

Revenue Ruling 84-111
Situation 3

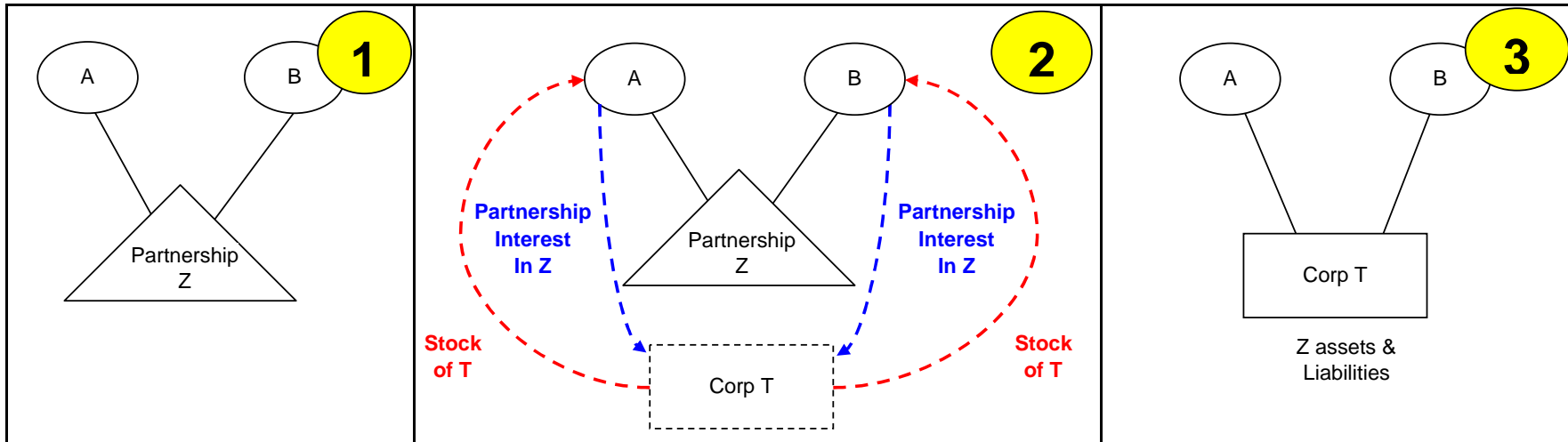
Partnership Conversion
to Corporation:
"Interests Over"

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Initial Structure

Contribution of Partnership Interests

Ending Point



The partners of Z transferred their partnership interests in Z to newly-formed corporation T in exchange for all the outstanding stock of T. This exchange terminated Z and all of its assets and liabilities became assets and liabilities of T.

Under section 351, gain or loss is not recognized by Z's partners on the transfer of the partnership interests to T in exchange for T's stock. On the transfer of the partnership interests to the corporation, Z terminated under section 708(b)(1)(A). Under section 358(a), the basis to the partners of Z of the stock received from T in exchange for their partnership interests equals the basis of their partnership interests transferred to T, reduced by Z's, liabilities assumed by T, the release from which is treated as a payment of money to Z's partners under sections 752(d) and 358(d).

T's basis for the assets received in the exchange equals the basis of the partners in their partnership interests allocated in accordance with section 732(c).

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