Tortoise

Tax Reform Q&A's

December 22, 2017

Q: How will tax reform changes impact MLPs?

A: The MLP tax exempt status is unchanged, but there has been a lot of discussion around individual rates for income from pass-through entities. So, here's how the math works. Based off of the new top individual marginal rate of 37% with a 20% deduction, income from MLPs would be taxed at a net rate of about 30%. This is a nice improvement for pass-through investors. What can sometimes get overlooked is that most distributions from MLPs are return of capital due to accelerated depreciation. In fact, the tax reform also allows for companies to expense 100% of their annual capital investments each year for the next five years, which will create a huge income shield for midstream companies.

Q: What does the tax reform mean for Tortoise's closed-end funds?

A: The new 21% corporate tax rate is a clear win for our MLP funds, since they are structured as C-Corps and have a deferred tax liability that will be immediately reduced with the rate change. Additionally, current tax liability, if any, for fiscal year ending 11/30/2018 will be calculated using a reduced blended rate. The tax legislation also includes an interest expense deduction limitation set at 30% of EBITDA for the first four years, but we currently expect the limitation to have little or no impact on our funds.

Q: How will you disclose the changes? Where will we find this information communicated by Tortoise?

A: We plan to issue a press release following today's market close announcing the NAVs. They will also be posted on our website here following today's market close as part of our customary daily reporting.