

Withholding Requirements for Income Allocated to Foreign Partners (Part II)

Howard Godfrey, Ph.D., CPA
Professor of Accounting
University of North Carolina-Charlotte
Charlotte, NC

This two-part article explains how to compute, pay and report the Sec. 1446 tax on effectively connected taxable income allocable to foreign partners. Part II covers special withholding rules for tiered and publicly traded partnerships, partnership liability, and tax payment and reporting.

This two-part article explains the U.S. requirements for withholding on income allocated to foreign partners, procedures for computing and paying the tax, and related reporting requirements. Part I, in the September 2006 issue, covered the framework for withholding on U.S. income earned by foreign persons, procedures for identifying foreign partners and how to compute their income allocations. It also addressed special procedures for a foreign partner's income tax rates, business deductions and reduced withholding rate (or exemption from withholding) due to a treaty or other factors.

Part II, below, covers special withholding procedures for (1) a partnership with effectively connected income (ECI) allocated to a foreign partner that is a partnership (i.e., a tiered partnership) and (2) publicly traded partnerships (PTPs). It also discusses the Sec. 1446(d) deemed cash distribution of withheld tax, a partnership's liability for withholding tax, and procedural matters related to computing, paying and reporting the tax.

Lookthrough Procedures and PTPs

The Sec. 1446 withholding regulations¹⁶ focus on accurate withholding on taxable income from U.S. business operations that is allocated to foreign part-

ners. To withhold accurately, the tax rates of the taxpayer with the final responsibility for the income tax must be considered. When a foreign partner is a partnership, the income allocation flows through at least two partnership entities before flowing through to the partner that ultimately files the return. The partnership making the initial allocation of earnings can "look through" intervening partnerships when determining the applicable withholding rate.

PTPs have to withhold on actual distributions to foreign partners, not on allocations to them. The lookthrough rules do not apply to certain tiered partnerships that include a PTP.

Tiered Partnerships

Allocation to a Foreign Partner that Is a Partnership

When a lower-tier partnership (LTP) is owned partly by a foreign partnership (upper-tier partnership (UTP)), the LTP may look through the UTP to the partners when computing the Sec. 1446 tax. Under Regs. Sec. 1.1446-5(c), the LTP treats the foreign UTP's allocable share of the LTP's effectively connected taxable income (ECTI) as being allocable to the UTP's foreign partner(s). In effect, the UTP's foreign partners are treated as partners of the LTP. The Sec. 1446 tax on ECTI allo-

¹⁶TD 9200 (5/13/05).

EXECUTIVE SUMMARY

■ The regulations allow the partnership making the initial allocation of earnings to “look through” intervening partnerships to determine the withholding rate.

■ A partnership’s payment of Sec. 1446 tax is treated as a distribution; thus, the partner recognizes gain if the distribution exceeds its basis.

■ If a partnership fails to make required Sec. 1446 payments or file the forms, it is liable for the tax, additions to tax, interest and penalties.

cated to a foreign partner of the UTP is based on the classification of the partner (i.e., individual). The amount of the tax also may depend on:

1. Whether, the income is ordinary or capital gain under Regs. Sec. 1.1446-3(a)(2);
2. The amount of certified losses and deductions available to the foreign partner; and
3. Whether the foreign partner qualifies for an exemption from withholding under Temp. Regs. Sec. 1.1446-6T.

This lookthrough procedure is usable only when the LTP obtains adequate information about the UTP’s partners, as noted under Regs. Sec. 1.1446-5(c).¹⁷

Domestic UTP

Regs. Sec. 1.1446-5(a) states that an LTP generally has no withholding responsibility for ECTI allocated to a domestic UTP, even if the UTP has foreign partners. A domestic UTP is responsible for withholding on its total ECTI allocation to its foreign partners. This responsibility extends to its own ECTI and the ECTI allocation it receives from the LTP. However, if a domestic UTP makes a lookthrough election under Regs. Sec. 1.1446-5(e)(3) and the LTP consents, the LTP has to pay the withholding tax on its ECTI allocated to the UTP’s foreign partners.

UTP’s Lookthrough Election

When electing the lookthrough procedures described in Regs. Sec. 1.1446-5(e)(1), the domestic UTP must provide Form W-9, Request for Taxpayer Identification Number and Certification, to the LTP to establish its nonforeign status and written election. The LTP must consent to the election in writing and agree to apply the rules. If the LTP declines, it must treat the domestic UTP as a U.S. person for Sec. 1446 purposes,

according to Regs. Sec. 1.1446-5(e)(3); as a result, the UTP would retain primary responsibility for paying withholding tax.

Election’s Effect

The LTP has withholding responsibilities for foreign partners (including foreign UTPs), regardless of whether the lookthrough procedures are used. When there is a foreign UTP, the lookthrough rules may potentially reduce the LTP’s tax payment. When a domestic UTP elects the lookthrough rules (and the LTP consents), the primary responsibility for paying the withholding tax transfers from the domestic UTP to the LTP, as was noted.

Regardless of whether the UTP is a domestic or foreign partnership and whether the LTP looks through the UTP in computing its withholding tax, the UTP is still obligated to report and pay its Sec. 1446 tax liability. The UTP can claim a credit for withholding tax paid by the LTP, which may fully cover its Sec. 1446 liability.

PTP’s Use of Lookthrough Rules

According to Regs. Sec. 1.1446-5(d), the lookthrough procedures may apply to a PTP (or its nominees required to pay Sec. 1446 tax) that is an LTP, but they do not apply to a PTP that is a UTP. Exhibit 1 on p. 599, illustrates the documentation needed to use the lookthrough procedures for tiered partnerships based on the information presented in Example 1 below. The lookthrough procedures in the exhibit would not be available if the UTP were publicly traded.

Example 1: A U.S. LTP, *A*, is 40% owned by *FP*, a foreign partnership that is a UTP. *FP* is 70% owned by a nonresident alien (NRA) and 30% owned by a foreign corporation, *FC*. The NRA also owns 60% of *A*. *A* has \$100 ECTI; \$40

¹⁷This is not an all-or-nothing rule. The LTP looks through to the UTP’s partners to the extent that the LTP has sufficient information

to associate income with specific types of foreign partners (e.g., individuals); see *id.*, Preamble Section F.1.

For more information about this article, contact Dr. Godfrey at hgodfrey@email.uncc.edu.

is allocated to *FP*. None of the ECTI qualifies for special capital gain rates, etc., under Regs. Sec. 1.1446-3(a)(2). Also, the *NRA* and *FC* have no deductions to consider when computing the Sec. 1446 tax, and the withholding exemption for partners with a *de minimis* Sec. 1446 tax does not apply.

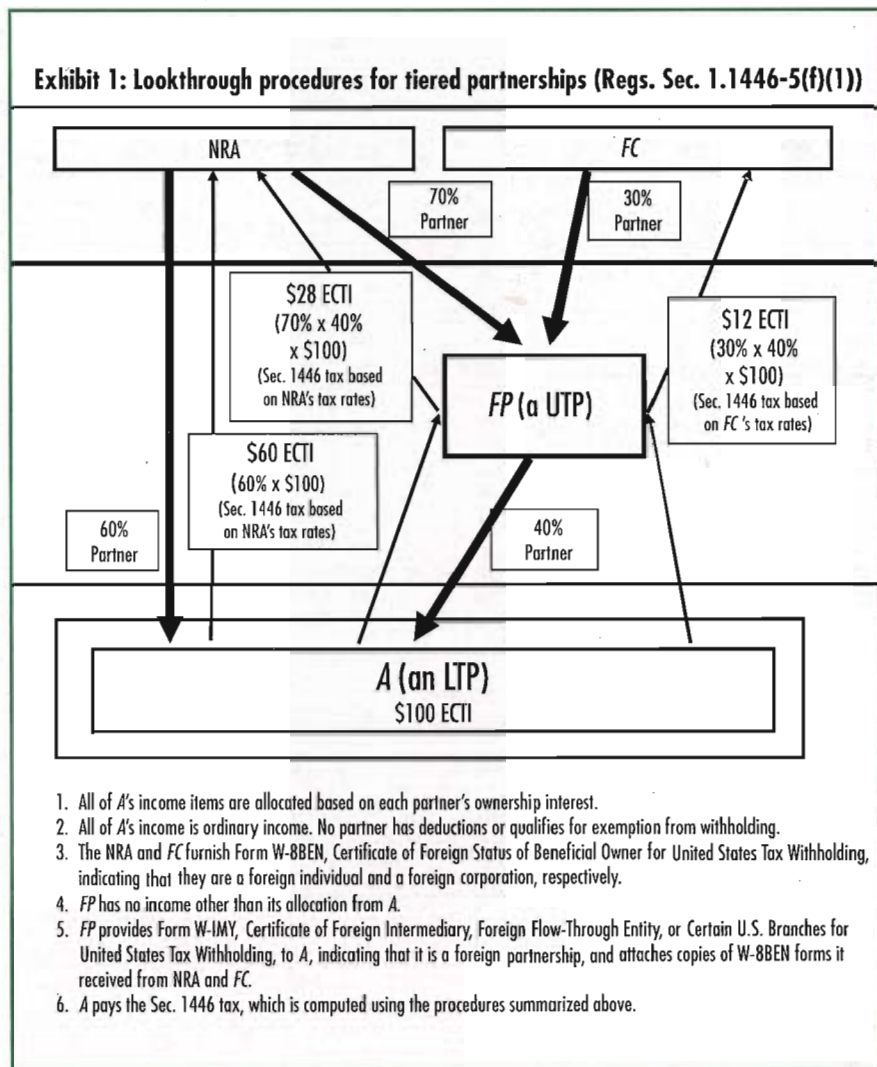
If documentation is not adequate to support use of the lookthrough procedures, *A* will compute the withholding tax on the \$40 ECTI allocated to *FP* using the higher of the highest tax rate found in Sec. 1 or 11(b)(1). If documentation provided about *FP*'s partners is adequate to support the lookthrough procedures, *A* can look through *FP* to its partners and consider the tax rates applicable to them when computing the Sec. 1446 tax. *A* will associate \$12 ECTI with *FC*, because *FC* is a 30% partner in *FP* and *FP* is a 40% partner in *A*. *A* will associate \$28 ECTI with the *NRA*, using the same logic. *A* will associate another \$60 ECTI with the *NRA* based on its 60% direct ownership of *A*. *A* will pay a Sec. 1446 tax on income associated with the *NRA*, using the top individual tax rate. It will compute its tax on ECTI associated with *FC* using the top corporate tax rate.

FP will be treated as receiving a distribution of tax paid on allocations to its foreign partners. It will owe tax on the allocations to them and will receive a credit for the payments *A* made on those allocations. Finally, the *NRA* and *FC* will be subject to U.S. income tax on their ECTI allocations and will receive credit for the Sec. 1446 tax paid by *A*.¹⁸

PTPs

Withholding on Actual Distributions

Regs. Sec. 1.1446-4(f) requires a PTP to withhold the Sec. 1446 tax on an actual distribution to a foreign



partner, rather than on an income allocation. The distribution has to include any Sec. 1446 tax that it withheld. Under Regs. Sec. 1.1446-4(b), a PTP is defined as having interests that are (1) traded on an established securities market or (2) readily tradable on a secondary market. In addition, the partnership must earn passive types of income, so that it will not be treated as a corporation under Sec. 7704. If it distributes property other than money, Regs. Sec. 1.1446-4(f)(2) prohibits it from releasing the property until it has funds sufficient to pay the required Sec. 1446 tax.

Distribution from Publicly Traded LTP to Publicly Traded UTP

When a UTP receives a partnership distribution from an LTP, the Sec. 1446 tax paid by the LTP is treated as a distribution to the UTP; the UTP is entitled to a credit for that payment.

Example 2: A foreign PTP, *B*, that is a UTP, owns an interest in a domestic PTP, *L*. *L* makes a \$100 distribution to *B*, and withholds 35% of the distribution (the highest rate in Sec. 1). *B* thus receives a net \$65 distribution that it immediately redistributes to its partners.¹⁹ It has a withholding liability for

¹⁸ See Regs. Sec. 1.1446-5(f), Example (1).

¹⁹ As was noted earlier, the lookthrough procedures may not be used for a publicly traded UTP.

