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Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

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PLR-117543-24

Date:
March 27, 2025

LEGEND

LTP	=
UTP	=
State	=
Date 1	=
Date 2	=
Date 3	=

Dear :

This letter responds to a letter dated October 1, 2024, submitted on behalf of LTP by its authorized representatives, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations for LTP to file an election under § 754 of the Internal Revenue Code (Code).

FACTS

According to the information submitted, LTP is a continuation of an entity formed on Date 1 as a limited partnership under the laws of State and is treated as a partnership for federal tax purposes. UTP, which is treated as a partnership for federal tax purposes, owns an interest in LTP. On Date 2 (within the taxable year ended Date 3), a partner of UTP sold its interest to a new partner. UTP had a § 754 election in effect for the taxable year ended Date 3. However, LTP inadvertently failed to make a § 754 election for its taxable year ended Date 3.

LTP represents that it has filed returns for its taxable year ended Date 3 and subsequent years consistent with the § 754 election having been made.

LAW AND ANALYSIS

Section 754 provides, in part, that if a partnership files an election, in accordance with regulations prescribed by the Secretary, the basis of partnership property is adjusted, in the case of a distribution of property, in the manner provided in § 734 and, in the case of a transfer of a partnership interest, in the manner provided in § 743. Such an election shall apply with respect to all distributions of property by the partnership and to all transfers of interests in the partnership during the taxable year with respect to which the election was filed and all subsequent taxable years.

Section 1.754-1(b) of the Income Tax Regulations provides, in part, that an election under § 754 to adjust the basis of partnership property under §§ 734(b) and 743(b), with respect to a distribution of property to a partner or a transfer of an interest in a partnership, shall be made in a written statement filed with the partnership return for the taxable year during which the distribution or transfer occurs. For the election to be valid, the return must be filed not later than the time prescribed by § 1.6031(a)-1(e) (including extensions thereof) for filing the return for that taxable year.

Rev. Rul. 87-115, 1987-2 C.B. 163, provides that the optional adjustment to basis under § 754 will be available to both an upper-tier partnership (UTP) and a lower-tier partnership (LTP) when there is a sale or exchange of a partnership interest or the death of a partner in UTP, and both UTP and LTP have made an election under § 754 to adjust the basis of partnership property on a sale or exchange of a partnership interest or on the death of a partner.

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make a regulatory election, or a statutory election (but no more than 6 months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I. Section 301.9100-1(b) provides that the term "regulatory election" includes an election whose due date is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 provide the standards that the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-2 provides automatic extensions of time for making certain elections. Section

301.9100-3 provides rules for requesting extensions of time for regulatory elections that do not meet the requirements of § 301.9100-2.

Under § 301.9100-3, a request for relief will be granted when the taxpayer provides the evidence (including affidavits described in § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that (1) the taxpayer acted reasonably and in good faith, and (2) the grant of relief will not prejudice the interests of the Government.

CONCLUSIONS

Based solely upon the information submitted and the representations made, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, LTP is granted an extension of time of 120 days from the date of this letter to make an election under § 754 effective for LTP's taxable year ended Date 3. The election should be made in a written statement filed with the appropriate service center either (1) to be associated with LTP's return for its taxable year ended Date 3, or (2) accompanying Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), or Form 8082, Notice of Inconsistent Treatment or AAR, and for any related filings as instructed in Form 1065-X or Form 8082, as appropriate. A copy of this letter should be attached to the relevant filing.

This ruling is contingent on LTP's relevant filing(s) containing adjustments to the basis of LTP's properties to reflect any § 734(b) or § 743(b) adjustments that would have been made if the § 754 election had been timely made. These basis adjustments must reflect any additional deductions for recovery of basis related to LTP's property that would have been allowable if the § 754 election had been timely made, regardless of whether the statutory period of limitations on assessment or filing a claim for refund has expired for any year subject to this grant of late relief. Any deductions for recovery of basis allowable for an open year are to be computed based on the remaining useful life or recovery period and using property basis adjusted by the greater of such deductions allowed or allowable in any prior year had the § 754 election been timely made.

If the partnership is required to file an AAR to properly amend a partnership return, then this ruling is also contingent on LTP filing Form 1065-X or Form 8082 and taking into account the adjustments as required by § 6227(b).

Additionally, the partners of LTP must adjust the basis of their interests in X to reflect what the basis would be if the § 754 election had been timely made, regardless of whether the statutory period of limitations on assessment or filing a claim for refund has expired for any year subject to this grant of late relief. Specifically, the partners of LTP must reduce the basis of their interests in LTP in the amount of any additional deductions for the recovery of basis related to LTP's property that would have been allowable if the § 754 election had been timely made.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. In addition, § 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election.

The ruling contained in this letter is 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 ruling request, it is subject to verification on examination.

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

In accordance with a power of attorney on file with this office, we are sending a copy of this letter to your authorized representatives.

Sincerely,

Jeffrey Erickson
Associate Chief Counsel
(Passthroughs, Trusts & Estates)

By:____________________________________
Jennifer N. Keeney
Senior Counsel, Branch 1
Office of Associate Chief Counsel
(Passthroughs, Trusts & Estates)

Enclosure
Copy of letter for § 6110 purposes

cc: