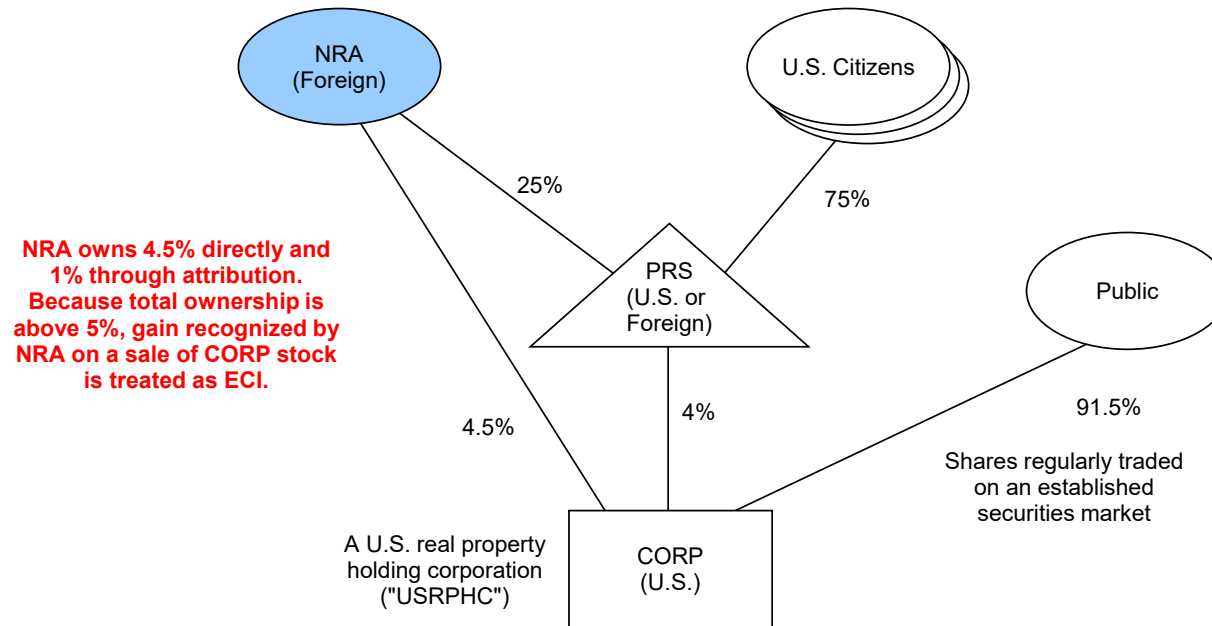


## Attribution Through A Partnership Pushes Ownership Above 5%



PRS is a partnership. CORP, a domestic corporation, is a United States real property holding corporation ("USRPHC"), within the meaning of section 897(c)(2). CORP's stock is regularly traded on an established securities market within the meaning of section 897(c)(3). NRA, a nonresident alien individual, owns a 25% interest in the capital and profits of PRS. The other partners of PRS are U.S. citizens, unrelated to NRA.

PRS holds 4% of the outstanding stock of CORP. NRA directly holds 4.5% of CORP stock. NRA disposes of, and recognizes gain on, all of the CORP stock that he/she holds directly.

Due to the section 318(a)(2)(A) attribution rules, NRA is treated as holding NRA's proportionate share of stock held by PRS. Therefore, NRA is treated as indirectly owning 1% of the stock of CORP (i.e., 25% of PRS's 4% of the CORP stock). Because NRA is treated as holding a total of 5.5% (4.5% + 1%) of the stock of CORP, when NRA disposes of its stock of CORP, the stock is considered a USRPI and NRA's gain recognized on the disposition is effectively connected income under section 897(a).