an examination.** If a BBA partnership makes a push out election, and the PR or DI for the reviewed year has changed or you would like to make a change, submit Form 8979 by attaching it to the push out election, Form 8988 (which must be submitted electronically). If the PR or DI for the reviewed year changes between the time the push out election is made and when the Form 8985 is submitted, fax the Form 8979 separately to 888-981-6982, and in Part V of the Form 8985 (which must be submitted electronically) include a statement indicating that the PR or DI has changed and the date the Form 8979 was faxed.

### Where To Submit Form 8985

**Audited partnerships and pass-through partners of audited partnerships.** Section 6241(10) gives the IRS authority to require electronic submission of anything required to be filed or submitted under section 6226(a). Audited BBA partnerships and their pass-through partners are required to submit Forms 8985 and 8986 electronically. See [IRS.gov/BBAeSubmit](https://www.irs.gov/BBAeSubmit) for steps required to register and submit electronically.

**AAR partnerships.** AAR partnerships that are electing to push out adjustments to their partners or have adjustments that do not result in an IU must include Form 8985 with their AAR along with Forms 8986. The Forms 8985 and 8986 must be filed with, and in the same manner as, the AAR.

**Pass-through partners of an AAR partnership.** Pass-through partners of an AAR partnership must submit Form 8985 to the IRS by fax at 888-981-6982, with or without Forms 8986, as applicable. This fax number is not for general use. Taxpayers should not use this for anything besides Forms 8985 and 8986. Illegible or other submissions received at this fax number will not be processed. See [IRS.gov/BBAeSubmit](https://www.irs.gov/BBAeSubmit) for additional information.

### Due Dates

**Audited partnerships.** An audited partnership that has made an election under section 6226 must submit Form 8985 and the related Forms 8986 to the IRS no later than 60 days after the date on which the partnership adjustments are finally determined. Failure to submit Forms 8986 by the due date may result in the audited partnership being liable for the IU.

An audited partnership can submit corrected Forms 8985 and the related corrected Forms 8986 within 60 days of the due date for the initially submitted forms without IRS permission. If corrected statements need to be submitted after the 60-day correction period, the audited partnership must contact the IRS for permission to submit.

**AAR partnerships.** An AAR partnership that either elects to push out the resulting adjustments to its partners or has adjustments that do not result in an IU must include Forms 8985 and the related Forms 8986 with its AAR.

**Pass-through partners.** Direct and indirect pass-through partners must submit Form 8985 by the extended due date of the audited partnership's adjustment year return (or the extended due date of the AAR partnership's adjustment year return). This date can be found in Part II, item F, of the Form 8986 that was received by the pass-through partner. Failure to submit by the due date may result in a penalty. A pass-through partner who receives a Form 8986 related to an audited partnership can submit a corrected Form 8985 and the related Forms 8986, if applicable, within 60 days of the due date for the initially submitted forms without IRS permission. If corrected Forms 8985 need to be submitted after the 60-day correction period,

the pass-through partner must contact the IRS for permission to submit.

## Pass-Through Partners That Make a Payment

If a pass-through partner receives a Form 8986 as a result of an audited partnership, it can take into account the adjustments reflected in the Form 8986 by paying the IU, including all applicable penalties and interest, and submitting Form 8985 by the extended due date of the audited partnership's adjustment year return. A pass-through partner that chooses to pay an IU should not issue related Forms 8986 to its partners, with one exception noted in the next paragraph, but should still complete Part IV of Form 8985.

If a pass-through partner receives a Form 8986 as a result of an AAR partnership, it can take into account the adjustments reflected in the Form 8986 by paying the IU, including all applicable penalties and interest, and submitting Form 8985 by the extended due date of the AAR partnership's adjustment year return. However, adjustments that do not result in an IU shown on the Form 8986 that are related to an AAR must be pushed out.

In Part III, item F, the appropriate box must be checked and payment information must be reflected. In Part V, include a statement or statements showing how the IU, penalties, and interest were figured. See below for how to figure these amounts.

