

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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CC:INTL:B03

PLR-135541-05

Date:

August 11, 2005

TY:

Legend

Corp A =

Corp B =

Corp C =

Corp D =

Country M =

Country N =

Country O =

Country P =

Country Q =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Tax Year W =

Tax Year X =

Tax Year Y =

Tax Year Z =

Dear _____ :

This is in response to a letter dated June 30, 2005, from your authorized representative requesting consent for Corp A to revoke its elections, effective for Tax Year W, to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) in determining the amount of foreign income tax paid or accrued to Countries M, N, O, P, and Q. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations submitted by Corp A and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Corp A is a publicly traded domestic corporation that is the common parent of an affiliated group of corporations that files consolidated federal income tax returns on a calendar year basis.

On Date 1, Corp B acquired Corp C. After this acquisition, Corp C and its subsidiaries joined the affiliated group of which Corp B was the common parent. On Date 2, Corp A acquired Corp D at which time Corp D and its subsidiaries joined the affiliated group of which Corp A was the common parent. On Date 5, Corp A acquired Corp B, at which time Corp B and its subsidiaries joined the affiliated group of which Corp A was the common parent.

On Date 3, Corp A filed an amended return for Tax Year Y electing to apply the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) ("the safe harbor method") for Country O. Corp A also filed amended returns for Tax Year Y and Tax Year Z on behalf of two subsidiaries of Corp D to apply the safe harbor method for Country O and Country M. Similarly, on Date 4, Corp B filed an amended return for Tax Year Y to apply the safe harbor method for Country M, Country N, and Country O. At that time, Corp B also filed an amended return for Tax Year Y on behalf of Corp C electing to apply the safe harbor method for Country P.

In connection with each of these amended returns, the elections also provided that the taxpayers would apply retroactively all of the provisions of Treas. Reg. §§1.901-2, 1.901-2A, and 1.903-1. Amended returns were filed for tax years subsequent to Tax Year Y applying the safe harbor method to all qualifying levies imposed in each of the applicable countries. With its return for Tax Year X, Corp A filed an election to apply the safe harbor method for Country Q. None of these safe harbor method elections have been revoked pursuant to Treas. Reg. §1.901-2A(d)(4). The due date (including extensions) for Corp A's tax return for Tax Year W is Date 6.

Corp A, Corp B, Corp C, Corp D, and the two subsidiaries of D referred to above, were dual capacity taxpayers, as defined in Treas. Reg. §1.901-2(a)(2)(ii)(A), with respect to operations in Countries M, N, O, P, and/or Q for the applicable tax years.

Treas. Reg. §1.901-2A permits dual capacity taxpayers in computing foreign tax credits for qualifying levies of each country to use either a "facts and circumstances" or a "safe harbor" method to determine the amount of a levy that is not paid in exchange for a specific economic benefit.

Treas. Reg. §1.901-2A(d) describes the manner in which taxpayers may elect the safe harbor method. Treas. Reg. §1.901-2A(d)(4) provides that that election may not be revoked without the consent of the Commissioner. An application for consent must be made not later than 30 days before the due date (including extensions) for the filing of the income tax return for the first taxable year for which the revocation is sought to be effective, with certain exceptions not applicable to this situation. The Commissioner may make his consent to any revocation conditioned upon adjustments being made in one or more taxable years so as to prevent the revocation from resulting in a distortion of the amount of any item relating to tax liability in any taxable year. The Commissioner will normally consent to a revocation under the circumstances described in Treas. Reg. §1.901-2A(d)(4)(i) through (vi).

Treas. Reg. §1.901-2A(d)(4)(vi) provides that the Commissioner will normally consent to a revocation of a safe harbor election if the election has been in effect with respect to at least three taxable years prior to the taxable year for which the revocation is to be effective.

Based solely on the information and representations submitted, Corp A's application for consent to revoke the safe harbor elections made with respect to levies of Country M, Country N, Country O, Country P, and Country Q was made not later than 30 days before the federal income tax return due date (including extensions) for Tax Year W and the applicable safe harbor elections have been in effect with respect to at least the last three taxable years prior to Tax Year W. Accordingly, consent is granted to Corp A to revoke the elections previously made to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) with respect to levies of Country M, Country N, Country O, Country P, and Country Q effective for Tax Year W.

No opinion was requested, and no opinion is expressed, as to whether, based upon all of the relevant facts and circumstances, the amount (if any) paid pursuant to a levy or levies imposed by Country M, Country N, Country O, Country P, or Country Q is not an amount paid in exchange for a specific economic benefit.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of the Associate Chief Counsel
(International)

Enclosure: Copy for 6110 purposes

cc: