



TaxNewsFlash

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Final regulations: Partnership transactions involving equity interests of a partner

The U.S. Treasury Department and IRS today released for publication in the Federal Register the following sets of regulations (T.D. 9833) that affect partnerships and their partners:

- Final regulations that prevent a corporate partner from avoiding corporate-level gain through transactions with a partnership involving equity interests of the corporate partner or certain related entities
- Final regulations that allow consolidated group members that are partners in the same partnership to aggregate their bases in stock distributed by the partnership for the purpose of limiting the application of rules that might otherwise cause basis reduction or gain recognition
- Final regulations that may also require certain corporations that engage in gain elimination transactions to reduce the basis of corporate assets or to recognize gain

The purpose of this report is to provide text of the [final regulations](#) [PDF 241 KB] (14 pages) that are applicable on or after June 12, 2015.

Background

- On June 12, 2015, the Department of the Treasury and the IRS published final and temporary regulations (T.D. 9722) under section 337(d) of the Internal Revenue Code.
- On July 8, 2015, corrections to T.D. 9722 were published. The temporary regulations expire on June 11, 2018.

- A notice of proposed rulemaking (REG-149518-03) withdrawing proposed regulations under section 337(d) published in 1992, and proposing new proposed regulations by cross-reference to the temporary regulations, was published on the same date as T.D. 9722.
- Additionally, on June 12, 2015, the Treasury Department and the IRS published proposed regulations (REG-138759-14) under section 732(f) in the Federal Register (80 FR 33452) (together with the 2015 proposed regulations under section 337(d), the 2015 regulations).

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Final regulations

After considering the one comment letter received in response to the 2015 regulations, today's release adopts as final regulations the rules set forth in the 2015 regulations under section 337(d) (with only minor, non-substantive clarifications in response to the commenter's request for additional certainty regarding certain collateral effects) and section 732(f) (without any change).

The Treasury Department and the IRS are considering publishing a new notice of proposed rulemaking that would propose more substantive amendments to the final regulations under section 337(d) and to allow for additional public comment with respect to these more substantive proposals in response to the comment letter, to further reflection by the Treasury Department and IRS, and to concerns raised by practitioners.

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