



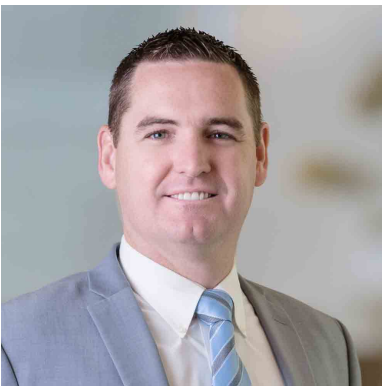
Steve Young

Partner
801.799.5886
Salt Lake City
spyoung@hollandhart.com



Rebecca Taylor

Associate
801.799.5911
Salt Lake City
rlyoung@hollandhart.com



Nate Runyan

Partner
801.799.5934
Salt Lake City
nrunyan@hollandhart.com

Apportionment Victory for Utah Taxpayers

Insight — March 1, 2022

On January 27, 2022, the Utah State Tax Commission held in Appeal No. 16-1358 that the state is constitutionally barred from apportioning and taxing the gain from the sale of a partnership where the seller and partnership were not unitary. Relying on *MeadWestvaco Corp. v. Ill. Dep't of Revenue*, 553 U.S. 16 (2008) and other U.S. Supreme Court precedent, the Tax Commission ruled that Utah was barred by the U.S. Constitution from apportioning a gain recognized where a C Corporation sold an interest in a partnership and the C Corporation and the partnership did not share a unitary relationship through centralized management, economies of scale or functional integration. The Auditing Division argued in the case that an operational function standard should be applied rather than the unitary standard. Pursuant to *MeadWestvaco*, the Tax Commission ruled that, whereas the partnership sold was “another business” as opposed to a “specific asset,” the unitary standard must be applied. The Tax Commission thus concluded that, because the seller and partnership being sold did not share a unitary relationship, “the gain cannot constitutionally be taxed by Utah.”

This publication is designed to provide general information on pertinent legal topics. The statements made are provided for educational purposes only. They do not constitute legal or financial advice nor do they necessarily reflect the views of Holland & Hart LLP or any of its attorneys other than the author(s). This publication is not intended to create an attorney-client relationship between you and Holland & Hart LLP. Substantive changes in the law subsequent to the date of this publication might affect the analysis or commentary. Similarly, the analysis may differ depending on the jurisdiction or circumstances. If you have specific questions as to the application of the law to your activities, you should seek the advice of your legal counsel.

