



For more than five years, unrelated X and Y have owned a 20-percent and 33 1/3-percent interest, respectively, in Partnership. The remaining interests in Partnership are owned by unrelated parties. For more than five years, Partnership has manufactured power equipment. But for the performance of all its management functions by employees of X, Partnership would satisfy all the requirements of being engaged in the active conduct of a trade or business. X and/or Y will be attributed the trade or business assets and activities of Partnership only if the corporation satisfies the requirements of paragraph (b)(2)(v)(B) [significant interest] or (b)(2)(v)(C) [meaningful interest and partner performs functions]. While X's interest in Partnership is not significant, X owns a meaningful interest in Partnership and performs active and substantial management functions for the trade or business assets and activities of Partnership. Therefore, X is attributed the trade or business assets and activities of Partnership. Accordingly, X is engaged in the active conduct of the business of manufacturing power equipment. In determining whether Y is engaged in the business of manufacturing power equipment, the management functions performed by X for Partnership are not taken into account. Therefore, although Y is attributed Partnership's trade or business assets and activities because Y owns a significant interest in Partnership, Y is not engaged in the business of manufacturing power equipment because neither Y nor Partnership perform any management functions for the business.