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# section 199a: deal considerations when buying or selling a partnership or llc interest

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*MSK Client Alert*

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## **practice areas**

tax and trusts & estates

tax planning

Internal Revenue Code section 199A attracted immediate attention when it was enacted last December, since it created a new tax benefit.

Section 199A allows individuals to deduct up to 20% of the "qualified business income" from certain types of businesses operated in "pass-through" form. Partnerships, limited liability companies, S corporations and sole proprietorships meet this definition because there is no corporate level tax and the earnings from the business pass through to the owners for tax purposes.

While the intent of Section 199A was to generally put business owners operating in pass-through form on the same footing as businesses who received a reduced 21% federal corporate tax rate, the complexity of the rules left many questions in need of clarification.

On August 8, 2018, the Treasury Department issued proposed regulations addressing some of these questions. One such clarification is the extent to which a buyer of a pass-through entity can avail themselves of the 20% deduction.

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