Basic Partnership Tax Rules

- A partnership is not subject to federal income tax.
- Partners are subject to federal income tax on their “distributive shares” of partnership income, gain, loss, deduction or credit.
  - “phantom” income
Flow-through

Example:

- A and B are partners in a partnership.
- The partnership earns $100,000.
- The partnership does not distribute any of the cash to the partners.

- The partnership pays no federal income tax.
- A and B include their distributive shares of the $100,000 in determining the amount of federal income tax they owe.
Inside Basis

- Inside basis – partnership’s basis in its assets
  - Used to determined depreciation and cost depletion benefits.
  - Also, used to determined gain/loss on sale of assets.

- The partnership’s basis in its assets is determined based on the manner in which the partnership acquired the relevant asset.
  - Assets contributed are contributed at the contributor’s basis.
  - Assets sold are held based on the cost to the partnership.
  - Rev. Rul. 99-5?
Outside Basis

Outside basis – partners’ bases in their partnership interests

- Increased by distributive share of:
  - Taxable income of the partnership,
  - Tax-exempt income of the partnership, and
  - The excess of the deductions for depletion over the basis of the property subject to depletion (more on this later).

- Decreased (but not below zero) by distributive share of:
  - Cash distributions from the partnership,
  - Losses of the partnership,
  - Non-deductible expenditures of the partnership that are not capital expenditures, and
  - The amount of the partner's deduction for depletion for any partnership oil and gas property (more on this later).

- Use “Tax” items rather than “Book” items
Distributive Shares

- Section 704(a) gives the partners flexibility to decide what their distributive shares of partnership income, gain, loss, deduction and credits will be.
  - Allocations
Section 704(b) limits this flexibility.

- A partner’s distributive share must be determined in accordance with the partner’s interest in the partnership except if the allocations to the partners have what is known as “substantial economic effect.”
Allocation Analysis

Does partnership agreement contain an allocation provision?

Yes

Does the Allocation have Substantial Economic Effect?

Yes

Allocation is Valid.

No

Allocate w/ Partner’s Interest in Partnership.

No
Substantial Economic Effect

Determining whether an allocation has substantial economic effect is a two-part test:

- First, the allocation must have “economic effect.”
- Second, the economic effect of the allocation must be “substantial.”
An allocation must be consistent with the partners’ economic arrangement.

- That means that the partner to whom an allocation is made must ultimately receive the economic benefit or bear the economic burden.
- This means that the allocation ultimately must impact what the partner will receive from the partnership.
Economic Effect (continued)

- Maintain a separate “capital account” for each partner;
- Liquidate in accordance with positive capital account balances; and
- Restore deficits in capital accounts at liquidation (DRO).
Capital Account Maintenance

- A partner’s capital account is increased by:
  - The amount of money it contributes to the partnership;
  - The FMV of property it contributes to the partnership; and
  - Its distributive share of partnership income and gain.

- For income/gain, use “Book” items.
A partner’s capital account must be decreased by:

- The amount of money that is distributed to it;
- The FMV of property distributed to it;
- Its distributive share of certain non-deductible partnership expenditures; and
- Its distributive share of partnership loss and deduction.

For loss/deduction, use “Book” items.
The purpose of capital account maintenance is to insure that the partner who ultimately enjoys the economic benefit or bears the burden of partnership income or loss will also bear the corresponding tax benefit or burden.
Flexible Allocations

Section 704(b) permits:

- Allocations of income, gain, loss, deduction and credit,
- Allocations of specific items of income, gain, loss, deduction and credit, and
- Allocations of net or “bottom line” income or loss.

An allocation to a partner of a share of partnership net or bottom line income is treated as an allocation to the partner of the same share of each item of income, gain, loss and deduction that is taken into account in computing the bottom line income or loss.
Example

Assume a partnership agreement provides that all items of income, gain, loss and deduction will be aggregated and that the net amount of these items will be allocated 40% to A and 60% to B.

The partnership has the following items in year 1:

- Gross Operating Revenue: $100
- Capital Gains: 50
- Operating Expenses: (40)
- Depreciation: (20)

**Bottom line income** $ 90
Example (continued)

- Partner A is allocated $36 of bottom line income. This will include:
  - $40 of Gross Operating Revenue
  - 20 of Capital Gain
  - (16) of Operating Expenses
  - (8) of Depreciation.

