LATHAM&WATKINS

Client Alert Commentary

Latham & Watkins Tax Practice November 2, 2016 | Number 2027

IRS Tightens Rules on Disguised Sales and Allocating Partnership Liabilities

New final, temporary and proposed regulations address leveraged transactions, "bottom-dollar" guarantees and other issues, but postpone action on some key questions.

On October 4, 2016, the Internal Revenue Service (IRS) issued a suite of regulatory guidance that will significantly restrict the use of leveraged partnerships to defer gain in transactions subject to the "disguised sale" rules under Internal Revenue Code (IRC) Section 707 by: (i) treating all debt as "nonrecourse" for purposes of IRC Section 707 and (ii) essentially prohibiting many "bottom-dollar" guarantees. In response to significant criticism of prior proposed regulations, which would have made sweeping changes to the general partnership debt classification rules under IRC Section 752, this new regulatory package represents a more targeted approach to limiting certain tax planning opportunities inherent in the existing regulations that have been used in transactions that the IRS considers abusive.

The IRS previously issued proposed regulations on these subjects in January 2014 (the 2014 Proposed Regulations), which we discussed in a previous *Client Alert*. Partly in response to public comments on the 2014 Proposed Regulations, the new guidance:

- Finalizes (with some modification) parts of the 2014 Proposed Regulations (the 707 Final Regulations and 752 Final Regulations)
- Revises and reissues some parts of the 2014 Proposed Regulations as temporary regulations (the 707 Temporary Regulations and 752 Temporary Regulations)
- Abandons certain elements of the 2014 Proposed Regulations
- Reproposes other portions with some significant changes in approach (the 2016 Proposed Regulations)

Finally, the IRS requests comment on several related partnership tax questions that it intends to address in future guidance.

The changes raise important tax planning considerations for partnerships, including limited liability companies (LLCs) taxable as partnerships, master limited partnerships (MLPs) and umbrella partnership real estate investment trusts (UPREITs).

The highlights of the new regulatory package are discussed below.

Changes and Clarifications in the Disguised Sale Rules

The disguised sale rules under IRC Section 707 and the existing regulations promulgated thereunder apply to transactions that, in form, appear to be a contribution and distribution between a partner and a

Latham & Watkins operates worldwide as a limited liability partnership organized under the laws of the State of Delaware (USA) with affiliated limited liability partnerships conducting the practice in the United Kingdom, France, Italy and Singapore and as affiliated partnerships conducting the practice in Hong Kong and Japan. The Law Office of Salman M. Al-Sudairi is Latham & Watkins associated office in the Kingdom of Saudi Arabia. Under New York's Code of Professional Responsibility, portions of this communication contain attorney advertising. Prior results do not guarantee a similar outcome. Results depend upon a variety of factors unique to each representation. Please direct all inquiries regarding our conduct under New York's Disciplinary Rules to Latham & Watkins LLP, 885 Third Avenue, New York, NY 10022-4834, Phone: +1.212.906.1200. © Copyright 2016 Latham & Watkins. All Rights Reserved.

partnership but may, in substance, be sales between a partner and a partnership. In certain circumstances, and subject to various exceptions, the rules treat a partner's contribution of property to a partnership, followed by the partnership's distribution of cash or other consideration to that partner, as (in whole or in part) a taxable sale of the property by the partner to the partnership.

The 2014 Proposed Regulations would have amended these rules in several ways, including to clarify certain exceptions to disguised sale treatment and to take account of the proposed amendments to the rules for allocating partnership liabilities. As discussed below, the new regulatory package adopts some of the changes in the earlier proposal and revises others.

Limiting Leveraged Partnerships

Under the disguised sale rules, if a partner contributes property to a partnership and within two years receives a distribution of cash or other property from the partnership, the distributed cash or other property is generally treated as disguised sale proceeds, subject to certain exceptions. Existing regulations provide an exception to disguised sale treatment for certain debt-financed distributions by a partnership to a partner in connection with the partner's contribution of property to the partnership. Under these rules, the distribution to the contributing partner of the proceeds of a borrowing by the partnership is generally treated as a sale only to the extent the distribution exceeds the contributing partner's allocable share of the liability incurred by the partnership to fund the distribution.

