

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B01

PLR-101309-19

Date:

August 06, 2019

Legend

Distributing 1 =

Distributing 2 =

Controlled 1 =

Controlled 2 =

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

FSub X =

FSub =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

FSub 8 =

FSub 9 =

FSub 10 =

FSub 11 =

FSub 12 =

Country A
HoldCo =

Business A =

Business B =

State A =

State B =

State C =

State D =

State E =

Country A =

Country B =

Country C =

Country D =

Country E =

Country F =

Country G =

a =

b =

c =

d =

e =

f =

Dear :

This letter responds to your letter, submitted by your authorized representatives dated December 21, 2018 requesting rulings on certain federal income tax consequences of the Proposed Transaction (as defined below). The material information provided in that letter and subsequent supplemental correspondences is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283 regarding one or more “Covered Transactions” under sections 355 and 368 of the Internal Revenue Code (the “Code”). This office expresses no opinion as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether the Controlled 1 Distribution and the Controlled 2 Distribution (as defined below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used primarily as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporation or the controlled corporation, within the meaning of Treas. Reg. § 1.355-8T (see §355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

FACTS

Parent is a publicly held limited liability company organized under the laws of Country A and is the common parent of a worldwide group of foreign and domestic affiliates (the “Worldwide Group”). Except as described below, each entity is treated as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-2(b).

Parent owns all the issued and outstanding interests of FSub X, a privately held company organized under the laws of Country A. FSub X indirectly owns all the issued and outstanding interests of FSub, a privately held company organized under the laws of Country A. FSub owns all the issued and outstanding interests of Distributing 2, an entity organized under the laws of Country A, and FSub 1, an entity organized under the laws of Country A. FSub also owns a percent of the ownership interests in FSub 2, an entity organized under the laws Country A, and b percent of the ownership interests in FSub 3, an entity organized under the laws Country A.

FSub 1 owns the remaining c percent of the ownership interests in FSub 2 and the remaining d percent of ownership interests in FSub 3.

FSub 2 owns all the issued and outstanding interests of FSub 4, an entity organized under the laws of Country A.

FSub 3 owns all the issued and outstanding interests of FSub 5, an entity organized under the laws of Country G.

Distributing 2 owns all of the issued and outstanding interests of: (i) Distributing 1, a State A corporation, (ii) FSub 6, an entity organized under the laws of Country B, (iii) FSub 7, an entity organized under the laws of Country C, (iv) and FSub 8, an entity organized under the laws of Country F. Distributing 2 also owns e percent of the ownership interests of FSub 9, an entity organized under the laws of Country D, and a percent of the ownership interests of FSub 10, an entity organized under the laws of Country E.

FSub 4 owns the remaining f percent of FSub 9 stock.

FSub X, FSub 1, and FSub 4 collectively own the remaining c percent of FSub 10 stock.

FSub 6 owns all of the issued and outstanding interests of FSub 11, an entity organized under the laws of Country B.

FSub 7 owns all of the issued and outstanding interests of FSub 12, an entity organized under the laws of Country C.

Distributing 1 is the parent of an affiliated group of domestic corporations that join in the filing of a consolidated federal income tax return (the “Distributing 1 Consolidated Group”). Each of Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, Sub 12, Sub 13, Sub 14, Sub 15, and Sub 16 described below, is a member of Distributing 1's U.S. consolidated group.

Distributing 1 owns all the issued and outstanding interests of Sub 1, a State D corporation, Sub 2, Sub 3, Sub 4, each a State A corporation, and Controlled 1, a State A limited liability company that is disregarded as separate from Distributing 1 for federal income tax purposes under Treas. Reg. § 301-7701-3(b).

Sub 4 owns all the issued and outstanding interests of LLC 1, a State A limited liability company that is disregarded as separate from Sub 4 for federal income tax purposes under Treas. Reg. § 301-7701-3(b).

Controlled 1 owns all the issued and outstanding interests of Sub 5, Sub 6, and Sub 9, each a State C corporation, Sub 7, Sub 10, and Sub 11, each a State A corporation, and Sub 8, a State E corporation. Controlled 1 also owns all the issued and outstanding interests of LLC 2, a State A limited liability that is disregarded as separate from Distributing 1 for federal income tax purposes under Treas. Reg. § 301-7701-3(b).

Sub 10 owns all the issued and outstanding interests of Sub 12, a State B corporation, Sub 13, a State C corporation, and Sub 14, a State A corporation.