- A’s capital account will have increased by 40% of $90, which is the total amount by which the partnership’s capital increased.
Adjustments under Section 704(c)

- Section 704(c) provides that the income, gain, loss and deduction must be shared by the partners in a way that takes account of any difference between the basis of property and its FMV.
- That means that if the property has appreciated or depreciated at the time it is contributed to the partnership, then the partnership must make adjustments to allocations.
Section 704(c) (continued)

- The partnership must allocate to the noncontributing partner, to the extent possible, an amount of tax depreciation equal to the noncontributing partner’s share of book depreciation.

- This is the tax-follows-book concept.
Example – Section 704(c)

- Partner A and Partner B share depreciation 50-50.
- Partner A contributes an asset with a book value of $1,000 and a tax basis of $500.
- It has 500 of built-in gain.
- Partner B contributes $1,000 cash.
- Assume the property is depreciated over 5-years straight line.
- Annual book depreciation would be $200. Annual tax depreciation would be $100. Each partner’s share of book depreciation is $100 each year.
Example - Section 704(c) (continued)

- If the partnership sold the asset the next day for its book value, Section 704(c) would require that Partner A be allocated all of the tax gain.
  - In this case, $500.
If the partnership did not sell the asset, the partnership would have to make periodic adjustments to the tax depreciation allocated to Partner B.

- Assume that the partnership earns $300 in year 1.

Partner B is allocated tax depreciation equal to its share of book depreciation, to the extent possible (i.e., $100).

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Section 704(c): Traditional Method (continued)

- Over time, Section 704(c) equalizes book/tax differences.
- A partner that contributes property with a built-in gain will take more of the partnership’s income than a noncontributing partner. That amount equals the original built-in gain in the property.
Section 704(c): Ceiling Rule

- Under the traditional method, “tax follows book” for noncontributing partners. After the noncontributing partners are allocated their shares of each tax item relating to the contributed property, the balance of each tax item is allocated to the contributing partner.

- A significant limitation on the ability of the traditional method to eliminate distortions caused by the contribution of appreciated property is the “Ceiling Rule,” under which the total amount of depreciation, depletion, gain or loss that can be allocated to partners is limited to the actual amounts realized for tax purposes by the partnership.
The remedial method eliminates the Ceiling Rule problem by creating whatever tax items are necessary to eliminate Ceiling Rule disparities. These tax items have no independent existence and no effect on the partnership’s Section 704(b) book capital accounts.

The partnership makes remedial allocations to eliminate book/tax disparities to noncontributing partners.

Once book allocations have been determined, the partnership’s tax items are allocated according to the traditional method’s rules, and remedial allocations are made to eliminate any book/tax disparities.

- Application in a 100% bonus world?
Section 704(c): Remedial Method

- L contributes depreciable property with a basis of $4,000 and a value of $10,000 to the equal L/M partnership. The property is depreciable over ten years on a straight line basis and has four years remaining in its recovery period. M contributes $10,000, which the partnership uses to buy land. Except for depreciation, L/M’s expenses equal its income for its first ten years.

- The partnership first calculates its book depreciation deductions. The portion of its book basis equal to its tax basis is recovered ($1,000 per year for 4 years). The remaining $6,000 is recovered straight-line over ten years, or $600 per year. L/M thus has $1,600 of book depreciation for years 1 through 4 and $600 for years 5 through 10.

- The traditional method’s rules are then applied. During years 1 through 4, M is allocated 50% of L/M’s $1,600 of book depreciation, or $800 per year. Because each year’s partnership tax depreciation is $1,000, M is allocated $800 of tax depreciation, there are no Ceiling Rule disparities, and no remedial allocations are required.

- In year 5, however, M is allocated $300 (50% of $600) of book depreciation, and L/M has no tax depreciation to match it. Accordingly, L/M creates $300 of depreciation and allocates it to M. It also creates $300 of income (of the same type as the income generated by the property) and allocates it to L.
Nonrecourse Debt Rules

- Allocations of tax losses or deductions attributable to nonrecourse debt do not have substantial economic effect.
- However, these allocations are deemed to be OK if the allocations comply with the special rules in the Section 704(b) regulations.
- For the allocations to be OK, four things must happen:
  - Capital accounts must be properly maintained and liquidation proceeds must be distributed according to positive capital account balances;
  - Nonrecourse deductions must be allocated among the partners in a manner that is reasonably consistent with the way another significant partnership item attributable to the property securing the nonrecourse debt is allocated;
  - The partnership agreement contains must have a “minimum gain chargeback,” and
  - All other material allocations must be valid.
The amount of nonrecourse deductions for a partnership tax year generally equals the net increase in the amount of partnership minimum gain during the year, reduced by certain distributions attributable to nonrecourse debt.

