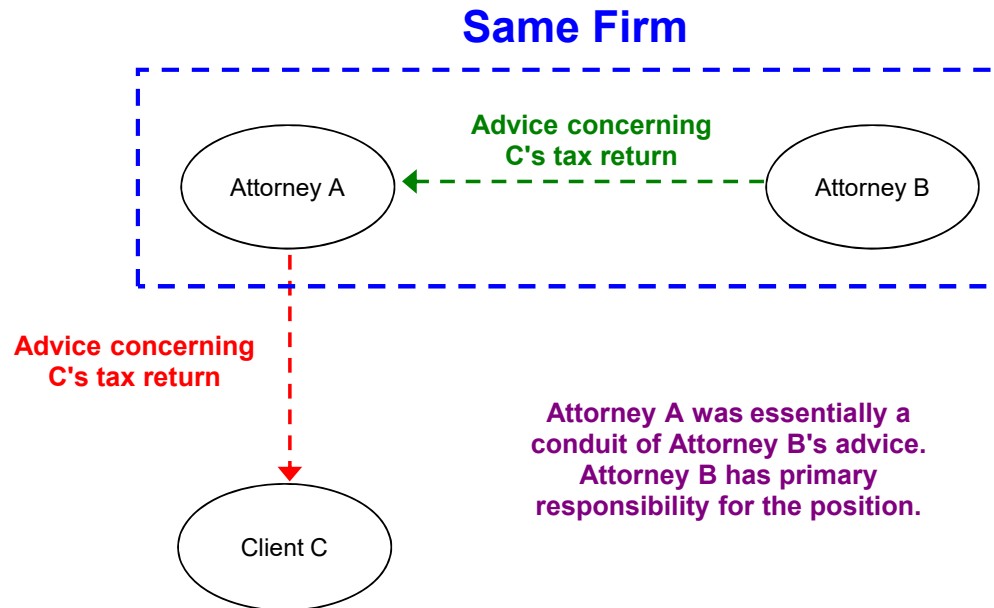


**Reg. 1.6694-1(b)(6),
Example 3**

**One Attorney Passing Along Advice
of Another Attorney in the Same Firm:
Primary Responsibility For a Position**

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Attorney A provides advice to Client C concerning the proper treatment of an item with respect to which all events have occurred on C's tax return. In preparation for providing that advice, A seeks advice regarding the proper treatment of the item from Attorney B, who is within the same firm as A. Neither Attorney A nor any other attorney within A's firm signs Client C's return as a tax return preparer. B provides advice on the treatment of the item upon which A relies. B's advice is reflected on C's tax return but no disclosure was made in accordance with §1.6694-2(d)(3). The advice constitutes preparation of a substantial portion of the return within the meaning of §301.7701-15(b)(3).

The IRS later challenges the position taken on the tax return, giving rise to an understatement of liability. Attorney B is the nonsigning tax return preparer within the firm with overall supervisory responsibility for the position giving rise to an understatement. Accordingly, B is the tax return preparer who is primarily responsible for the position on C's return giving rise to an understatement and may be subject to penalty under section 6694.

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