Generally, partnership liabilities are allocated among the partners and are added to each partner's tax basis in its partnership interest. The manner of allocating partnership liabilities depends in part on whether the liability is considered recourse or nonrecourse to the partners. A liability is treated as a recourse liability with respect to a partner and allocated to that partner to the extent that partner or a related person bears the economic risk of loss associated with that liability. Under the existing regulations, partners could use guarantees and indemnities to cause a nonrecourse partnership liability to be considered a recourse liability and to be allocated to that partner executing the guarantee or the indemnity. Thus, through the use of guarantees and indemnities, that partner may be entitled to receive all or part of the proceeds of a borrowing of cash from the partnership on a tax-deferred basis.

The IRS considered some of these leveraged transactions to be undertaken not for legitimate business reasons but for tax reasons. To combat this perceived abuse, new 707 Temporary Regulations treat all partnership liabilities — whether recourse or nonrecourse — as nonrecourse liabilities for disguised sale purposes. The 707 Temporary Regulations also provide that a partner's share of a partnership liability for disguised sale purposes does not include any amount of the liability for which another partner bears the economic risk of loss.

A partner's share of a partnership's nonrecourse liability under existing disguised sale regulations looked to the determination of the partner's share of the excess nonrecourse liability under the IRC Section 752 rules. As discussed below, the 752 Final Regulations retain the various methods of allocating excess nonrecourse liabilities for purposes of IRC Section 752 — but bar the use of those methods to determine a partner's share of a partnership liability for disguised sale purposes. Accordingly, for disguised sale purposes, the determination of a partner's share of a nonrecourse liability falls back upon the general rule for allocating excess nonrecourse liabilities. The general rule looks to the partner's share of partnership profits, taking into account all facts and circumstances relating to the economic arrangement of the partners. These changes substantially reduce the effectiveness of the leveraged partnership structure as a transaction planning tool and will apply to any transaction with respect to which all transfers occur on or after January 3, 2017.

Exception for Preformation Capital Expenditures

Another exception to disguised sale treatment applies to partnership distributions to reimburse a partner for certain capital expenditures incurred by the partner prior to the contribution of the property to the partnership. Generally, this exception applies only to the extent the reimbursement does not exceed 20% of the fair market value of the contributed property. However, this 20% limitation does not apply if the contributed property's fair market value does not exceed 120% of the contributing partner's adjusted basis in the property at the time of the contribution.

The 2014 Proposed Regulations clarified that, in the case of multiple property contributions, the 20% limit and the 120% test described above apply on a property-by-property basis. The 707 Final Regulations adopt this clarifying change, while adding a rule permitting aggregation of property to a limited degree. The final rules generally permit aggregation to the extent no single property included in the aggregated properties has a fair market value exceeding 1% of the aggregated properties' fair market value, and the fair market value of the aggregated properties does not exceed the lesser of US$1 million or 10% of the total fair market value of all properties the partner contributes to the partnership.

The 707 Final Regulations also modify and adopt a "no double dip" rule from the 2014 Proposed Regulations. This coordinating rule generally prevents a taxpayer from relying on the exception for preformation capital expenditures to the extent (i) a partner uses a "qualified liability" to fund capital expenditures and (ii) economic responsibility for that borrowing shifts to another partner. The rule treats capital expenditures as funded by the proceeds of a qualified liability to the extent the proceeds are traceable to the capital expenditures under applicable regulations or, regardless of those tracing requirements, the proceeds are actually used to fund the expenditures.

In addition, the 707 Final Regulations include a helpful "step-in-the-shoes" rule allowing a contributing partner that acquires property in certain nonrecognition transactions to succeed to the status of the person from which the property was acquired for purposes of applying the exception for preformation capital expenditures.

