



Investment Compliance

Capital Changes 1446F PTP Alert

Proven tax and
withholding solutions
you can trust

New Section 1446(f) tax regulations released in October 2020 generally require that brokers withhold 10 percent of the amount realized on any transfer of, or distribution from, a publicly traded partnership (PTP), unless an exception applies. Brokers have very little time to prepare and must apply the new withholding provisions to transfers and distributions made on or after January 1, 2022. Capital Changes 1446F PTP Alert automates the monitoring and analyzing of qualified notices. This is essential to determine if an exception from withholding applies.

Need for a solution

Newly-issued regulations under Section 1446(f) allow brokers an exception from withholding on PTP sales and distributions when they rely on information contained in a qualified notice posted within 92 days of the transaction triggering the withholding obligation. This means that brokers must constantly monitor for qualified notices as they are published by PTPs.

Qualified notices do not have a standard format or central location, and the interpretation of new guidance often varies between individual issuers. This creates a challenge for a broker or other withholding agent in determining if a withholding exception applies. Consequently, interpreting these notices pose a burden for brokers who are already managing considerable withholding and compliance obligations.

Capital Changes 1446F PTP Alert at-a-glance

- Rich in information, detail and accuracy
- Focused on efficiency
- Provides:
 - PTP identification and reference data
 - Qualified notice publication and expiration dates
 - Amounts in excess of cumulative net income subject to withholding
 - Designated date for 10 percent ECI exception
 - Key information, such as relevant dates, values, and percentages

Minimize risk and maximize efficiency

New withholding rules applicable to foreign partners in partnerships engaged in a U.S. trade or business were enacted in 2017. Final regulations released in October 2020 under these rules obligate brokers to withhold in connection with sales of, and payments to, non-U.S. partners in PTPs. Brokers are exempt from withholding on PTP transfers or payments under a number of exceptions, including instances where a PTP issues a “qualified notice” stating that the partnership meets certain entity-level criteria relating to the partnership’s assets and business operations. These new withholding obligations are applicable beginning on January 1, 2022, so brokers and other withholding agents have very little time to prepare to withhold or apply exceptions.

Capital Changes 1446F PTP Alert provides advanced notification of PTP distributions and important data points from the related qualified notices, allowing brokers to shift the burden of finding and analyzing qualified notices to the tax experts at Wolters Kluwer, enabling your firm minimize risk and maximize efficiency. The information is contained in a web application, allowing for easy searching, sorting, and exporting of data.

To find out more about our Capital Changes 1446F PTP Alert, or any of our other corporate action solutions, please visit [WoltersKluwer.com](https://www.wolterskluwer.com) or contact us at 800.261.3111.

About Wolters Kluwer Governance, Risk & Compliance

Governance, Risk & Compliance (GRC) is a division of Wolters Kluwer, which provides legal and banking professionals with solutions to ensure compliance with ever-changing regulatory and legal obligations, manage risk, increase efficiency, and produce better business outcomes. GRC offers a portfolio of technology-enabled expert services and solutions focused on legal entity compliance, legal operations management, banking product compliance, and banking regulatory compliance.

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Capital Changes 1446F PTP Alert Product Sheet