TAX CHANGES FOR PASS-THROUGH ENTITIES		
Topic	**Pre-Tax Act**	**2017 Tax Act**
Pass-Through Tax Treatment of Qualified Business Income	Income from pass-through entities taxed at individual rates of the partner or shareholder.	Income still taxed at individual partner or shareholder level but now with a new deduction of up to 20% for Qualified Business Income, provided limitation provisions on certain service businesses and wage limits are not implicated. This provision will sunset on December 31, 2025.
Look-Through Rule Applied to Gain on Sale of Partnership Interest	In 1991, the IRS issued Rev. Rul. 91-32, which held that a foreign partner's capital gain or loss on the sale of a partnership interest should be treated as *effectively connected* income from a U.S. trade or business if the sale of the underlying assets of the partnership would have resulted in *effectively connected* income to the foreign partner. Recently, the Tax Court held that gain or loss on sale or exchange by a foreign person of an interest in a partnership that is engaged in a U.S. trade or business is *foreign source* income (to the extent not attributable to U.S. real property interests), which was in conflict with Rev. Rul. 91-32.	Effective after November 27, 2017, the Tax Act treats gain or loss on the sale of a partnership interest as *effectively connected* income with a U.S. trade or business to the extent that a foreign corporation or foreign individual who owns the partnership interest (whether directly or indirectly through other partnerships) would have had *effectively connected* gain or loss from a hypothetical asset sale by the partnership. In effect, the new law codifies Rev. Rul. 91-32 and resolves the split between the Tax Court and the IRS's historical position on this issue. Additionally, beginning January 1, 2018, the transferee of a partnership interest must withhold 10% of the amount realized on the sale or exchange, unless the transferor certifies that the transferor is not a nonresident alien or foreign corporation.
Converting an S Corporation to a C Corporation	Distributions during the post-termination transition period from a terminated S corporation are deemed paid from the S corporation's accumulated adjustment account. The post-termination transition period ends on the later of (i) one year from the last day the corporation was an S corporation; or (ii) the due date for the last S corporation return.	Effective for S corporations that revoke their S elections during the two-year period beginning on the enactment date of the Act and have the same owners on both the enactment date of the Act and the S corporation's revocation date, distributions from a terminated S corporation are deemed paid ratably from the S corporation's accumulated adjustment and earnings and profits.
Expansion of Qualifying Beneficiaries of Electing Small Business Trust ("ESBT")	Nonresident alien individuals may not be potential current beneficiaries of an ESBT.	Nonresident alien individuals may be potential current beneficiaries of an ESBT.
Charitable Contribution of Electing Small Business Trust ("ESBT")	Deduction for charitable contributions of an ESBT is determined by rules applicable to trusts.	Deduction for charitable contributions of an ESBT is determined by rules applicable to individuals.
Technical Termination of Partnership	Partnership considered terminated if, within a 12 month period, there is a sale or exchange of 50% or more of total interests in partnership capital and profits. Technical termination is treated as a deemed contribution to a new partnership in exchange for an interest in new partnership, with a deemed distribution of the new partnership interests to the purchasing partners and remaining partners. This often caused tax attributes of old partnerships to terminate or restart.	The technical termination rule for partnerships is repealed in 2018.
Limitation on Losses for Non-Corporate Taxpayers	Passive loss rules apply to limit the deduction of losses from passive trade or business activity of the taxpayer. Excess farm loss rules, which apply to corporations, other than C corporations, limit excess farm losses.	Beginning with the 2018 tax year, excess business losses of a non-C corporation taxpayer are disallowed. However, in the case of partnerships or S Corporations, excess business losses are applied at the partner or shareholder level. Excess business losses for a taxable year are the excess of all the taxpayer's deductions attributable to trades or businesses of the taxpayer over the sum of the total gross income or gain of the taxpayer attributable to trades or businesses and the threshold amount of $500,000 for taxpayers filing married filing joint and $250,000 for individuals. Excess business losses are carried forward as part of a taxpayer's NOL carryforward. This provision sunsets on December 31, 2025.
Recharaterization of Certain Gains in Case of Carried Interest	Carried Interest is taxed as long term capital gain if it was held for one year.	Carried Interest is taxed as long term capital gains if it is held for three years.
Partnership "Substantial Built-In Loss" Rules	Partnership does not adjust the basis of property following transfer of partnership interest unless §754 election is made or there is a substantial built-in loss immediately thereafter.	Definition of a substantial built-in loss is changed.
Basis Limitation - Charitable Contributions & Foreign Taxes in Partner's Share of Loss	Foreign taxes paid by the partnership and charitable contributions made by the partnership are not taken into account in applying the basis limitation on partner losses.	Foreign taxes paid by the partnership and charitable contributions made by the partnership are taken into account in applying the basis limitation on partner losses.