Minimum gain is the amount of gain that the partnership would realize if it sold the property subject to the debt for the outstanding principal balance.

Conversions, refinancings, or other charges that cause another liability to become a nonrecourse liability do not create nonrecourse deductions.
The calculation of partnership minimum gain, and the annual net increase or decrease in partnership gain, is critical, because it either:

- determines the amount of partnership nonrecourse deductions and distributions of nonrecourse liability proceeds or
- is instrumental in calculating the amount of the partnership minimum gain chargeback.

The annual increase or decrease in partnership minimum gain is computed on a net basis. (i.e, net increases and decreases for any one year.)
Determining a Partner’s Share of Partnership Minimum Gain

A partner’s share of partnership minimum gain is important.

A partner’s share of any net decrease in partnership minimum gain is a key component of the minimum gain chargeback requirement. A partner’s share of partnership minimum gain is added to any amounts the partner is obligated to contribute to the partnership in satisfaction of his deficit capital account for purposes of applying the alternate test of economic effect.

A partner’s share of partnership minimum gain at the end of any year is equal to:

- the sum of the cumulative nonrecourse deductions allocated to it up to that time and the aggregate partnership distributions to it of nonrecourse liability proceeds up to that time less
- its aggregate share of any decrease in minimum gain resulting from revaluations of partnership property, notwithstanding that such decreases were added back in determining the net increase or decrease in minimum gain for the year of revaluation.

A partner’s share of any net decrease in partnership minimum gain is equal to the net decrease in partnership minimum gain for the year multiplied by a fraction whose numerator is the partner’s share of partnership minimum gain at the end of the prior year and whose denominator is the partnership’s total minimum gain at the end of the prior year.
Allocations of Depletion

- Depletion is generally allocated (for capital account maintenance purposes) to each partner based on its share of basis of the depletable asset, with one exception.

- Percentage depletion that exceeds the basis of the depletable asset does not affect capital accounts and therefore cannot have substantial economic effect.
  - Follow the partners’ interest in partnership, which means follow the partners’ shares of income from depletable property.
Allocations of Tax Credits

- Allocations of tax credits do not give rise to adjustments to partners’ capital accounts (except to the extent of basis adjustments attributable to investment credit property).
  - No economic effect.

- Thus, tax credits and credit recapture must be allocated in accordance with the partners’ interests in the partnership.

- If an expenditure that gives rise to a tax credit also gives rise to a valid allocation of an expense, then the allocation of the expense governs how the credit is allocated.

- The same principles apply to the proper allocation of tax credits that arise from receipts of the partnership.

- For example, section 45 tax credits arise from the sale of renewable energy, so these credits are allocated in the same manner as income from the partnership’s sales of electricity.
Section 704(b): Substantiality

- The analysis of whether an allocation has substantial economic effect is a two-part inquiry.

- Even if an allocation has economic effect under the Section 704(b) capital account maintenance rules, the economic effect of the allocation must be “substantial” or the income, gain, loss or deduction that is the subject of the allocation will be reallocated in accordance with the partners’ interests in the partnership.
Partnership Audit Rules

- Effective for tax years after December 31, 2017.
- New partnership-level tax regime.
- “partnership representative” replaces “tax matters partner.”
Partnership Audit Rules (continued)

- Payment options:
  - Partnership level tax
  - Section 6225(c) election (amended returns)
  - Section 6226 election (push out)
    - Extra cost
- Credit support/indemnification considerations.
- Lender considerations.
- Opt out?
Special Considerations for Oil and Gas Partnerships
Electing Out

- The provisions of a joint operating agreement are generally sufficient to create a tax partnership.
  - The Code defines a partnership as including any “syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of this title, a trust or estate or a corporation” – Sections 761(a) and 7701(a)(2).
  - Under the “check-the-box” regulations, any two-member domestic “eligible entity” is a partnership unless it elects to be taxed as an association taxable as a corporation. Treas. Reg. § 301.7701-3(b).
  - All that is technically required for a tax partnership is the intent of the parties to jointly to carry on a business or venture and to divide the resulting benefit of their joint efforts. See Commissioner v. Culbertson, 337 U.S. 733 (1949).
  - State law classification is irrelevant.

