

AN ALERT FROM THE BDO FINANCIAL SERVICES PRACTICE

ASSET MANAGEMENT **INSIGHTS**



BDO'S ASSET MANAGEMENT PRACTICE

BDO's Financial Services Practice provides assurance, tax and advisory services to asset management entities, primarily Hedge Funds, Private Equity Funds, and Mutual Funds. The practice services over 600 advisors nationwide with funds ranging from start-up funds to those with billions under management.

IRS PROPOSES FAVORABLE REGULATIONS ON PARTNERSHIP AUDIT RULES

On December 15, 2017, the IRS proposed regulations that would allow tiered partnerships, such as master-feeder structures, to make a "push out" election.

That election enables the partnership to have the partners from the earlier, audited year pay the tax assessment. This election would also allow the partnership to avoid any potential entity level tax assessments. Before the Proposed Regulations, there was much concern in the asset management industry that the push out election does not work well in the context of tiered partnerships, which are common in fund structures.

Even if the push out election is available there are some other considerations. One such consideration is that there is an additional 2% interest charge on the tax liability. In addition, there are limits on the ability to net positive adjustments with negative adjustments, resulting in the risk of a tax assessment on gross income.

In any event, these Proposed Regulations are welcome news for the industry and will hopefully be finalized in the coming weeks.

HOW DO I GET MORE INFORMATION?

IGNACIO GRIEGO

Assurance Partner
San Francisco
415-490-3182
igriego@bdo.com

SAMUEL SEAMAN

Tax Partner
San Francisco
415-490-3157
sseaman@bdo.com

NICK MAROULES

Assurance Partner
Chicago
312-730-1332
nmaroules@bdo.com

KEITH MCGOWAN

Assurance Partner
New York
212-885-8037
kmcgowan@bdo.com

JOE PACELLO

Tax Partner
New York
212-885-7375
jpacello@bdo.com

JONATHAN SCHMELTZ

Tax Partner
New York
212-885-8170
jschmeltz@bdo.com

MATHEW DEMONG

Tax Partner
Boston
617-422-7575
mdemong@bdo.com

DARIN SCHINDLER

Tax Partner
Pittsburgh
412-281-7618
dschindler@bdo.com

DALE THOMPSON

Partner, Financial Services
New York
212-885-7318
dthompson@bdo.com

People who know Asset Management, know BDO.

ABOUT BDO USA

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, and advisory services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through more than 60 offices and over 550 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multi-national clients through a global network of 73,800 people working out of 1,500 offices across 162 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information please visit: www.bdo.com.