35% of the total actual and deemed distribution it makes to its foreign partners. B may credit the \$35 withheld by L against this liability as if it paid it. When B distributes the \$65 it actually receives from L to its partners, it is treated as if it made a distribution of \$100 to its partners (\$65 actual distribution + \$35 deemed distribution). B's partners (U.S. and foreign) may claim a credit against their U.S. income tax liability for their allocable share of the \$35 of Sec. 1446 tax paid on their behalf.²⁰

Distribution Order

Under Regs. Sec. 1.1446-4(f)(3), distributions from PTPs are deemed paid out of the following types of income, in the order indicated:

1. Income described in Sec. 1441 or 1442 that is not effectively connected, without regard to whether such amounts are subject to withholding because of a treaty or statutory exemption;
2. Amounts effectively connected with a U.S. trade or business, but not subject to withholding under Sec. 1446 (e.g., amounts exempted by treaty);
3. Amounts subject to withholding under Sec. 1446; and
4. Other amounts.

Filing Requirements

Sec. 1.1446-4(c) requires a PTP or its withholding agent to file Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, and Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding, to report withholding from distributions under Sec. 1446. A copy of Form 1042-S is given to each partner that has received a distribution.

Deemed Cash Distributions

Tax Payments

Under Sec. 1446(d), a partnership's payment of Sec. 1446 tax is treated as a distribution to the part-

Exhibit 2: Foreign partner's deemed distribution as a result of a partnership paying Sec. 1446 tax

The partnership has a 50% U.S. partner and a 50% foreign partner. For the quarter ending March 31, 2006, the partnership has \$200 ECTI; \$100 is allocable to the foreign partner. The partnership makes a \$35 deposit on March 31, 2006 for the foreign partner. The partnership operates at break-even for the remainder of 2006 and makes no further deposits.

	Tax year 2006	Results for partnership calendar year	Facts for 50% foreign partner	Basis for 50% foreign partner
Pre-regulations				
Foreign partner's beginning basis	January 1			\$20
Partnership's payment of Sec. 1446 tax	March 31	\$35		
Amount treated as distribution to foreign partner (reduces basis to zero)	March 31		\$35	
Gain on deemed distribution (Sec. 731(a)(1))	March 31		15	(20)
ECTI for year	December 31	200	100	100
Total income and gain for year		\$200	\$15	100
Basis of partnership interest	December 31			\$100
Sec. 1446 regulations				
Total income and gain for year			\$100	
Beginning basis	January 1			\$20
Add: Net income (Sec. 705(a)(1))	December 31			\$100
Amount of basis before distribution				\$120
Less: distribution (drawing) (Sec. 731(a)(1))	December 31			(35)
Total income and gain for year			\$100	
Basis of partnership interest	December 31			\$85

Under the regulations, the deemed distribution is treated as an advance or drawing.

ner. It is deemed to occur on the earlier of the (1) day the partnership paid the tax or (2) last day of the partnership's tax year for which such tax was paid. The partner is allowed a credit under Sec. 33 for such withholding tax.

Partner's Gain

Under Sec. 731, a partner recognizes gain on the receipt of a cash distribution in excess of its basis in the partnership. This can cause premature gain recognition when the partner begins a year with a basis that is low in relation to its share of ECTI for the year.

In Exhibit 2 above, a partnership with \$100 ECTI allocable to a 50% foreign partner paid \$35 of Sec. 1446 tax for that partner on March 31, 2006. The partner began the year with a \$20 basis in the partnership interest. The exhibit shows that, prior to the regulations, the partner would have a distribution that exceeds basis

by \$15. This would be reported as a \$15 gain; the partner would also report \$100 ECTI for the year. However, now, under Regs. Sec. 1.1446-3(d)(2)(v), the \$35 payment is treated as an advance to the partner, with a basis reduction occurring at the end of the tax year, after basis has been increased by \$100 for the ECTI allocation for the year.

The advance (drawing) treatment applies only to installment payments of Sec. 1446 tax made during the partnership's tax year for ECTI earned that year. Any Sec. 1446 tax paid after the close of the partnership's tax year on account of partnership ECTI allocated to partners for a prior tax year is treated as a distribution from the partnership on the earlier of the (1) last day of the partnership's prior tax year for which the tax is paid or (2) last day in the prior tax year on which the foreign partner held an interest in the partnership.²¹

²⁰ Regs. Sec. 1.1446-3 provides details on how to treat the payment for partners that are trusts distributing none, some or all of the income from the partnership.

²¹ This includes amounts paid with the filing of Form 8804, Annual Return for Partnership Withholding Tax (Section 1446).

Effect on Penalties

Regs. Sec. 1.1446-3(d)(2)(v) provides that the deemed distribution rules only apply when determining the effect of the deemed distribution to a foreign partner under Secs. 705, 731 and 733. They do not affect the date that the partnership (or partner) is otherwise deemed to have paid tax for Secs. 6654 and 6655 purposes.

Partnership Liability

Failure to Pay Sec. 1446 Tax

When a partnership fails to make required Sec. 1446 tax payments and file related tax forms, it is liable for (1) the unpaid tax; (2) the addition for underpayment of estimated income tax under Sec. 6655; (3) interest under Sec. 6601; (4) the penalty for failure to file under Sec. 6651(a)(1); and, possibly, (5) other penalties and additions identified in Regs. Sec. 1.1461-3.

Sec. 6655 imposes on corporations an addition for underpayment of estimated tax. However, it also applies to partnerships. Sec. 1446(f) requires the (1) Sec. 1446 tax to be treated as a Sec. 11 corporate income tax imposed and (2) partnership to be treated as a corporation. Regs. Sec. 1.1446-3(e)(3)(ii) provides that the addition for underpayment of estimated tax on a foreign partner's U.S. income tax return is reduced to the extent that the partnership has paid an addition under Sec. 6655 related to ECI allocated to that partner.

A partnership that fails to make a required payment of Sec. 1446 tax is given a credit for a deemed payment when a partner pays the full amount of the tax. The deemed payment by the partnership is not treated as a deemed distribution under Sec. 1446(d). The foreign partner's payment of the tax has no effect on the

Tax advisers should give a high priority to payment of Sec. 1446 tax and filing of associated returns.

addition under Sec. 6655 for the partnership; Regs. Sec. 1.1446-3(e)(2) states that the partnership does not get credit for the deemed payment by its foreign partner until the later of:

1. The date on which 100% of the tax liability is deemed to have been paid; i.e., the later of the date of payment or the unextended due date of the foreign partner's income tax return (June 15 for a foreign individual); or
2. The unextended due date for filing Form 8804 for the partnership.

For example, if a calendar-year foreign partnership failed to make a Sec. 1446 payment for the first quarter of 2006, but a foreign partner made an estimated tax payment of the full amount by April 17, 2006, Regs. Sec. 1.1446-3(e) imposes an addition under Sec. 6655 on the partnership, for the period running from the payment due date until the Form 8804 due date, which is June 15, 2007 for a foreign calendar-year partnership, even though the foreign partnership paid the tax timely.²²

Effect of Partner's Withholding Certificate

When a partnership receives a valid withholding certificate for a partner, but later determines that the statement is unreliable, it is not subject to penalties for its failure to pay the tax because of its reliance on the certificate, according to Regs. Sec. 1.1446-1(c)(2)(iii)(C). Once a partnership learns that a withholding certificate is not reliable, but contin-

ues to rely on it, it becomes subject to all applicable penalties for failure to pay the tax, under Regs. Sec. 1.1446-1(c)(4). Temp. Regs. Sec. 1.1446-6T(d)(2) allows a partnership to avoid the addition under Sec. 6655 for any period in which it reasonably relied on a foreign partner's certificate of deductions and losses or certification that the partnership is the partner's only investment that generates ECI.

Payment, Reporting and Refunds

Computing Payments

Under Regs. Sec. 1.1446-3(b)(2), the Sec. 1446 tax payment for a partnership (that is not a PTP) is calculated using Sec. 6655 principles. Its effectively connected items of income, gain, loss and deduction are annualized. Each partner's share of annualized ECTI (which may be adjusted to reflect losses and deductions shown on a certificate from the partner) is multiplied by the appropriate tax rate, to obtain the partner's annualized tax. Under Regs. Sec. 1.1446-3(b)(2), the installment due for a partner is the annualized tax multiplied by the applicable percentage under Sec. 6655 for the quarter (25% for first quarter, 50% for second quarter, etc.), less prior payments made for the partner for the current year. When computing the first installment of Sec. 1446 tax for a tax year, Regs. Sec. 1.1446-3(b)(1) requires a partnership to decide

²² For a domestic calendar-year partnership, the due date for Form 8804 is March 15 of the following tax year. If the partnership in the example was a domestic partnership, the period for computation of the underpayment

addition would end on March 15, and the failure-to-pay penalty would apply from March 16 until the deemed payment date by the foreign partner, June 15.

whether it will use (1) the safe harbor or (2) one of several annualization methods.

