

Tax Group Of The Year: Davis Polk

By **Sanjay Talwani**

Law360 (February 4, 2026, 4:03 PM EST) -- Davis Polk & Wardwell LLP scored a significant victory for Exxon Mobil in litigation concerning the tax treatment of a major partnership with Qatar and oversaw several other complex, high-stakes transactions, earning it recognition as a 2025 Law360 Tax Practice Group of the Year.

In the Exxon case, Davis Polk won a federal court decision allowing the company to claim the interest expense deductions disallowed by the IRS in tax years 2010 and 2011, allowing it to recover taxes, penalties and interest. The U.S. District Court for the Northern District of Texas agreed with Exxon that it had a partnership with Qatar on their Al Khaleej gas project, not a mineral lease as asserted by the IRS.

That could have far-reaching impacts.

"When U.S. oil companies do partnerships with foreign countries and foreign entities, it's very important to be able to establish and satisfy the partnership test in some of those situations," said James P. Rouhandeh, lead trial counsel in the Exxon case.

Perhaps even more significantly, the court found no basis to invoke judicial doctrines such as the economic substance doctrine in the matter, although Rouhandeh said they would have won under that doctrine as well. Parties in other conflicts are now citing to the case on the subject, he said.

Rouhandeh said the firm is collaborative in all it does, with the divisions among the practice groups fading away. The Exxon case was complex and involved some facts that were nearly 20 years old.

"And that was a very big challenge, and that took everybody on the team and multiple litigators to sort of figure out who the witnesses are, where the documents are, and to put together a case, actually before we even filed it," he said.

David Schnabel, head of the tax group, said what distinguishes Davis Polk tax generally is it practices and has world experts in every major area of tax law — M&A, litigation, capital markets and more.

"While there are a lot of firms that may hit all the areas like we do, what makes us different is the fact



that we do it, to some degree, and have people who do it, at the true highest levels of the profession," he said.

The tax group has 64 attorneys, including 10 partners, most based in New York.

The firm's other accomplishments included advising the Ferrero Group on its \$3.1 billion acquisition of W.K. Kellogg Co., a deal complicated because Kellogg had split into two companies less than two years earlier in a tax-free spinoff, meaning the acquisition was at risk of becoming taxable under the wrong circumstances.

"We just were very, very careful to make sure that our M&A transaction did not affect the tax treatment or the tax-free status of that prior spinoff," said Kara Mungovan, a lead tax partner on the deal. "So there was that really interesting substantive technical point that we needed to be very careful about."

Making it more complicated was the fact that Kellanova, the other company created in the Kellogg split, had also signed an agreement to be acquired by Mars Inc.

The complex and delicate transaction was the kind of place where Davis Polk shines, she said.

"We really do operate as a team between our M&A team, tax, finance, antitrust, and everybody else who works on the transaction," Mungovan said. "When there's this much going on and the stakes are so high, it's all the more important for all of our groups to stay completely coordinated."

Davis Polk also advised Klarna Group PLC, a U.K.-based fintech holding company, on its \$1.6 billion IPO, which was unusual in that it offered all of its 7,500 shareholders the chance to sell a portion of their holdings through the IPO. It's one of just a handful of U.K. companies to go public in the United States in recent years.

The firm is also representing Comcast on its creation of a new company, Versant, comprising numerous cable television networks. And it's advising S&P Global on the separation of S&P Global Mobility into a standalone public company, a deal spanning 14 countries.

Schnabel said spinoffs have been complicated by shifting IRS guidance. In 2024, he said, the IRS abruptly changed that guidance so that a party could no longer get a ruling on just one issue in a transaction, but instead needed to seek a ruling on the entire transaction. But the IRS then withdrew that guidance.

"The bad guidance, the bad rules were gone, but it wasn't entirely clear if they were gone as an official guidance matter, or they were gone and it reflected the fact that the IRS viewpoint was sort of back to what it had historically been," he said. "And people are still trying to figure that out."

--Editing by Patrick Reagan.

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