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January 21, 2014

The Honorable Mark Mazur
Assistant Secretary (Tax Policy)
Department of the Treasury
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John Koskinen
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

The Honorable William J. Wilkins
Chief Counsel
Internal Revenue Service
1111 Constitution Avenue, NW
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Re: Report on Guidance Implementing Revenue Ruling 91-32

Dear Messrs. Mazur, Koskinen and Wilkins:

I am pleased to submit this report providing recommendations relating to the current project at the Department of Treasury ("Treasury") and the Internal Revenue Service (the "Service") to issue guidance under implementing Revenue Ruling 91-32 ("RR 91-32").

By way of background, RR 91-32 addresses the tax consequences of the disposition of a foreign partner's interest in a partnership that conducts a trade or business through a fixed place of business or has a permanent establishment in the United States (an "ECI Partnership").

As discussed in the report, we recommend that guidance implementing RR 91-32 provide that the source (domestic or foreign) and nature (ECI or non-ECI) of the income or gain recognized by a foreign person selling an interest in an ECI Partnership be determined using

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Mr. Mazur  
Mr. Koskinen  
Mr. Wilkins  
January 21, 2014

aggregate principles and be based upon the source and nature of the gain that would be recognized if the ECI Partnership were to sell all of its assets and liquidate.

We also recommend that guidance address whether the amount of effectively connected income recognized by the foreign partner can exceed the aggregate amount of income and gain generally recognized under Section 741 or Section 751 on the sale.

In addition, we recommend that the Treasury and the Service consider including guidance relating to how various provisions of Subchapter K apply in the context of an ECI Partnership, including the impact of an inside-outside basis disparity of a foreign person selling an interest in such a partnership and the tax consequences of certain types of distributions (including in-kind distributions) from an ECI Partnership.

We appreciate your consideration of our comments. Please let us know if you would like to discuss them or if we can assist you in any other way.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'DS', is written over a thin horizontal line.

David H. Schnabel  
Chair