Regs. Sec. 1.1446-3(a)(2) generally requires using the highest rate in Sec. 11(b)(1) to compute the Sec. 1446 tax, if the partner is a corporation. For other types of partners, the highest tax rate in Sec. 1 is used. However, special rates can be used for computing tax on allocations of long-term capital gain to partners who are individuals. Regs. Sec. 1.1446-3(a)(1) and (b)(2) state that a partnership does not consider a partner's liability for any tax other than the Sec. 1446 tax (e.g., Sec. 55 or 884) or estimated tax payments made by the partner when determining Sec. 1446 tax. Regs. Sec. 1.1446-3(a)(1) requires ignoring a partner's share of the partnership's tax credits as well.

Periodic Payments and Reporting

Regs. Sec. 1.1446-3(d)(1) requires a partnership (that is not a PTP) to make payments of its estimated annual Sec. 1446 tax in installments on or before the 15th day of the fourth, sixth, ninth and twelfth months of its tax year. Any additional amount due is paid with the annual return. The following forms are used for reporting tax payments to the IRS and partners:

- Form 8813, Partnership Withholding Tax Payment Voucher (Section 1446).
- Form 8804.
- Form 8805, Foreign Partner's Information Statement of Section 1446 Withholding Tax.

Regs. Sec. 1.1446-3(d) requires a partnership to use Form 8813 to transmit to the IRS an installment payment of Sec. 1446 tax, other than any remaining amount that is paid with the annual return. Generally, within 10 days of paying the tax, the partnership must notify each foreign partner of the Sec. 1446 tax paid on the partner's behalf. No particular

Partnerships must annually provide foreign partners with a copy of Form 8805, even if no Sec. 1446 withholding tax is paid.

form is required to notify a foreign partner, but Regs. Sec. 1.1446-3(d) requires the following information in each notification:

1. Partnership's name, taxpayer identification number (TIN) and address.
2. Partner's name, TIN and address.
3. Estimate of annualized ECTI to be allocated to the foreign partner.
4. Amount of tax paid on the partner's behalf for both the current and any prior installment periods during the partnership's tax year.

Year-End Payments and Reporting to IRS

Forms 8804 and 8805 are filed by all partnerships (other than PTPs) that have effectively connected gross income allocable to a foreign partner. Regs. Sec. 1.1446-3(d) requires filing on or before the due date of Form 1065, U.S. Return of Partnership Income.

Regs. Sec. 1.1446-3(d) requires using Form 8804 to report the total liability under Sec. 1446 for the partnership's tax year. This form is also used for reporting and paying any remaining balance due for the year.

Form 8805 is prepared for each foreign partner. It shows the amount of ECTI and the total tax credit allocable to the foreign partner for the partnership's tax year. Copy A of Form 8805 should be attached to Form 8804 when it is filed with the IRS, even if no Sec. 1446 withholding tax was paid.

Temp. Regs. Sec. 1.1446-6T(d)(2) requires a partnership to file Form 8813, or Forms 8804 and 8805

(whichever is applicable), for any period for which it relies on a partner's certificate of deductions and losses, even if no Sec. 1446 tax is due for the foreign partner. The partnership must also attach a copy of the certificate, and the computation of Sec. 1446 tax due for each partner, to both the Forms 8813 and 8805 filed with the IRS for any period for which such certificate is considered in computing the partnership's Sec. 1446 tax.

Periodic and Year-End Reporting to Partners

When making a payment of Sec. 1446 withholding tax to the IRS, a partnership (that is not a PTP) must notify all foreign partners of their allocable shares of any Sec. 1446 tax that it paid to the IRS. The partners use this information to adjust the amount of estimated tax they must otherwise pay.

Regs. Sec. 1.1446-3(d)(1)(iii) requires a partnership to provide foreign partners annually with a copy of Form 8805, even if no Sec. 1446 withholding tax is paid. Form 8805 should be sent to each foreign partner by the due date of the partnership return (including extensions). Foreign partners must attach Form 8805 to their U.S. income tax returns to claim a credit for their share of the Sec. 1446 tax paid by the partnership.²³

Example 3: On Jan. 1, 2006, A, a foreign individual, and B, a U.S. individual, formed a domestic partnership, DP, to conduct a business in the U.S. A and B are equal partners. They provide valid

²³ Regs. Sec. 1.1446-3(d)(1)(iv) contains additional requirements for reporting to beneficiaries of estates and trusts.

