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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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PLR-103863-18

Date:

May 31, 2018

Legend

Foreign Parent =

FSub =

Distributing 2 =

Distributing 1 =

Controlled 2 =

Controlled 1 =

Country =

State =

FDE =

DE

a =

b =

Distributing Business =

Controlled Business =

Continuing Relationships =

Dear :

This letter responds to your letter dated January 17, 2018, as supplemented by subsequent submissions, requesting rulings on certain federal income tax consequences of a series of proposed transactions described below. The information submitted in that letter and in subsequent correspondence 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" as defined in § 2.03(1)(a) of Rev. Proc. 2017-52. 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 information 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 information submitted in support of the request for rulings. Verification of the information may be required as part of the audit process.

This office has made no determination regarding whether Distribution 1, Contribution 1, and Distribution 2 (each, defined in Ruling 1, below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally 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) of the Internal Revenue Code 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

Foreign Parent is a privately held entity organized under the laws of Country and classified as a corporation for federal tax purposes. Foreign Parent is the parent corporation of a worldwide group of foreign and domestic affiliates (the Foreign Parent Group). The following describes the relevant corporate structure of the Foreign Parent Group immediately before the Proposed Transactions (defined below).

Foreign Parent directly owns all of the issued and outstanding stock of FSub, an entity organized under the laws of Country and classified as a corporation for federal tax purposes.

FSub directly owns all of the issued and outstanding stock of Distributing 2, an entity organized under the laws of Country and classified as a corporation for federal tax purposes.

Distributing 2 directly owns a percent of the issued and outstanding stock of Distributing 1, a State limited liability company that is classified as a corporation for federal tax purposes. The remaining b percent of the issued and outstanding stock of Distributing 1 is directly owned by FDE, an entity organized under the laws of Country and classified as an entity that is disregarded as separate from its owner for federal tax purposes, and is wholly owned by Distributing 2. Distributing 1 is the common parent of a group of affiliated corporations that join in filing a consolidated federal income tax return which includes Controlled 1 (described below).

Distributing 1 directly owns a percent of the issued and outstanding stock of Controlled 1, a State limited liability company that is classified as a corporation for federal tax purposes. The remaining b percent of the issued and outstanding stock of Controlled 1 is directly owned by DE, a State limited liability company classified as an entity that is disregarded as separate from its owner for federal tax purposes, and is

wholly owned by Distributing 1. At all times relevant to the Proposed Transactions, DE has no liabilities and its sole asset is the Controlled 1 stock.

Distributing 2 also directly owns all of the issued and outstanding stock of Controlled 2, an entity organized under the laws of Country and classified as a corporation for federal tax purposes.

For purposes of satisfying the active trade or business requirements of § 355, Distributing 1 and Distributing 2 will rely on the Distributing Business, and Controlled 1 and Controlled 2 will rely on the Controlled Business. Financial information has been submitted indicating that each of the Distributing Business and the Controlled Business has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Foreign Parent Group has engaged in Continuing Relationships.

Proposed Transactions

The following transactions will occur to separate the Controlled Business from the Distributing Business (such steps, the “**Proposed Transactions**”):

- (i) Distributing 2 distributes all its stock in Controlled 2 to FSub;
- (ii) Distributing 1 distributes all its stock in Controlled 1 and ownership interests in DE to Distributing 2 and FDE, respectively;
- (iii) FDE distributes all its ownership interests in DE to Distributing 2; and
- (iv) Pursuant to Country law, Distributing 2 transfers all its stock in Controlled 1 and ownership interests in DE to Controlled 2 in exchange for no consideration.

Following the Proposed Transactions, the Foreign Parent Group will engage in Continuing Relationships. Distributing 1 represents that these agreements will reflect arm’s length terms and conditions and will not be inconsistent with the overall separation of the Distributing Business and the Controlled Business.

Representations

With respect to Distribution 1, Contribution 1, and Distribution 2 (each, as defined in Ruling 1, below), except as set forth below, Distributing 1 has made all of the representations in § 3 of the Appendix to Rev. Proc. 2017-52:

(1) Distributing 1 has made the following alternative representations set forth in § 3 of the Appendix to Rev. Proc. 2017-52:

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

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

(a) Representations 7, 17, 19, 20, 24, 25, and 35;

(b) Representation 18 (with respect to Distribution 1); and

(c) Representations 36, 37, 38, and 39 (each, with respect to Distribution 2).

(3) Distributing 1 has made the following modified representations:

All representations include the language “deemed” where applicable (with respect to Distribution 2).

Rulings

Based solely on the information submitted and representations made, we rule as follows with respect to the Proposed Transactions:

1. For federal income tax purposes, the Proposed Transactions will be treated as if:

(i) Distributing 1 distributes all of the Controlled 1 stock to Distributing 2 (“**Distribution 1**”);

(ii) Distributing 2 contributes all of the Controlled 1 stock to Controlled 2 in exchange for Controlled 2 stock (“**Contribution 1**”); and

(iii) Distributing 2 distributes all of the Controlled 2 stock to FSub (“**Distribution 2**”).

Distribution 1

2. No gain or loss will be recognized by Distributing 1 on Distribution 1 (§ 355(c)(1)).

3. No gain or loss will be recognized by (and no amount will be included in the income of) Distributing 2 on its receipt of Controlled 1 stock in Distribution 1 (§ 355(a)(1)).

4. The aggregate basis of the Distributing 1 stock and the Controlled 1 stock in the hands of Distributing 2 immediately after Distribution 1 will be the same as the aggregate basis of the Distributing 1 stock held by Distributing 2 immediately before Distribution 1 (§ 358(a) and Treas. Reg. § 1.358-1(a)). Such basis will be allocated between the Distributing 1 stock and the Controlled 1 stock in proportion to the fair market value of each in accordance with Treas. Reg. § 1.358-2(a)(2) (§§ 358(b)(2) and (c)).

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

6. Earnings and profits will be allocated between Distributing 1 and Controlled 1 in accordance with § 312(h), Treas. Reg. §§ 1.312-10(b) and Treas. Reg. § 1.1502-33(e)(3).

Contribution 1 and Distribution 2

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

8. No gain or loss will be recognized by Distributing 2 on Contribution 1 (§ 361(a)).

9. No gain or loss will be recognized by Controlled 2 on Contribution 1 (§ 1032(a)).

10. The basis of the Controlled 1 stock received by Controlled 2 in Contribution 1 will equal the basis of such stock in the hands of Distributing 2 immediately before Contribution 1 (§ 362(b)).

11. The holding period of the Controlled 1 stock received by Controlled 2 in Contribution 1 will include the period during which Distributing 2 held such stock (§ 1223(2)).

12. No gain or loss will be recognized by (and no amount will be included in the income of) FSub on its receipt of Controlled 2 stock in Distribution 2 (§ 355(a)(1)).

13. No gain or loss will be recognized by Distributing 2 on Distribution 2 (§ 361(c)(1)).

14. The aggregate basis of the Distributing 2 stock and the Controlled 2 stock in the hands of FSub immediately after Distribution 2 will be the same as the aggregate basis of the Distributing 2 stock held by FSub immediately before Distribution 2 (§ 358(a) and Treas. Reg. § 1.358-1(a)). Such basis will be allocated between the Distributing 2 stock and the Controlled 2 stock in proportion to the fair market value of each in accordance with Treas. Reg. § 1.358-2(a)(2) (§§ 358(b)(2) and (c)).

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

16. As provided in § 312(h), proper allocation of earnings and profits between Distributing 2 and Controlled 2 will be made under Treas. Reg. § 1.312-10(a).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transactions 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 Transactions that is not specifically addressed by this letter.

PROCEDURAL STATEMENTS

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

A copy of this ruling 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 the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Russell P. Subin
Senior Counsel, Branch 3
Office of Associate Chief Counsel (Corporate)