



# IRS - IRC Section 1446(f) - Publicly Traded Partnerships PTP Taxation Solution

Support your withholding and reporting obligations under IRS regulation IRC Section 1446(f) with ICE's PTP taxation solution

## What is IRC Section 1446(f)?

The Internal Revenue Service (IRS) has published final regulations under Internal Revenue Code (IRC) Section 1446(f) regarding new withholding tax concerning Publicly Traded Partnerships (PTP) that entered into force on Jan. 1, 2023.



According to IRC Section 1446(f) brokers, withholding agents and qualified intermediaries (QIs), acting on behalf of non-U.S. Partners, must withhold a tax equal to 10% of the amount realized on the sale or exchange of non-U.S. partnership interests in a PTP.

To identify potential PTPs subject to the withholding requirement of 1446(f), our solution identifies businesses based on a partnership agreement between two or more owners that are:



Publicly traded on SEC-registered securities markets or OTC trading venues



Engaged in a U.S. trade or business



Mainly involved in certain business activities (e.g. energy, natural resources, commodities, logistics, real estate)

## Our solution

ICE's PTP taxation solution enables identification and monitoring of securities that may be in scope of Section 1446(f) - generally represented by shares, units, ETFs, REITs, trusts - through analysis of the issuer's legal form (mainly limited partnerships and limited liability companies) and the related business. The service offers:

**Accurate and in-depth analysis** of an extensive number of sources:

- Annual reports, prospectuses, tax reports
- K-1, K-2, K-3 Forms
- Stock exchanges releases, PTP lists from financial intermediaries & clearing houses

**Ongoing monitoring of the PTP securities** to identify any change in the status of issuers. Events that may lead to a change in the PTP status include:

- Corporate Actions (e.g. M&As, reorganizations)
- New listings and delistings from U.S. securities exchanges

The solution may benefit banks (including custodians) asset managers, wealth managers, brokers and qualified intermediaries who may meet the definition of "broker" as defined by the IRS for the purposes of IRC Section 1446(f).

## Effective and easy to implement

The solution enables access to a continuously maintained list of potential PTP securities (securities are supplied as a "bulk"), delivered via SFTP (data-feed) or daily e-mail (.csv/.xls files). Here is a data-feed example:

ISIN	Ticker	Security description	PTP flag	PTP status expiration date	Security status	PTP-QN posting date (exception)
ISIN code	Ticker code	Security description	Y	Date from which security is no more PTP	Live / expired	Last qualified notice date

- **PTP Flag:** indicates the financial instruments potentially in scope of Section 1446(f)
- **PTP status expiration date:** date from which the status of the partnership is no longer a potential PTP
- **Security Status:** "Live" or "Expired" according to corporate actions
- **PTP-QN posting date (exception):** is the date of the most recent "Qualified Notice" produced by the PTP issuer in accordance with the requirements of IRC Section 1446(f). The Qualified Notice may include information relating to the 10% exception to withholding set forth in the regulation. The main requirements of the 10% exception are (1) either the net gain associated with a sale of all the PTP assets was less than 10% of the company's business in the U.S. or the net gain was not connected with business in the U.S. or (2) a no-engagement policy related to trade or business within the U.S. during the taxable period referring the "PTP-QN posting date (exception)".





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