**Pass-through partner's calculation of the IU.** If a pass-through partner chooses to make a payment rather than push out the adjustments to its partners, payment is figured in the same manner as an IU is figured under Regulations section 301.6225-1 by treating all the adjustments reflected on the Form 8986 received by the pass-through partner as partnership adjustments for the first affected year of the pass-through partner. Any modifications approved by the IRS with respect to an audited partnership involving partners of the pass-through partner (which are indirect partners of the audited partnership) should be taken into account in this calculation. Adjustments that do not result in an IU are taken into account by the pass-through partner in the tax year that includes the date of payment. However, adjustments that do not result in an IU shown on the Form 8986 that are related to an AAR must be pushed out. A detailed calculation must be included in Part V of the Form 8985 filed with the IRS. Pass-through partners of an AAR partnership cannot include modifications in the calculation.

**Pass-through partner's calculation of penalties and interest.** Pass-through partners that make a payment must figure and pay applicable penalties on the amounts due, treating such amounts as IUs for the pass-through partner's first affected year. To find out which penalties apply, pass-through partners should refer to the penalty sections of Part V of the Form 8986 that they received.

Pass-through partners that make a payment must pay interest on the IU (including all applicable penalties) as if the IU was due on the due date of the return for first affected year. Interest is figured from the due date of the pass-through partner's return for the first affected tax year and is compounded daily until it is paid. The interest on the penalties is also figured from the same due date unless the pass-through partner filed for an extension in the first affected year, in which case it should be figured from that date. The interest is figured at the underpayment rate under section 6621(a)(2), but substituting "five percentage points" for "three percentage points." Pass-through partners that are making a payment as part of an AAR should use the rate under section 6621(a)(2) without making this substitution.

**Example calculation of amount due, penalty, and interest by pass-through partner.** On October 12, 2026, MJ, an audited partnership, timely furnishes Forms 8986 to its partners and submits them to the IRS. The Forms 8986 reflect the

partners' share of partnership adjustments as finally determined in the FPA it received from the IRS for reviewed year ending December 31, 2023. The Forms 8986 sent to partners M (an individual) and J (a partnership) each reflect a partnership adjustment of \$100,000 to ordinary income. The statements also indicate that the substantial understatement penalty under section 6662(d) applies and no modifications were approved. The extended due date of MJ's 2026 return is September 15, 2027.

M takes into account her share of the adjustments reflected on the Form 8986 furnished by MJ on her reporting year 2026 individual tax return by completing and attaching Forms 8978 and 8978 Sch A.

J's first affected year return was due on March 15, 2024. J did not file for an extension. Assume the short-term federal interest rate from March 15, 2024, to April 1, 2027, is 2.5%. J adds 5% (3% from section 6621; 2% from section 6226) to this rate to obtain 7.5% as its applicable interest rate which is compounded daily. Also assume that the highest income tax rate for a U.S. person as of December 31, 2023, is 37%. On April 1, 2027, J decides to account for the adjustments by paying an IU and submitting the Form 8985 to the IRS. J determines that because the IU exceeds the threshold amount in section 6662(d), the penalty must be included in its payment. On Form 8985, J checks box 1 in Part III, item F, figures an IU, and includes a statement with the calculation details in Part V. J figures the IU, related penalty, and interest from March 15, 2024, as shown in the following table.

## Example Calculation of Amount Due, Penalty, and Interest by Pass-Through Partner

Total adjustments net of modifications	\$100,000
Multiplied by highest income tax rate in effect on 12/31/2023	37%
Equals IU (additional tax)	\$37,000
Multiplied by penalty rate under section 6662	20%
Equals penalty on IU	\$7,400
Total IU and penalty	\$44,400
Interest at 7.5% from 03/15/2024 to 04/1/2027 on total IU and penalty	\$11,408
Total amount due	\$55,808

J makes a payment of \$55,808 electronically at IRS.gov and obtains a confirmation number which it enters in the space provided in Part III, item F, of Form 8985, along with the amount of additional tax, penalties, and interest. Since J has accounted for its share of the audit adjustments by making a payment and submitting Form 8985, it does not have to issue Forms 8986 to its partners.

