

**Internal Revenue Service**

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Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.  
Telephone Number:

Refer Reply To:  
CC:ITA:B04  
PLR-123678-18

Date:  
April 05, 2019

Legend

Spouse 1 =

Trust 1 =

Spouse 2 =

Trust 2 =

x =

Partnership =

Dear \_\_\_\_\_ :

This responds to your request for rulings regarding the application of § 1041 of the Internal Revenue Code to the sale of partnership interests to a grantor trust.

Spouse 1 created and funded Trust 1. It is represented that Trust is a grantor trust under § 675(4) of the Code. As a grantor trust, the grantor, Spouse 1, is treated as the owner of the assets, the trust is disregarded as a separate tax entity, and all income is taxed to the grantor. Rev. Rul. 85-13, 1985-1 C.B. 184.

Spouse 2 created and funded Trust 2. It is represented that Trust 2 is a grantor trust under § 675(4) of the Code. As a grantor trust, the grantor, Spouse 2, is treated as the owner of the assets, the trust is disregarded as a separate tax entity, and all income is taxed to the grantor. Rev. Rul. 85-13, 1985-1 C.B. 184.

Spouse 1 proposes to sell a x percent limited partnership interest in Partnership to Trust 2. In addition, the trustees of Trust 1 propose to sell a x percent limited partnership interest in Partnership to Trust 2.

Section 1041(a)(1) of the Code provides that no gain or loss shall be recognized on a transfer of property from an individual to a spouse.

Section 1041(b) of the Code provides that, in the case of any transfer described in subsection (a), (1) the property shall be treated as acquired by the transferee by gift, and (2) the basis of the transferee in the property shall be the adjusted basis of the transferor.

Because Trust 1 is a grantor trust, assets sold by Trust 1 will be treated for federal tax purposes as sold by Spouse 1. In addition, because Trust 2 is a grantor trust, assets purchased from Taxpayer and Trust 1 will be treated for federal tax purposes as purchased by Spouse 2.

Accordingly, based on the information submitted, we rule as follows:

- (1) Spouse 1 will recognize no gain or loss on the sale by Spouse 1 of a x percent limited partnership interest in Partnership to Trust 2 (§ 1041(a)(1) and Rev. Rul. 85-13).
- (2) Spouse 1 will recognize no gain or loss on the sale by Trust 1 of a x percent limited partnership interest in Partnership to Trust 2 (§ 1041(a)(1) and Rev. Rul. 85-13).
- (3) The basis of property acquired from Spouse 1 by Trust 2 will be the same as the adjusted basis in the property in the hands of Spouse 1 (§ 1041(b)(2)).
- (4) The basis of property acquired from Trust 1 by Trust 2 will be the same as the adjusted basis in the property in the hands of Trust 1 (§ 1041(b)(2)).

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 regarding the status of Trust 1 or Trust 2 as grantor trusts.

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 your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

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.

Sincerely,

Stephen J. Toomey  
Senior Counsel, Branch 4  
(Income Tax & Accounting)

cc: