

**422.25C Partnership and pass-through entity audits and examinations — consistent treatment of entity-level items — binding actions — amended returns.**

1. As used in [this section](#), all words and phrases defined in [section 422.25A](#) shall have the same meaning given them by that section.

2. For tax years beginning on or after January 1, 2020, any adjustments to a partnership's or pass-through entity's items of income, gain, loss, expense, or credit, or an adjustment to such items allocated to a partner that holds an interest in a partnership or pass-through entity for the reviewed year by the department as a result of a state partnership audit, shall be determined at the partnership level or pass-through entity level in the same manner as provided by section 6221(a) of the Internal Revenue Code and the regulations thereunder unless a different treatment is specifically provided in [this title](#). The provisions of sections 6222, 6223, and 6227 of the Internal Revenue Code and the regulations thereunder shall also apply to a partnership or pass-through entity and its direct or indirect partners in the same manner as provided in such sections unless a different treatment is specifically provided in [this title](#). For purposes of applying such sections, due account shall be made for differences in federal and Iowa terminology. The adjustment provided by section 6221(a) of the Internal Revenue Code shall be determined as provided in such section but shall be based on Iowa taxable income or other tax attributes of the partnership or pass-through entity as determined pursuant to [this chapter](#) for the reviewed year. The department shall issue a notice of adjustment to the partnership or pass-through entity. Such notice shall be treated as an assessment for the purposes of [section 422.25](#), and the notice shall be appealable, except as provided in [section 422.25](#), by the partnership or pass-through entity pursuant to [sections 422.28](#) and [422.29](#) and shall be issued within the time period provided by [section 422.25](#). Once the adjustments to partnership-related or pass-through entity-related items or reallocations of income, gains, losses, expenses, credits, and other attributes among such partners for the reviewed year are finally determined, the partnership or pass-through entity and any direct partners or indirect partners shall then be subject to the provisions of [section 422.25](#), [subsection 1](#), paragraph "e", and [section 422.25A](#) in the same manner as if the state partnership audit were a federal partnership level audit, and as if the final state partnership audit adjustment were a final federal partnership adjustment. The penalty exceptions in [section 421.27](#), [subsection 2](#), paragraphs "b" and "c", shall not apply to a state partnership audit.

3. The state pass-through representative for the reviewed year as determined under [section 422.25B](#) shall have the sole authority to act on behalf of the partnership or pass-through entity with respect to an action required or permitted to be taken by a partnership or pass-through entity under [this section](#), including proceedings under [section 422.28](#) or [422.29](#), and the partnership's or pass-through entity's direct partners and indirect partners shall be bound by those actions.

4. If the department, the partnership or pass-through entity, and owners representing a majority of the ownership interests in the partnership or pass-through entity agree, the provisions of [this section](#) may be applied to tax years beginning before January 1, 2020.

5. The department may adopt rules pursuant to [chapter 17A](#) to implement [this section](#).  
[2020 Acts, ch 1118, §66, 71; 2021 Acts, ch 86, §29, 31, 32; 2022 Acts, ch 1061, §51; 2025 Acts, ch 148, §13 – 15](#)

Referred to in [§257.22](#), [422.25A](#), [422.39](#), [422D.3](#)

2021 amendment to subsection 4 applies retroactively to July 1, 2020, and applies to federal adjustments and federal partnership adjustments that have a final determination date after July 1, 2020; [2021 Acts, ch 86, §32](#)

2025 amendment to subsection 2 applies retroactively to January 1, 2024; [2025 Acts, ch 148, §15](#)

Subsection 2 amended