Lackey, Shelly

From: Goodrow, Alicia
Sent: Wednesday, October 24, 2001 10:36 AM
To: Lackey, Shelly; 'eosterberg@velaw.com'; 'jblissard@velaw.com'
Subject: 84-53 Tammy leakage

Shelly:

Let's discuss - this was my intuitive sense after my Monday review of the model. I suspect your total liquidation example will bring this out more clearly.

ALG
-----Original Message-----
From: Klig, Steve (US - Washington D.C.) [mailto:sklig@deloitte.com]
Sent: Tuesday, October 23, 2001 7:57 PM
To: Goodrow, Alicia
Subject: FW: Tammy example

-----Original Message-----
From: 8773110241@skytel.com [mailto:8773110241@skytel.com]
Sent: Tuesday, October 23, 2001 7:56 PM
To: Sklig
Subject: Tammy example

Alicia:

You are correct in concluding that there is some leakage due to 84-53. It can generally be considered to be the fmv of the interest transferred to ECIC. Here are some examples.

Example 1:

Property gross fmv = 1 billion
Tax basis= 0
Debt assumed = 900 million
Interest transferred = 95%

Because of 84-53, an interest with a 95 million fmv is transferred w/ zero basis. When the built-in gain is triggered, 950 million is allocated to ECIC. Only 855 million of that gain is phantom income. The other 95 million brings the basis of the interest transferred up to fmv.

Example 2:

Same facts as example 1 except that property has tax basis of 500 million.

ECIC still takes no basis in interest transferred under 84-53.

When property is sold, 95% of 500 miilion built in gain (475 million) is allocated to ECIC. Again the first 95 millon of the

AUTHENTICATED U.S. GOVERNMENT INFORMATION GPO 10/6/2003

built-in gain is gain necessary to get basis up to fmv.

THE MORAL OF THE STORY IS THAT THE HIGHER THE BASIS OF THE BUILT-IN GAIN PROPERTY TRANSFERRED TO THE PARTNERSHIP, THE SMALLER THE SHIFT IN BUILT-IN GAIN AS A PERCENTAGE OF TOTAL BUILT-IN GAIN.

STEVE

This message (including any attachments) contains confidential information intended for a specific individual and purpose. and is protected by law. If you are not the intended recipient, you should delete this message. Any disclosure, copying, or distribution of this message, or the taking of any action based on it, is strictly prohibited.