Forms W-8BEN and W-9, respectively, to DP. A submitted a certification showing it will have available a \$5,000 effectively connected net operating loss (NOL). DP estimates that it will earn \$10,000 ECTI for the year, which it will allocate equally to A and B. The Sec. 1446 tax deposit for A for the first quarter is as follows:

Estimated ECTI allocable to A for tax year	\$5,000
Application of loss—90% limit ²⁴	4,500
Remainder	\$500
Tax rate (assumes income is ordinary)	×35%
Annualized tax	\$175
Sec. 6655(e)(2)(B) percentage for first installment period	×25%
Tax deposit for A	<u>\$43.75</u>

DP must file Form 8813 with respect to A, and attach a copy of A's certificate and DP's computation of its Sec. 1446 tax obligation, as explained in Temp. Regs. Sec. 1.1446-6T(e), *Example 2*.

Refunds

According to Regs. Sec. 1.1446-3(d)(2)(iv), a withholding agent (e.g., the partnership) may obtain a refund of the Sec. 1446 tax paid to the extent of the excess of the amount paid, over the partnership's Sec. 1446 tax liability as shown on all Forms 8805 for the tax year. If a partnership incorrectly withholds on a U.S. person under Sec. 1446 and issues Form 8805 to that person, the U.S. person may file for a refund on its annual return.

Other Rules Affecting Amount of Sec. 1446 Tax

Regs. Sec. 1.1446-3(c)(2) provides that Sec. 1446 overrides Sec. 1445(e) (1) when a partnership is liable for withholding tax under both provisions. In such case, the partnership is only subject to Sec. 1446. Regs. Sec. 1.1446-3(c)(3) provides that a partnership with ECTI allocable under Sec. 704 to a foreign organization described in Sec. 501(c) pays the Sec. 1446 tax on the amount of ECTI

includible under Secs. 512 and 513 in computing the organization's unrelated business taxable income.

Guidelines

The following strategies should be implemented:

1. Paying Sec. 1446 tax and filing related returns and reports should be given high priority, to avoid potentially severe penalties.
2. Before approving a request from a UTP to use lookthrough procedures for withholding, carefully determine whether all necessary documentation has been received and whether the withholding procedures can be applied accurately.
3. Provide all necessary documentation to partners (i) to support the claim of a withholding credit on their U.S. income tax returns or (ii) in computing ECTI and the Sec. 1446 tax for a UTP.

Conclusion

Allocations of ECTI to a partner that is a partnership (i.e., a tiered partnership) are subject to special rules, which vary depending on whether the UTP is domestic or foreign. Other special withholding rules apply only to PTPs. The Sec. 1446 tax can often be reduced through consideration of the nature of ECTI allocations, the types of foreign partners, losses or other deductions that will be available on the U.S. income tax returns filed by those partners, and possible partner exemption from withholding requirements. It is important to take these rules into account when computing and paying the Sec. 1446 tax, and filing reports with the IRS and the partners. Many penalties may be avoided with sufficient documentation, accurate computations, timely deposits and accurate and timely reporting.

TTA

There's something to be said for Strength in Numbers

AND WITH OVER 350,000 MEMBERS . . .

we're looking pretty strong and getting stronger. Today's AICPA is better than ever and we're doing more for our members than ever before, including advocating for the rights of the profession and the new AICPA Anti-Fraud and Corporate Responsibility Program.

BENEFITS INCLUDE:

- CPEExpress
- reSOURCE
- Specialized Membership Sections
- Specialty Credentials
- Access to www.cpa2biz.com
- Group Study
- Elite Values
- Free Publications
- Networking

CALL US AT

1-888-777-7077

FOR MORE INFORMATION VISIT US AT

www.aicpa.org/about/membapp.htm

6809-002

AICPA

²⁴Under Temp Regs. Sec. 1.1446-6T(c)(1)(iii), the amount of a partner's certified NOL that may be deducted is limited to 90% of the partner's allocable share of ECTI.