

## Income/Franchise:

### Revised Outline on MTC Uniformity Committee's Partnership Project Addresses P.L. 86-272

*Updated Partnership Outline – with additions as of August 22, 2022*, Multistate Tax Commission, Uniformity Committee (8/22/22). An updated outline 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 addresses application of P.L. 86-272 to partnership income, remarking that there are questions as to how "transferrable" the unprotected activities of a partner may be to a partnership and vice versa that have *not* been answered by the courts. According to the revised outline, examples of such questions include:

**URL:** <https://www.mtc.gov/Uniformity/Project-Teams/Partnership-Tax>

- If a partnership has a corporate partner which is domiciled or conducting activities generally unrelated to the partnership's business in a state, does this mean the partnership may lose the protections of P.L. 86-272;
- Does the fact that an individual limited, passive partner is resident in a state mean that the partnership loses the protections of P.L. 86-272, and/or what if that partner owns a majority interest in the partnership; and
- Does the fact that a partnership does business in a state mean that its corporate partner loses protection for that corporate partner's separate business which would otherwise be protected?

Note that this outline has been prepared as part of the MTC partnership tax work group's ongoing efforts to develop model rules on the tax treatment of partnerships [also see "Updated Model on Treatment of Investment Partnership Income – as of August 18, 2022" addressing the treatment of partnerships engaged primarily in investment activity and the taxation of investment partnership income]. Please contact us with any questions.

**URL:** <https://www.mtc.gov/Uniformity/Project-Teams/Partnership-Tax>

— Joe Garrett (Birmingham)  
Managing Director  
Deloitte Tax LLP  
[jogarrett@deloitte.com](mailto:jogarrett@deloitte.com)

Gregory Bergmann (Chicago)  
Partner  
Deloitte Tax LLP  
[gbergmann@deloitte.com](mailto:gbergmann@deloitte.com)

Robert Waldow (Minneapolis)  
Principal  
Deloitte Tax LLP  
[rwaldow@deloitte.com](mailto:rwaldow@deloitte.com)

Shirley Wei (Los Angeles)  
Senior Manager  
Deloitte Tax LLP  
[shiwei@deloitte.com](mailto:shiwei@deloitte.com)

Olivia Schulte (Washington D.C.)  
Manager  
Deloitte Tax LLP  
oschulte@deloitte.com

This document contains general information only and Deloitte is not, by means of this document, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte shall not be responsible for any loss sustained by any person who relies on this document.

**About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.