- Need to affirmatively elect out of subchapter K.
Electing Out

- **Why elect out?**
  - Avoid complexity of subchapter K, including requirement to file partnership tax returns.

- **What are the consequences?**
  - Taxpayers are treated as direct owners of undivided interests in the underlying properties.
  - Subject to fractional interest limitations and pool of capital doctrine (discussed in the following slides).
Electing Out

Why stay in?

- Take advantage of flexibility of partnership rules.
- Avoid complete payout rule restrictions by separately allocating the IDC.
- Avoid pool of capital doctrine restrictions.
Electing Out: Complete Payout Rule

- Assignee of a fractional working interest can generally only deduct intangible drilling costs (which can be immediately expensed) to the extent of its fractional interests.
  - Example: X grants a 60% working interest to Y in exchange for Y’s agreement to pay for 100% of the drilling costs. Y is only able to deduct 60% of its costs as IDCs. The other 40% is capitalized and recovered through depletion.
  - Absent a tax partnership, the only way to avoid this result is if Y owns 100% of the working interest until it recovers all of its costs.
- If a partnership holds the entire working interest, incurs all the IDC and elects to deduct the IDC, it can specially allocate all the IDC to the assignee partner. That partner then can deduct all the IDC allocated through the partnership, even though it effectively owns less than 100% of the operating interest.
Electing Out: Pool of Capital Doctrine

- A 1941 General Counsel Memorandum (GCM 22730) provided that a contribution of materials or services to a joint drilling effort (a “pool of capital”) in exchange for an economic interest in the underlying property does not result in the realization of income.

- The IRS subsequently narrowed the application of this rule so that it only applies with respect to the specific property for which the contribution was made.
  
  - Example: X agrees to drill a well in exchange for a working interest in the drill site as well as a 50% working interest in the balance of the tract of land. X’s receipt of a working interest in the drill site is not taxable. However, X has taxable income equal to the FMV of the 50% working interest balance of the land.

- In the partnership context, the contribution of working interests by one partner and cash, materials or services by another partner in exchange for partnership interests is tax free for both parties.
Who can elect out?

**Basic rules:**

- the income of the members may be adequately determined without the computation of partnership taxable income; and
  - This means the joint venture cannot generate joint income by providing products or services directly to third parties. Parties need to independently sell production.

- the election is availed of for (1) investment purposes only and not for the active conduct of a business, or (2) the joint production, extraction, or use of property, but not for the purpose of selling services or property produced or extracted. See section 761(a) and Treas. Reg. § 1.761-2(a)(1).
Participants in the joint production, extraction, or use of property must:

- Own the property as co-owners, either in fee or under lease or other form of contract granting exclusive operating rights;
- Reserve the right separately to take in-kind or dispose of their shares of any property produced, extracted, or used; and
- Not jointly sell services or the property produced or extracted, although each separate participant may delegate authority to sell its share of the property produced or extracted for the time being for its account, but not for a period of time in excess of the minimum needs of the industry, and in no event for more than one year.

Who can elect out? (continued)

- Two special rules for gas joint ventures:
  - Cannot elect out if one of the principal purposes of the venture is cycling, manufacturing, or processing for persons who are not members of the venture; or
  - Not all of the gas producers in the venture use a specified method of gas balancing.
How is the election made?

- Election is required to be filed on a blank IRS Form 1065 before the due date for the partnership return for the year in which the election is to be effective. Election will contain the names, addresses and identification numbers of each member of the tax partnership, together with a statement that the organization qualifies for the election, that all members elect to be excluded from subchapter K, and that identifies the location of a copy of the operating agreement.

- If an organization fails to file an election, it can still be deemed to have made one if it can show, based on facts and circumstances, that the members’ intended at the time of formation to elect out of subchapter K beginning with the organization's first taxable year.

- The electing entity is not required to file partnership returns for subsequent years.
Partnership Election Basics

- Elections affecting the computation of partnership taxable income are generally made by the partnership as opposed to the partners.

- Examples:
  - Method of computing depreciation.
  - Exercise of option to deduct IDCs.

