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Multistate Tax Treatment of Multi-Tier Partnerships: State Tax Issues for Nonresident Tiered Pass-Through Entities

Reconciling State Recognition Rules, Apportionment from Lower-Tier Pass-Through Entities,
Withholding Requirements

THURSDAY, OCTOBER 31, 2019

1pm Eastern | 12pm Central | 11am Mountain | 10am Pacific

Today's faculty features:

William H. Gorrod, Of Counsel, **Morrison & Foerster**, San Francisco

Cosimo A. Zavaglia, Partner, **Morgan Lewis**, New York

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MULTISTATE TAX TREATMENT OF MULTI- TIER PARTNERSHIPS

William H. Gorrod, Morrison & Foerster LLP

Cosimo A. Zavaglia, Morgan, Lewis & Bockius LLP

Strafford Publications
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Agenda

- Overview of state partnership taxation
- Entity level taxes
- State tax treatment of partners
- Taxation of nonresident partners
- Nonresident partner withholding
- Non-income taxes
- Multi-tier partnerships
- Best practices



OVERVIEW OF STATE PARTNERSHIP TAXATION

Overview of State Partnership Taxation

- Federal treatment of pass-through entities (“PTE”)
- State classification
- State conformity with flow-through treatment
- Business vs. nonbusiness income
- Apportionment
- Partner nexus

ENTITY LEVEL TAXES

Entity Level Taxes

- State entity level taxation
- Combined reporting
- Apportionment
- Treatment of lower and upper tier PTEs
- Minimum taxes and fees

STATE TAX TREATMENT OF PARTNERS

State Tax Treatment of Partners

- Nexus
- Unitary issues
 - Apportionment at corporate vs. PTE level
- Resident vs. nonresident partners

TAXATION OF NONRESIDENT PARTNERS

Taxation of Nonresident Partners

- Filing requirements
- Withholding requirements
- Composite returns
- Examples

NON-INCOME TAXES

Non-Income Taxes

- Gross receipts taxes
- Combined reporting
- PL 86-272
- Minimum taxes, sales and use taxes, real estate transfer taxes, property taxes

MULTI-TIER PARTNERSHIP ISSUES

Multi-Tier Partnership Issues

- Income and deductions
- Apportionment factors
- Withholding on distributions from lower tier PTE
 - Potential elections out of lower tier withholding
- Entity level taxes
- Composite returns

BEST PRACTICES

Best Practices

- Review type of entity and owners
- States where doing business
 - Physical presence of employees or property
 - Sales revenue
- For each state where the PTE is doing business:
 - Entity classification
 - State treatment of specific entity
 - Consider entity level taxes
 - Nexus for owners
 - Treatment of M&A transactions
 - Composite return requirements

Best Practices (cont.)

- Additional considerations
 - Tax treatment of owners
 - Computation of taxable income for PTE
 - Computation of distributive share
 - Computation of owner's taxable income
 - PTE filing requirements
 - Minimum tax requirements
 - Withholding requirements
 - Composite return requirements

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