More on Partnerships to Avoid General Utilities Repeal

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Shortly after proposing regulations under Section 337(d) dealing with the use of partnerships to avoid General Utilities repeal (see “Prop. Regs. Address Use of Partnerships to Avoid General Utilities Doctrine Repeal,” 1 M&A Tax Rep’t 7 (February 1993), p. 1), the Service announced that further study is warranted for cases in which affiliation results from a distribution of stock by a partnership to a corporate partner. Notice 93-2, 1993-3 IRB 11, indicates that the proposed regulations will be amended to limit their application only to transactions in which affiliation exists immediately before the deemed redemption or distribution.