Despite issuing these final rules, the IRS has requested comments on whether the regulations should continue to include the exception for preformation capital expenditures, especially considering that "boot" received in other nonrecognition transactions is generally taxable to the transferor.

Other New Disguised Sale Rules

The 707 Final Regulations also adopt the following rules:

- **Step-in-the-shoes rule for qualified liabilities assumed in nonrecognition transactions**: Similar to the step-in-the-shoes rule for capital expenditures, the final rules include a provision for determining whether a liability is a qualified liability when a partner assumes a liability or takes property subject to a liability from another person in connection with certain nonrecognition transactions.

- **Shut off qualified liability tainting rule for small amounts of nonqualified liabilities**: The 707 Final Regulations adopt a rule that does not take into account qualified liabilities as consideration in a property transfer treated as a sale if the partnership assumes (or takes property subject to) nonqualified liabilities amounting to the lesser of US$1 million or 10% of the total amount of all qualified liabilities the partnership assumes (or takes property subject to).

- **Anticipated reduction**: In determining the extent to which a debt-financed distribution by a partnership should be treated as a sale, existing regulations take into account subsequent reductions in a partner's share of liabilities if the reduction is anticipated and is intended to avoid sale treatment. The 707 Final Regulations generally adopt a clarification in the 2014 Proposed Regulations that provided that the anticipated reduction is taken into account only if it is not subject to the entrepreneurial risks of partnership operations. However, the 707 Final Regulations do not adopt a presumption from the 2014 Proposed Regulations that considered a reduction in a partner's net value when determining if a reduction in the partner's share of the liability was anticipated.

- **New type of qualified liability**: The 707 Final Regulations adopt a proposal in the 2014 Proposed Regulations to add an additional category of qualified liability, consisting of liabilities incurred in connection with the conduct of a trade or business, provided the liability was not incurred in anticipation of the contribution and all of the assets material to that trade or business are contributed to the partnership.

- **Tiered partnerships**: The 2014 Proposed Regulations had provided that a partner that contributes its interest in a partnership (the lower-tier partnership) to another partnership (the upper-tier partnership) must take into account its share of the lower-tier partnership's liabilities when applying the disguised sale rules. For this purpose, the upper-tier partnership's share of the lower-tier partnership's liability is treated as a qualified liability to the extent the liability would have been a qualified liability if the liability was assumed in a transfer of the lower-tier partnership's assets to the upper-tier partnership instead. The 2016 Proposed Regulations adopt this rule and clarify that, to the extent the qualified liability determination depends on whether the liability was incurred in anticipation of a transfer to the upper-tier partnership, the relevant inquiry is whether the partner in the lower-tier partnership anticipated contributing its interest in the lower-tier partnership to the upper-tier partnership at the time the lower-tier partnership incurred the liability.

Recourse Liabilities

In part to address certain of the perceived leveraged transaction abuses discussed above, the 2014 Proposed Regulations would have amended the recourse debt allocation rules by introducing measures to make it substantially more difficult to treat a liability as recourse. One such measure was a set of six factors (recognition factors) all of which would have had to be satisfied in order for the partner's payment obligation to be recognized and therefore to treat the partner as bearing the economic risk of loss for the partnership liability.

This six-factor test, which generally sought to impose commercial reasonableness standards on payment obligations with respect to partnership liabilities, met criticism for various reasons, including that standards of reasonableness vary by industry and change over time. Moreover, since the 2014 Proposed Regulations contemplated that all the factors had to be satisfied, taxpayers could possibly have intentionally failed at least one of the factors to avoid having a partner's payment obligation be recognized if it would be beneficial to do so.