**Payments by pass-through partners.** Go to [IRS.gov/Payments](https://www.irs.gov/Payments) for payment options. If submitting a check or money order, use Form 8985-V. See the instructions for Form 8985-V at the end of these instructions.

However you choose to pay, identify your payment by checking the appropriate box on Form 8985-V.

- Payment submitted by a pass-through partner due to an audited partnership should be identified as "BBA exam push out."
- Payment submitted by a pass-through partner due to an AAR partnership should be identified as "BBA AAR push out."

## Pass-Through Partners That Push Out Adjustments to Their Partners

If a pass-through partner pushes out the adjustment(s) to its partners, it must push out all of the adjustment(s). The



appropriate box must be checked in Part III, item F, of Form 8985. It must also provide Forms 8986 to its partners and to the IRS by the extended due date of the audited partnership's (or AAR partnership's) adjustment year return. The push out package submitted to the IRS should include the summary Form 8985 and all related Forms 8986 that were provided to the partners. See the Instructions for Form 8986.

**Note.** The audit control number does not apply to partnerships and pass-through partners submitting Form 8985 as part of an AAR.

## Specific Instructions

**Original or corrected.** At the top of Form 8985, check the appropriate box to indicate if it's an original or corrected form. A corrected Form 8985 is required in all situations. If Form 8985 is corrected, it must be submitted with all of the Forms 8986 originally submitted, including forms that did not change.

**Withholding for foreign partners.** A BBA partnership may have withholding and reporting obligations if it furnishes a Form 8986 to a reviewed year partner that includes an adjustment subject to withholding under chapter 3 (Withholding of Tax on Nonresident Aliens and Foreign Corporations) or chapter 4 (Taxes to Enforce Reporting on Certain Foreign Accounts). See the Instructions for Form 8986 for more information.

**Incoming tracking number and outgoing tracking number.** These fields are to be filled out by a BBA partnership or a pass-through partner of a BBA partnership. The incoming tracking number is completed by a pass-through partner and is the tracking number shown on the Form 8986 received by the pass-through partner. The outgoing tracking number needs to be completed by a BBA partnership or a pass-through partner of a BBA partnership that is issuing Forms 8986 to its partners/owners. A unique outgoing tracking number must be obtained for each push out package submitted by an audited BBA partnership or pass-through partner of an audited BBA partnership. AAR filers and related pass-through partners should compute and enter unique tracking numbers by following the instructions below. See [IRS.gov/BBAeSubmit](https://www.irs.gov/BBAeSubmit) website for steps required to register and submit electronically.

AAR filers and pass-through partners (direct and indirect) of AAR partnership filers that are electing to push out adjustments to their partners should compute and complete the tracking number field as follows:

- For an AAR partnership, the incoming tracking number field should remain blank. The outgoing tracking number field should contain eight numbers, and a dash, followed by another six numbers in the format YYMM1234-0000XX. In the first four digits enter the year and month the AAR partnership is reporting that Forms 8986 were sent to its partners (use the same date used in Form 8985/8986 Part II, G), and in next four digits enter the last four digits of its EIN (that is, Part II, C). In the final six digits enter 000001 (or 000002 or 000003 and so forth if this is the second or third AAR filed for the reviewed year).

**Note.** This outgoing tracking number will also be used as the tracking number on Forms 8986 issued by the AAR partnership filer to its reviewed year partners.

- For a pass-through partner (direct and indirect) of an AAR partnership, the tracking number from the Form 8986 it received is used as the incoming tracking number on Form 8985 in all cases (whether the pass-through partner elects to pay or push out). If the pass-through partner is required to push out adjustments that do not result in an imputed underpayment or if the pass-through partner elects to push out further to its affected partners, it should determine and report the outgoing tracking number using the same numbers before the dash as the tracking number on the Form 8986 it received (date in 8986 Part II, G and last four of the EIN Part II, C), and then after the dash, enter the

last four digits of its EIN (EIN in Part III, B), followed by 01 (or 02, 03 and so forth if the pass-through partner received more than one Form 8986 originating from the same AAR partnership or same pass-through partner, for example, YYMM1234-0000XX).

