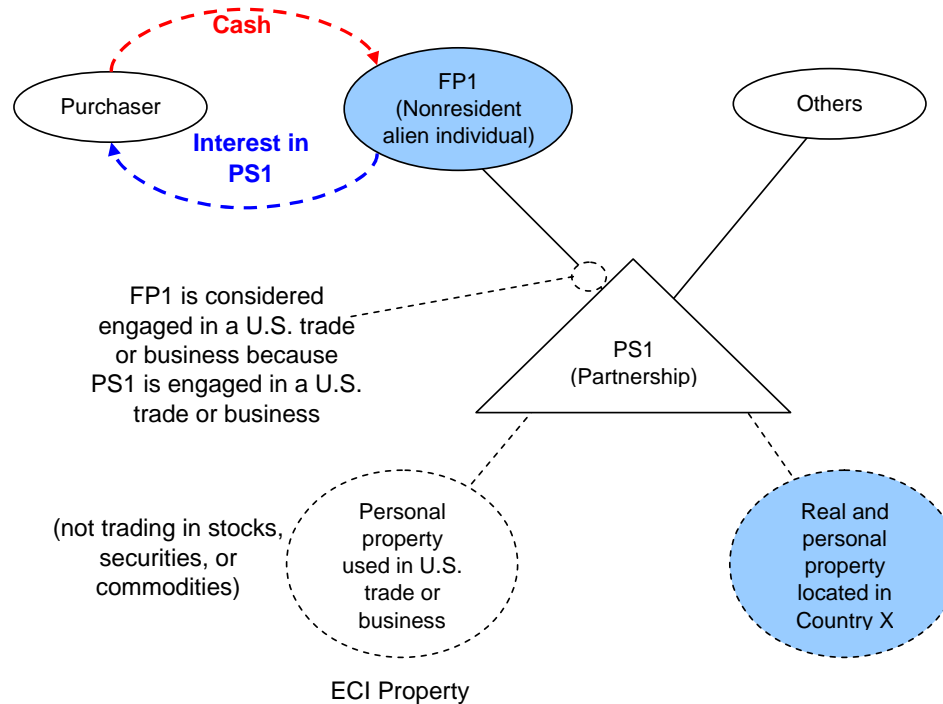


**Revenue Ruling 91-32
Situation 1**

**Nonresident Partner Disposed of Partnership
Engaged in a Trade or Business in the U.S.**

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Pursuant to section 875(1), a nonresident alien individual or foreign corporation that is a partner in a partnership engaged in a trade or business ("ETB") in the U.S. is itself considered to be so engaged. Because PS1 is ETB in the U.S., FP1 is also so engaged since he is a partner in PS1. Section 865(e)(2) provides that income from the sale of personal property by a nonresident will be sourced in the U.S. if the nonresident has a fixed place of business ("FPB") in the U.S. and if the income is attributable to such FPB. A foreign partner of a partnership that is ETB through a FPB in the U.S. itself has a FPB in the U.S., since the foreign partner is considered to be engaged in such trade or business. Income from the disposition of a partnership interest by the foreign partner will be attributable to the foreign partner's FPB in the U.S. See section 865(e)(3); cf. *Unger v. Commissioner*, T. C. Memo. 1990-15, 58 TCM 1157, 1159.

Subchapter K is a blend of aggregate and entity treatment for partners and partnerships. In applying sections 864(c) and 865(e), it is appropriate to treat a foreign partner's disposition of its interest in a partnership that is ETB through a FPB in the U.S. as a disposition of an aggregate interest in the partnership's underlying property for purposes of determining the source and ECI character of the gain or loss realized by the foreign partner. Accordingly, a foreign partner's gain or loss from the disposition of an interest in a partnership that is ETB through a FPB in the U.S. will be ECI (U.S. source) gain or loss to the extent such gain or loss is attributable to ECI (U.S. source) property of the partnership.

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