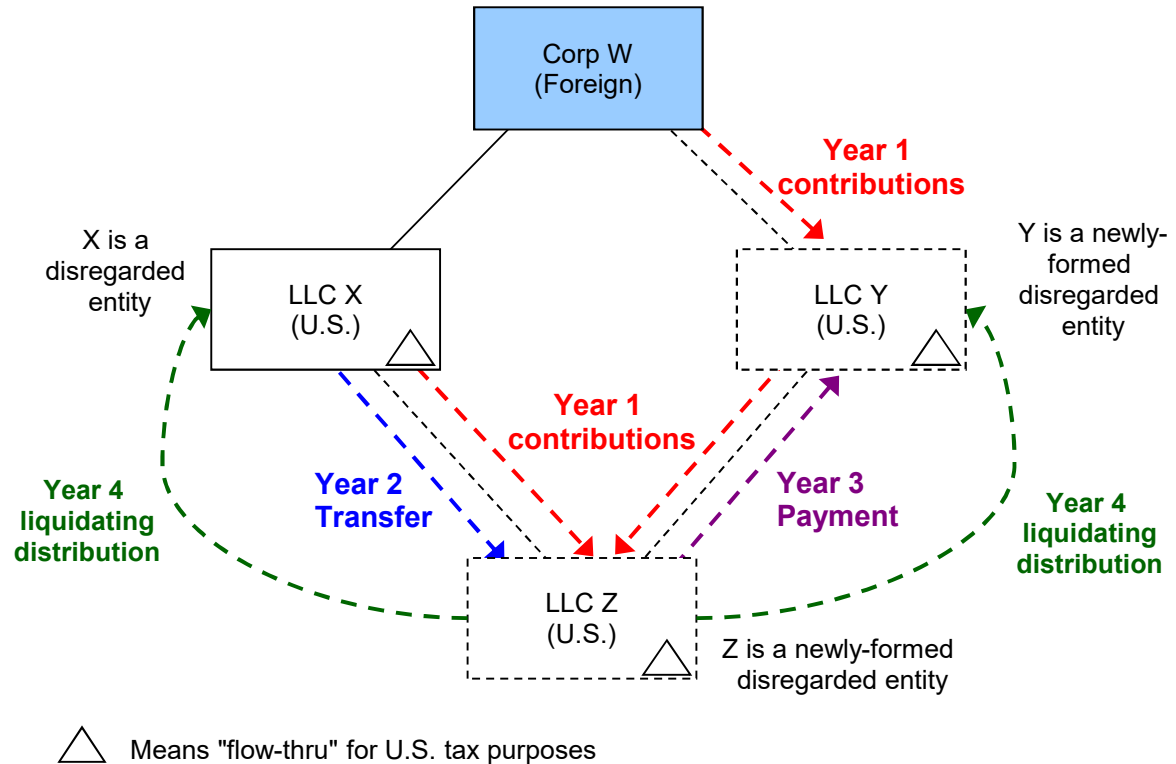


**Reg. 1.6038A-2(b)(9),
Example 2**

**5472 Reporting for Transactions
Between U.S. Disregarded Entities**

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W, a foreign corporation, owns X, a domestic limited liability company that does not elect to be treated as a corporation under Treas. Reg. §301.7701-3(c). In year 1, W forms and contributes assets to Y, another domestic limited liability company that does not elect to be treated as a corporation under Treas. Reg. §301.7701-3(c). In year 1, X and Y form and contribute assets to Z, another domestic limited liability company that does not elect to be treated as a corporation under Treas. Reg. §301.7701-3(c). In year 2, X transfers funds to Z. In year 3, Z makes a payment to Y. In year 4, Z distributes its assets to X and Y in liquidation.



In accordance with Treas. Reg. §301.7701-3(b)(1)(ii), Y and Z are disregarded as entities separate from each other, W, and X. In accordance with Treas. Reg. §301.7701-2(c)(2)(vi), Y, Z and X are treated as entities separate from each other and W, and are classified as domestic corporations for purposes of section 6038A. In accordance with Treas. Reg. §1.6038A-2(b)(3), each of the transactions in years 1 through 4 involving Z is a reportable transaction with respect to Z. Similarly, W's contribution to Y and Y's contribution to Z in year 1, the payment to Y in year 3, and the distribution to Y in year 4 are reportable transactions with respect to Y. Moreover, X's contribution to Z in Year 1, X's funds transfer to Z in year 2, and the distribution to X in year 4 are reportable transactions with respect to X.

Therefore, Z has a section 6038A reporting and record maintenance requirement for years 1 through 4; Y has a section 6038A reporting and record maintenance requirement for years 1, 3, and 4; and X has a section 6038A reporting and record maintenance requirement in years 1, 2, and 4.

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