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From:

Sent: Friday, November 30, 2012 8:37:53 AM

To:

Cc:

Subject: RE: FPAA review question

Under Estate of Quick and Sente Investment Club The passive loss determination is bifurcated with the status of the partnership activity as trade or business, rental, or portfolio income being determined in the partnership A level. An A level proceeding would also determine the status of the direct partners as limited partners. That status determination is binding on the direct and indirect partners including partnership B. In the absence of an A proceeding, we are bound by how the forgoing items are reflected on Partnership A's return and books and records. See Roberts v. Commissioner, 94 T.C. 853 at 860.

[REDACTED]

Ultimately, in order to disallow losses to the ultimate partners based on a passive loss characterization, we would have to issue affected item notices of deficiency determining that they did not materially participate.

Call me at [REDACTED] if you want to discuss.