

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Date:

May 13, 2015

LEGEND:

Partner A =

Partner B =

Partner C =

Partner D =

P =

X =

State =

Date 1 =

Date 2 =

a =

b =

c =

d =

e =

f =

A1 =

B1 =

C1 =

A2 =

B2 =

C2 =

B3 =

Dear :

This responds to a letter dated December 16, 2014, and subsequent correspondence, submitted on Partner A's behalf by Partner A's authorized representatives, requesting rulings under §§ 704, 731, and 737 of the Internal Revenue Code.

Facts

According to the information submitted, P is a limited liability company formed under the laws of State that is treated as a partnership for federal tax purposes. The partners of P are Partner A, Partner B, Partner C, and Partner D.

On Date 1, Partner A contributed to P the following three lots of common stock of X: a shares represented by Certificate Number A1, b shares represented by Certificate Number B1, and c shares represented by Certificate Number C1. After the contribution to P, new Certificate Numbers were issued such that the a shares represented by Certificate Number A1 became instead represented by Certificate Number A2, the b

shares represented by Certificate Number B1 became instead represented by Certificate Number B2, and the c shares represented by Certificate Number C1 became instead represented by Certificate Number C2.

On Date 2, P distributed to Partner A the c shares represented by Certificate Number C2, and d of the b shares represented by Certificate Number B2. The remaining e shares represented by Certificate Number B2 became instead represented by Certificate Number B3.

P no longer has a business use for most of the shares of X contributed by Partner A, and therefore plans to distribute back to Partner A f of the a shares represented by Certificate Number A2. All of the shares represented by Certificate Number A2 have the same income tax basis and holding period. After the planned distribution all four partners will continue to be partners in P.

Partner A requests a ruling that the distribution of the f shares will be considered a distribution of property which was previously contributed by Partner A for purposes of §§ 704(c)(1)(B), 731(c)(3)(A)(i), and 737(d)(1) of the Code.

Law and Analysis

Section 704(c)(1)(B) requires a contributing partner to recognize gain if property contributed to a partnership is distributed by the partnership (other than to the contributing partner) within 7 years of being contributed to the partnership.

Section 731(a)(1) provides that when a partnership makes a distribution to a partner, gain shall not be recognized to the distributee partner except to the extent that any money distributed exceeds the adjusted basis of such partner's interest in the partnership immediately before the distribution.

Section 731(c)(1) provides that for purposes of § 731(a)(1) the term "money" includes marketable securities. Section 731(c)(3) provides that § 731(c)(1) does not apply to a distribution of marketable securities from a partnership to a partner if the security was contributed to the partnership by that partner, except to the extent that the value of the distributed security is attributable to marketable securities or money contributed (directly or indirectly) to the entity to which the distributed security relates.

Section 737(a) provides that a partner that contributed property to a partnership may recognize gain if the partnership distributes property to him within 7 years of the contribution. Section 737(d)(1) provides that any portion of a distribution that consists of property that had been contributed by the distributee partner to the partnership is not taken into account under § 737(a)(1).

Section 1.1012-1(c) of the Income Tax Regulations contains a special rule for determining basis where the particular shares sold or transferred cannot be identified. It

provides that, if shares of stock are sold or transferred by a taxpayer who acquired lots of stock on different dates or at different prices, and the lot from which the stock was sold or transferred cannot be adequately identified, the stock sold or transferred shall be charged against the earliest of the lots acquired in order to determine the cost or other basis of such stock and in order to determine the holding period of such stock for purposes of subchapter P of chapter 1 of the Code.

Section 1.1012-1(c)(2) provides that an adequate identification is made if it is shown that certificates representing shares of stock from a lot which was purchased or acquired on a certain date or for a certain price were delivered to the taxpayer's transferee.

Conclusion

Based upon the information submitted and the representations made, we conclude that the distribution from P to Partner A of f of the a shares represented by Certificate Number A2 will be considered a distribution of property which was previously contributed by Partner A for purposes of §§ 704(c)(1)(B), 731(c)(3)(A)(i), and 737(d)(1) of the Code.

Except as specifically ruled upon above, we express no opinion on the federal tax consequences of the transactions described above under any other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, any transaction that is not specifically covered by the above rulings.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

David R. Haglund

David R. Haglund

Chief, Branch 1

Office of Associate Chief Counsel

(Passthroughs & Special Industries)

Enclosures (2):

Copy of this letter

Copy for § 6110 purposes