Question 1: Redemption of Partnership Interest

An Italian Company, King Information Data, S.p.A. (KID), is a diversified holding company that owns numerous businesses across various lines of business throughout the world, with many businesses crossing borders. KID owns 40% of GKG, LLC (GKG), a Delaware Limited Liability Company that does business in nearly every state in the United States and a handful of countries throughout the world. GKG is a partnership for US federal, state, and local income tax purposes, and it operates through the GKG entity only. The other (60%) owners of GKG are a variety of individuals and Delaware Corporations, none of which would be considered "related persons" under the Internal Revenue Code. All of the partners of GKG, including KID, have held their interests from the time that GKG was formed. GKG is a pro rata partnership, and the allocations and distributions have no preferential items or special allocations. Both KID and GKG use a calendar year for their fiscal years, and both are on the cash method of accounting. GKG's revenue and expenses are 80% from the United States and 20% from various countries throughout the world.

After a series of disputes regarding the direction of GKG, specifically whether it should move its headquarters from Seattle, Washington to Cincinnati, Ohio, as well as whether the business should take on new investors to accelerate its growth, KID has requested that GKG redeem KID's ownership in GKG. After the management and other partners held a discussion in accordance with their internal governance documents and the DGCL, an offer was made by GKG to redeem KID, which was approved by the relevant stockholders of KID. As such, KID's interest in GKG will be redeemed for $100. KID's basis in its units in GKG is $0. GKG has a $0 basis in its assets. For this transaction, assume tax rates for the 2025 tax year.

Please answer the following questions:

1. Is GKG's redemption of KID's partnership interest subject to tax in the United States? Please provide citations to substantiate your answer.
2. Would your answer to #1 change if GKG were a C Corporation? What if GKG were a S Corporation? Please provide citations to substantiate your answer.
3. Would your answer to #1 change if GKG were a general partnership? Please provide citations to substantiate your answer.
4. Are there any other suggestions that you have for ways to the continuing partners of GKG to lower their taxes going forward, such as an ownership restructuring, a change in tax status, or any tax elections? Please provide citations to substantiate your answer.