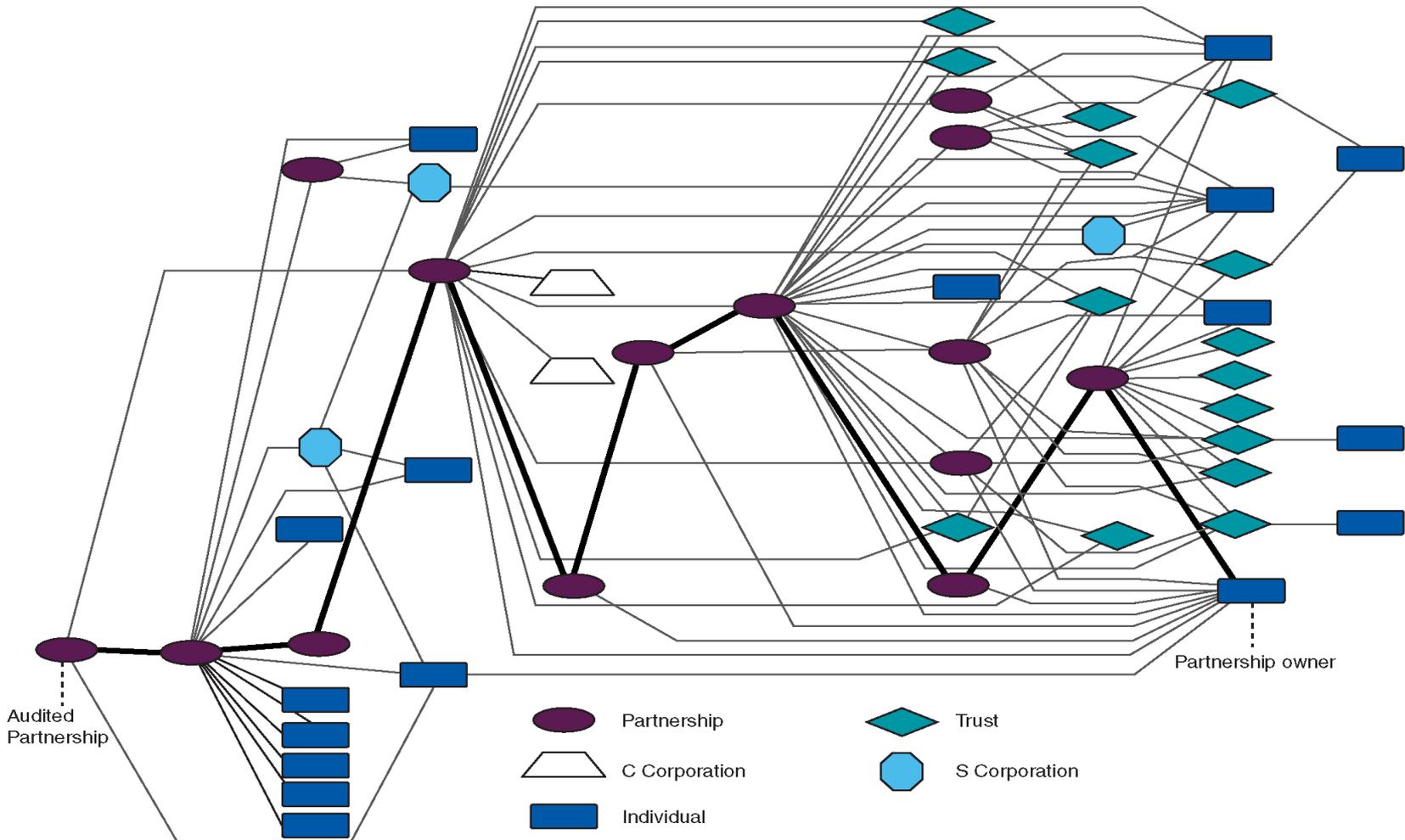


TAX REVIEW COMMISSION PRESENTATION



CHAIRMAN JOHN L. VALENTINE
UTAH STATE TAX COMMISSION
AUGUST 25, 2016

Complex Pass-Through Structures



Utah Approach to Complexity

2009 S.B. 23, Income Taxation of Pass-Through Entities and Pass-Through Entity Taxpayers (Niederhauser).

- Require 5% withholding on all pass-through entity taxpayers who are not Utah resident individuals.

NEW Federal Approach to Complexity

Federal Partnership Audit Reform

- Simplifies IRS audits of complex pass-through entities
 - all tax will now be assessed against partnership who then must obtain contribution from partners.

Proposed Modifications to Utah Approach

1. Refund process available to pass-through entities of withholding in excess of 5% of Utah source income.
2. Refundable credit claimable on pass-through entity return of withholding in excess of 5% of Utah source income.
3. Modification of the withholding waiver requirements to allow entities without the same tax year as their parent to qualify.