

Law Firms Urging Clients to Prepare for New Federal Rules That Will Affect Partnerships and LLCs

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Beginning January 1, 2018, new federal rules will affect partnerships and limited liability companies. Carlton Fields tax attorneys are advising clients to review and amend governing documents and designate a partnership representative in case of an IRS audit. Shareholder Cristin Conley Keane and Associate Jordan Haynes discussed the rule changes with the *Daily Business Review* in the August 21 article, “Law Firms Urging Clients to Prepare for New Federal Rules That Will Affect Partnerships and LLCs.” Specifically, August helped to clarify the role of a partner representative: “This person who serves as partnership representative has unfettered authority to act on behalf of the partnership. It has become such an issue with partnerships because the new act gives all this authority to the partnership representative. It is imperative that the contractual terms of your partnership or LLC cover and address the manner in which the partnership representative will act on behalf of the partners in the event of an audit, including whether a push out election will be made. In the event that an additional tax is assessed, who will ultimately bear the burden of paying those additional taxes?” Keane touched on how the new rules may shift the tax liability for LLCs and partnerships. She shared that “eligible partners need to decide annually whether to opt out of the new rule that provides that if the business is audited it will pay any underpaid taxes at the partnership level, or instead choose to be taxed at the traditional individual partner level.” [Read the article.](#) (Subscription may be required.)

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