



TaxNewsFlash

United States



No. 2020-648
October 15, 2020

KPMG report: Initial impressions of final regulations, withholding and reporting obligations on dispositions of certain partnership interests

The IRS on October 7, 2020, posted on its website a version of final regulations (T.D. 9926) regarding withholding and reporting obligations with respect to dispositions of certain partnership interests under section 1446 and related sections of the Code.

Sections 864(c)(8) and 1446(f) were added to the Code by the 2017 tax law (Pub. L. No. 115-97), or the law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA). Section 864(c)(8) provides rules for determining the amount of gain or loss that is treated as effectively connected with a U.S. trade or business when a non-U.S. person sells an interest in a partnership that is engaged in a trade or business in the United States. Section 1446(f) provides withholding and reporting rules applicable to the transfer of partnership interests described in section 864(c).

- Notice 2018-08 (December 2017) provided a temporary suspension of the requirement to withhold on amounts realized in connection with dispositions by a foreign person of certain interests in publicly traded partnerships.
- Notice 2018-29 (April 2018) generally provided temporary guidance with respect to dispositions by a foreign person of interests in non-publicly traded partnerships.
- Proposed regulations under section 1446(f) were published in May 2019, which generally set forth guidance related to withholding and reporting obligations with respect to dispositions by a foreign person of interests in partnerships (both publicly traded and non-publicly traded) that are engaged in a trade or business in the United States.

The final regulations retain the basic approach and structure of the proposed regulations but include several modifications and clarifications based on industry comments received.

Read an [October 2020 report](#) [PDF 972 KB] prepared by KPMG LLP, providing initial impressions of the key modifications addressed by the final regulations. Modifications affecting interests in non-publicly traded partnerships are addressed first, followed by modifications affecting interests in publicly traded partnerships.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)