

(from previous page)

Corporation. The FLP prepared and filed the Section 1042 statement of election, statement of consent and statement of purchase documents in a timely manner with the IRS and properly deferred its capital gains on the sale of the capital stock to the ESOP.

The PLR will likely address two primary issues: (1) With respect to the 40% block of capital stock that the FLP sold to the ESOP, if the FLP now converts into an LLC, will the Section 1042 election on that 40% block of capital stock be preserved? and (2) With respect to the 60% block of capital stock that will continue to be owned by the LLC, may the LLC sell that block to the ESOP in the future and make an effective election to defer capital gains on such sale under Section 1042 of the Code. It is not certain at this time whether the PLR also will address the issue of the tax treatment of the conversion of the FLP to an LLC.

The key to the anticipated rulings in the PLR according to discussions that have occurred with the IRS is the LLC's election to be treated as a partnership for income tax purposes. In this fact pattern, the LLC has been taxed as a partnership for income tax purposes from the creation of the LLC and will continue to be taxed as a partnership in the future. The IRS indicated in discussions with the taxpayer that had the LLC at any time been taxed as a corporation, the rulings would be different.

The authors of this Legal Update are members of the Legislative & Regulatory Committee of The ESOP Association. The committee chair, David A. Ackerman, Jenkens & Gilchrist, Chicago, IL, consulted with the authors about the contents of this column. ●

Editor's Note: The Association's 2001 version of the latest Legislative, Regulatory and Case Law Developments will be available soon. Please call 202-293-2971 and ask for Julia Robinson for details.

New Faces Fill Leadership Roles

One new member has been named, and one member's term has been extended to the Board of Directors for The ESOP Association, effective May 1, 2002.

Mr. E.W. "Sandy" Purcell, Principal, Houlihan Lokey Howard & Zukin, Chicago, IL, will be an ex officio voting member of the Board of Directors. On May 1, Purcell began his term as Chair of the Advisory Committees' Chairs' Council, placing him also on the Board. He replaces Carolyn Zimmerman, Vice President, Blue Ridge ESOP Associates, Charlottesville, VA, whose two-year term expired this year.

Ms. Cindy Turcot, CFO, Gardener's Supply Company, Burlington, VT, has been re-elected to fill a two-year, at-large slot representing a corporate member of the Association. Turcot was first elected to fill a one-year at-large slot in 2001. Ms. Turcot was also a member of the Association's 2001 Annual Meeting Committee, and has helped lead Gardener's Supply in government relations activities.

In addition, two members have become new advisory committee chairs for 2002. Mr. Loren Rodgers, Partner, Ownership Associates, Cambridge, MA, will serve as Chair, Advisory Committee on Communications and Ms. Susan Ledingham, ESOP Department Supervisor, CPI Qualified Plan Consultants, Great Bend, KS, will serve as Chair, Advisory Committee on Administration.

Finally, the following members have been named to the Association's Board of Governors: William Baird, HISCO, Inc., Houston, TX; Mike Hartman, Willamette Management Associates, Atlanta, GA; John Hover, Marland Mold, Inc., Pittsfield, MA; Paul Horn, American Systems Corporation, Chantilly, VA; Keith Robertson, ComSonics, Inc., Harrisonburg, VA; Walter Stinson, Sebago Technics, Westbrook, ME; and Janice Tomblinson, MPD, Inc., Owensboro, KY. In addition, as Board members and Committee Chairs respectively, Sandy Purcell, Loren Rodgers and Susan Ledingham will also join the Board of Governors. ●

Congressman Paul Ryan Addresses ESOP PAC



Congressman Paul Ryan (R-WI) addressed ESOP PAC members at a May 16 PAC breakfast during the Association's 25th Annual Conference. Michael Jungles, Scot Forge Company, Spring Grove, IL, is among Rep. Ryan's constituents, and introduced him to the PAC.



During his introduction of the Congressman, Mike Jungles presented him with some authentic Scot Forge garb for himself, as well as for his newborn son. It will be difficult for Rep. Ryan to ever let Scot Forge slip from his thoughts.