Due to this and other comments to the 2014 Proposed Regulations, the new regulatory package would not treat the factors as hard and fast requirements for recognition of a payment obligation. Instead, the IRS proposes to refashion the recognition factors as a nonexclusive list of facts and circumstances to be weighed under an anti-abuse rule (see discussion of the 2016 Proposed Regulations, below), except for the factors regarding bottom-dollar guarantees and indemnities, which the 752 Temporary Regulations address.

Bottom-Dollar Payment Obligations

In the preamble to the 752 Temporary Regulations, the IRS reiterates its view that certain bottom-dollar guarantees and similar arrangements should not be recognized as payment obligations because, the IRS believes, such arrangements generally lack a significant non-tax commercial business purpose. Thus, the 752 Temporary Regulations deny recognition to what the IRS now describes as "bottom-dollar payment obligations." Generally, a bottom-dollar payment obligation is any payment obligation for which the partner or a related person is not liable for the full amount thereof (*i.e.*, from the first dollar). However, a payment obligation that requires a partnership to attempt to satisfy a liability with proceeds from the sale of all of its assets prior to proceeding against the obligated partner or related person is not considered a bottom-dollar payment obligation, as this arrangement assigns the economic risk of loss to the partner or related person from the first dollar of the liability.

The 752 Temporary Regulations provide that any payment obligation may be a bottom-dollar payment obligation if it satisfies the criteria, including an obligation to make a capital contribution or a partner's obligation to restore a deficit capital account upon liquidation of a partnership as provided in the IRC Section 704(b) regulations (a deficit restoration obligation, or DRO). The definition of a bottom-dollar payment obligation also captures tiered partnership and other arrangements that divide a single liability into multiple liabilities with a principal purpose of avoiding classifying a least one of the liabilities as a bottom-dollar payment obligation.

Exceptions

Partly in response to comments on the 2014 Proposed Regulations, the 752 Temporary Regulations provide several exceptions for transactions (or features of transactions) that will not, in themselves, cause a payment obligation to be treated as a bottom-dollar payment obligation:

- **Vertical slice**: The new rules create an exception for payment obligations for a fixed percentage (less than 100%) of each dollar of a partnership liability.

- **Capped obligations**: This exception covers cases in which a maximum amount is placed on the partner's or related person's payment obligation.

- **Joint and several liability**: The rules also provide an exception for a right of proportionate contribution between co-obligors that are jointly and severally liable for the payment obligation.

- **90/10 exception**: If an indemnity, reimbursement agreement or similar arrangement creates a bottom-dollar payment obligation, the obligation may still be recognized as a payment obligation if, taking the indemnity, reimbursement agreement or similar arrangement into account, the partner or related person remains liable for at least 90% of such obligor's initial payment obligation.

Anti-Abuse Rule

The 752 Temporary Regulations add an anti-abuse rule to prevent taxpayers from creating a bottom-dollar payment obligation and thereby a nonrecourse liability even though a partner actually bears the economic risk of loss for the liability.

Final Regulations on "Tier-Three" Nonrecourse Liabilities

Current rules use a three-tier scheme for determining a partner's share of nonrecourse liabilities. Under the third tier, a partner's share of excess nonrecourse liabilities not allocated under the first two tiers is generally determined in accordance with the partner's share of partnership profits, taking into account all

facts and circumstances relating to the economic arrangement of the partners. The rules offer flexibility in determining a partner's share of partnership profits, provided the allocation is reasonably consistent with allocations of some other significant item of partnership income or gain. Alternatively, excess nonrecourse liabilities may be allocated among the partners in the same manner in which deductions attributable to those liabilities are reasonably expected to be allocated.

The 2014 Proposed Regulations would have replaced these two approaches with a "liquidation value percentage" approach that generally looked to the amount of cash a partner would receive relative to other partners if the partnership sold all its assets for fair market value, satisfied its liabilities and liquidated. The liquidation value percentage would have been determined immediately after the partnership's formation and then subsequently upon certain "book-up" events, whether or not the partners' capital accounts are adjusted in connection with the book-up event.

