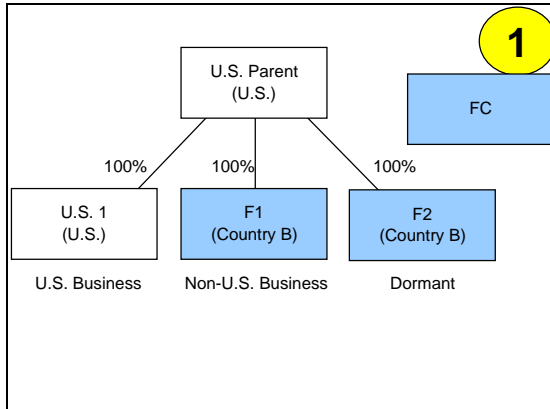
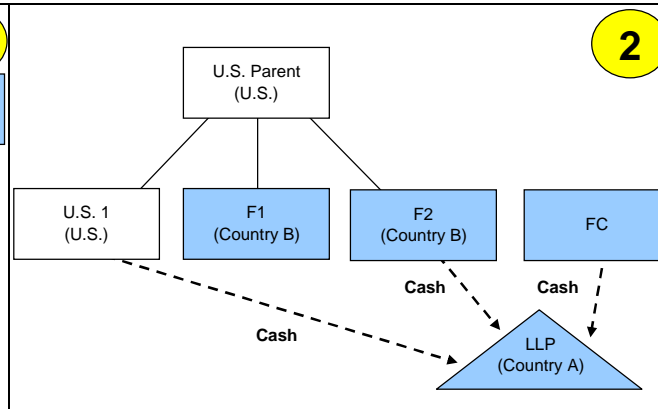


No 956 Inclusion For Foreign Partnership With U.S. Assets

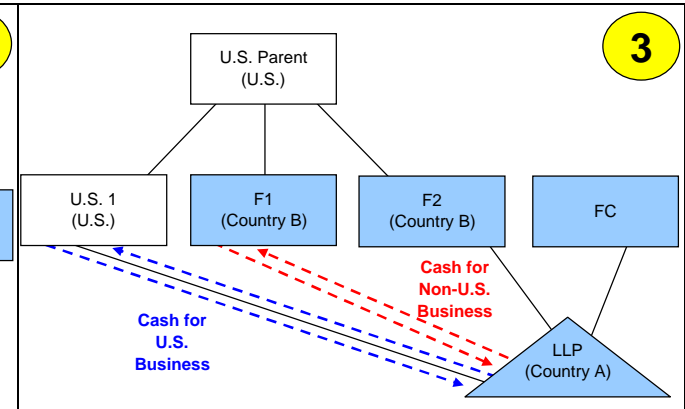
Initial Structure



JV Established



Business Purchased

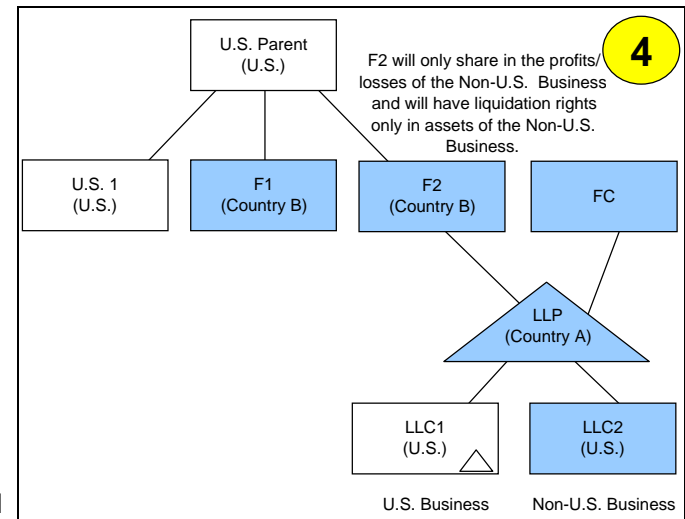


The taxpayer formed a joint venture with FC, an unrelated third party. This joint venture was undertaken through the formation of LLP, a limited liability partnership organized under the laws of Country A. For valid business purposes, FC required the use of a single entity as a condition for participation in the joint venture. LLP was classified as a partnership for federal income tax purposes.

US1, F2 and FC contributed cash for their partnership interests. Shortly thereafter, LLP purchased the US Business from US1 for cash in a taxable transaction, and the Non-US Business from F1 for cash in a taxable transaction. The US Business and the Non-US Business, including subsequently acquired assets, will be maintained in separate legal entities owned by LLP and disregarded for federal income tax purposes (collectively designated as “LLC1” and “LLC2” for purposes of this ruling). LLC1 and LLC2 will maintain separate books and records and funds will not be loaned or transferred between such entities. LLC1 will own and conduct the US Business. LLC2 will own and conduct the Non-US Business and will not acquire or hold US Property. It is anticipated that FC will lend additional capital to LLP to fund the US Business and Non-US Business.

The LLP agreement specifies that F2 will share only in the income, gains, deductions and losses of the Non-US Business and will have liquidation rights only in assets of the Non-US Business. F2 will not share in any income, gains, deductions or losses from the US Business and will not have any rights to assets of the US Business upon a liquidation of the LLP.

Ending Point



A CFC that has an economic interest in US Property through a partnership would be considered to have an interest in US Property for purposes of section 956 in accordance with the substance of the arrangement. The ruling concludes that, a CFC that does not have, directly or indirectly, any economic interest in US Property through a partnership, including a profits interest, a capital interest, a liquidation right, or any other interest, does not have an interest in US Property for purposes of section 956.