



TaxNewsFlash

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KPMG report: Provisions affecting private equity funds in tax reform bills—House Bill and Senate Finance Committee Bill

The U.S. House of Representatives on November 16, 2017, passed H.R. 1, the “Tax Cuts and Jobs Act.” The Senate Finance Committee also on November 16, 2017, approved its version of the bill.

KPMG has prepared a report that provides a summary and observations regarding certain provisions affecting private equity funds, fund sponsors, and fund investors in the “Tax Cuts and Jobs Act” as approved by the House (the “House Bill”), and by the Senate Finance Committee (the “SFC Bill”).

In accordance with traditional Senate Finance Committee practice, the SFC Bill was approved based on detailed summaries of the relevant provisions. Legislative language was released on November 20, 2017. Note that many of the SFC Bill provisions affecting individuals generally expire after December 31, 2025. Therefore, under the SFC Bill, the affected provisions of the Internal Revenue Code would as of such date revert to their form as in effect prior to January 1, 2018 (absent future legislative action).

The principal provisions addressed by this KPMG report are those relating to:

- Carried interest
- Special rates for individuals for income earned through partnerships
- Corporate rate reduction
- Limitations on interest deductibility
- Corporate tax attributes, including expensing, net operating losses (“NOLs”), and repeal of the corporate alternative minimum tax (“AMT”)
- U.S. international tax, including:
 - Participation exemption for dividends from foreign subsidiaries

- Minimum tax on certain low-taxed foreign earnings
- Anti-base erosion taxes on payments to foreign affiliates
- Transition tax on accumulated foreign earnings (the “Repatriation Tax”)
- Treatment of sales of interests by foreign partners in certain U.S. trade or business partnerships
- Limitations on deductions for certain hybrid payments
- Tax-exempt investors

Read a [November 2017 report](#) [PDF 315 KB] prepared by KPMG LLP

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