- Partners (not the partnership) determine whether to use cost or percentage depletion.
IDC/Depletion and Depreciation Considerations

Intangible drilling costs generally can be treated in three ways:
- Deduction immediately, subject to limits on integrated oil companies.
- Amortization
- Capitalize
  - Split IDCs between depreciable assets and depletable assets. Think about whether the expenditure is more related to turning the bit or placing equipment.
Secondary Market Transactions

- Depreciation/depletion Recapture
- Section 743 adjustments
Liquidation Rules

- Partnership tax rules for economic effect require liquidating distributions to be made in accordance with the positive balances in the partners’ capital accounts.

- This can create a conflict with the commercial agreement in an earlier memorandum of understanding or a joint operating agreement that provides how assets are to be distributed after the properties are depleted.

- Special tax allocations in the liquidation provisions can usually be used to achieve the intended commercial result.
Disguised Sale Rules

- Partners who transact with partnerships in which they are a partner are generally treated as engaging in a third party sale to the extent they are acting in a non-partner capacity.
  - For example, a partner who contributes property to a partnership in exchange for a cash distribution from the partnership is treated as selling the property in most cases in a taxable transaction.
  - Two-year presumption.

- Exception for reimbursement of “preformation expenditures”
  - Incurred within two years before the contribution.
  - Limit of 20% of the FMV of the contributed assets.
  - Special rules for a contribution of encumbered property.
Disguised Sale Rules (continued)

How does this help?

- Pool of capital doctrine says a contribution of money in exchange for a portion of a working interest is a tax-free transaction.
- **But**, if transferor keeps some of the contributed funds, it is deemed to have sold a portion of the working interest to the transferee.
- This can be avoided with a tax partnership.
  - Reimbursement for transferor’s exploration and development costs.
On December 22, 2017, President Trump signed into law Public Law No. 115-97, a comprehensive tax reform bill commonly referred to as “The Tax Cuts and Jobs Act” (or the “Act”).

The Act represents one of the most significant overhauls to the United States federal tax code since 1986 and could have a significant impact on an entity's domestic and international tax consequences.

Major policy drivers:
- To provide tax cuts to the middle class as promised during Trump’s campaign.
- To grow the U.S. economy by making the United States competitive with the rest of the world as a place to do business.
- To simplify the tax code…
Major Changes Affecting Businesses

- **Reduction in Tax Rates**
  - **Corporations**
    - Permanently reduced from 35% to 21%.
    - Corporate AMT permanently repealed.
  - **Individuals**
    - Maximum rate temporarily reduced from 39.6% to 37%; applicable to over $600K for joint filers and over $500K for single filers; rates sunset at the end of 2025.
    - AMT not repealed, but exemption amount and exemption phased-out amount are both increased.
Major Changes Affecting Businesses (Continued)

- **Section 168(k) Temporarily Increased 100% Expensing**
  - Increases bonus depreciation to 100% for eligible **new and used** qualified properties placed in service by taxpayers in the next five years (after September 27, 2017 and before January 1, 2023) (six years for properties having a longer production period).
  - “Qualified properties”
  - 20% annual phase-down beginning in 2023.
  - A taxpayer may elect out of bonus depreciation.
  - Uncertainties around applications to partnerships.
  - Certain businesses excepted.

- **Section 179 Expensing**
  - Increases the dollar limitation on the amount of depreciable business assets that a small business taxpayer may expense from $500,000 to $1 million.
Corporate Net Operating Losses (NOLs)
- Corporate NOLs can no longer be carried back, and can be carried forward indefinitely; effective for NOLs arising in taxable years ending after Dec. 31, 2017.
- A corporate taxpayer can only offset up to 80% of taxable income, resulting in a minimum corporate tax of 4.2%; effective for NOLs arising in taxable years beginning after Dec. 31, 2017.

