Monensin in grams/ton	Combination in grams/ton	Indications for use	Limitations	Sponsor
(i) 90 to 110		Broiler chickens: As an aid in the prevention of coccidiosis caused by *E. necatrix, E. tenella, E. acervulina, E. brunetti, E. mivati,* and *E. maxima*.	Feed continuously as the sole ration. Not for broiler breeder replacement chickens. Do not feed to chickens over 16 weeks of age. Do not feed to laying chickens. In the absence of coccidiosis in broiler chickens the use of monensin with no withdrawal period may limit feed intake resulting in reduced weight gain. Do not allow horses, other equines, mature turkeys, or guinea fowl access to feed containing monensin. Ingestion of monensin by horses and guinea fowl has been fatal.	016592 058198
(ii) 90 to 110		Laying hen replacement chickens and layer breeder replacement chickens: As an aid in the prevention of coccidiosis caused by *E. necatrix, E. tenella, E. acervulina, E. brunetti, E. mivati,* and *E. maxima*.	Feed continuously as the sole ration. Not for broiler breeder replacement chickens. Do not feed to chickens over 16 weeks of age. Do not feed to laying chickens. In the absence of coccidiosis in broiler chickens the use of monensin with no withdrawal period may limit feed intake resulting in reduced weight gain. Do not allow horses, other equines, mature turkeys, or guinea fowl access to feed containing monensin. Ingestion of monensin by horses and guinea fowl has been fatal.	016592 058198

* * * * * * *

(2) * * *

Monensin in grams/ton	Combination in grams/ton	Indications for use	Limitations	Sponsor
(i) 54 to 90		Growing turkeys: For the prevention of coccidiosis caused by *E. adenoeides, E. meleagrimitis,* and *E.gallopavonis*.	For growing turkeys only. Feed continuously as sole ration. Some strains of turkey coccidia may be monensin tolerant or resistant. Not for broiler breeder replacement chickens. Do not feed to laying hens. Do not feed to chickens over 16 weeks of age. Monensin may interfere with development of immunity to turkey coccidiosis. Do not allow horses, other equines, mature turkeys, or guinea fowl access to feed containing monensin. Ingestion of monensin by horses and guinea fowl has been fatal.	016592 058198

* * * * * * *

(5) *Minor species—*

Monensin in grams/ton	Indications for use	Limitations	Sponsor
(i) 73	Growing bobwhite quail: For the prevention of coccidiosis caused by *Eimeria dispersa* and *E. lettyae*.	Feed continuously as sole ration. Not for broiler breeder replacement chickens. Do not feed to laying hens. Do not feed to chickens over 16 weeks of age. Do not allow horses, other equines, mature turkeys, or guinea fowl access to feed containing monensin. Ingestion of monensin by horses and guinea fowl has been fatal.	016592 058198
(ii) 20	Goats maintained in confinement: For the prevention of coccidiosis caused by *Eimeria crandallis, E. christenseni,* and *E. ninakohlyakimovae*.	Feed continuously. Do not feed to lactating goats. See paragraph (d)(11) of this section for provisions for monensin liquid Type C goat feeds.	016592 058198

* * * * * * *

* * * * *

Dated: November 20, 2024.

P. Ritu Nalubola,

Associate Commissioner for Policy.

[FR Doc. 2024–28061 Filed 11–29–24; 8:45 am]

BILLING CODE 4164–01–P

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 10014]

RIN 1545–BL21

Recourse Partnership Liabilities and Related Party Rules

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final rule.

SUMMARY: This document contains final regulations relating to recourse liabilities of a partnership and special rules for related persons. These regulations affect partnerships and their partners.

DATES:

Effective date: These regulations are effective on December 2, 2024.

Applicability dates: For dates of applicability, *see* §§ 1.704–2(l)(1)(vi), 1.752–2(l)(4), and 1.752–5(a).

FOR FURTHER INFORMATION CONTACT: Concerning these final regulations, contact Caroline Hay of the Office of Associate Chief Counsel (Passthroughs and Special Industries), (202) 317–6850 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Authority

This document amends the Income Tax Regulations (26 CFR part 1) under

section 752 of the Internal Revenue Code (Code) regarding a partner's share of a recourse partnership liability (final regulations).

The final regulations are issued under the express delegation of authority under section 7805(a) of the Code, which provides that ''[t]he Secretary shall prescribe all needful rules and regulations for the enforcement of [the Code], including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.''

Background

Section 752(a) provides, in general, that an increase in a partner's share of partnership liabilities (or an increase in a partner's individual liabilities by reason of the assumption by the partner of partnership liabilities) will be considered a contribution of money by the partner to the partnership. Conversely, section 752(b) provides that a decrease in a partner's share of partnership liabilities (or a decrease in a partner's individual liabilities by reason of the assumption by the partnership of the individual liabilities) will be considered a distribution of money to the partner by the partnership.

When determining a partner's share of partnership liabilities, the existing regulations under section 752 (existing §§ 1.752–1 through 1.752–3) distinguish between two categories of liabilities—recourse and nonrecourse. In general, a partnership liability is recourse to the extent that a partner or related person bears the economic risk of loss (EROL) as provided in existing § 1.752–2 and nonrecourse to the extent that no partner or related person bears the EROL under existing § 1.752–2. *See* existing § 1.752–1(a)(1) and (2). A partner bears the EROL for a partnership liability if the partner or related person: (1) has a payment obligation as provided in existing § 1.752–2(b) (except as provided in existing § 1.752–2(d)(2)); (2) is a lender to the partnership as provided in existing § 1.752–2(c) (except as provided in existing § 1.752–2(d)(1)); (3) guarantees payment of interest on a partnership nonrecourse liability as described in existing § 1.752–2(e); or (4) pledges property as security for a partnership liability as provided in existing § 1.752–2(h).

On December 16, 2013, the Department of the Treasury (Treasury Department) and the IRS published in the **Federal Register** (78 FR 76092) a notice of proposed rulemaking (REG–136984–12) that would amend the existing regulations under section 752 relating to a partner's share of a recourse partnership liability and the rules for related persons (proposed regulations). The provisions of the proposed regulations are explained in greater detail in the preamble to the proposed regulations. The Treasury Department and the IRS received two comments responding to the proposed regulations. A public hearing on the proposed regulations was not requested or held.

