



With tax season now in full swing, we wanted to remind you to file an extension on your taxes due to delayed reporting with private investments. Extensions are very common when investing in private placements. The deadline for filing an extension is the standard tax deadline of April 18, 2022. We strongly encourage you to coordinate with your tax professional to plan to file these each year.

Partnerships are taxed as “pass-through entities”, meaning they do not pay taxes on their own, but instead pass any income, deductions, or credits to the various partners. Partnerships file Form 1065 with the IRS and then issue a Schedule K-1 to each limited partner that details their share of the financial results. Each limited partner is required to report this tax liability on their own tax return. This takes time running through each of these channels and oftentimes results in delayed reporting. In addition, Altera is a Registered Investment Advisor, and is therefore required to audit its holdings, which in turn further delays the turnaround time.

The below outlines some of the reasons why accounting for alternative investments takes longer than the standard filing:

**Complexity:** Determining the results from a portfolio of private companies requires financial reporting by each of the holdings (think corporate Annual Reports multiplied many times over). Corporations are expected to report their income to the IRS by April of most tax years, but a very large number do not meet this deadline.

**Timing:** Fund documents can only be prepared once **all parties** have filed.

**Other LLCs:** When a partnership invests in an entity that is also an LLC, the pass-through challenge is magnified. The filing is then about more than gains, losses and net income. It is also about tax credits, deductible expenses and other items. And as previously stated, the fund cannot file until all the LLCs in which it invests have filed.

**Fund-of-fund accounting:** A partnership investment is often held within another fund as a means of gaining diversification. This structure adds another layer of accounting that must be completed before tax documents can be generated, pushing the final K-1 to weeks after receipt of documents from their holdings.

**Industry Bottleneck:** The accounting industry is, unfortunately, charged with providing all financial statements, audits, and tax documents around the same time each year. Inevitably, some are completed more quickly than others.

Please note, it is common for investors to see their K-1s delivered as late as September but filing a tax reporting extension can make late reporting less of a concern.

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