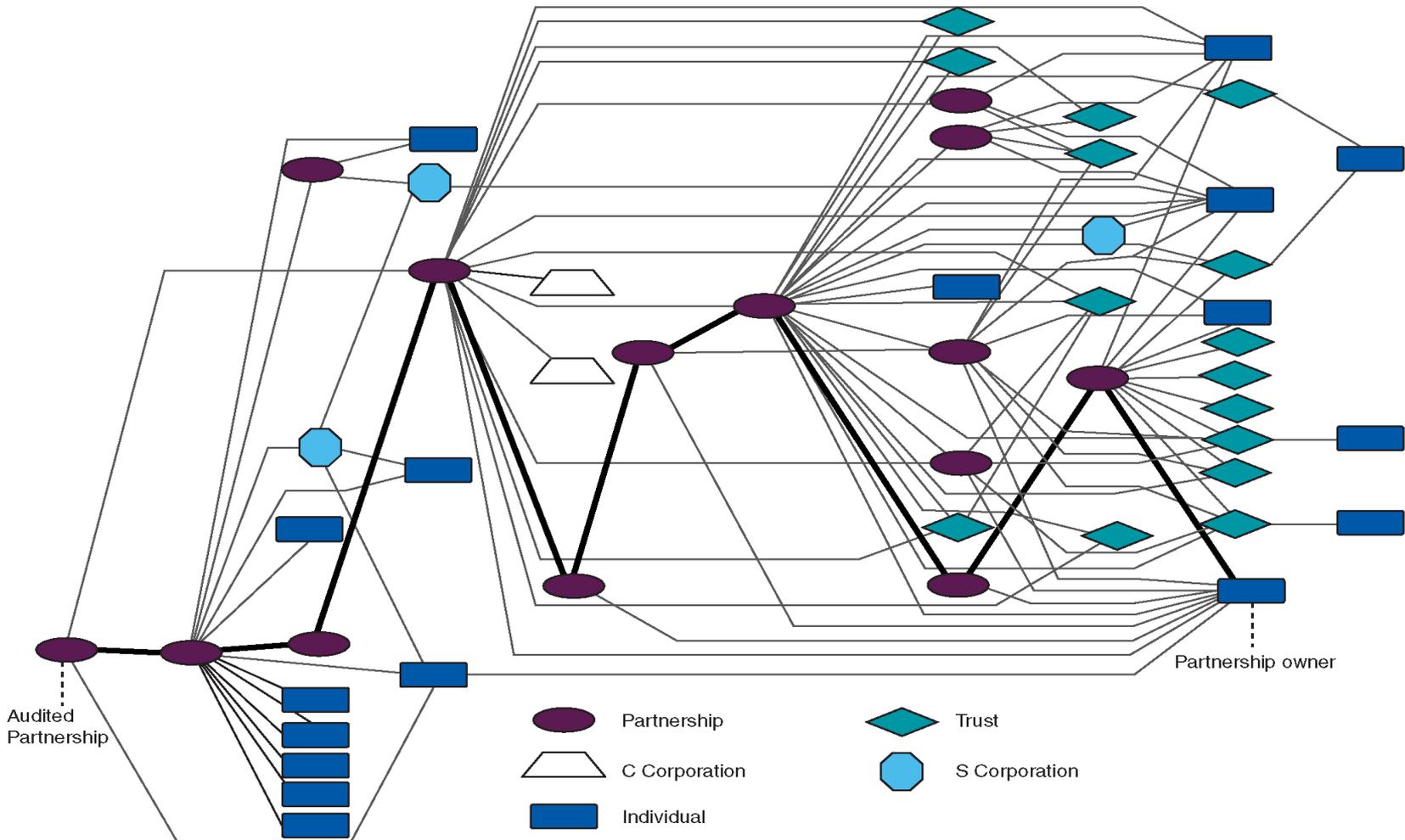


TAX REVIEW COMMISSION PRESENTATION



CHAIRMAN JOHN L. VALENTINE
UTAH STATE TAX COMMISSION
SEPTEMBER 22, 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.

Utah Issue

- Pass-through entities have been unable to utilize the withholding waiver when it and their owners have different tax years.
- This may result in excessive withholding.

Proposed Modifications to Utah Approach

A refund option for pass-through entities who:

1. would otherwise qualify for a withholding waiver except for tax year differences with owners; and
2. pass-through withholding exceeds 5% of Utah source income by a threshold amount.