The Treasury Department and the IRS are mindful that the proposed regulations were issued approximately eleven years ago. However, no intervening legislative changes regarding allocations of partnership liabilities have been made, no subsequent changes to regulatory rules concerning allocations of partnership liabilities address the issues in the proposed regulations, and the issues raised by the commenters continue to remain relevant. For these reasons, the Treasury Department and the IRS have determined that a new notice of proposed rulemaking or a further opportunity for public comment would be unlikely to generate different comments. Furthermore, issuing the same rules again as a notice of proposed rulemaking would unnecessarily delay further this rulemaking to the continued detriment of taxpayers desiring to apply these rules to allocate their partnership liabilities.

Accordingly, after full consideration of the comments received, these final regulations adopt the proposed regulations with certain modifications in response to the comments described in the Summary of Comments and Explanation of Revisions.

Summary of Comments and Explanation of Revisions

I. Overlapping Economic Risk of Loss

Under existing § 1.752–2(a), a partner's share of a recourse partnership liability equals the portion of that liability, if any, for which the partner or related person bears the EROL. The proposed regulations would have provided a proportionality rule to determine how partners share a partnership liability when multiple partners bear the EROL for the same liability (overlapping EROL). Under the proportionality rule, the EROL borne by a partner would be the amount of the partnership liability (or portion thereof) multiplied by a fraction obtained by dividing the amount of EROL borne by the partner by the sum of the EROL borne by all partners with respect to that liability.

One commenter suggested that the final regulations should not adopt the proportionality rule but should instead allocate liabilities among partners with overlapping EROL in a manner analogous to the manner in which a nonrecourse liability is allocated under § 1.752–3. Specifically, the commenter suggested that such liabilities should be allocated in a manner consistent with the partner's interest in partnership profits. The commenter stated that this allocation approach more closely reflects the partners' economic arrangements and permits losses attributable to the liability to be allocated among the partners without any of the losses being suspended under section 704(d) of the Code.

Under the existing section 752 regulations, a recourse partnership liability is shared among partners that bear the EROL for the liability. Conversely, with a nonrecourse partnership liability, no partner bears economic risk with respect to the liability; therefore, the liability is generally allocated in accordance with a partner's share of partnership profits. Adopting a framework applicable to a nonrecourse partnership liability for purposes of determining how a recourse partnership liability should be shared under section 752 could cause the liability to be allocated disproportionally among those partners depending upon their profit-sharing ratios even though the partners bear the same amount of EROL for the liability. The proportionality rule provides a reasonable approach in addressing how a recourse partnership liability should be shared when partners have overlapping EROL. Therefore, the final regulations do not adopt the commenter's suggestion.

Another commenter requested clarification on the effect of local law and separate agreements between partners in determining whether partners have overlapping EROL. Under existing § 1.752–2(b)(3), all statutory and contractual obligations relating to a partnership liability are taken into account for purposes of determining a partner's EROL. Therefore, the proportionality rule applies to cases in which partners have overlapping EROL after taking into account all statutory and contractual obligations relating to the partnership liability. The final regulations illustrate in § 1.752–2(f)(9) that these obligations are considered in determining whether the partners have overlapping EROL.

II. Tiered Partnerships

Another overlapping EROL issue under section 752 relates to tiered partnerships. The proposed regulations would have provided guidance on how a lower-tier partnership (LTP) must allocate a liability in cases in which a

partner of an upper-tier partnership (UTP) is also a partner of the LTP and that partner bears the EROL with respect to the LTP's liability. Under the proposed regulations, the LTP would be required to allocate the liability directly to the partner.

One commenter, while acknowledging that the rule in the proposed regulations provides certainty and is administrable, expressed concerns that this rule could cause the partner in both the UTP and the LTP to recognize gain. The commenter recommended that the final regulations allow the LTP to allocate the liability in any reasonable manner between the partner and the UTP. The final regulations do not adopt this suggestion. The rule in the proposed regulations is the most administrable, especially in a case in which an LTP may not be aware that one of its partners is also a partner in a UTP that is removed from the LTP. Therefore, under the final regulations, an LTP must allocate the liability directly to the partner that bears the EROL with respect to the LTP's liability. Section § 1.752–2(i)(2) of the final regulations also clarifies how the tiered partnership rule applies in a case in which there is overlapping EROL among unrelated partners as provided in § 1.752–2(a)(2). Finally, the final regulations add an example to illustrate the application of the proportionality rule when there are tiered partnerships.

Another commenter suggested that a gap might exist between §§ 1.704–2 and 1.752–2 concerning partner nonrecourse deductions when a partner of a UTP (that is not also a partner of an LTP) bears the EROL for a liability of the LTP. Existing § 1.704–2(i) requires the partnership to allocate partner nonrecourse deductions to the partner that bears the EROL. Existing § 1.704–2(k)(5) treats an LTP's liability that is treated as a UTP's liability under § 1.752–4(a) also as a liability of the UTP for purpose of applying the rules under § 1.704–2(i). Under existing § 1.752–2(i), the LTP allocates its liability to the UTP when a partner of the UTP bears the EROL for the LTP's liability. The commenter asserted that, although existing § 1.752–2(i) requires the LTP to allocate the liability to the UTP, existing § 1.704–2 does not explicitly direct the LTP to allocate partner nonrecourse deductions attributable to that liability to the UTP. Thus, in the commenter's view, the existing rules do not treat the UTP as bearing the EROL for the LTP's liability for purposes of § 1.704–2(i). Contrary to this commenter's suggestion, existing §§ 1.704–2(i) and 1.704–2(k)(5) implicitly require an LTP to allocate partner nonrecourse deductions attributable to a liability of the LTP to a UTP if a partner in the UTP bears the EROL for the LTP's liability. To eliminate any uncertainty, the final regulations add a sentence to § 1.704–2(k)(5) to clarify that a UTP is treated as bearing the EROL for an LTP's liability that is treated as the UTP's liability under § 1.752–4(a). Therefore, partner nonrecourse deductions attributable to the LTP's liability are allocated to the UTP under § 1.704–2(i).

