

**Reg. 1.708-1(c)(5),
Example 4**

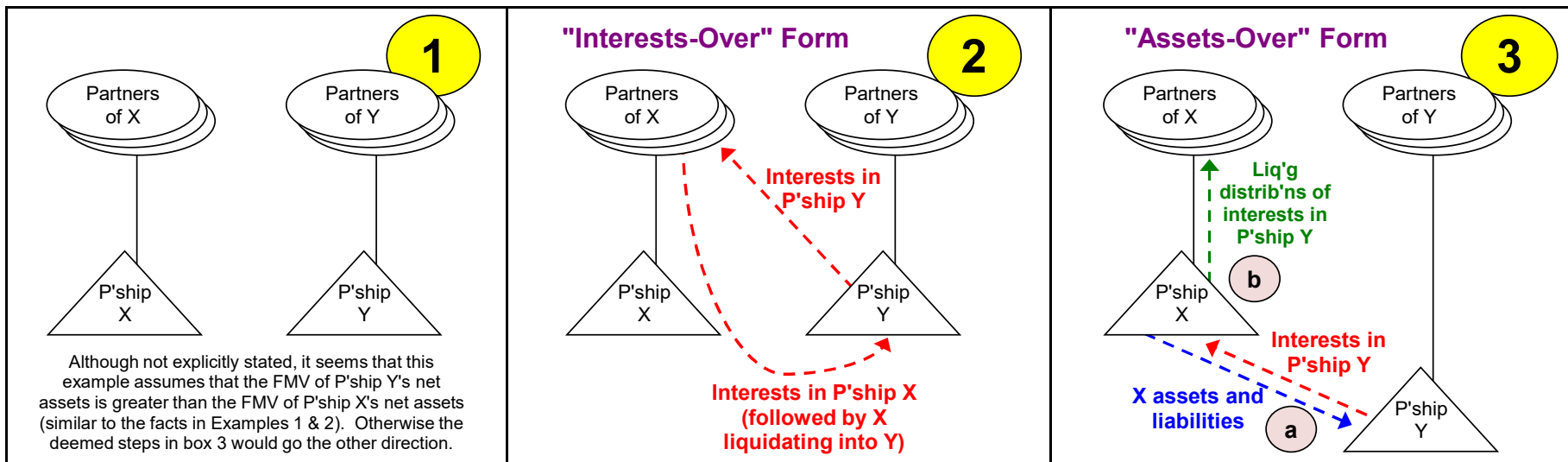
**Interests-Over Form of Partnership
Merger Treated As Assets-Over Form**

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Deemed Form of Merger

Initial Structure

Contribution of P'ship Interests

Deemed Form of Merger



Partnership X and partnership Y merge when the partners of partnership X transfer their partnership X interests to partnership Y in exchange for partnership Y interests. Immediately thereafter, partnership X liquidates into partnership Y. The resulting partnership is considered a continuation of partnership Y, and partnership X is considered terminated.

The partnerships are treated as undertaking the assets-over form described in Reg. 1.708-1(c)(3)(i) because the partnerships undertook a form that is not the assets-up form described in Reg. 1.708-1(c)(3)(ii). Accordingly, for Federal income tax purposes, partnership X is deemed to contribute its assets and liabilities to partnership Y in exchange for interests in partnership Y, and, immediately thereafter, partnership X is deemed to have distributed the interests in partnership Y to its partners in liquidation of their interests in partnership X.

Ending Point

