

Court Holds Non-U.S. Investor Is Not Taxable on Sale of U.S. Operating Partnership Interest

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In a [decision](#) released July 13, the U.S. Tax Court held that gain realized by a non-U.S. investor on the disposition of an interest in a partnership that operated a U.S. business was generally not subject to U.S. tax. In holding for the taxpayer, the Tax Court refused to follow a published ruling issued by the IRS in 1991, stating that the ruling lacked the “power to persuade.” The Tax Court holding does not apply to the portion of the gain that was attributable to U.S. real property interests held by the partnership, which the parties conceded was subject to U.S. tax.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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