

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](http://www.bdo.com).

Material discussed is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.

© 2018 BDO USA, LLP. All rights reserved.