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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9788]

RIN 1545-BM84

Liabilities Recognized as Recourse Partnership Liabilities Under Section 752; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final and temporary regulations (TD 9788)

that were published in the **Federal Register** on Wednesday, October 5, 2016 (81 FR 69282).

The final and temporary regulations provide rules concerning how liabilities are allocated for purposes of section 707 of the Internal Revenue Code and when certain obligations are recognized for purposes of determining whether a liability is a recourse partnership liability under section 752.

DATES: This correction is effective **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]** and is applicable on and after January 3, 2017.

FOR FURTHER INFORMATION CONTACT: Caroline E. Hay or Deane M. Burke (202) 317-5279 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

**Background**

The final and temporary regulations (TD 9788) that are the subject of this correction are under sections 707 and 752 of the Internal Revenue Code.

## Need for Correction

As published, the final and temporary regulations (TD 9788) contain errors that may prove to be misleading and are in need of clarification.

## List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

## Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

### PART 1 - INCOME TAXES

**Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 \* \* \*

Section 1.707-5T also issued under 26 U.S.C. 707(a)(2)(B).

**Par. 2.** Section 1.707-5T is amended by revising paragraph (a)(2)(i); and paragraph (f)

Example 7(i) is amended by revising the second to last sentence. The revisions read as follows:

**§1.707-5T Disguised sales of property to partnership; special rules relating to liabilities (temporary).**

(a) \* \* \*

(2) \* \* \*

(i) In general. For purposes of § 1.707-5, a partner's share of a liability of a partnership, as defined in § 1.752-1(a) (whether a recourse liability or a nonrecourse liability) is determined by applying the same percentage used to determine the partner's share of the excess nonrecourse liability under § 1.752-3(a)(3) (as limited in its application to this paragraph (a)(2)), but such

share shall not exceed the partner's share of the partnership liability under section 752 and applicable regulations (as limited in the application of §1.752-3(a)(3) to this paragraph (a)(2)).

\* \* \* \* \*

(f) \* \* \*

Example 7. \* \* \*

(i) \* \* \* For disguised sale purposes, assume that G's and H's share of liability 1 is \$2,000 each in accordance with paragraph (a)(2) of this section (which determines a partner's share of a liability using the percentage under §1.752-3(a)(3), but not exceeding the partner's share of the liability under section 752 and applicable regulations). \* \* \*

\* \* \* \* \*

Martin V. Franks  
Chief, Publications and Regulations Branch  
Legal Processing Division  
Associate Chief Counsel  
(Procedure and Administration)

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