Commenters noted a number of problems with the proposed liquidation value percentage approach, including that, except in the case of very simple partnerships, the liquidation value percentage may bear little relationship to the partners' share of partnership profits, making the approach inconsistent with the general rule for allocating nonrecourse liabilities. Partly in response to those comments, the 752 Final Regulations withdraw the liquidation value percentage approach, and retain the two aforementioned existing methods for allocating excess nonrecourse liabilities for purposes of IRC Section 752.

For purposes of the IRC Section 707 disguised sale rules, however, the new regulatory package takes a different approach, as discussed above.

New Proposed Regulations on Recourse and Nonrecourse Liabilities

The 2016 Proposed Regulations withdraw some portions of the 2014 Proposed Regulations relating to recourse and nonrecourse liabilities, and propose some new rules.

Reversing Course: Satisfaction Presumption Retained, Net Value Requirement Eliminated

In determining who bears the economic risk of loss for a liability, existing regulations generally assume all partners or related persons, regardless of their net worth, will perform any payment obligations, absent facts indicating a plan to circumvent or avoid the obligation (the satisfaction presumption).

Notwithstanding this general approach, the existing rules take into account an obligation of a disregarded entity (*e.g.*, a single-member LLC) only to the extent of the entity's net value, excluding for these purposes the fair market value of the disregarded entity's interest in the partnership at issue and any property pledged to secure liabilities of the partnership. The disregarded entity net value rule aims to prevent the owner of a disregarded entity from treating a partnership liability as recourse while using the disregarded entity to limit the owner's actual risk of loss with respect to the liability.

Under the general approach of the satisfaction presumption, a partner guarantee typically causes an otherwise nonrecourse debt of the partnership to be allocated to the guaranteeing partner even if the lender and the partnership reasonably expect the partnership to be able to satisfy the liability with either partnership profits or capital. The IRS has questioned the appropriateness of the satisfaction presumption, considering that, usually, a partnership will in fact satisfy its liabilities out of partnership profits, the assets of the partnership do not become worthless and there is no need to call upon the payment obligations of partners or related persons.

The 2014 Proposed Regulations would have turned off the satisfaction presumption for all partners and related persons other than decedents' estates and individuals, and for payment obligations associated

with all types of liabilities except trade payables. Instead, the prior proposed rules would have extended the net value requirement applicable to disregarded entities under existing regulations to apply to these additional types of obligors and partnership liabilities as well.

Comments to the 2014 Proposed Regulations, however, pointed out that extending the net value rules could unduly burden taxpayers and increase litigation, largely with respect to valuation. Persuaded by these comments, the IRS dropped the net value requirement from the 2016 Proposed Regulations, even proposing to eliminate the existing rule for disregarded entities.

Instead, the 2016 Proposed Regulations would implement a new presumption under existing anti-abuse rules. The new presumption would deem evidence of a plan to circumvent or avoid an obligation to exist, if the facts and circumstances indicate no reasonable expectation that the payment obligor (including a grantor trust or other disregarded entity) would be able to make its required payments if the obligation became due. The 2016 Proposed Regulations include a new example to illustrate the application of the anti-abuse rule when the payment obligor is an underfunded entity.

In sum, along with eliminating the net value requirement and adding a new presumption to the anti-abuse rule, the 2016 Proposed Regulations would retain the satisfaction presumption. But if evidence exists of a plan to circumvent or avoid the payment obligation with respect to a partnership liability — or such evidence is deemed to exist under the new presumption — then the payment obligation would not be recognized and the partnership liability would be treated as nonrecourse rather than as recourse.

The IRS states in the preamble to the 2016 Proposed Regulations that it remains concerned with ensuring that a partner or related person only be presumed to satisfy its payment obligation to the extent such obligor would be able to pay on the obligation. If the new proposals are finalized in their current form, the question is how actively the IRS will use them to curtail perceived abuses of the recourse debt allocation rules.

