

Tax Court Reaffirmed Soroban's Holding that Active Limited Partners of State Law Limited Partnerships May Be Subject to Self-Employment Tax

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On December 23, 2024, in [Denham Capital Management LP v. Commissioner](#) (T.C. Memo. 2024-114), the Tax Court reaffirmed its earlier ruling in *Soroban Capital Partners LP v. Commissioner* (161 T.C. No. 12.) that active limited partners of a state law limited partnership are not entitled to the “limited partner exception” to self-employment tax for purposes of section 1402(a)(13) of the Code.

The taxpayers in *Sirius Solutions LLLP v. Commissioner* (Docket No. 30118-21) and *Point72 Asset Management, L.P. v. Commissioner* (Docket No. 12752-23) have also challenged the *Soroban* Court's interpretation of “limited partner” under their own disputes with the IRS. Sirius Solutions is appealing the Tax Court's similar holding to the Court of the Appeals for the Fifth Circuit, and *Point72* is still in the Tax Court. For a summary of *Soroban*, please read our prior blog post [here](#).

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