

Tax Information Regarding 2018 Schedules K-1 and Impact of Internal Revenue Service Notice 2019-46 Related to GILTI Income

Purpose

The purpose of this notice is to update the Buckeye Partners, L.P. (“Buckeye”) unitholders on tax compliance developments detailed in Internal Revenue Service (“IRS”) Notice 2019-46 (“the Notice”), which was published on August 22, 2019.

Background

As part of the Tax Cuts and Jobs Act of 2017, the U.S. government created new laws under the Internal Revenue Code adding a new type of income that certain US holding companies must include from their non-US subsidiaries. This type of income is called “global intangible low-taxed income” (or “GILTI” income). A non-US subsidiary of Buckeye earned this type of income in 2018.

Summary

The 2018 Schedule K-1 provided to our unitholders is consistent with the proposed GILTI regulations (Prop. Reg. Section 1.951A-5). The partnership filed its 2018 tax return on IRS form 1065 consistent with the final GILTI regulations (Treas. Reg. Section 1.951A-1(e)), and this notification is being provided in accordance with the Notice.

2018 Schedules K-1

Under the proposed GILTI regulations (which were in effect at the time Buckeye prepared and distributed to its unitholders the Schedules K-1 for the 2018 tax year), Buckeye was required to include a small amount of GILTI income on each unitholder’s Schedule K-1. The income was presented in box 11F of the Schedule K-1.

After Buckeye issued the Schedules K-1 to its unitholders, the IRS retroactively modified the GILTI rules by replacing the proposed GILTI regulations with the final GILTI regulations. Under the final GILTI regulations, Buckeye was no longer required to recognize the GILTI income—meaning that income did not have to be allocated to its unitholders on their 2018 Schedules K-1.

However, at the point the GILTI regulations were changed, reissuing Schedules K-1 to take into account the modified GILTI rules was no longer practical. Reissuing Schedules K-1 to all unitholders would create a large administrative burden and expense for both Buckeye and its unitholders. Most unitholders would already have filed their tax returns based on the initial Schedule K-1 and would have to amend their 2018 tax returns to incorporate a reissued Schedule K-1. Buckeye determined these extraordinary efforts were not practical as compared to the small amount of income allocated to each unitholder and the likely inconvenience and cost that reissuing Schedules K-1 would cause to both Buckeye and its unitholders.

IRS Relief Policy

The IRS recognized the administrative burden on large partnerships from reissuing Schedules K-1 and the likely inconvenience and cost that it would cause to investors. Accordingly, the IRS recently adopted a relief policy allowing partnerships, such as Buckeye, to file their partnership tax return consistent with the final GILTI regulations without requiring Buckeye to reissue any Schedules K-1 that were issued in accordance with the proposed GILTI regulations.

Buckeye has opted to take advantage of this relief offered by the IRS and will not reissue Schedules K-1 to its unitholders. As a condition to qualifying for this relief, Buckeye is required to provide notice to the unitholders of the following:

- Buckeye prepared the 2018 Schedules K-1 based on the proposed GILTI regulations (Prop. Reg. Section 1.951A-5).
- Buckeye prepared its 2018 Form 1065 based on the final GILTI regulations (Treas. Reg. Section 1.951A-1(e)).
- This notification is provided to you in accordance with Notice 2019-46.

Buckeye recommends that all unitholders consult with their tax advisors regarding the tax consequences of the modified GILTI rules applicable to them in their particular circumstances.

Buckeye does not provide tax advice to its Unitholders. The information herein does not constitute tax advice. You are urged to consult with your own tax advisor.