

Income/Franchise:

Multistate Tax Commission Work Group Circulates Discussion Draft Model Rules on Guaranteed Payments

State Tax Sourcing of Guaranteed Payments for Services & Additional Credit for Taxes Paid to Other States Proposed Models – Discussion Draft, Multistate Tax Commission, Uniformity Committee (10/12/23). Draft proposed statutes and a model regulation prepared by the staff of the Multistate Tax Commission (MTC) as part of the MTC Uniformity Committee’s project on the state taxation of partnerships have been posted for discussion, addressing how states should source income received by direct, individual, nonresident partners in exchange for services when those partners reported that income as a guaranteed payment for services for federal income tax purposes. The discussion draft generally characterizes such guaranteed payments as a partner’s distributive share rather than as compensation and also addresses guaranteed payments to retired partners and foreign partners, including some related “simple” examples. Please contact us with any questions.

URL: <https://www.mtc.gov/wp-content/uploads/2023/10/Guaranteed-Payments-Model-Rule-Discussion-Draft-October-12-2023.pdf>

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