

The IRS Invites Your Comments on Proposed Changes to Substitute Forms Requirements for the Partner Copy of Schedule K-1 (Form 1065) and Schedule K-1 (Form 1065-B)

Announcement 2001-88

Background

Based on recommendations of the Information Reporting Program Advisory Committee (IRPAC), the Internal Revenue Service (IRS) plans to revise Publication 1167, *Substitute Printed, Computer-Prepared, and Computer-Generated Tax Forms and Schedules*. It will provide revised substitute forms requirements for the copies of Schedule K-1 (Form 1065) and Schedule K-1 (Form 1065-B) furnished to partners, effective for the 2002 Schedule K-1.

The purpose of these revisions is to:

- Make the substitute forms requirements more specific.
 - Set uniform visual standards that all taxpayers can recognize as representing a Schedule K-1.
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Purpose

The purpose of this announcement is to request comments on proposed changes to the substitute forms requirements for Schedule K-1 (Form 1065) and Schedule K-1 (Form 1065-B).

Revisions to Publication 1167

The instructions in Publication 1167 would be supplemented by the following proposed requirements:

- Copies of substitute Schedules K-1 furnished to partners must be clear and legible.
 - The substitute schedule must show the tax year, schedule number (K-1), related form number (1065 or 1065-B), and title exactly as shown on the official IRS schedule. This information must be prominently displayed together in one area of the schedule.
 - The line items on the substitute schedule must be in the same order as those on the official IRS schedule. The wording for each line and instruction must be substantially the same as the official schedule.
 - The schedule must contain all items required for use by the partner, but is not required to show lines that do not have entries required for the particular partner. If line items are omitted, do not renumber the remaining lines. The remaining lines must have the same letters or numbers as the corresponding lines on the official schedule. Instructions should be provided to make it clear that the number and order of the items relate to the official schedule.
 - Either the official IRS version of the Partner's Instructions for Schedule K-1 or substantially similar instructions must be furnished with the partner's copy of Schedule K-1. If line items on a substitute schedule have been omitted on a partner's substitute Schedule K-1 because they do not apply to that partner, the corresponding line instructions may be omitted from that partner's substitute instructions.
 - Logos are permitted on the substitute schedules, along with other information which is helpful to the partners' understanding of their tax responsibilities. Such information should be segregated in a manner that avoids confusion with the required Schedule K-1 tax items.
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Benefit to Partnerships	By providing clear and consistent reporting of tax information to its partners, partnerships will make it easier for its partners to comply with their tax responsibilities. Partnerships will spend less time explaining to partners the tax information they have received and how it relates to their income tax returns.
Benefit to Partners	Income tax information the partners receive will be understandable and will be properly reflected on their income tax returns. Partners will receive fewer notices from the IRS.
Benefit to the IRS	The IRS will receive more accurate returns, which in turn will reduce the need to contact taxpayers.
Comments Requested	<p>The IRS would like to receive comments on the proposed revisions to Publication 1167 regarding Schedule K-1 (Form 1065) and Schedule K-1 (Form 1065–B) from partnerships, partners, and other interested parties by October 1, 2001.</p> <p>Please e-mail comments to the Substitute Forms Program Unit at tfp@publish.no.irs.gov. Please enter “Substitute Forms” on the Subject Line. You can also mail comments to Internal Revenue Service, Substitute Forms Program, W:CAR:MP:FP:S:CS, 1111 Constitution Avenue, NW, Room 5244, Washington, DC 20224. After the end of the comment period, the IRS will evaluate the comments and release a revised version of Publication 1167. Although we will not be able to respond to each comment, we will carefully consider all of them.</p>