

**PLR 200807005 Approves of**  
**“Single Member Limited Partnership” as a**  
**Disregarded Entity**

In PLR 200807005, the IRS explicitly approved an arrangement where the taxpayer proposed to acquire replacement property in a like-kind exchange by acquiring 100% of the interest in a limited partnership that owned the replacement property.

The replacement property is owned by a multimember limited partnership (the “LP”). Taxpayer will form a new limited liability company (the “LLC”) that will be wholly owned by taxpayer and that will be a disregarded entity for federal tax purposes. At closing, 100% of the general partnership interest of LP will be transferred to LLC and 100% of the limited partnership interests in LP will be transferred to Taxpayer.

The IRS ruled:

- That this transaction would terminate the previous treatment of LP as a partnership for federal tax purposes (Relying on Rev. Rul. 99-6);
- That the Taxpayer would be treated as having acquired the real property owned by LP, and would not be treated as having acquired an interest in a partnership;
- That this type of transaction did not constitute the type of abuse that Congress sought to remedy by prohibiting the exchange of interests in partnerships;
- That the use of LLC, a disregarded entity, as the general partner of LP, and the continued existence of LP as a partnership under applicable state law complies, nevertheless, with the requirement under IRC §1031 that the replacement property be held by the taxpayer for productive use in trade or business or for investment because the LP, itself, will be disregarded for federal tax purposes.