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New Tax Legislation Creates Additional Filing Requirements for Hedge Funds

May 12, 2010 4:01 AM EDT

May 12, 2010 -- The U.S. Congress recently enacted a new bill, the "Hiring Incentives to Restore Employment Act" (HIRE), requiring the disclosure of the nationality of alternative investment funds' partners.

It is estimated that US investors have sent at least \$1 trillion overseas in an effort to hide income from US taxing authorities, and the new law is aimed at helping the U.S. Treasury recoup an estimated \$70 billion in unpaid taxes. Funds that don't comply with this law face serious penalties.

Although designed to close a tax shelter loophole, the legislation creates a complex new obligation for fund back-offices.

Funds must now maintain their investors' ownership percentages by nationality and have a mechanism to routinely report those amounts to their custodians and various taxing authorities. Groups that rely only on spreadsheets for maintaining investor registers are particularly hard-pressed to comply with the new requirement, as it is nearly impossible to automate such a filing.

One software package designed for the industry has been enhanced to streamline the regulatory process. Penny, by TKS Solutions, has a new version with a withholdings report specifically tailored to satisfy the new statute. The report automatically classifies each investor by nationality and provides additional information about their tax domicile.

Because Penny maintains both partnership and shareholder registries and includes extensive tax capabilities, it is uniquely positioned help investment partnerships avoid the 30% penalty established for inadequate filings by hedge funds.

Dedicated back-office accounting solutions, such as the Penny system, are being adopted more and more by fund groups seeking to provide greater staff efficiency while ensuring compliance with an increasingly complex regulatory environment.

About TKS Solutions

TKS Solutions offers unified partnership and shareholder accounting solutions for the financial industry. Its flagship software, Penny-It Works®, helps firm better manage their investment partnerships and funds by providing automated and instant access to detailed investor data. Penny's open architecture and proven features easily integrate with portfolio accounting and customer relationship management systems, data warehouses and in-house proprietary solutions, creating a comprehensive and unified view of all investor data, as well as greater transparency for investors. TKS Solutions works with partners worldwide to serve its customer base of leading hedge funds, fund of funds, private equity firms, administrators and management companies, ranging from \$50 million up to \$60 billion under management. For more information, please visit www.PennyItWorks.com.

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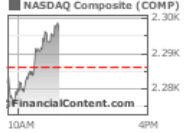
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