

MEMO# 7726

March 22, 1996

INSTITUTE COMMENTS ON PROPOSED REGULATIONS REGARDING DISTRIBUTIONS OF SECURITIES BY INVESTMENT PARTNERSHIPS

March 22, 1996 TO: TAX COMMITTEE No. 11-96 RE: INSTITUTE COMMENTS ON PROPOSED
REGULATIONS REGARDING DISTRIBUTIONS OF SECURITIES BY INVESTMENT PARTNERSHIPS

_____ Late last year the IRS issued proposed regulations under section 731(c), which treats certain distributions of marketable securities by a partnership as a distribution of money for purposes of determining whether the distributee partner recognizes gain on the distribution. Thus, the section is relevant in the context of "master-feeder fund" structures. The proposed regulations provide guidance on, among other things, an exception to section 731(c) for distributions of marketable securities by an "investment partnership" to an "eligible partner." In the attached comment letter, the Institute addresses several issues raised by the proposed regulations regarding (i) the ability of master-feeder fund structures to qualify for the investment partnership exception and (ii) the effective date of the regulations. We will keep you informed of further developments. Anne M. Barr Assistant Counsel - Tax Attachment

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