

TaxNewsFlash

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Notice 2022-23: Proposed changes to QI withholding agreement for dispositions of publicly traded partnership interests

The IRS today released an advance version of [Notice 2022-23](#) [PDF 291 KB] that sets forth proposed changes to the qualified intermediary (QI) withholding agreement described in Reg. section 1.1441-1(e)(5) and (6) that will permit a QI to assume withholding and reporting responsibilities for purposes of the withholding of tax on gain recognized by a foreign person on the disposition of a partnership interest, to the extent such gain is treated as effectively connected income.

In general, the QI agreement allows foreign persons to enter into an agreement with the IRS to simplify certain of their obligations as a withholding agent under Chapters 3 and 4 and as a payor under Chapter 61 and section 3406 for amounts paid to their account holders. The QI withholding agreement currently in effect, as provided in Rev. Proc. 2017-15 (the QI agreement), expires on December 31, 2022.

Notice 2022-23 sets forth proposed changes to the QI agreement that apply to a QI effecting a transfer of an interest in a publicly traded partnership (PTP) or receiving a distribution made by a PTP on behalf of an account holder of the QI. Such proposed changes, subject to any modifications based on comments received, will be included in a revenue procedure containing the final QI agreement.

The final QI agreement will apply to QI agreements that are in effect on or after January 1, 2023, to correspond with both the applicability date of final regulations relating to withholding under sections 1446(a) and (f) and the expiration of the QI agreement.

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