

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:PSI:Br.3-PLR-119562-99
Date:
December 7, 2000

Legend

- PRS =
- GP =
- A =
- STATE =
- D1 =
- D2 =
- D3 =
- D4 =

Dear

This responds to your letter dated December 7, 1999, and subsequent correspondence, written on behalf of PRS, requesting a ruling that PRS be given an extension of time under § 301.9100 of the Procedure and Administration Regulations to elect to adjust the basis of partnership property pursuant to § 754 of the Internal Revenue Code.

FACTS

PRS is a domestic partnership organized under the laws of, and located in, STATE. PRS was formed on D1. A purchased interests in PRS on D2, D3, and D4. A's purchase on D3 caused PRS's termination under § 708(b)(1)(B). PRS's prior accountants failed to file partnership tax returns for all of PRS's taxable years, including those years ending D2, D3, and D4. PRS's prior accountants also failed to file an election under § 754 for the same periods. Subsequently, PRS realized that it had not filed the elections and now seeks relief under § 301.9100-3.

PRS represents that it has acted reasonably and in good faith, that granting relief will not prejudice the interests of the government, and that it is not using hindsight in

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making the election.

LAW AND ANALYSIS

Under § 754, a partnership may elect to adjust the basis of partnership property where there is a distribution of property or a transfer of a partnership interest. The election applies to all distributions of property by the partnership and to all transfers of interests in the partnership during the taxable year that the election applies and all subsequent taxable years.

The election must be made in a written statement filed with the partnership return for the taxable year during which the distribution or transfer occurs. The return must be filed not later than the time prescribed for filing the return for that taxable year, including extensions thereof. Section 1.754-1(b) of the Income Tax Regulations.

Section 1.754-1(b) refers to § 1.9100-1 (now § 301.9100-1 of the Procedure and Administration Regulations) for rules regarding extensions of time for filing elections.

Section 301.9100-1(c) provides that the Commissioner has discretion to grant a reasonable extension of time under the rules set forth in § 301.9100-3 to make a regulatory election. Section 301.9100-1(b) defines a regulatory election as an election whose due date is prescribed by a regulation published in the Federal Register, or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the Government. Section 301.9100-3(a).

CONCLUSIONS

Based solely on the facts submitted and representations made, we conclude that the requirements of § 301.9000-3 have been satisfied. As a result, PRS is granted an extension of time to elect to adjust the basis of partnership property pursuant to § 754 for its tax years ending D2 (which also covers the purchase on D3), and D4. PRS has until 30 days from the date of this letter to file the appropriate forms with the applicable service center to make the election.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. This ruling is conditioned upon PRS filing the appropriate tax returns for all of its taxable years, including sending schedules K-1 to all of its partners for the relevant time periods. This ruling also is conditioned upon GP filing the

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appropriate amended tax returns to properly reflect its share of PRS's items of income, deduction, loss, and credit for all of PRS's taxable years.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to PRS.

Sincerely,
Paul F. Kugler
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)
Copy of this letter
Copy for section 6110 purposes