**Audit control number.** Enter the audit control number that is provided on correspondence with the IRS. Pass-through partners can locate this number at the top of the Form 8986 they received.

## Part I—Information About Entity Submitting This Form

**Item A**—Indicate which entity is issuing this form by checking the appropriate box.

**Item B**—Check the box that corresponds to the type of return normally filed by the entity issuing this form. If Other, also indicate the type of return filed on the line provided.

**Item C**—Enter the number of Forms 8986 that are associated with only this Form 8985. Pass-through partners of an audited BBA partnership that choose to make a payment instead of issuing Forms 8986 must enter a zero in this box.

**Items D and E**—These fields are to be filled out only by an audited BBA partnership or a pass-through partner of an audited BBA partnership. Generally, box D should be checked, and you should enter 1 of 1 in box E.

**Note.** Pass-through partners of an audited BBA partnership that make a payment instead of issuing Forms 8986 will not need to include any Forms 8986. They should also check box D and enter 1 of 1 in box E.

**Special instructions for audited BBA partnerships or pass-through partners of audited BBA partnerships with more than 500 partners submitting push out Forms 8985 and 8986 (batched submission).** There is a limitation regarding the size of files that can be filed electronically in a single submission. If the submission exceeds that size, the submission must be split into multiple batches. In this situation, each batch of Forms 8986 must have an associated Form 8985.

The Form 8985 included in the first batch will be considered the summary Form 8985, and for this Form 8985, box D should be checked. In box E, enter 1 of X, with X being the total number of batches submitted for the outgoing tracking number shown at the top of the form. In the second batch submitted, do not check box D; enter 2 of X in box E, and so forth for all subsequent batches. Each batch must have the same outgoing tracking number (and incoming tracking number, if applicable).

## Part II—Information About the Audited Partnership or the Partnership That Filed an AAR

**Item A**—On lines 1–6, enter the name and address of the partnership. In the state field, enter the two-letter abbreviation for the U.S. state or the full name of the foreign province. U.S. partnerships leave the country code field blank. Foreign partnerships enter the country code found at [Foreign Country Codes](#).

**Item B**—On lines 1–7, enter the name, address, city, in the state field, enter the two-letter abbreviation for the U.S. state, ZIP code, and phone number of the PR. If the PR is an entity, provide the name, address, city, state, ZIP code, and phone number of the DI instead of the information about the PR.

**Item C**—Enter the partnership's tax identification number.

**Item D**—Enter the tax year end date of the reviewed year of the partnership. Each reviewed year should have a separate Form 8985. This form must be completed for reviewed years that have adjustments related to an audit or an AAR.

**Item E**—Enter the partnership's adjustment year ending date.

**Item F**—Enter the extended due date of the partnership’s adjustment year tax return, regardless of whether the partnership has filed for an extension. For AAR partnerships, this will be the extended due date of the tax year the AAR was filed.

**Item G**—Enter the date the partnership furnished the Forms 8986 to its partners.

### Part III—Information About the Pass-Through Partner Submitting This Form 8985

**Item A**—On lines 1–6, enter the pass-through partner’s name and address. In the state field, enter the two-letter abbreviation for the U.S. state or the full name of the foreign province. U.S. partnerships leave the country code field blank. Foreign partnerships enter the country code found at [Foreign Country Codes](#).

**Item B**—Enter the pass-through partner’s tax identification number.

**Item C**—Enter the pass-through partner’s tax year end to which the adjustments relate.

**Item D**—Enter the name of the entity that issued the Form 8986 to the pass-through partner, if different from the audited partnership or AAR partnership in Part II.

**Item E**—Enter the tax identification number of the entity that issued the Form 8986 to the pass-through partner, if different from the audited partnership or AAR partnership in Part II.

