



## State Partnership Audits Update

As recommended by the AICPA previously, state CPA societies should consider working with their state tax authorities in 2021 to enact the [Multistate Tax Commission \(MTC\) Model Statute on Partnership Audits](#).

Under the new federal partnership audits regime now in effect, in addition to IRS audits, states need to enact legislation conforming to the MTC model statute. The MTC model statute provides states with a reasonable method to collect revenue for their share of liabilities flowing from an IRS audit in a uniform, simplified method that considers state tax residency and apportionment, and it also improves reporting federal changes for all taxpayers.

Since 2018, 9 states (California, Georgia, Iowa, Missouri, Kentucky, Ohio, Oregon, Virginia and West Virginia) enacted legislation generally following the [MTC Model](#). In 2020, Iowa, Kentucky, Missouri and Virginia enacted legislation that generally follows the MTC model. For states interested in passing similar legislation, [Georgia](#) is a good model, as it most closely follows the MTC model statute.

Thirty-one states still need legislation, with Minnesota and Wisconsin currently considering legislation this year.

AICPA developed the following resources:

- AICPA [position paper](#), [one pager](#), [map](#), and [bullet points](#);
- AICPA [Partnership Audit and Adjustment Rules](#) resource webpage, with [articles](#), a [podcast](#), [video](#), a [risk alert](#) and a sample client [letter](#).

AICPA will continue to support state CPA societies as the states consider partnership audits legislation and implementing guidance.

December 3, 2020