

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Number: **199926022**

Person to Contact:

Release Date: 7/2/1999

Telephone Number:

Refer Reply To:

CC:DOM:CORP:1-PLR-121718-98

Date:

March 31, 1999

Re:

Legend

Corporation X =

Corporation Y =

Z =

State B =

Date A =

Date B =

Date C =

Date D =

m =

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Dear _____ :

This letter is in response to your submission, dated December 1, 1998, in which you requested certain rulings as to the federal income tax consequences of a transaction. Additional information was provided in letters dated December 30, 1998, February 2, 1999, and March 26, 1999. Specifically, you requested rulings under §§ 336 and 337 of the Internal Revenue Code. The information you submitted is summarized below.

Corporation X is a nonprofit holding company under State B law, which is exempt from federal income tax under § 501(c)(3) pursuant to an Internal Revenue Service determination letter issued on Date A. Corporation X acquired all of the outstanding shares of stock of Corporation Y, a for-profit corporation, on Date B for \$m. Corporation X wholly owns nine subsidiaries, including Corporation Y. Corporation X and its affiliates have a taxable year ending on June 30 and file federal tax returns based on the accrual method of accounting. Before Corporation Y was purchased by Corporation X, Corporation Y's tax year ended on December 31, and it filed federal tax returns based on the cash method of accounting.

Corporation Y has engaged in the following Transaction:

- (1) On Date C, a date prior to the effective date of Treas. Reg. § 1.337(d)-4 governing certain transfers to a tax-exempt entity, Corporation Y amended its articles of incorporation under State B law to convert from a for-profit corporation to a nonprofit corporation. Corporation Y adopted resolutions as if the corporation had initially been organized as a nonprofit corporation.
- (2) Corporation Y filed Form 1023, Application for Recognition of Exemption, requesting § 501(c)(3) status as a supporting organization as described under § 509(a)(3), effective Date C, the date it converted to a nonprofit corporation.

In a letter issued on Date D, the Internal Revenue Service determined that Corporation Y is exempt from federal income tax under § 501(a) as an organization described in § 501(c)(3). The effective date of the exemption is Date C.

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

The Transaction will not result in the recognition of gain or loss under § 336 or § 337.

We express no opinion about the tax treatment of the Transaction under other provisions of the Code or regulations or about the tax treatment of any conditions

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existing at the time of, or effects resulting from, the transaction that is not specifically covered by the above ruling.

The ruling in this letter is based on the facts and representations submitted under penalties of perjury. Verification of the information may be required as part of an audit process.

This letter is addressed only to the taxpayer who requested it. Section 6110(j)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter should be attached to your federal income tax return for the taxable year in which the Transaction occurred.

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

Sincerely,

Assistant Chief Counsel (Corporate)

By:

Mark S. Jennings
Senior Technician Reviewer,
Branch 1