Recognition Factors Moved to Anti-Abuse Rule; No Longer All-or-Nothing

As discussed above, in response to comments, the IRS withdrew the all-or-nothing approach to the six recognition factors contained in the 2014 Proposed Regulations. Factors relating to bottom-dollar payment obligations now appear in the 752 Temporary Regulations, and the IRS proposes to move the remaining factors to an anti-abuse rule, under which the factors would be weighed to determine whether to respect a payment obligation. The weight accorded any of these factors — which are nonexclusive — would depend on the particular case, and the presence or absence of any particular factor would not, in itself, necessarily indicate whether a payment obligation is recognized. The 2016 Proposed Regulations also modify the factors to some degree. For example:

- **No arm's length consideration requirement**: The new proposed rules omit the recognition factor that would have required the partner or related person to receive arm's length consideration for assuming a payment obligation.

- **Collection delay factor replaces commercially reasonable net worth factor**: The 2016 Proposed Regulations omit the recognition factor examining whether the obligor maintains a commercially reasonable net worth throughout the term of the payment obligation. Instead, the proposal includes a new factor in the facts and circumstances analysis that examines whether the payment obligation restricts the creditor from promptly pursuing payment following a default on the partnership liability, or whether there are other arrangements indicating a plan to delay collection.

- **Restrictions that protect the likelihood of payment**: In addition, the new proposal clarifies that a separate commercial reasonableness standard applicable to restrictions on transfers of assets only examines whether the obligor is subject to commercially reasonable contractual restrictions that protect the likelihood of payment, such as restrictions on transfers for inadequate consideration or distributions to equity owners.

- **Term of payment obligation**: This factor previously considered whether the payment obligation's term ends prior to the term of the partnership liability. The new proposal considers the same scenario and whether the obligor has a right to terminate its payment obligation, if the purpose of limiting the duration of the payment obligation is to terminate the obligation before events occur that increase the guarantor's or benefited party's risk of economic loss (*e.g.*, termination before a balloon payment is due or a right to terminate because of a decrease in the value of loan collateral). The revised proposed rule states this factor typically will not be present if the obligation terminates because of events that decrease the guarantor's or benefited party's risk of economic loss (*e.g.*, the payment obligation terminates upon the completion of a building construction project, upon the leasing of a building or when certain income and asset coverage ratios are satisfied for a specified number of quarters).

- **Substantially similar terms of liability even if no guarantee**: The new proposed rules add a factor, in the case of a guarantee or similar arrangement, examining whether the terms of the liability would be substantially the same had the partner or related person not agreed to provide the guarantee. If those terms would be substantially the same, the IRS reasons, the lender did not require the guarantee, presumably because the partnership's assets were sufficient to satisfy its obligation. In such a case, the factor indicates a plan to circumvent or avoid an obligation.

- **Executed documents**: The new proposed rules add a factor examining whether the creditor or other party benefiting from the obligation received executed documents with respect to the payment obligation from the partner or related person before, or within a commercially reasonable time after, the creation of the obligation.

Factors that would remain largely unchanged in the anti-abuse rule under the new proposal are:

- **Documentation of financial condition**: This factor examines whether the partner or related person must provide (either when the payment obligation is made or periodically) commercially reasonable documentation of its financial condition to the party that benefits from the payment obligation (*e.g.*, the creditor in the case of a guarantee or the indemnitee in the case of an indemnification arrangement).

- **Liquidity requirement for other obligors**: This factor examines whether the primary obligor or any other obligor (or a person related to the obligor) with respect to the partnership liability directly or indirectly holds money or other liquid assets in excess of its reasonable foreseeable needs.

