

[DOR Home](#)

[For Individuals and Families](#)

[For Businesses](#)

[For Local Officials](#)

[For Tax Professionals](#)

[Home](#) > [Businesses](#) > [Help & Resources](#) > [Legal Library](#) > [Letter Rulings](#) > [Letter Rulings - By Year\(s\)](#) > [1984 and Prior](#) > [1979 Rulings](#) >

## Letter Ruling 79-25: Limited Partnership and Corporate Trust, Distinguished

August 17, 1979

You request a ruling with respect to \*\*\*\*\* ("The Fund").

The Fund is a limited partnership organized under the California Uniform Limited Partnership Act. The Fund will operate as an open-end, non-diversified investment company and will be registered with the Securities and Exchange Commission under the Investment Company Act of 1940. The Fund has received rulings from the Internal Revenue Service to the effect that the Fund will be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation. The principal office of the Fund will be located at \*\*\*\*\* Boston, Massachusetts.

The Fund has six initial General Partners. Five of such initial General Partners are individuals (the "Managing Directors"); the other General Partner is a corporation.

The objective of the Fund will be to provide for its partners as high a level of current yield and appreciation in the value of partnership interest "shares", as is consistent with prudent investment risk. The Fund intends to commence a continuous offering of its shares within 45 days of the closing date of the initial offering. During the continuous offering shares will be distributed through investment dealers. The minimum initial purchase will be \$500 and subsequent purchases must be \$100 or more.

The Fund will seek to achieve its objective by investing primarily in a portfolio of investment grade bonds, investing in short-term debt obligations, and by acquiring a diversified, weighted portfolio of commodity futures contracts, selected to maximize the total return in an inflationary environment. The Fund will not accept delivery of any commodity.

Under the Certificate and Agreement of Limited Partnership ("the Agreement"), the General Partners are divided into two classes: Managing General Partners (the Managing Directors") and a Non-Managing General Partner. Only individuals may act as Managing Directors. The Managing Directors will have complete and exclusive control over the management, conduct and operation of the Fund's business. The Non-Managing General Partner will have no power to engage in the management, conduct or operation of the Fund's business, except for a period during which there are no remaining Managing Directors pending a determination by the Limited Partners whether to elect to continue the business of the Partnership.

### SEARCH

Select an area to search

Search

Periodically, the Managing Directors will recommend to the Partners the number of persons to be elected as General Partners, provided, however; if at any time the number of Managing Directors is reduced to less than three, the remaining Managing Directors shall call a meeting of the Partners for the purpose of electing an additional Managing Director so as to restore the number of Managing Directors to at least three.

A Limited Partner will have no right to take part in the control of the Fund's business except in those matters, as provided for in the Agreement and under the 1940 Act, which affect the basic structure of the Fund. These include the election or removal of General Partners; approval of investment advisory contracts; approval of the sale of all or substantially all of the assets of the Fund; approval of auditors; approval of amendments to the Agreement and finally approval of the dissolution of the Fund.

All Partners have the right to redeem at net asset value all or part of their shares of the Fund by delivering a written demand for such redemption.

A General Partner may not assign shares to any party without the consent of a majority of the Managing Directors. If a General Partner withdraws or retires from the Fund, his liability as a General Partner shall cease and he shall become a Limited Partner, holding the same number of shares as he held as a General Partner. Such shares may be assigned by the withdrawing or retiring General Partner subject to the same limitations as in the case of a Limited Partner. The Non-Managing General Partner is prohibited from selling or assigning its shares or otherwise accepting distributions in cash or property if the shares held by all of the General Partners would thereby constitute less than 1% of the outstanding shares of the Partnership.

A Limited Partner may not transfer or assign his shares of the Fund, except as described below. However, a Limited Partner may pledge his shares as collateral. In the event that a person who is holding shares as collateral becomes the owner of such shares, such person shall have the right to redeem the shares and to receive distributions with respect to such shares; he shall not have the right to be substituted as a Limited Partner.

A Limited Partner may assign gratuitously his shares to or for the benefit of a member or members of his immediate family. Upon presentation of evidence to the Managing Directors, such assignee shall have the right to redeem the shares, and be substituted as a Limited Partner if the assignee accepts and adopts all the terms and conditions of the Agreement and the assignee executes a power of attorney.

In the event of the death or insanity of a Limited Partner, or where a Limited Partner is a corporation, association, trust, partnership or joint venture and its existence is terminated, the successor in interest of such Limited Partner, upon evidence satisfactory to the Managing Directors, shall have the following rights: to redeem the shares; receive distributions; be substituted as a Limited Partner if all the terms and conditions of the Agreement are accepted and a power of attorney is executed.

Based on the foregoing, it is ruled:

1. The Fund will not be a "corporate trust". . . "the beneficial interest of which is represented by transferable shares" as defined in General Laws Chapter 62, Section 1, but rather will be a partnership under General Laws Chapter 62, Section 17, which itself is not subject to income tax in Massachusetts.

2. The activities of the Fund, as set forth herein, constitute engaging exclusively in buying, selling, dealing in or holding securities on its on behalf and not as a broker, and thus, pursuant to General Laws Chapter 62, Section 17(b), non-resident individuals who are Limited Partners will not be subject to income taxation in Massachusetts on their distributive shares of the income received or earned by the Fund, provided the Fund continues to engage exclusively in such activities.

Very truly yours,

/s/L. Joyce Hampers

L. Joyce Hampers  
Commissioner of Revenue

LJH/RSF/jmp

LR 79-25