Revenue Ruling 99-6 - Situation 2

**C & D Sell LLC to E**

**Initial Structure**
- 20K of Cash
  - E
- C
  - 50%
- D
  - 50%
- CD, LLC (Partnership)

**C & D Sell LLC to E**
- 10K of Cash
  - E
  - 10K of Cash
  - C
  - 50% of CD
  - D
  - 50% of CD
- CD, LLC (Partnership)

**Ending Point**
- C
- D
- E
  - 100%
  - CD, LLC (Disregarded Entity)

**C & D's Treatment:** C & D must treat the transactions as a sales of partnership interests. Thus, C&D must report the gain or loss resulting from the sales in accordance with section 741.

**E's Treatment:** E is deemed to acquire, by purchase, all of the former partnership assets. E's basis in the assets is $20,000 and E's holding period begins on the day immediately following the date of sale.

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

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