**Item F**—Indicate if the pass-through partner is making a payment or issuing Forms 8986 to its partners by checking the appropriate box 1 or 2. If the pass-through partner is making a payment, a statement must be included in Part V with a detailed calculation of the IU plus any applicable penalties and interest. An IU calculation is not needed if pushing out all the adjustments. If paying electronically, check box 3 and enter the electronic payment confirmation number in the space provided. If paying by check or money order, check box 4 and enter the check number in the space provided.

### Signature

**Non-electronically submitted forms.** If the form is prepared by an audited partnership or an AAR partnership, the authorized PR or DI for the reviewed year should sign and date Form 8985. If the form is prepared by a pass-through partner, it should be signed and dated by an individual who has the authority to sign the pass-through partner’s tax return. If the pass-through partner is a BBA partnership, it should be signed by its PR or DI for the first affected year.

**Electronically submitted forms.** For audited BBA partnerships and pass-through partners of audited BBA partnerships that electronically submit forms, the PR or DI for the first affected year e-sign the form by entering their five-digit PIN in the signature block. The five-digit PIN is the number that is self-selected during the PBBA Transmitter Control Code (PBBA TCC) application step as described in the multi-step process for electronic submission as described on the BBA website, [IRS.gov/BBAeSubmit](#).

**Name of person signing form.** The typed name of the person signing the form must exactly match the name entered during the TCC application step for electronic submission. For example, if the name entered during the TCC application step is John T. Smith, the typed name on the form must be John T. Smith, not John Smith, JT Smith, etc.

**Title & Date.** Enter your title and the date the form is being signed.

**Telephone number.** Enter a daytime telephone number.

**Name of entity partnership representative (if applicable).** If the PR is an entity, enter the entity name.

### Part IV—Partners’ Total Reviewed Year Income, Gain, Loss, Deduction, Credits, and Other Items

**Note.** Adjustments that increase a Schedule K-1 (Form 1065) item as originally reported, or as corrected, must be shown as positive numbers. Adjustments that decrease Schedule K-1 (Form 1065) items should be shown as negative numbers.

Part IV should include summary figures of the total amounts of the Forms 8986 that are related to this Form 8985. For audited partnerships and AAR partnerships, this part should include the sum of all adjustments included in the Forms 8986 sent to the partners. For pass-through partners, the amounts in this part should equal the amounts shown on the Form 8986 that was received by the pass-through partner. For columns (a)–(c), refer to the relevant Schedule K-1 and instructions. See below for special instructions for changes to Schedules K-2 and K-3 (Form 1065). For each item that was adjusted, enter the following.

**Column (a), Line number**—The Schedule K-1 line number that was adjusted. If you have changes to Schedule K-3, enter “K3” (no dash).

**Column (b), Line title**—The title of the Schedule K-1 item that was adjusted. For adjustments to Schedule K-3 (Form 1065), enter the part, section (if applicable), line, and column reference.

**Column (c), Code**—Enter the code letters listed in the Schedule K-1 instructions that correspond to the line number shown in column (a). For adjustments to Schedule K-3, if applicable, enter the country code. See the Schedule K-3 instructions. If no specific code applies, enter “NA.”

**Column (d), As reported**—Enter the original aggregate amount reported to the partners on their Schedules K-1 or as previously corrected by the partnership. With respect to Schedule K-3, do not enter an amount in this column.

**Column (e), Check if statement in Part V**—Check the box in this column if the item shown in column (a) has a corresponding statement in Part V. For adjustments to Schedule K-3, enter an explanation of the adjustment on Part V of Form 8985 with reference to the entry on Part IV, column (b).

**Column (f), Reviewed year adjustments as finally determined**—Enter the total reviewed year adjustments corresponding to the line item in column (a). With respect to Schedule K-3, do not enter an amount in this column.

**Column (g), Approved modifications**—Enter the total modifications approved by the IRS with respect to the item adjusted. Modifications related to the filing of an AAR should not be shown in this column. With respect to Schedule K-3, do not enter an amount in this column.

**Column (h), Net (column (f) minus column (g))**—Enter the amount in column (f) less the amount in column (g). This is the reviewed year adjustments net of approved modifications. With respect to Schedule K-3, do not enter an amount in this column.

