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June 13, 2011

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The Honorable William J. Wilkins
 Chief Counsel
 Internal Revenue Service
 1111 Constitution Avenue, NW
 Washington, DC 20224

The Honorable Douglas H. Shulman
 Commissioner
 Internal Revenue Service
 1111 Constitution Avenue, NW
 Washington, DC 20224

Re: **Report on Revenue Ruling 99-6**

Dear Ms. McMahon, Mr. Wilkins and Mr. Shulman:

We are pleased to submit the New York Bar Association Tax Section's Report No. 1240 relating to Revenue Ruling 99-6 (the "Ruling"). The report addresses the Federal income tax issues that arise when all of the equity interests of a partnership are sold in a taxable transaction to a person who then owns all of the partnership equity. As discussed in the report, in such a transaction, the Ruling treats the selling partner, in accordance with the form of the transaction, as selling its partnership interest. By contrast, the Ruling provides that, for purposes of determining the tax consequences to the purchaser, (i) the partnership is deemed to make a liquidating distribution of all of its assets to its partners and (ii) following the deemed

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distribution, the purchaser is treated as acquiring the assets deemed to have been distributed to the selling partner.

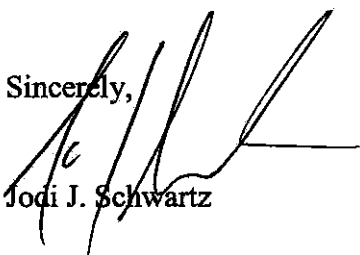
The deemed distributions under the Ruling and the asymmetry between the seller's treatment and the purchaser's treatment create a variety of problems, opportunities and uncertainties for taxpayers in connection with the purchase of all of the interests in a partnership by an existing partner in a partnership. For example, the deemed liquidating distribution could be viewed as potentially resulting in the recognition of income or gain to the purchasing partner. Uncertainties, potential problems and opportunities arising under the Ruling include the treatment of partnership liabilities and the application of the holding period rules, the amortization of goodwill, the consolidated return rules, the depreciation rules, the application of the like-kind exchange rules, and the rules applicable to sales of depreciable property among related persons. These issues arise primarily as a result of the deemed distribution and bifurcated approach required by the Ruling.

While many of these problems and uncertainties could be addressed by Regulations, we believe it would be more efficient to revisit the characterization of the transactions in the Ruling. The IRS and Treasury should issue Regulations providing that, where an existing partner purchases the remaining interests in the partnership from the other partners in a taxable purchase (i) the purchaser is treated as purchasing (and the seller is treated as selling) the acquired partnership interest and (ii) immediately thereafter, the purchaser is treated as receiving all of the assets of the partnership (and as assuming all of the partnership's liabilities) in a liquidation of the partnership in a transaction governed by the rules generally applicable to partnership liquidations.

Where a person who is not an existing partner purchases all of the outstanding interests in a partnership in a taxable purchase, our report recommends that such Regulations should either (i) maintain the treatment prescribed by the Ruling, or (ii) allow the parties (that is, the buyer, the selling partners and the partnership) to elect to treat the transaction for all tax purposes as an assets up transaction, an assets over transaction or an interests over transaction.

We appreciate your consideration of our recommendations. If you have any questions or comments regarding this report, please feel free to contact us and we will be glad to discuss or assist in any way.

Sincerely,



Jodi J. Schwartz

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The Honorable William J. Wilkins
The Honorable Douglas H. Shulman
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cc: Jeffrey Van Hove
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