

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:1-PLR-145121-02

Date:

December, 17 2002

Legend:

X =

Country =

D1 =

Dear :

This responds to your letter dated June 26, 2002, submitted on behalf of X requesting confirmation of X's tax classification for federal tax purposes.

**FACTS**

X was organized as a partnership under the laws of Country effective D1. X represents that the laws of Country confers limited liability upon each of X's partners. X's partners are all United States citizens who are residents of Country. Currently, X is engaged in real estate activity in Country; X is not engaged in trade or business in the United States. In addition to its ongoing real estate activity in Country, X intends to invest in fixed income securities, the interest from which would be United States source interest, and portfolio interest as defined in sections 871(h) and 881(c).

X has never filed Form 8832, Entity Classification Election.

**LAW AND ANALYSIS**

Section 301.7701-3(a) provides that a business entity that is not classified as a corporation under section 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (an "eligible entity") can elect its classification for federal tax purposes. An eligible entity with two or more members can elect to be classified as either a partnership or an association.

Section 301.7701-1(d) provides that for purposes of sections 301.7701-1, 301.7701-2, and 301.7701-3, an entity is a domestic entity if it is created or organized in

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the United States or under the law of the United States or of any State; an entity is foreign if it is not domestic.

Section 301.7701-3(b)(2)(i) provides that a foreign eligible entity will be treated as an association if all members have limited liability unless it elects otherwise.

Section 301.7701-3(b)(2)(ii) provides that a member of a foreign eligible entity has limited liability if the member has no personal liability for the debts of or claims against the entity by reason of being a member. This determination is based solely on the statute or law pursuant to which the entity is organized.

### CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that X will be treated as an association for federal tax purposes if its partners all have limited liability under the laws of Country.

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. Specifically, no opinion is expressed concerning whether the partners of X have limited liability under the laws of Country. No opinion is expressed as to whether the partnership may be a PFIC as defined under section 1297, or as to the federal income tax consequences of that determination to its partners. Also, no opinion is expressed as to whether the partnership may be a foreign personal holding company as defined in section 552, or as to the federal income tax consequences of that determination to its partners.

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to the taxpayer.

Sincerely,

**/s/ Dianna K. Miosi**

Dianna K. Miosi  
Chief, Branch 1  
(Passthroughs and Special Industries)

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