**Loans and other items recharacterized as distributions to partners.** If a reviewed year adjustment has been made to change a partner loan or other item to a partner distribution, this adjustment should be reported with the column (a) line number that corresponds to the Schedule K-1 “Distributions” category and with column (c) code A for cash distributions if the partner received money and as a code C if the partner received property other than money.

**Disguised sale adjustments.** Distributions to a partner that were changed as part of an audit proceeding to disguised sale proceeds under section 707 should be reported with the column (a) line number that corresponds to the Schedule K-1, Other category, and with column (c) code DS. The partnership should also include a statement in Part V describing the asset that was sold, the proceeds, and the tax basis of the asset at the time of the contribution.

**Special instructions for changes to Schedules K-2 and K-3.** The Form 8985 is a summary of all adjustments on the related

Forms 9986. This is similar to Schedule K-2 with respect to the related Schedules K-3. Adjustments to the Schedule K-2 should be reflected on Form 9985 and to the Schedule K-3 on Form 9986.

See the Instructions for the Form 9986 for examples of how Schedule K-3 adjustments should be reported. The related Schedule K-2 (summary of Schedule K-3) adjustments should be reported in the same manner on the Form 9985.

## Part IV—Applicable Penalties

The applicability of penalties is determined at the audited partnership or AAR partnership level. In the penalties section of Part IV, enter the penalty code sections, descriptions, rates, adjustment line numbers, and total adjustment amount to which the penalty applies.

## Part V—Statements

The purpose of this part is to provide additional space to add statements where needed. In general, if a statement was included to support the original Schedule K, the same statement should be shown here if any item on that statement changed as a result of the audit or the AAR filing. This part can also be used by pass-through partners that choose to calculate and pay an IU, and for adjustments that do not have a corresponding Schedule K-1 line number.

**Column (a), Line no./code**—List the corresponding Schedule K-1, Part IV, column (a), line number and column (c) code (if applicable) for each item for which a statement is included.

**Column (b), Statement**—Include a detailed explanation of the amount(s) or calculation(s) that corresponds to the item in column (a).

Supporting schedules and statements should be in a format that shows the original amount, the net change, and the correct amount for each item listed in the statement. If any column (b) statements exceed the space allowable in one box, continue in the next box with the same information in column (a).

This Part V should also be used if a pass-through partner is choosing to figure and pay an IU. Pass-through partners that are choosing to pay an IU should enter "Part III F" in column (a) and a detailed calculation in column (b). For a change to liabilities or other balance sheet items, enter "Part IV F" in the line number field of Part V of the Form 9985 (statements section) and attach a statement describing the original amounts reported, adjustments, and corrected aggregate balance sheet items. For a change to capital accounts, enter "Part IV G" in Part V and attach a statement describing the aggregate original amounts reported, adjustments, and corrected amounts.

**Statements provided in addition to amounts in Part IV.** To further explain the effect of any adjustment, the Part V

statements section can be used to add an "As Corrected" column to the amounts reported in Part IV. If doing so, be sure to complete the line number field in column (a), which is a mandatory field for all items entered in Part V (Statements).

### Statements related to section 199A information.

Adjustments that increase or decrease section 199A information reported to the partners must be shown in a separate statement for each trade or business or each aggregated trade or business. Partnerships may aggregate trades or businesses for purposes of computing QBI, UBI, and W-2 wages. The choice to aggregate must be made on an originally filed tax return. See below for an example of the information that should be included in Part V of the Form 9985. These figures should reflect the aggregate amount of section 199A items reported separately to the partners on Forms 9986.

**Note.** Section 199A dividends are reported as a cumulative amount and not per qualified trade or business. These should only be included once in the first section 199A statement attached to Form 9985, regardless of how many statements may be necessary.

Each trade or business should indicate if it is a publicly traded partnership (PTP), aggregated, or specified service trade or business (SSTB). See the Instructions for Schedule K-1 (Form 1065) or the Instructions for Schedule K-1 (Form 1120-S).

