

March 30, 2012

### **Issuing K-1's Electronically**

Many partnerships are increasingly providing K-1's to their partners electronically. If you are one of them, please be aware that on February 13, 2012, the IRS issued Revenue Procedure 2012-17, which contains rules that partnerships (including LLCs taxed as partnerships) must now follow when delivering K-1's exclusively in electronic format.

Please note that these new requirements only apply when a partnership uses electronic delivery as the sole means of furnishing K-1's. If you also provide paper K-1's to your partners, these requirements do not apply to you.

Under the Revenue Procedure, a partnership that does not provide paper K-1's to its partners will be treated as properly providing a partner with a K-1 if, among other things:

- The partner affirmatively consents to electronic delivery of the K-1 in a manner that demonstrates that the recipient can access the K-1 in the format in which it will be furnished to the partner,
- The partnership has notified the partner regarding the scope and duration of the partner's consent to electronic delivery and how such consent can be withdrawn by the partner, and
- The partnership has disclosed to the partner the hardware/software requirements to access and print the K-1.

A partnership that provides K-1's to its partners solely in electronic format but fails to comply with the numerous requirements of the Revenue Procedure, may be deemed to have failed to furnish the K-1 to the partners, and may be liable for penalties. According to the AICPA's informal discussions with the IRS, however, leniency will be granted for good faith efforts made during this filing season since their ruling was issued so late. Taxpayers should do their best to fully comply as soon as possible.

Please note that the disclosure and consent provisions of the Revenue Procedure are very detailed. If you will not be furnishing paper K-1's to your partners and would like assistance in complying with the consent and disclosures required under Revenue Procedure 2012-17, please call us.

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