Revenue Ruling 99-5 - Situation 1

**Disregarded Entity to Partnership**

**Initial Structure**

1. A
   - 100%
   - LLC (Disregarded Entity)

**A Sells LLC Interest to B**

2. A
   - 50% of LLC
   - LLC (Disregarded Entity)
   - 5K of Cash
   - B

**Ending Point**

3. A
   - 50%
   - LLC (Partnership)
   - B
   - 50%

B's purchase of 50% of A's ownership interest in the LLC is treated as the purchase of a 50% interest in each of the LLC's assets, which are treated as held directly by A for federal tax purposes. Immediately thereafter, A and B are treated as contributing their respective interests in those assets to a partnership in exchange for ownership interests in the partnership.

△ Means "flow-thru" for U.S. tax purposes

HUNDREDS of additional charts at www.andrewmitchel.com