

Rising Star: Shearman & Sterling's Ethan Harris

By Lance Duroni

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Shearman & Sterling LLP partner Ethan Harris' technical know-how and steady presence at the negotiating table helped clients like Liberty Global PLC and Marriott International use innovative strategies to ease their tax burdens in transactions ranging from spinoffs to inversions, landing him a spot on Law360's list of top tax attorneys under 40.



Ethan Harris

Harris, 38, a newly minted partner in the firm's Washington, D.C., office as of January, is one of five tax attorneys honored among the 2015 Rising Stars. He has spent his entire career with Shearman & Sterling, earning a job offer while still in law school after a summer associate stint in 2001.

With nearly 13 years under his belt, Harris has earned the trust of the firm's clients to take on high-stakes transactions, with none bigger than Liberty Global Inc.'s \$23 billion acquisition of British cable provider Virgin Media Inc. in 2013.

Harris helped negotiate transaction documents and structure the tax aspects of the deal, a so-called "inversion" where U.S.-based Liberty Global used the merger to shift the combined company's home-base — and tax obligations — to the U.K. While Liberty Global's shareholders, led by billionaire majority-owner John Malone, would typically take a tax hit when exchanging U.S. stock for a foreign company, that was not the case here, according to Harris.

"Normally there's an outbound tax on that stock exchange, but the way rules work, we were able to have the transaction not be taxable to the shareholders," he told Law360.

The deal's success earned Harris a devoted client. He is currently advising Liberty Global on its plan to issue "tracking stock" for its Latin American cable business. Unlike traditional shares that rise and fall with the company's fortunes on the whole, tracking stock only reflects the performance of one or a few business segments.

The planned stock sale marks the first issuance of tracking stock for a U.K. public company and has already cleared its first major hurdle, according to Harris, after Liberty Global shareholders voted to approve it.

Unlike many lawyers who fall into their respective specialties as associates, Harris made a decisive turn toward tax law as a second-year student at George Washington School of Law. It took just one course taught by U.S. Tax Court Judge James Halpern and he was hooked, Harris said.

“What I liked about tax was the combination of economic and policy considerations — every problem you look at is sort of like a puzzle,” he said.

Harris has carved out a niche guiding large corporations through spinoff transactions, most recently helping B/E Aerospace Inc. spin off its aerospace consumables distribution and energy services businesses in December. Earlier in 2014, he advised SunGard Data Systems Inc. as it won a private letter ruling from the IRS blessing tax-free treatment of its own \$1.4 billion spinoff — one of the first such rulings for a company owned largely by private equity firms.

In another cutting-edge spin-off, Harris represented Marriott International in 2011 as it separated its primary hotel operations from its timeshare business. Saddled with losses on U.S. timeshare properties after the 2008 real estate bust, Marriott leaned on Harris to develop a way to trigger those losses to save the hotel giant big on its tax bill.

“That was an innovative transaction in that you normally don’t think of a loss-generating transaction in connection with a tax-free spinoff,” he said.

In 2010, Shearman & Sterling loaned out Harris on a “secondment” to China Investment Corp., the Chinese government’s sovereign wealth fund, where he advised CIC on the tax aspects of its private equity, hedge fund and real estate investments.

Despite an “impenetrable” language barrier, Harris gained valuable experience during his five months in Beijing that has led to more work for other sovereign wealth funds, which enjoy favorable treatment under U.S. tax rules, he said.

Fresh off his own promotion to partner, Harris’ advice to up-and-coming tax attorneys is simple: focus first on the tax rules and research skills to build a technical knowledge base.

“You want to find authorities, articles or precedent transactions that support your position and you have to take ownership of the issues and run them into the ground,” he said. “The other aspects of tax practice — structuring transactions, negotiating and drafting complicated agreements — those are things that will come over time, but the technical knowledge is probably the biggest value-add for a tax lawyer.”

--Editing by John Quinn.