Sub 11 owns all the issued and outstanding interests of Sub 15, a State A corporation, and LLC 3, a State A limited liability company that is disregarded as separate from Sub 11 for federal income tax purposes under Treas. Reg. § 301-7701-3(b).

Sub 15 owns all the issued and outstanding interests of Sub 16, a State A corporation.

LLC 2 owns all the issued and outstanding interests of LLC 4, a State A limited liability company, and LLC 5, a State A limited liability company, both disregarded as separate from Distributing 1 for federal income tax purposes under Treas. Reg. § 301-7701-3(b).

Distributing 1 has outstanding payables due to FSub (“Receivable 1”), and to Distributing 2 (“Receivable 2”).

The Worldwide Group conducts Business A and Business B. Financial information has been submitted indicating that each of Business A and Business B has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

THE PROPOSED TRANSACTION

For what are represented to be valid business purposes, the Worldwide Group proposes to engage in the following transactions to separate Business A from Business B (such steps comprise the “Proposed Transaction”):

(i) Distributing 1 maintains an intercompany relationship with Sub 11 such that there is an intercompany obligation (whether a payable owed to Sub 11 or receivable owed from Sub 11). To the extent that Distributing 1 holds an intercompany receivable from Sub 11, Distributing 1 will contribute its intercompany receivable to Controlled 1, and Controlled 1 will in turn contribute the intercompany receivable to Sub 11, thereby extinguishing the receivable for legal purposes. To the extent that Sub 11 holds an intercompany receivable from Distributing 1, Sub 11 will distribute the intercompany receivable to Controlled 1, and Controlled 1 will in turn distribute the intercompany receivable to Distributing 1, thereby extinguishing the receivable for legal purposes.

(ii) Controlled 1 will assume liability for Receivable 1 from Distributing 1.

(iii) Controlled 1 will file Form 8832, “Entity Classification Election,” to elect to be classified as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3 (the “Controlled 1 Contribution”).

(vi) Distributing 1 will distribute all of its equity interests in Controlled 1 to Distributing 2 (the “Controlled 1 Distribution” together with (iii), the “Domestic Separation”).

(v) Distributing 2 will create Controlled 2, an entity organized under the laws of Country A, which will be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-2(b).

(vi) FSub 7 will declare a dividend to Distributing 2 and distribute all of its equity interests in FSub 12 to Distributing 2.

(vii) FSub 6 will transfer all of its equity interests in FSub 11 to Distributing 2, in exchange for a note receivable.

(viii) FSub 9 will legally liquidate.

(ix) Distributing 2 will contribute all of its equity interests in Controlled 1, FSub 7, FSub 8, FSub 10, and FSub 11 to Controlled 2 in exchange for the issuance of Controlled 2 stock (the “Controlled 2 Contribution”).

(x) FSub 1 will sell all of its equity interests in FSub 10 to FSub 2 in exchange for cash.

(xi) FSub 1 will sell all of its equity interests in FSub 2 and FSub 3 to FSub in exchange for cash.

(xii) FSub 3 will declare a dividend to FSub and distribute all of its equity interests in FSub 5 to FSub.

(xiii) Distributing 2 will declare a dividend to FSub and distribute all of its equity interests in Controlled 2 to FSub (the “Controlled 2 Distribution” together with (ix) through (xiii) the “International Separation”).

(xiv) FSub will contribute all of its equity interests in FSub 2, FSub 5, and FSub 10 to Controlled 2 in exchange for the issuance of Controlled 2 stock.

(xv) Distributing 2 will form Country A HoldCo, an entity organized under the laws of Country A which will be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-2(b) by making a cash contribution equal to the fair market value of FSub 3.

(xvi) FSub will sell all of its equity interests in FSub 3 to Country A HoldCo for cash.

REPRESENTATIONS

With respect to the Domestic Separation, except as otherwise set forth below, Distributing 1 has made all of the representations in § 3 of the Appendix to Rev. Proc. 2017-52, 2017-41 I.R.B. 283.

(1) Distributing 1 has made the following alternative representations:

Representations 3(a); 8(a); 11(a); 15(a); 22(a); 31(a); 41(a).

(2) Distributing 1 has not made the following representations, which do not apply to the Proposed Transaction:

Representations 7; 19; 20; 24; 25; 35.

With respect to the International Separation, except as otherwise set forth below, Distributing 2 has made all of the representations in § 3 of the Appendix to Rev. Proc. 2017-52, 2017-41 I.R.B. 283.

(1) Distributing 2 has made the following alternative representations:

Representations 3(a); 8(a); 11(a); 15(a); 22(a); 31(a); 41(a).

(2) Distributing 2 has not made the following representations, which do not apply to the Proposed Transaction:

Representations 7; 19; 20; 24; 25; 35.

RULINGS

Based solely on the information submitted and representations made, we rule as follows:

The Domestic Separation

1. The Controlled 1 Contribution, followed by the Controlled 1 Distribution will qualify as a reorganization within the meaning of section 368(a)(1)(D). Distributing 1 and Controlled 1 each will be a “party to a reorganization” within the meaning of section 368(b).
2. No gain or loss will be recognized by Distributing 1 on the Controlled 1 Contribution. Sections 357(a) and 361(a).
3. No gain or loss will be recognized by Controlled 1 on the Controlled 1 Contribution. Section 1032(a).
4. The basis in each asset received by Controlled 1 in the Controlled 1 Contribution will be the same as the basis of that asset in the hands of Distributing 1 immediately before the Controlled 1 Contribution. Section 362(b).
5. The holding period in each asset received by Controlled 1 in the Controlled 1 Contribution will include the period during which Distributing 1 held that asset. Section 1223(2).
6. No gain or loss will be recognized by (and no amount will be otherwise included in the income of) Distributing 2, Distributing 1’s shareholder, upon receipt of the Controlled 1 stock in the Controlled 1 Distribution. Section 355(a).
7. Distributing 1 will recognize no gain or loss on the distribution of Controlled 1 stock in the Controlled 1 Distribution. Section 361(c) and Treas. Reg. § 1.367(e)-1(c).
8. The basis of the Controlled 1 stock received by Distributing 2 immediately after the Controlled 1 Distribution will equal Distributing 2’s basis in the Distributing 1 stock that Distributing 2 held immediately before the Controlled 1 Distribution, allocated in the manner described in Treas. Reg. § 1.358-2. Section 358(a) and (b).

9. The holding period of the Controlled 1 stock received by Distributing 2 will include the holding period of the Distributing 1 stock with respect to which Controlled 1 Distribution is made, provided that the Distributing 1 stock is held as a capital asset on the date of the Controlled 1 Distribution. Section 1223(1).

10. Earnings and profits, if any, will be allocated between Distributing 1 and Controlled 1. Section 312(h) and Treas. Reg. § 312-10(a).

The International Separation

11. The Controlled 2 Contribution, followed by the Controlled 2 Distribution will qualify as a reorganization within the meaning of section 368(a)(1)(D). Distributing 2 and Controlled 2 each will be a “party to a reorganization” within the meaning of section 368(b).

12. No gain or loss will be recognized by Distributing 2 on the Controlled 2 Contribution. Sections 357(a) and 361(a).

13. No gain or loss will be recognized by Controlled 2 on the Controlled 2 Contribution. Section 1032(a).

14. The basis in each asset received by Controlled 2 in the Controlled 2 Contribution will be the same as the basis of that asset in the hands of Distributing 2 immediately before the Controlled 2 Contribution. Section 362(b).

15. The holding period in each asset received by Controlled 2 in the Controlled 2 Contribution will include the period during which Distributing 2 held that asset. Section 1223(2).

16. No gain or loss will be recognized by (and no amount will be otherwise included in the income of) FSub, Distributing 2's shareholder upon receipt of the Controlled 2 stock in the Controlled 2 Distribution. Section 355(a).

17. Distributing 2 will recognize no gain or loss on the distribution of Controlled 2 to FSub in the Controlled 2 Distribution. Section 361(c).

18. The basis of the Controlled 2 stock received by FSub immediately after the Controlled 2 Distribution will equal FSub's basis in the Distributing 2 stock that FSub held immediately before the Controlled 2 Distribution, allocated in the manner described in Treas. Reg. § 1.358-2. Section 358(a) and (b).

19. The holding period of the Controlled 2 stock received by FSub will include the holding period of the Distributing 2 stock with respect to which Controlled 2 Distribution

is made, provided that the Distributing 2 stock is held as a capital asset on the date of the Controlled 2 Distribution. Section 1223(1).

20. Earnings and profits, if any, will be allocated between Distributing 2 and Controlled 2. Section 312(h) and Treas. Reg. § 312-10(a).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations, or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically addressed by this letter.

PROCEDURAL STATEMENTS

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

A copy of this letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transaction covered by this ruling letter is consummated. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling [PLR-101309-19].

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

Sincerely,

Maurice M. LaBrie
Assistant to the Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)