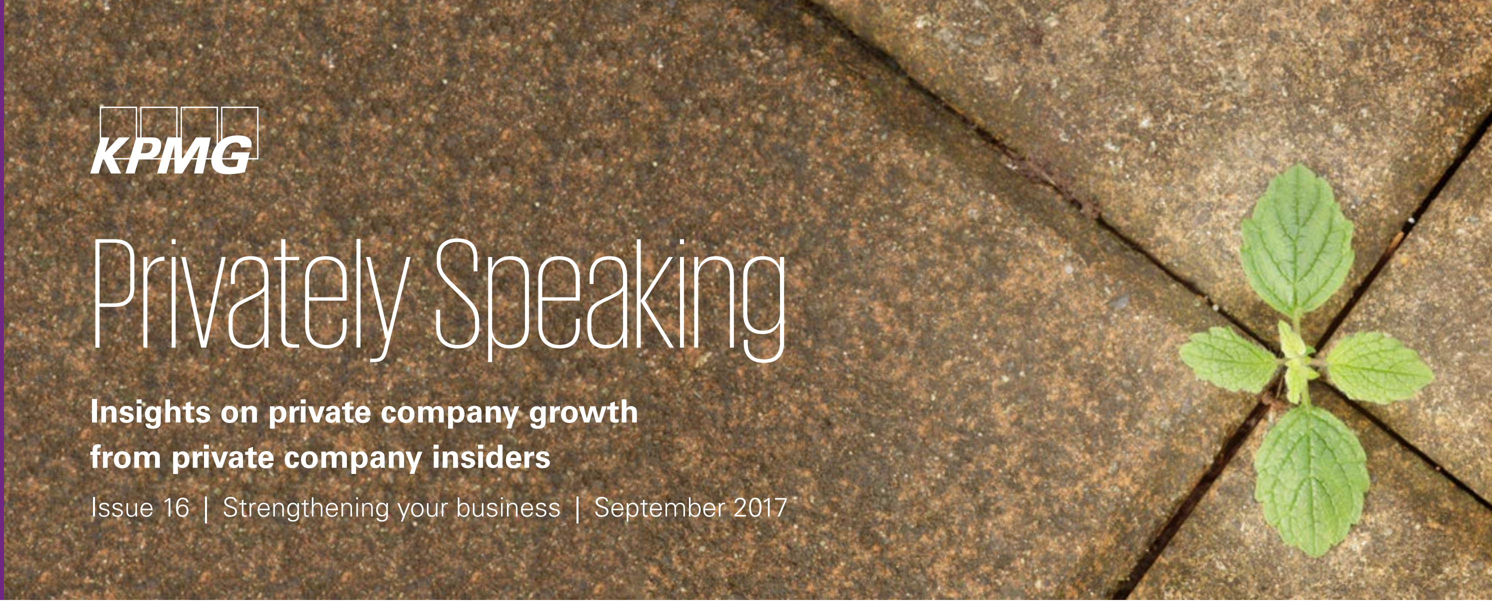

KPMG

Privately Speaking

Insights on private company growth from private company insiders

Issue 16 | Strengthening your business | September 2017

A new centralized IRS partnership audit regime begins January 1, 2018: Are you prepared?

Private company leaders face challenges in their compliance journeys. In a time of new U.S. administrative impacts to the regulatory environment, determining how to boost the value you get from your compliance activities is critical. This edition of *Privately Speaking* highlights the new proposed regulations issued June 14, 2017 that apply to all partnerships required to file a U.S. tax return.

Impact of the new regime

Effective tax years beginning January 1, 2018, a centralized IRS partnership audit regime will significantly transform partnership audits and the assessment and collection of tax from partnerships. The new regime:

— Applies to all partnerships regardless of the number of partners

— Imposes an entity-level tax at a potential 39.6 percent tax rate

— Replaces the tax matters partner (TMP) with a partnership representative who has exclusive broad-ranging authority over the partnership and its partners.

Significance to our clients today

By subjecting partnerships to a potential 39.6 percent tax rate, entities may be in a worse position under the new regime than if taxes were paid at the investor level.

The new regime potentially impacts:

— The ability to attract investors

— An entity's cash management position

— Capital accounts, special allocations, and basis and valuation determinations.

Elimination of the TMP for a partnership representative with sole authority to bind the partnership and its partners makes updates to partnership agreements a critical component of client readiness for the new centralized regime.

Planning steps for partnerships to consider today:

1. Identify arrangements that should be treated as partnerships subject to the new regime.
2. Evaluate tax positions in open tax years. Consider the potential impact to capital accounts, special allocations, inside and outside basis, and valuation determinations.
3. Update partnership agreements to designate a partnership representative and define regime protocol.
4. Establish a document management system to assist with imputed underpayment amount (IUA) modification requests.
5. Consider due diligence impact for partnership targets.
6. Identify potential financial reporting and state tax return implications.

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Learn more...

KPMG recently hosted a TaxWatch Webcast on the new centralized partnership regime.

Click here to view the replay.

For more information, click here to visit the partnership Web page.

"The new regime represents a significant departure from the way the IRS currently assesses and collects tax from partnerships. Understanding what the new regime means for your business and implementing steps today to prepare can help minimize new exposures in 2018 and forward."

—**Miri Forster,** Principal, Tax Controversy Services, KPMG LLP

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