

FEDERAL TAXATION OF PARTNERSHIPS AND PARTNERS

WILLIAM S. McKEE
WILLIAM F. NELSON
ROBERT L. WHITMIRE

Abridged Edition for Student Use Only



WARREN, GORHAM & LAMONT

FEDERAL TAXATION OF PARTNERSHIPS AND PARTNERS

SECOND EDITION

WILLIAM S. MCKEE

Member of the Virginia and District of Columbia Bars

WILLIAM F. NELSON

Member of the Georgia Bar

ROBERT L. WHITMIRE

Member of the California Bar

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Preface

MORE THAN A DECADE has passed (and at least six major tax laws have been enacted) since the publication of the first edition of this treatise. Intervening events have done nothing to lessen our appreciation of Judge Raum's classic statement in the *Foxman* case:

The distressingly complex and confusing nature of the provisions of subchapter K present a formidable obstacle to the comprehension of these provisions without the expenditure of a disproportionate amount of time and effort even by one who is sophisticated in tax matters with many years of experience in the tax field. . . . Surely, a statute has not achieved "simplicity" when its complex provisions may confidently be dealt with by at most only a comparatively small number of specialists who have been initiated into its mysteries.*

While Judge Raum's comments about Subchapter K were certainly valid at the time he made them, they are even more so today. Although Subchapter K itself has not suffered excessive damage in the onslaught of legislative activity since the first edition, legislative changes outside the subchapter have contributed mightily to an exponential increase in the complexity of partnership tax matters. This complexity has been aggravated by the persistent failure of the congressional tax-writers to deal adequately with the interface between nonpartnership changes and the rules of Subchapter K, and by the inability of the drafters of the Treasury Regulations to keep pace with the legislative activity. There is, unfortunately, no sign that either of these problems is likely to abate soon. Thus, both the technical difficulties and the degree of uncertainty inherent in many partnership transactions have increased and are likely to continue to increase.

While recognizing that there are no clear answers to many partnership tax questions, we have attempted in this treatise to set forth our views on a wide variety of questions, even in the absence of clear authority. Practitioners, including the authors, rely on our views at their own peril, of course.

This second edition covers all developments through April 30, 1989, as well as selected subsequent developments, and will be kept up-to-date by periodic

* David A. Foxman, 41 TC 535, 551 n.9 (1964) (acq.), aff'd 352 F2d 466 (3d Cir. 1966).

PREFACE

supplementation. We have vowed not to wait until the new century to produce a third edition.

Acknowledgments

We wish to thank our families for their continued support and understanding as we pushed this second edition to completion. We also wish to thank those who labored to help us produce this treatise—Norma Gallow, Barbara Potts, and Susan Rognlie—and those who helped us make it a better book—John James, Mark Kuller, Gary Maeder, Greg Marich, Mike Melton, and Bob Shaw.

Finally, we wish to thank all of our partners, associates, clients, and friends at Kindel & Anderson and King & Spalding for their patience and support.

WILLIAM S. MCKEE
WILLIAM F. NELSON
ROBERT L. WHITMIRE

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