

THE FORM 990-T FACT SHEET

Information about Form 990-T

- Limited Partnerships (LPs) and Master Limited Partnerships (MLPs) held in a retirement account may earn Unrelated Business Taxable Income (UBTI) that is subject to income tax.
- This filing and income tax payment **does not** impact your individual tax return.
- Per the IRS Instructions for Form 990-T, the IRA custodian is responsible for annually analyzing and filing Form 990-T on behalf of the account owner.

Unrelated Business Taxable Income (UBTI)

- UBTI is a specific type of income derived by an exempt organization from any unrelated trade or business regularly carried on by it.¹
- When UBTI equals \$1,000 or more per year, a Form 990-T must be filed by the custodian for each applicable retirement account and taxes may be required to be paid from the retirement account.

UBTI can include:

- UBTI reported on the partnership Schedule K-1³, Box 20V or detailed in the footnotes of the K-1.⁴ Fidelity Management Trust Company (FMTC), as custodian, solicits the K-1 from the partnership(s) annually but it is not required to be sent to us. You may provide a copy of your K-1 to FMTC to ensure the accuracy of the Form 990-T filing.
- Capital Gains/(Losses) included in UBTI when the partnership has UDFI.⁵ FMTC also solicits this information from the partnership(s) directly. If a debt-ratio is not provided by the partnership and the nonrecourse amounts on a received K-1 is incomplete, then FMTC takes the most conservative position and assumes that the debt-ratio is 100%, which can lead to an increased tax amount due. Contact the partnership to request they provide this information to FMTC.

To ensure an accurate and timely filing, please provide the following information as soon as possible:

- If you sold your MLP holding(s) during the tax year, and the cost basis displays as Unknown online, adjusted cost basis information can be provided to FMTC. This ensures an accurate gain/loss calculation. Consult with your tax advisor for assistance with calculating the cost basis.
- If you sold your LP holding(s) during the tax year please provide your position level cost basis to FMTC using the **990-T Supporting Information Form**.⁶ If client cost basis is not provided and FMTC has received the K-1 from the sponsor, we will use the Withdrawals and Distributions Balance from the Partner's Capital Account Analysis (Section L) of the K-1 as the adjusted cost basis. If this information is not populated on the K-1 or a K-1 is not received, the cost basis will be \$0.00.
- FMTC will assume no prior-year net operating losses (NOLs) for MLPs or LPs unless provided. This information (i.e., loss schedule) could reduce your tax liability, please review eligibility with your tax advisor. NOLs can be provided using the **990-T Supporting Information Form**.⁶

990-T Filing Timeline:

- **Q1:** If your account is being reviewed for a filing requirement based on the LPs/MLPs held in your retirement account, a letter will be sent detailing the securities under review and request you to provide pertinent information, such as Net Operating Losses (NOLs) and adjusted cost basis, that can be used to prepare the tax filing.
- **Q2:** If your account meets the filing requirement or is still under review, an extension will be filed using Form 8868 on your behalf no later than April 15th, or the next business day. A letter will be sent detailing the extension.
- **Q3-Q4:** If a filing is **prepared** on behalf of your account, a copy of the filing will be available based on your delivery preference, along with an indication of your tax payment due, when applicable. If tax is owed, the payment will be facilitated via wire to the IRS on the filing date. If a filing is **not required**, you will receive a related letter notifying you of such.

IRS Extensions, Penalties, and Interest

- The extension allows additional time to file the return, it does not extend the timeframe for a payment to be made.
- The applicable IRS penalties and interest are calculated based on when the income tax is paid. The late payment penalty is 0.5% per month (up to a max of 25%) after April 15th, daily interest accrues until the tax due is paid in full.

1 Internal Revenue Code (IRC) Section 512(a)(1)
2 IRC 514(a)(1)
3 Schedule K-1 is generated by the partnership.
4 IRC 514(c)(1)
5 Treasury Regulations (Regs) Section 1.514(a)(1)(v)
6 Supporting information provided is not guaranteed to be included in the original filing and amendments may be required.

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