Interest Deduction Limitation – generally capped at 30%
- Section 163(j) – generally limits interest deduction equal to 30% of adjusted taxable income (ATI); no grandfathering or transition rule.
- ATI approximates EBITDA before 2022, and EBIT on or after 2022.
- Disallowed net business interest expense can be carried forward indefinitely.
- Regulated utilities are not subject to the Section 163(j) interest deduction limitation.
Major Changes Affecting Businesses (Continued)

- Disposition of Partnership Interests Treated as ECI
  - Foreign investors will realize effected connected income (ECI) upon disposition of a partnership interest (including interests in master limited partnerships (MLPs) or publicly traded partnerships (PTPs)) in proportion to the U.S. business assets held by the partnership. Effective for sales or exchanges occurring on or after Nov. 27, 2017.
  - 10% withholding applicable on amount realized.
    - Starting in 2018, a transferee/purchaser is required to withhold 10% of the amount realized upon a disposition of a partnership interest where any portion of the gain would be ECI. The statute is intended to coordinate with FIRPTA to avoid double-counting.
    - Such withholding requirement is suspended currently with respect to dispositions of MLP/PTP interests pending further regulations.
  - Section 708(b)(1)(B) partnership technical termination repealed.
Impact on Balance Sheet and Cash Tax Analysis

- It is imperative that companies re-examine their balance sheet to determine the impact of tax reform.

  - Tax considerations will be critical in managing projection of income and cash-tax.

  - Should the company delay capital investment and/or consider whether to elect out of 100% expensing?

  - The limitations on NOLs utilization effectively requires corporate taxpayers generating net taxable income before NOLs to pay tax at a minimum of 4.2% tax rate.
Impact on Oil and Gas Taxation

- While certain oil/gas incentives were subject to legislative proposals from time to time, the Act did not change these items—the deductibility of IDCs, percentage depletion, favorable geological and geophysical recovery periods, and conventional energy tax credits (e.g., enhanced oil recovery tax credit, marginal well production credit) remain available.

- Repeal of corporate AMT is viewed as helpful to energy companies given the capital intensive nature of the business.

- Like-kind exchange continues to be available for oil and gas transactions.
  - The Act restricts 1031 like-kind exchange to real property.
  - Operating and non-operating interests in oil/gas reserves typically qualify as real property for these purposes.
Impact on MLPs and PTPs

- No change to the qualifying income regulations.
- MLP structure continues to be favored by midstream companies over C corporations.
- An MLP’s shield may be affected by the 100% expensing provision and the interest deduction limitation.
- 10% Withholding on non-U.S. investors in disposition of interests in MLPs and PTPs suspended until regulations are issued.
Impact on Investment Structure and M&A

- 100% expensing may trigger an uptick in asset acquisitions and taxable M&As.

- New 100% expensing applies to both new and used properties.

- Capital intensive industries (such as the energy sector) may benefit from making asset acquisitions (actual or deemed) and immediately deduct the portion of the purchase price allocable to qualified properties.

- Corporate taxpayers with NOLs will have to evaluate whether to elect out of 100% expensing or delay capital investment.

- Investment in partnerships is generally subject to lower federal rates and should continue to be the choice of entity for many joint ventures. 100% expensing should apply to Section 743(b) basis adjustment upon a sale or other taxable disposition of partnership interests.
Impact on Financing Structures

- We are likely to see companies raising capital through alternative financing structures.
  
  - Interest expense deductions may not be useful if the taxpayer is otherwise in a loss position.
  
  - Taxpayer may consider alternative financing structures (sale-leaseback, preferred equity, etc.) rather than relying on traditional bond or bank financing.
Impact on International Taxation

The Act provides the most significant international tax reform that fundamentally changes the U.S. international tax regime.

- Shifts from world-wide taxation system to modified territorial system.
- Focus is no longer on deferral of offshore earnings – the Acts generally excludes from tax on repatriation future profits of foreign subsidiaries.
- One-time repatriation tax is imposed on U.S. shareholders generally with respect to its share of a specified foreign corporation’s post-1986 accumulated E&P, at an effective rate of 15.5% on cash assets, and 8% non-cash. Installment plan is available over 8 years.
- New regime taxes profits of foreign subsidiaries either as modified Subpart F income or “GILTI”, or exempts the profits from taxation.
- The base erosion and anti-abuse tax (“BEAT”) operates to impose a minimum tax geared to related party payments.
Impact on Financial Statements and SEC Reporting

Public companies will need to review and update their financial statements to reflect the impact of the Act.

- Staff Accounting Bulletin (SAB) No. 118.
  - Accounting under ASC 740
  - One year “measurement period”
  - Disclosure requirements
  - Management’s Discussion and Analysis (MD&A)

- Compliance and Disclosure Interpretation (C&DI) 110.02.
  - Item 2.06 of Form 8-K