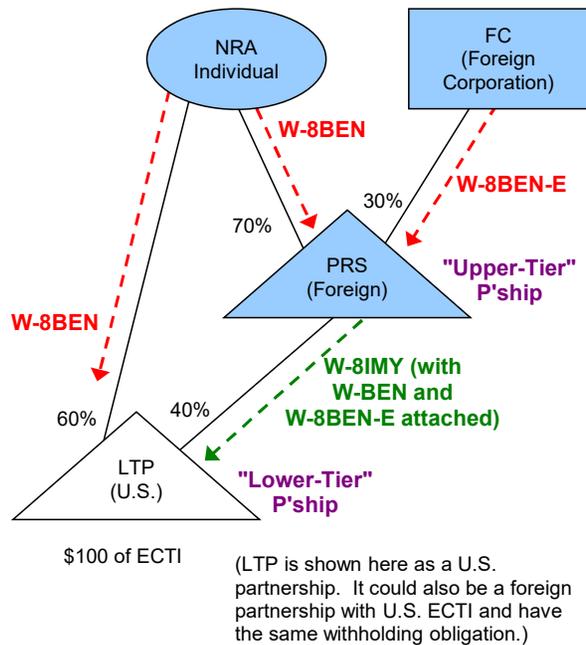


**Section 1446 Withholding For Tiered Partnerships & Sufficient Documentation**



Nonresident alien (NRA) and foreign corporation (FC) are partners in PRS, a foreign partnership, and share profits and losses in PRS 70 and 30 percent, respectively. NRA furnishes PRS with a valid Form W-8BEN and FC furnishes PRS with a valid Form W-8BEN-E establishing themselves as a foreign individual and foreign corporation, respectively. PRS holds a 40 percent interest in the profits, losses and capital of LTP, a lower-tier partnership. NRA holds the remaining 60 percent interest in profits, losses and capital of LTP. LTP has \$100 of annualized ECTI for the relevant installment period. All of this income is ordinary income and there is no potential application of a preferential rate applicable percentage under Reg. 1.1446-3(a)(2). Further, Reg. 1.1446-6 does not apply. PRS has no income other than the income allocated from LTP. PRS provides LTP with a valid Form W-8IMY indicating that it is a foreign partnership and attaches the valid Form W-8BEN/BEN-E executed by NRA and FC, as well as a statement describing the allocation of PRS's effectively connected items among its partners. The information that PRS submits to LTP is sufficient to permit LTP to reliably associate (within the meaning of Reg. 1.1441-1(b)(2)(vii)) PRS's allocable share of effectively connected items with NRA and FC. Further, NRA provides a valid Form W-8BEN to LTP.

LTP must pay 1446 tax on the \$60 allocable to its direct partner NRA using the applicable percentage for non-corporate partners (the highest rate in section 1). With respect to the effectively connected partnership items that LTP can reliably associate with NRA through PRS (70 percent of PRS's 40 percent allocable share (\$40), or \$28), LTP will pay 1446 tax on NRA's allocable share of LTP's ECTI (as determined by looking through PRS) using the applicable percentage for non-corporate partners (the highest rate in section 1). With respect to the effectively connected partnership items that LTP can reliably associate with FC through PRS (30 percent of PRS's 40 percent allocable share (\$40), or \$12), LTP will pay 1446 tax on FC's allocable share of LTP's ECTI (as determined by looking through PRS) using the applicable percentage for corporate partners (the highest rate in section 11).

LTP's payment of the 1446 tax is treated as a distribution to NRA and PRS, its direct partners, that those partners may credit against their respective tax obligations. PRS will report its 1446 tax obligation with respect to its direct foreign partners, NRA and FC, on the Form 8804 and Forms 8805 that it files with the Internal Revenue Service and will credit the amount withheld by LTP on its Form 8804. This credit will satisfy PRS's 1446 tax liability as reported on the Form 8804 it files because PRS's only income is from LTP, and LTP paid 1446 tax with respect to all of PRS's allocable share in LTP by looking through to PRS's partners NRA and FC. Further, PRS will pass along the credit for the 1446 tax withheld by LTP to its partners, NRA and FC on the Form 8805 issued to each partner. The credit passed to each partner on Form 8805 will be treated as a distribution to the respective partners under section 1446(d).