Deficit Restoration Obligations

The 2014 Proposed Regulations would have applied the recognition factors to all payment obligations under the recourse liability allocation rules, including a DRO. The 2016 Proposed Regulations revise the list of factors applicable to DROs and turn them into a nonexclusive list of four factors that may indicate a plan to circumvent or avoid the DRO. As with the newly proposed facts and circumstances test discussed above concerning recognition of payment obligations, the weight accorded any of these factors would depend on the particular case, and the presence or absence of any particular factor would not, in itself, necessarily indicate whether a DRO is respected. The factors include:

- Whether the partner is subject to commercially reasonable provisions for enforcement and collection of the obligation
- Whether the partner must provide (either when the DRO is made or periodically) commercially reasonable documentation of its financial condition to the partnership
- Whether the DRO ends or could by its terms be terminated before the liquidation of the partner's interest in the partnership or when the partner's capital account is negative
- Whether the terms of the DRO are timely provided to all the partners in the partnership

The 2016 Proposed Regulations also treat certain partner notes as DROs in the absence of an express DRO in the partnership agreement.

Despite the foregoing proposals, the IRS requests comments on the extent to which DROs (and partner notes proposed to be treated as DROs) should be recognized as meaningful payment obligations. The IRS observes that, in some cases, a partnership may operate in such a way or the DRO may be drafted in such a way that the DRO may never been triggered. Future guidance may address these issues.

Provisions Withdrawn

The 707 Final Regulations omitted the following provisions that had been included in the 2014 Proposed Regulations:

- **Partnership mergers**: The 2014 Proposed Regulations had included a provision stating that increases and decreases in the share of partnership liabilities in connection with merger or consolidation of two or more partnerships are netted by a partner in the terminating partnership and the resulting partnership for purposes of applying the disguised sale rules to any distributions by the terminating partnership to the partner. The IRS omitted the rule from the final regulatory package as unnecessary, in part because liabilities involved in such a merger often constitute qualified liabilities — now even more so given the new step-in-the-shoes rule for liabilities acquired in certain nonrecognition transactions.

Effective Dates

- The **707 Final Regulations** became effective October 5, 2016.
- The **707 Temporary Regulations** apply to any transaction with respect to which all transfers occur on or after January 3, 2017.
- The **752 Final Regulations** became effective October 5, 2016.
- The **752 Temporary Regulations** are effective for liabilities that a partnership incurs or assumes, and payment obligations imposed or undertaken with respect to a partnership liability, on or after October 5, 2016, other than those pursuant to a pre-existing written binding contract.
- The **2016 Proposed Regulations** would generally be prospective from the date they are published as final regulations, although partnerships and their partners may rely on them sooner. The net value requirement still applies to disregarded entities until the 2016 Proposed Regulations are published as final regulations.

If you have questions about this *Client Alert*, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

C. Timothy Fenn
tim.fenn@lw.com
+1.713.546.7432
Houston

Julie M. Marion
julie.marion@lw.com
+1.312.876.7700
Chicago

Pardis Zomorodi
pardis.zomorodi@lw.com
+1.213.891.7805
Los Angeles/Century City

Bryant P. Lee
bryant.lee@lw.com
+1.713.546.7480
Houston

Thomas H. Halpern
Knowledge Management Lawyer
thomas.halpern@lw.com
+1.213.891.8684
Los Angeles

You Might Also Be Interested In

Treasury Issues Final and Temporary Regulations on Related-Party Debt Instruments
New Tax Audit Regime Constitutes a Sea Change for Partnerships
Treasury Department Issues Final Regulations on Real Property Definition for REIT Purposes
Restructuring Oil and Gas Partnership Debt? Tax Planning Is Key

Client Alert is published by Latham & Watkins as a news reporting service to clients and other friends. The information contained in this publication should not be construed as legal advice. Should further analysis or explanation of the subject matter be required, please contact the lawyer with whom you normally consult. The invitation to contact is not a solicitation for legal work under the laws of any jurisdiction in which Latham lawyers are not authorized to practice. A complete list of Latham's *Client Alerts* can be found at www.lw.com. If you wish to update your contact details or customize the information you receive from Latham & Watkins, visit http://events.lw.com/reaction/subscriptionpage.html to subscribe to the firm's global client mailings program.