If the partnership is a patron of a specified agricultural or horticultural cooperative, the partnership must also include a statement for each trade or business identifying the adjustment(s) to qualified items of income, gain, deduction, and loss and W-2 wages allocable to qualified payments. Section 199A(g) deductions are reported as a cumulative amount and not per qualified trade or business. These should only be included once in the first statement of adjustments to items allocable to qualified payments attached to Form 9985, regardless of how many statements may be necessary.

**Balance sheet adjustments.** Any adjustments to balance sheet items (including changes to the type of a liability between recourse and nonrecourse) made as a result of a BBA audit should be shown in a separate statement in Part V using a per-return, adjustment, and corrected amount format.

## Examples

**Example 1—Push out of section 199A-related audit adjustments.** Assume partnership ABC has one trade or business that is an SSTB and is not a patron in a specified agricultural or horticultural cooperative. On its filed return, partnership ABC reported the items shown in Example 1. Section 199A Related Amounts Generated by the Partnership as a summary of all the section 199A related amounts generated by the partnership.

## Example 1. Section 199A Related Amounts Generated by the Partnership

EIN:	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input checked="" type="checkbox"/> SSTB
<b>Summary of section 199A items before audit adjustments:</b>	
QBI or qualified PTP items subject to partner-specific determinations:	
Ordinary business income (loss)	\$400,000
Rental income (loss)	\$20,000
Royalty income (loss)	
Section 1231 gain (loss)	\$100,000
Other deductions	\$160,000
W-2 wages	\$100,000
UBIA of qualified property	\$120,000
Section 199A dividends	\$10,000

Assume the adjustments per audit increased ordinary income by \$20,000 and royalty income by \$10,000, and decreased other deductions by \$40,000. Assume that all of the adjustments are determined to be qualified items of income, gain, deduction, and

loss at the partnership level. Partnership ABC should include in Part V of the Form 9985 the information shown in Example 1, Part V of Form 9985.

### Example 1. Part V of Form 9985

EIN:	As Reported	Net Adjustments	As Corrected
<b>Summary of section 199A items before audit adjustments:</b>	<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input checked="" type="checkbox"/> SSTB		<input type="checkbox"/> PTP <input type="checkbox"/> Aggregated <input checked="" type="checkbox"/> SSTB
QBI or qualified PTP items subject to partner-specific determinations:			
Ordinary business income (loss)	\$400,000	\$20,000	\$420,000
Rental income (loss)	\$20,000		\$20,000
Royalty income (loss)		\$10,000	\$10,000
Section 1231 gain (loss)	\$100,000		\$100,000
Other deductions	\$160,000	(\$40,000)	\$120,000
W-2 wages	\$100,000		\$100,000
UBIA of qualified property	\$120,000		\$120,000
Section 199A dividends	\$10,000		\$10,000

**Example 2—Pass-through partner's calculation of IU from Form 9986 received.** Assume a pass-through partner received the adjustments shown in Example 2, Part V of Form

9986 on a Form 9986 that showed its share of adjustments from an audit.

### Example 2. Part V of Form 9986

(a) Line number	(b) Line title	(c) Code*	(d) As reported	(e) Check If statement in Part VI	(f) Reviewed year adjustments as finally determined
1	Ordinary Income—Increase		\$ 50,000	<input type="checkbox"/>	\$100,000
13	Other Deductions—Decrease		\$100,000	<input type="checkbox"/>	-\$50,000
9a	Long-Term Capital Gains—Decrease		\$25,000	<input type="checkbox"/>	-\$20,000
15	Line 15a, LIH Credit—Decrease		\$3,000	<input type="checkbox"/>	-\$2,000
15	Line 15e, Rental Credits—Increase		\$0	<input type="checkbox"/>	\$1,000

The pass-through partner should figure an IU for these adjustments as shown in Example 2. Worksheet for Pass-Through Partner IU Calculation.



