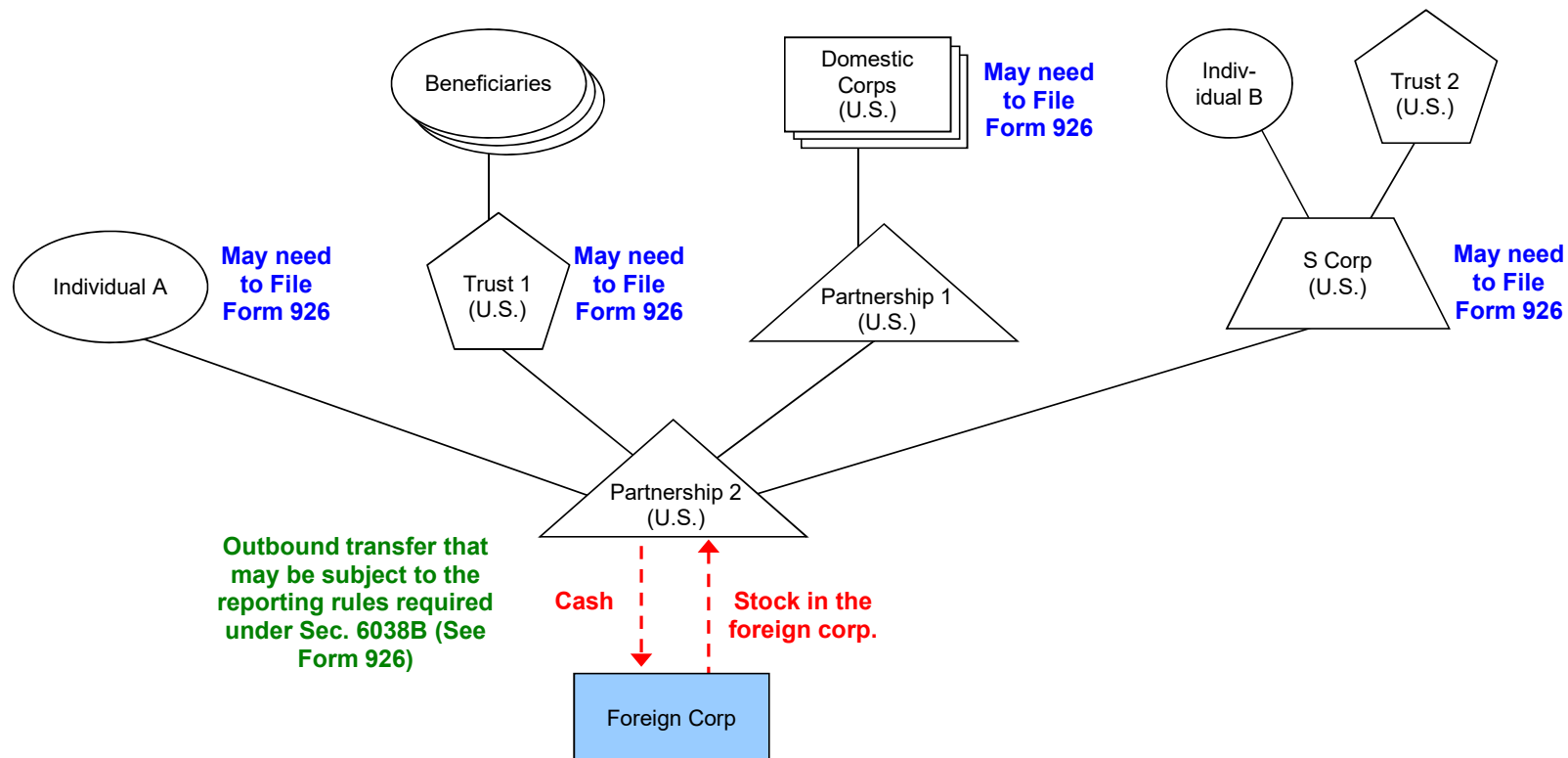


**Partnership Outbound Transfer Treated as
Proportionate Transfers By the Partners**



A domestic partnership (Partnership 2) transferred \$1 million (cash) to a foreign corporation, in exchange for stock in the foreign corporation, in a transaction meeting the requirements of section 351. Partnership 2 had the following partners: Individual A, a trust, a domestic partnership (Partnership 1), and an S corporation. Partnership 1's partners included domestic corporations. The shares of the S corporation are held by Individual B and a trust.

Section 6038B(a) states that each U.S. person who transfers property to a foreign corporation in (among other exchanges) a section 351 exchange shall furnish to the Secretary such information regarding the exchange as the Secretary may require in regulations. Reg. 1.6038B-1(b) states that generally Form 926 must be used for reporting pursuant to section 6038B. Reg. 1.6038B-1(b) states that for purposes of determining a U.S. transferor that is subject to section 6038B, the rules of Reg. 1.367(a)-1T(c) and 1.367(a)-3(d) shall apply with respect to a transfer described in section 367(a). Reg. 1.367(a)-1T(c)(3) states that if a partnership (whether foreign or domestic) transfers property to a foreign corporation in an exchange described in section 367(a)(1) (i.e., including an exchange under section 351), then a U.S. person that is a partner in the partnership shall be treated as having transferred a proportionate share of the property in an exchange described in section 367(a)(1). A partnership is not required to file Form 926. The partners are required to file Form 926. However, if the partner is itself a partnership, its partners are generally required to file Form 926.