III. General Issues of EROL

As previously stated, existing § 1.752–2(a) generally provides that a partner's share of a recourse partnership liability equals the portion of that liability, if any, for which the partner or related person bears the EROL. A partner bears the EROL for a partnership liability if the partner or related person has a payment obligation under § 1.752–2(b), is a lender as provided in § 1.752–2(c), guarantees payment of interest on a partnership nonrecourse liability as described in § 1.752–2(e), or pledges property as a security as provided in § 1.752–2(h). In describing when a partner bears the EROL for a partnership liability, the proposed regulations inadvertently failed to include situations under § 1.752–2(e) and (h). A commenter also suggested that references to § 1.752–2(c) relating to when a partner or related person is the lender take into account a de minimis rule under § 1.752–2(d)(1). Existing § 1.752–2(d)(1) provides that the general rule in § 1.752–2(c)(1) does not apply if a partner or related person whose interest (directly or indirectly through one or more partnerships and including the interest of any related person) in each item of partnership income, gain, loss, deduction, or credit for every taxable year that the partner is a partner in the partnership is 10 percent or less, makes a loan to the partnership that constitutes qualified nonrecourse financing within the meaning of section 465(b)(6) (determined without regard to the type of activity financed). To incorporate the rules in § 1.752–2(d)(1), the commenter suggested that the final regulations broadly refer to § 1.752–2 when describing situations that give rise to EROL instead of listing specific applicable paragraphs in § 1.752–2.

The final regulations correct the oversight in the proposed regulations by listing in one section of the regulations all the situations under § 1.752–2 in which a person directly bears the EROL, including by taking into account the de minimis exceptions in § 1.752–2(d). A person directly bears the EROL if that person, and not a related person, meets the requirements of the listed situations.

IV. Related Party Rules

A. Constructive Ownership Rules

Under existing § 1.752–4(b)(1), a person is related to a partner if the person and the partner bear a relationship to each other that is specified in section 267(b) or section 707(b)(1) of the Code, except that ''80 percent or more'' is substituted for ''more than 50 percent'' in each of those sections, a person's family is determined by excluding siblings, and section 267(e)(1) and (f)(1)(A) are disregarded. In determining whether a partner and a person bear a relationship to each other that is specified in section 267(b) or section 707(b)(1), the constructive stock ownership rules in section 267(c) apply. *See* sections 267(c) and 707(b)(3). The proposed regulations would disregard the constructive stock ownership rules under section 267(c)(1) in determining whether to treat stock of a corporation owned, directly or indirectly, by or for a partnership as owned proportionately by or for its partners if the corporation is a lender under § 1.752–2(c) or has a payment obligation with respect to a liability of its partnership owner. The preamble to the proposed regulations explained that a partner's EROL that is limited to the partner's equity investment in the partnership should be treated differently than the risk of loss beyond that investment.

Commenters agreed with the rationale underlying the proposed regulations and suggested that the final regulations disregard two other constructive ownership situations in determining relatedness under § 1.752–4(b)(1). First, commenters suggested that the final regulations also disregard section 267(c)(1) in determining whether to treat a UTP's direct or indirect interest in an LTP as owned proportionately by or for the UTP's partners if the LTP is a lender or has a payment obligation with respect to a liability of the UTP. Commenters expressed the view that in this situation, like the one described in the proposed regulations, a partner should not be treated as bearing the EROL for a partnership liability merely as a result of the UTP's investment in an LTP that has a payment obligation with respect to a liability of the UTP.

Second, commenters suggested that the final regulations disregard section 1563(e)(2) of the Code in determining relatedness under § 1.752–4(b)(1). For purposes of § 1.752–4(b)(1), a person is related to a partner if the two parties bear a relationship to each other as

described in section 267(b)(3). Under section 267(b)(3), a corporate partner and another corporation that are members of the same controlled group (as defined in section 267(f)) are treated as related for purposes of § 1.752–4(b)(1). Section 267(f) gives ''controlled group'' the same meaning as in section 1563(a). Under section 1563(a), a controlled group of corporations includes a parent-subsidiary controlled group and a brother-sister controlled group. Section 1563(e) provides attribution rules that apply in determining whether a corporation is a member of a parent-subsidiary controlled group or of a brother-sister controlled group. Specific to partnerships, section 1563(e)(2) provides that stock owned, directly or indirectly, by or for a partnership is considered as owned by any partner having an interest of 5 percent or more in either the capital or profits of the partnership in proportion to the partner's interest in capital or profits, whichever is greater. Therefore, in applying the attribution rules under section 1563(e)(2), a corporate partner in a partnership could be treated as a member of a parent-subsidiary controlled group or of a brother-sister controlled group, and thus, related to a corporation in that group that is owned by the partnership. If the corporate subsidiary of the partnership has a payment obligation with respect to a liability of the partnership, the corporate partner is treated as bearing the EROL for that liability. Commenters recommended not treating the corporate partner as bearing the EROL merely as a result of applying the attribution rules under section 1563(e)(2) because the partner's risk is limited to the investment in the partnership.

The final regulations adopt these suggestions. Thus, in determining relatedness under § 1.752–4(b)(1), the final regulations disregard: (1) section 267(c)(1) in determining whether a UTP's interest in an LTP is owned proportionately by or for the UTP's partners when an LTP directly bears the EROL for a liability of the UTP and (2) section 1563(e)(2) in determining whether a corporate partner in a partnership and a corporation owned by the partnership are members of the same controlled group when the corporation directly bears the EROL for a liability of the owner partnership. In both of these situations, a partner should not be treated as bearing the EROL when the partner's risk is limited to the partner's equity investment in the partnership.

B. Related Partner Exception to Related Party Rules

Under the proposed regulations, if a person who owns (directly or indirectly through one or more partnerships) an interest in a partnership is a lender or has a payment obligation with respect to a partnership liability, or portion thereof, then other persons owning interests directly or indirectly (through one or more partnerships) in that partnership would not be treated as related to that person for purposes of determining the EROL borne by each of them for the partnership liability, or portion thereof (related partner exception).

One commenter recommended that the final regulations clarify the meaning of the phrase ''not treated as related'' as used in proposed examples illustrating the related partner exception. The phrase ''not treated as related'' is intended to mean that, under § 1.752–4(b)(1), the partner and the other person are not treated as bearing a relationship to each other that is specified in section 267(b) or section 707(b)(1) (taking into account any applicable attribution rules). Accordingly, the phrase ''not treated as related'' should be broadly interpreted. For instance, in § 1.752–4(b)(5)(iii) of the final regulations, A wholly owns corporations X and Y. X and Y are members of Partnership, an entity treated as a partnership for Federal tax purposes. The partnership agreement provides that X and Y share equally in all items of income, gain, loss, deduction, and credit of Partnership. X owns 79 percent of Z, a corporation, and Y owns 21 percent of Z. Each of X and Z guarantees the entire amount of a liability of Partnership. Under this example, X and Y are not treated as related for purposes of determining the EROL borne by each of them for the partnership's liability, and, because neither X nor Y owns an 80 percent or more interest in Z, X and Y are not treated as related to Z under § 1.752–4(b)(1). In other words, X and Y are not related to Z within the meaning of § 1.752–4(b)(1), which takes into account any applicable attribution rules.