## Example 2. Worksheet for Pass-Through Partner IU Calculation

Adjustments by Subgroup	Description	Positive Adjustments	Adjustments that did not result in an IU
Ordinary Income, Schedule K-1, Line 1	Increase to Income	\$100,000	
Other Deductions, Line 13	Decrease to Other Deductions	\$50,000	
Long-Term Capital Gains, Schedule K-1, Line 9a	Decrease to Long-Term Capital Gains		-\$20,000
Adjustments Before Credits		\$150,000	
Applicable Tax Rate		37%	
IU amount before credits		\$55,500	
Low Inc. Housing Credit, Schedule K-1, Line 15a	Decrease to LIH Credits	\$2,000	
Other Rental Credits, Schedule K-1, Line 15e	Increase to Other Rental Credits		-\$1,000
Total Adjustments to Credits		\$2,000	
Adjustments to Creditable Expenditures		\$0	
IU		\$57,500	

**Note.** For the purposes of the Forms 8985 and 8986, increases and (decreases) to the item as reported are reflected as increases or (decreases) on the form. However, for the purposes of the IU calculation, an adjustment is shown as a positive amount if it would increase the income tax of any taxpayer, and as a negative or an amount that did not result in an IU if it decreases tax. Any adjustment to a balance sheet item is treated as a positive adjustment. Also note that separate Schedule K-1 line items are in separate subgroups that should not be netted for the purposes of the calculation. See above for how pass-through partners should report amounts that did not result in an IU.

### Special Instructions for Changes to Schedule K-2 or Schedule K-3 (Form 1065)

Form 8985 is a summary of all adjustments on the related Forms 8986. This is similar to Schedule K-2 with respect to the related Schedules K-3. Adjustments to Schedule K-2 should be reflected on Form 8985 and adjustments to Schedule K-3 should be reflected on Form 8986.

See the Instructions for the Form 8986 for examples of how Schedule K-3 adjustments should be reported. The related Schedule K-2 (summary of Schedules K-3) adjustments should be reported in the same manner on Form 8985.

**Note.** If the adjustments cannot be fully reflected in Part V, fax a separate statement(s), and enter a note in Part V indicating that you have faxed the statement(s) to 888-981-6982.

## Instructions for Form 8985-V (Tax Payment by a Pass-Through Partner)

### Purpose of Form 8985-V

When paying an imputed underpayment as discussed in [Pass-Through Partners That Make a Payment](#), above, Form 8985-V should be included with a check or money order submitted as payment made by a direct or indirect pass-through partner of an audited partnership or an AAR partnership.

### Specific Instructions for Form 8985-V

**Type of payment**—Check the appropriate box in the upper left of Form 8985-V to indicate the type of payment being made. This

information can be found in Part I, item A, of Form 8985. If box 2 of Form 8985, Part I, item A, is checked, select “BBA exam push out.” If box 4 is checked, select “BBA AAR push out.”

**Payment due date**—Enter the date shown in the corresponding Form 8985, Part II, item F.

**Imputed underpayment, penalties, and interest**—Enter the amounts shown on the Form 8985, Part III, item F, for additional tax, penalties, and interest.

**Amount you are paying**—Enter the total that you are paying of the additional tax, penalties, and interest from Form 8985, Part III, item F.

**Name of pass-through partner**—Enter the name shown on Form 8985, Part III, item A.

**Pass-through partner's applicable tax year ending date**—Enter the date shown on Form 8985, Part III, item C.

**Audit control number**—Enter the number, if any, shown at the top of Form 8985. If this payment is related to an AAR, enter the incoming tracking number from the Form 8985.

**Partner's TIN**—Enter the partner's tax identification number from Form 8985, Part III, item B.

**Type of return filed**—Check the box that corresponds to the box that is checked in Part I, item B, of Form 8985.

**Address, city, state, ZIP code, and foreign country**—Enter the information shown on Form 8985, Part III, item A.

**Partner's representative**—Enter the name and phone number of the individual who signed Form 8985.

### Where To Submit Form 8985-V

Mail Form 8985-V along with your check or money order to:

Department of the Treasury  
Internal Revenue Service  
Ogden, UT 84201-0011

Checks and money orders should be made payable to “United States Treasury.”

**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 burden for business taxpayers filing this form is approved under OMB

control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

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. See the instructions for the tax return with which this form is filed.

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