Another commenter suggested that the related partner exception should apply only to turn off relatedness so that the direct EROL borne by one partner is not attributed to another partner. This commenter recommended that the rule should not turn off the relationship between a partner that directly bears the EROL for a partnership liability and another partner for purposes of determining whether those partners are related to a non-partner that also bears EROL for the partnership's liability. If the related partner exception did not apply in this situation, both partners would be treated as bearing the EROL for the partnership liability and share the liability under the proportionality rule.

The proposed regulations would implement the result in *IPO II* v. *Commissioner,* 122 T.C. 295 (2004), which applied the related partner exception to turn off the relationship between the partners and allocated the entirety of a partnership's liability to the partner that directly bore the EROL for the partnership's liability despite a non-partner related person also bearing the EROL. Therefore, the final regulations do not adopt this suggestion.

C. Person Related to Multiple Partners (Multiple Partner Rule)

The proposed regulations provide that if a person is a lender or has a payment obligation with respect to a partnership liability and is related to more than one partner, then those partners that are related to that person (related partners) share the liability equally. One commenter suggested that the multiple partner rule may be unnecessary and recommended that the final regulations only include the proportionality rule in proposed § 1.752–2(a) to address how to allocate EROL when there is overlapping EROL, including because multiple partners are related to a person with a payment obligation. The final regulations do not adopt this suggestion. The multiple partner rule is necessary because, without this rule, the partners might share EROL incorrectly. For example, corporations X, Y, and Z are partners in an entity treated as a partnership for Federal tax purposes. The partnership agreement provides that the partners share equally in all items of income, gain, loss, deduction, and credit of XYZ partnership. A, an individual, wholly owns X and Y. Z is an unrelated third party. Partnership borrows $1,000 from a bank and A and Z both guarantee the entire amount of the liability. Without the multiple partner rule, each of X and Y has $1,000 of EROL from A's $1,000 guarantee and Z has $1,000 of EROL from its guarantee. Each would be allocated one-third of the liability under the proportionality rule. In contrast, by applying the multiple partner rule, each of X and Y has $500 of EROL. When the proportionality rule is applied, X and Y are each allocated one-fourth of the liability and Z is allocated one-half of the liability. This is the correct result because there is one guarantee from A's related group and one guarantee by Z.

The commenter also recommended that if the final regulations retain the

multiple partner rule, the final regulations allow the related partners to agree among themselves how to allocate the liability, provided that the allocation is consistently applied. The commenter explained that allowing related partners to choose among themselves who receives the allocation could prevent related partners from recognizing an uneconomic gain. To address the commenter's underlying concern, the final regulations under § 1.752–4(b)(3) treat related partners as bearing the EROL for a partnership liability in proportion to each related partner's interest in partnership profits.

V. Ordering Rule

The proposed regulations had different rules regarding allocations of partnership liabilities for related and unrelated parties. In particular, the proportionality rule in proposed § 1.752–2(a) addressed when partners have overlapping EROL, the related partner exception in proposed § 1.752–4(b)(2) described when partners with direct EROL are not treated as related to other partners, and the multiple partner rule in proposed § 1.752–4(b)(3) provided how EROL is shared when multiple partners are related to a person that is a lender or has a payment obligation. One commenter expressed confusion regarding how these rules interact and suggested that the final regulations include an ordering rule.

The final regulations adopt this suggestion. An ordering rule is warranted to clarify how the proportionality rule interacts with the multiple partner rule and how the multiple partner rule interacts with the related partner exception. Therefore, under § 1.752–4(e), the first step is to determine whether any partner (direct or indirect) directly bears the EROL for the partnership liability and apply the related partner exception in § 1.752–4(b)(2). After applying the related partner exception (if applicable), the next step is to determine the amount of EROL each partner is considered to bear under § 1.752–4(b)(3) when multiple partners are related to a person that directly bears the EROL for a partnership liability. The final step is to apply the proportionality rule in § 1.752–2(a)(2) to determine the amount of EROL that each partner is considered to bear when the amount of EROL that multiple partners bear exceed the amount of the partnership liability. The final regulations include an example to illustrate the ordering rule in § 1.752–4(e).

VI. Liquidating Distributions of Partnership Interests

The preamble to the proposed regulations requested comments concerning the proper treatment of liabilities when a UTP bears the EROL for an LTP's liability and distributes, in a liquidating distribution, its interest in the LTP to one of its partners, but the transferee partner does not bear the EROL. As a result of this transaction, the LTP's recourse liability became a nonrecourse liability for purposes of section 752. The preamble requested comments specifically on the timing of the liability reallocation relative to the transaction that caused the liability to change from recourse to nonrecourse.

The Treasury Department and the IRS received thoughtful comments regarding this issue in response to the request for comments and are continuing to consider whether additional guidance regarding the issue is warranted.

VII. Applicability Date

Under the proposed regulations the rules would apply to any liability incurred or assumed by a partnership on or after the date the regulations are published as final regulations in the **Federal Register**. Commenters suggested that the final regulations allow a taxpayer to apply the final regulations to all liabilities incurred or assumed by a partnership (even liabilities incurred or assumed before the date of publication of these regulations), with respect to all returns, including amended returns, filed after the date these regulations are published. The final regulations adopt this suggestion, but clarify that a partnership must apply these rules consistently to all of its partnership liabilities and may not pick and choose which rules apply to them. Allowing taxpayers to apply these regulations before the publication date will provide greater certainty for partnerships and their partners and allow uniform rules to apply to all partnership liabilities. As a result, these final regulations allow a partnership to apply the rules to all liabilities with respect to returns filed on or after December 2, 2024, provided the partnership consistently applies all the rules in these final regulations to those liabilities.

A commenter also suggested that the final regulations permit partnership liabilities that are modified or refinanced and payment obligations that are modified to continue to be subject to the provisions of the regulations in effect prior to the applicability date of the final regulations, but only to the extent of the amount and duration of the pre-modification (or refinancing) liability or payment obligation. The commenter identified § 1.707–5(c) as a model for a special refinancing rule. The commenter noted that without such a rule, the applicability date in the proposed regulations might discourage partnerships from refinancing debts or subject partners to unexpected adverse results.

The final regulations adopt this suggestion. Accordingly, the final regulations do not apply to refinanced debts to the extent of the amount and duration of the pre-modification liability. Instead, the rules in the regulations as in effect prior to December 2, 2024, continue to apply to those liabilities. For example, assume a partnership borrowed $1,000 on January 28, 2024, from Bank, and X, a person related to Partners A and B, guaranteed the entire amount of that liability. Further assume that this liability was refinanced after December 2, 2024 so that the liability is now $2,000 and X continues to guarantee the entire amount of the liability. The rules in effect prior to December 2, 2024 would continue to apply to the $1,000 of pre-modification liability and X's guarantee of the $1,000 when determining which partner bears the EROL. The rules in effect after December 2, 2024 would apply to the remaining $1,000.

Special Analyses

I. Paperwork Reduction Act

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. These regulations do not impose a collection of information and, therefore, the PRA does not apply.

II. Regulatory Flexibility Act

The Treasury Department and the IRS have determined the rule will not have a significant economic impact on a substantial number of small entities. Although the rules affect small entities, data is not readily available about the number of taxpayers affected. Section 752 affects the allocation of partnership liabilities among partners in a partnership. The economic impact of these regulations is not likely to be significant, because the regulations will make it easier for taxpayers to comply with section 752. Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), the Secretary hereby certifies that these regulations will not have a

significant economic impact on a substantial number of small entities.

Pursuant to section 7805(f) of the Code, the proposed regulations that preceded these final regulations were submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration (SBA) for comment on its impact on small business. The Chief Counsel for the Office of Advocacy of the SBA did not provide any comments on the proposed regulations.

III. Unfunded Mandates Reform Act

Section 202 of the Unfunded Mandates Reform Act of 1995 requires that agencies assess anticipated costs and benefits and take certain other actions before issuing a final rule that includes any Federal mandate that may result in expenditures in any one year by a State, local, or Tribal government, in the aggregate, or by the private sector, of $100 million in 1995 dollars, updated annually for inflation. This rule does not include any Federal mandate that may result in expenditures by State, local, or Tribal governments, or by the private sector in excess of that threshold.

IV. Executive Order 13132: Federalism

Executive Order 13132 (Federalism) prohibits an agency from publishing any rule that has federalism implications if the rule either imposes substantial, direct compliance costs on State and local governments, and is not required by statute, or preempts State law, unless the agency meets the consultation and funding requirements of section 6 of the Executive order. These final regulations do not have federalism implications and do not impose substantial direct compliance costs on state and local governments or preempt State law within the meaning of the Executive order.

V. Regulatory Planning and Review

Pursuant to the Memorandum of Agreement, Review of Treasury Regulations under Executive Order 12866 (June 9, 2023), tax regulatory actions issued by the IRS are not subject to the requirements of section 6 of Executive Order 12866, as amended. Therefore, a regulatory impact assessment is not required.

VI. Congressional Review Act

Pursuant to the Congressional Review Act (5 U.S.C. 801 *et seq.*), the Office of Information and Regulatory Affairs has designated this rule as not a ''major rule,'' as defined by 5 U.S.C. 804(2).

Statement of Availability of IRS Documents

Guidance cited in this preamble is published in the Internal Revenue Bulletin and is available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at *https://www.irs.gov.*

Drafting Information

The principal author of these regulations is Caroline E. Hay, Office of the Associate Chief Counsel (Passthroughs and Special Industries). However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Adoption of Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

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 * * *

■ **Par. 2.** Section 1.704–2 is amended by:
■ 1. Adding a sentence after the first sentence of paragraph (k)(5).
■ 2. Adding paragraph (l)(1)(vi).
The additions read as follows:

§1.704–2 Allocations attributable to nonrecourse liabilities.

* * * * *

(k) * * *

(5) * * * In addition, for purposes of applying paragraph (i) of this section, the upper-tier partnership is treated as bearing the economic risk of loss for the lower-tier partnership's liabilities that are treated as the upper-tier partnership's liabilities under § 1.752–4(a). * * *

(l) * * *

(1) * * *

(vi) The second sentence of paragraph (k)(5) of this section applies on or after *December 2, 2024.*

* * * * *

■ **Par. 3.** Section 1.752–0 is amended by:
■ 1. In § 1.752–2:
■ i. Revising the entry (a); and
■ ii. Adding entries (a)(1) through (3) and (i)(1) through (3).
■ 2. In § 1.752–4:
■ i. Revising the entry (b)(2);
■ ii. Removing the entries (b)(2)(i) though (iii);
■ iii. Redesignating the entries (b)(2)(iv), (b)(2)(iv)(A) and (B) as (b)(4), (b)(4)(i) and (ii), respectively;
■ iv. Removing the entry (b)(2)(iv)(C); and
■ v. Adding the entries (b)(3) and (5), (e), and (f).
The revisions and additions read as follows:

1.752–0 Table of contents.

* * * * *

§ 1.752–2 Partner's share of recourse liabilities.
(a) Partner's share of recourse liabilities.
(1) In general.
(2) Overlapping economic risk of loss.
(3) Direct economic risk of loss.
* * * * *
(i) * * *
(1) In general.
(2) Coordination with overlapping economic risk of loss.
(3) Example.
* * * * *
§ 1.752–4 Special rules.
* * * * *
(b) * * *
(2) Related partner exception.
(3) Person related to more than one partner.
* * * * *
(5) Examples.
* * * * *
(e) Ordering rule.
(f) Example.
* * * * *

■ **Par. 4.** Section 1.752–2 is amended by:
■ 1. Revising paragraphs (a).
■ 2. Revising the headings for paragraphs (f)(1) through (8).
■ 3. Revising paragraphs (f)(9), and (i).
■ 4. In the first sentence of paragraph (l)(1), removing the language ''Paragraphs (a)'' and adding the language ''Paragraphs (a)(1)'' in its place.
■ 5. In the first sentence of paragraph (l)(3), removing the language ''§ 1.752–2(a)'' and adding ''§ 1.752–2(a)(1)'' in its place.
■ 6. Adding paragraph (l)(4).
The revisions and addition read as follows:

§ 1.752–2 Partner's share of recourse liabilities.

(a) *Partner's share of recourse liabilities*—(1) *In general.* A partner's share of recourse partnership liability equals the portion of that liability, if any, for which the partner or related person bears the economic risk of loss. The determination of the extent to which a partner bears the economic risk of loss for a partnership liability is made under the rules in paragraphs (b) through (k) of this section.

(2) *Overlapping economic risk of loss.* For purposes of determining a partner's

share of a recourse partnership liability, the amount of the partnership liability is taken into account only once. If the aggregate amount of the economic risk of loss that all partners are determined to bear for a partnership liability (or portion thereof) under paragraph (a)(1) of this section (without regard to this paragraph (a)(2)) exceeds the amount of such liability (or portion thereof), then the economic risk of loss borne by each partner for such liability equals the amount determined by multiplying—

(i) The amount of such liability (or portion thereof) by

(ii) The fraction obtained by dividing the amount of the economic risk of loss that such partner is determined to bear for that liability (or portion thereof) under paragraph (a)(1) of this section, by the sum of such amounts for all partners.

(3) *Direct economic risk of loss.* For purposes of this section and § 1.752–4, a person directly bears the economic risk of loss for a partnership liability if that person has a payment obligation under paragraph (b) of this section (except as provided in paragraph (d)(2) of this section for certain partner guarantees), is a lender as provided in paragraph (c) of this section (except as provided in paragraph (d)(1) of this section for certain partner loans), guarantees payment of interest on a partnership nonrecourse liability as described in paragraph (e) of this section, or pledges property as a security as provided in paragraph (h) of this section.

* * * * *

(f) * * *

(1) *Example 1. Determining when a partner bears the economic risk of loss.* * * *

(2) *Example 2. Recourse liability; deficit restoration obligation.* * * *

(3) *Example 3. Guarantee by limited partner; partner deemed to satisfy obligation.* * * *

(4) *Example 4. Partner guarantee with right of subrogation.* * * *

(5) *Example 5. Bifurcation of partnership liability; guarantee of part of nonrecourse liability.* * * *

(6) *Example 6. Wrapped debt.* * * *

(7) *Example 7. Guarantee of interest by partner treated as part recourse and part nonrecourse.* * * *

(8) *Example 8. Continent obligation not recognized.* * * *

(9) *Example 9. Overlapping economic risk of loss.* (i) A and B are unrelated equal members of limited liability company, AB. AB is treated as a partnership for Federal tax purposes. AB borrows $1,000 from Bank. A guarantees payment for the entire amount of AB's $1,000 liability and B guarantees payment of up to $500 of the liability, if any amount of the full $1,000 liability is not recovered by Bank. Under paragraph (b)(1) of this section, A bears $1,000 of economic risk of loss for AB's liability and B bears $500 of economic risk of loss for AB's liability. A and B have not entered into a loss-sharing agreement addressing their status as co-guarantors, and local law does not clearly establish responsibility as between them for the liability.

(ii) Because the aggregate amount of A's and B's economic risk of loss under paragraph (a)(1) of this section ($1,500) exceeds the amount of AB's liability ($1,000), the economic risk of loss borne by each of A and B is determined under paragraph (a)(2) of this section. Under paragraph (a)(2) of this section, A's economic risk of loss equals $1,000 multiplied by $1,000/$1,500, or $667, and B's economic risk of loss equals $1,000 multiplied by $500/$1,500, or $333.

* * * * *

(i) *Treatment of recourse liabilities in tiered partnerships*—(1) *In general.* If a partnership (upper-tier partnership) owns (directly or indirectly through one or more partnerships) an interest in another partnership (lower-tier partnership), the liabilities of the lower-tier partnership are allocated to the upper-tier partnership in an amount equal to the sum of the following—

(i) The amount of liabilities with respect to which the upper-tier partnership directly bears the economic risk of loss as described in paragraph (a)(3) of this section; and

(ii) The amount of any other liabilities with respect to which a partner of the upper-tier partnership bears the economic risk of loss, provided the partner is not also a partner in the lower-tier partnership.

(2) *Coordination with overlapping economic risk of loss.* A lower-tier partnership takes into account paragraph (a)(2) of this section prior to the application of this paragraph (i).

(3) *Example.* (i) A and B (which is unrelated to A) contribute $810,000 and $90,000 to UTP, a limited liability company treated as a partnership for Federal tax purposes, in exchange for a 90 percent and 10 percent interest in UTP, respectively. UTP contributes the $900,000 to LTP, a partnership for Federal tax purposes, in exchange for a 90 percent interest in LTP and A contributes $100,000 directly to LTP in exchange for a 10 percent interest in LTP. UTP and LTP both reported losses in their initial years that reduced the partners' bases in UTP and LTP to zero. LTP borrows $10 million. UTP and LTP both had no income in the year at issue. At the request of the lender, A and B both provide their personal guaranty for the entire amount of LTP's liability.

(ii) Under paragraph (b)(1) of this section, A has $10 million of economic risk of loss for LTP's liability and B has $10 million of economic risk of loss for LTP's liability. Under paragraph (i)(2) of this section, LTP takes into account paragraph (a)(2) of this section prior to determining the amount of liabilities allocated to UTP under paragraph (i)(1) of this section. Under paragraph (a)(2) of this section, A is considered to bear $5 million (($10 million/$20 million) × $10 million) of economic risk of loss and B is considered to also bear $5 million (($10 million/$20 million) × $10 million) of economic risk of loss for LTP's liability. Pursuant to paragraph (a)(1) of this section, LTP allocates $5 million to A for A's direct interest in LTP's liability. Under paragraph (i)(1) of this section, LTP allocates $5 million to UTP ($5 million attributable to B's economic risk of loss for LTP's liability).

(iii) Pursuant to § 1.752–4(a), UTP treats its share of LTP's liability ($5 million) as a liability of UTP. Because A bears the economic risk of loss for LTP's liability and is a partner in LTP, under paragraph (i)(1)(ii) of this section, UTP's share of LTP's liability ($5 million) only includes the amount of LTP's liabilities with respect to which B bears the economic risk of loss. Therefore, under paragraph (a)(1) of this section, UTP allocates $5 million of UTP's share of LTP's liability to B and none to A.

* * * * *

(l) * * *

(4) Paragraphs (a)(2) and (3), (f)(9), and (i) of this section apply to liabilities incurred or assumed by a partnership on or after December 2, 2024, other than liabilities incurred or assumed by a partnership pursuant to a written binding contract in effect prior to that date. To the extent that the proceeds of a partnership liability (refinancing debt) are allocable under the rules of § 1.163–8T to payments discharging all or part of any other liability (pre-modification liability) of that partnership, the refinancing debt will be treated as though it was incurred or assumed by the partnership prior to December 2, 2024, to the extent of the amount and duration of the pre-modification liability. A partnership may apply paragraphs (a)(2) and (3), (f)(9), and (i) of this section to all of its liabilities (including liabilities incurred or assumed by a partnership prior to December 2, 2024), for any return filed

on or after December 2, 2024 provided the partnership consistently applies all the rules in paragraphs (a)(2) and (3), (f)(9), and (i) of this section and § 1.752–4(b)(1)(iv) and (v), (b)(2) and (3), (b)(5)(i) through (iv), (e), and (f) to those liabilities.

■ **Par. 5.** Section 1.752–4 is amended by:

■ 1. In paragraph (b)(1)(i), removing the language ''sections;'' and adding the language ''sections.'' in its place.

■ 2. In paragraph (b)(1)(ii), removing the language ''sisters; and'' and adding the language ''sisters.'' in its place.

■ 3. Adding paragraphs (b)(1)(iv) and (v).

■ 4. Revising paragraph (b)(2).

■ 5. Adding paragraphs (b)(3) through (5), (e), and (f).

The additions and revision read as follows:

§ 1.752–4 Special rules.

* * * * *

(b) * * *

(1) * * *

(iv) Disregard section 267(c)(1) in determining whether—

(A) Stock of a corporation owned, directly or indirectly, by or for a partnership is considered as being owned proportionately by or for its partners when the corporation directly bears the economic risk of loss as described in § 1.752–2(a)(3) for a liability of the partnership; and

(B) A capital interest or a profits interest in a partnership (lower-tier partnership) owned, directly or indirectly, by or for a partnership (upper-tier partnership) is considered as being owned proportionately by or for the upper-tier partnership's partners when the lower-tier partnership directly bears the economic risk of loss as described in § 1.752–2(a)(3) for a liability of the upper-tier partnership.

(v) Disregard section 1563(e)(2) in determining whether a corporate partner and a corporation are members of the same controlled group (as defined in section 267(f)) under section 267(b)(3) when the corporation directly bears the economic risk of loss as described in § 1.752–2(a)(3) for a liability of the partnership.

(2) *Related partner exception.* Notwithstanding paragraph (b)(1) of this section (which defines related person), if a person who owns (directly or indirectly through one or more partnerships) an interest in a partnership directly bears the economic risk of loss as described in § 1.752–2(a)(3) for a partnership liability, or portion thereof, then other persons owning interests directly or indirectly (through one or more partnerships) in that partnership are not treated as related to that person for purposes of determining the economic risk of loss borne by each of them for such partnership liability, or portion thereof. This paragraph (b)(2) does not apply when determining a partner's interest under the de minimis rules in § 1.752–2(d) and (e).

(3) *Person related to more than one partner.* For purposes of determining a partner's economic risk of loss for a partnership liability, or a portion thereof, when a person who directly bears the economic risk of loss as described in § 1.752–2(a)(3) for the partnership liability is related to more than one partner under paragraph (b)(1) of this section, each partner that is related to such person is considered to bear the economic risk of loss for the partnership liability, or portion thereof, in proportion to the partner's interest in partnership profits.

(4) *Special rule where entity structured to avoid related person status*—(i) *In general.* If—

(A) A partnership liability is owed to or guaranteed by another entity that is a partnership, an S corporation, a C corporation, or a trust;

(B) A partner or related person owns (directly or indirectly) a 20 percent or more ownership interest in the other entity; and

(C) A principal purpose of having the other entity act as a lender or guarantor of the liability was to avoid the determination that the partner that owns the interest bears the economic risk of loss for federal income tax purposes for all or part of the liability; then the partner is treated as holding the other entity's interest as a creditor or guarantor to the extent of the partner's or related person's ownership interest in the entity.

(ii) *Ownership interest.* For purposes of paragraph (b)(4)(i) of this section, a person's ownership interest in—

(A) A partnership equals the partner's highest percentage interest in any item of partnership loss or deduction for any taxable year;

(B) An S corporation equals the percentage of the outstanding stock in the S corporation owned by the shareholder;

(C) A C corporation equals the percentage of the fair market value of the issued and outstanding stock owned by the shareholder; and

(D) A trust equals the percentage of the actuarial interests owned by the beneficial owner of the trust.

(5) *Examples.* The following examples illustrate the principles of paragraph (b) of this section.

(i) *Example 1: Person related to more than one partner.* A, an individual, owns 100 percent of X, a corporation. X owns 100 percent of Y, a corporation. A owns a 40 percent capital and profits interest and X owns a 60 percent capital and profits interest in P, a limited liability company treated as a partnership for Federal tax purposes. P borrows $1,000 from Bank. Y guarantees payment of the entire $1,000 debt owed to Bank. A and X do not directly bear the economic risk of loss as described in § 1.752–2(a)(3) for the liability. Therefore, paragraph (b)(2) of this section does not apply for purposes of determining the economic risk of loss borne by A and X. Under paragraph (b)(1) of this section, Y is related to A and X. Therefore, under paragraph (b)(3) of this section, A bears the economic risk of loss of $400 and X bears the economic risk of loss of $600 for the $1,000 liability.

(ii) *Example 2: Related partner exception.* A, an individual, owns 100 percent of two corporations, X and Y. A and Y are members of P, a limited liability company treated as a partnership for Federal tax purposes. P borrows $1,000 from Bank. Each of A and X guarantees payment of the entire $1,000 debt owed to Bank. A and Y are not treated as related to each other pursuant to paragraph (b)(2) of this section because A directly bears the economic risk of loss as described in § 1.752–2(a)(3) for the $1,000 liability. Y is therefore not treated as related to X. Because A is the only partner that bears the economic risk of loss for P's $1,000 liability, A's share of the liability is $1,000 under § 1.752–2(a)(1).

(iii) *Example 3: Related partner exception.* A, an individual, owns 100 percent of two corporations, X and Y. X owns 79 percent of a corporation, Z, and Y owns the remaining 21 percent of Z. X and Y are members of P, a limited liability company treated as a partnership for Federal tax purposes. The partnership agreement provides that X and Y share equally in all items of income, gain, loss, deduction, and credit of P. P borrows $2,000 from Bank. Each of X and Z guarantees payment of the entire $2,000 debt owed to Bank. X directly bears the economic risk of loss as described in § 1.752–2(a)(3) for P's $2,000 liability; therefore, paragraph (b)(2) of this section applies and X and Y are not treated as related for purposes of determining the economic risk of loss borne by each of them for P's $2,000 liability. Because X and Y are not treated as related and neither owns an 80 percent or more interest in Z, neither X nor Y is treated as related to Z under paragraph (b)(1) of this section. Because

X bears the economic risk of loss for P's $2,000 liability, X's share of the liability is $2,000 under § 1.752–2(a)(1).

(iv) *Example 4: Related partner exception and person related to more than one partner.* Same facts as in paragraph (b)(5)(iii) of this section (*Example 3*), but X guarantees payment of up to $1,200 of the debt owed to Bank if any amount of the full $2,000 is not recovered by Bank and Z guarantees payment of $2,000. Pursuant to paragraph (b)(2) of this section, X and Y are not treated as related to the extent of X's $1,200 guarantee because X directly bears the economic risk of loss as described in § 1.752–2(a)(3) for $1,200 of P's $2,000 liability. X's share of the liability is $1,200 under § 1.752–2(a)(1). In addition, because paragraph (b)(2) of this section does not apply to the remaining portion of the liability that X did not guarantee, X and Y are treated as related for purposes of the remaining $800 of the liability pursuant to paragraph (b)(1) of this section. Therefore, Z is treated as related to X and Y under paragraph (b)(1) of this section. Pursuant to paragraph (b)(3) of this section, because X and Y each has a 50 percent interest in all items of income, gain, loss, deduction, and credit of P, X and Y each bear the economic risk of loss for $400 of the remaining $800 liability, and thus each has a $400 share of the liability under § 1.752–2(a)(1). In sum, X's share of P's $2,000 liability is $1,600 ($1,200 plus $400) and Y's share of P's $2,000 liability is $400.

(v) *Example 5: Entity structured to avoid related person status.* A, B, and C form a general partnership, ABC. A, B, and C are equal partners, each contributing $1,000 to the partnership. A and B want to loan money to ABC and have the loan treated as nonrecourse for purposes of section 752. A and B form partnership AB to which each contributes $50,000. A and B share losses equally in partnership AB. Partnership AB loans partnership ABC $100,000 on a nonrecourse basis secured by the property ABC buys with the loan. Under these facts and circumstances, A and B bear the economic risk of loss with respect to the partnership liability equally based on their percentage interest in losses of partnership AB.

* * * * *

(e) *Ordering rule.* In determining a partner's share of a recourse partnership liability, the rules in paragraph (b)(2) of this section, if applicable, apply before the rules in paragraph (b)(3) of this section. The rules in paragraph (b)(3) of this section apply before the rules in § 1.752–2(a)(2).

(f) *Example.* The following example illustrates the application of paragraph (e) of this section.

(1) *Facts.* A, an individual, owns 100 percent of two corporations, X and Y. X, Y, and Z, a corporation, are members of P, a limited liability company treated as a partnership for Federal tax purposes. The partnership agreement provides that the partners share equally in all items of income, gain, loss, deduction, and credit of P. Z is not related to A, X, or Y. P borrows $1,000 from Bank. Each of A, X, and Z guarantees payment for the entire amount of P's $1,000 liability. Each of A, X, and Z has a payment obligation of $1,000 under § 1.752–2(b) for P's $1,000 liability.

(2) *Analysis.* (i) Under paragraph (e) of this section, first apply the rules under paragraph (b)(2) of this section, then apply the rules under paragraph (b)(3) of this section, and finally apply the rules under § 1.752–2(a)(2) to determine how to allocate P's $1,000 liability among X, Y, and Z under § 1.752–2(a)(1). Under paragraph (b)(2) of this section, X and Y are not treated as related to each other with respect to X's payment obligation for the $1,000 liability because X directly bears the economic risk of loss as described in § 1.752–2(a)(3). Therefore, X is treated as bearing $1,000 of the economic risk of loss for P's liability.

(ii) Because the rules in paragraph (b)(2) of this section do not affect A's relationship to X and Y, X and Y are related to A under paragraph (b)(1) of this section. Because A is related to both X and Y, each of X and Y is considered to bear the economic risk of loss for P's liability in proportion to X's and Y's interest in P. Because they both have a one-third interest in all items of income, gain, loss, deduction, and credit of P, each of X and Y bears $500 of economic risk of loss under paragraph (b)(3) of this section with respect to A's $1,000 payment obligation for P's liability.

(iii) Z has a payment obligation with respect to the $1,000 liability under § 1.752–2(b)(1) and thus, bears $1,000 of the economic risk of loss for P's liability.

(iv) After applying paragraphs (b)(2) and (3) of this section, X is considered to bear $1,500 of the economic risk of loss for P's liability and Y is considered to bear $500 of the economic risk of loss for P's liability. Z is considered to bear $1,000 of the economic risk of loss for P's liability. Because the aggregate amount of X's, Y's, and Z's economic risk of loss ($3,000) exceeds the amount of P's liability ($1,000), the economic risk of loss borne by X, Y, and Z is determined under § 1.752–2(a)(2). Under § 1.752–2(a)(2), X's economic risk of loss is $500 (($1,500/$3,000) × $1,000), Y's economic risk of loss is $167 (($500/$3,000) × $1,000), and Z's economic risk of loss is $333 (($1,000/$3,000) × $1,000). Therefore, under § 1.752–2(a)(1), X's share of P's liability is $500, Y's share is $167, and Z's share is $333.

■ **Par. 6.** Section 1.752–5 is amended by:

■ 1. Revising the section heading.

■ 2. Adding three sentences after the first sentence in paragraph (a).

■ 3. In paragraph (a), removing the word ''However'' at the beginning of the fifth sentence and adding ''In addition'' in its place.

The revision and additions read as follows:

§ 1.752–5 Applicability dates and transition rules.

(a) * * * However, § 1.752–4(b)(1)(iv) and (v), (b)(2) and (3), (b)(5)(i) through (iv), (e), and (f) apply to any liability incurred or assumed by a partnership on or after December 2, 2024, other than a liability incurred or assumed by a partnership pursuant to a written binding contract in effect prior to that date. To the extent that the proceeds of a partnership liability (refinancing debt) are allocable under the rules of § 1.163–8T to payments discharging all or part of any other liability (pre-modification liability) of that partnership, the refinancing debt will be treated as though it was incurred or assumed by the partnership prior to December 2, 2024, to the extent of the amount and duration of the pre-modification liability. A partnership may apply § 1.752–4(b)(1)(iv) and (v), (b)(2) and (3), (b)(5)(i) through (iv), (e), and (f) to all of its liabilities (including liabilities incurred or assumed by a partnership prior to December 2, 2024), for any return filed on or after December 2, 2024 provided the partnership consistently applies all the rules in § 1.752–2(a)(2) and (3), (f)(9), and (i) and § 1.752–4(b)(1)(iv) and (v), (b)(2) and (3), (b)(5)(i) through (iv), (e), and (f) to those liabilities. * * *

* * * * *

Douglas W. O'Donnell,

Deputy Commissioner.

Approved: October 30, 2024.

Aviva R. Aron-Dine,

Deputy Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2024–27840 Filed 11–29–24; 8:45 am]

BILLING CODE 4830–01–P