

## Internal Revenue Service

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:01

PLR-108806-17

Date:

June 27, 2017

### Legend

X =

Y =

Z =

PRS =

State =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Dear :

This letter responds to a letter dated February 16, 2017, submitted on behalf of X, requesting a ruling under § 301.7701-3(c)(1)(iv) and § 301.9100-3 of the Procedure and Administration Regulations. Specifically, your letter requests the Service's consent to change X's classification from an association taxable as a corporation to a disregarded entity effective Date 5.

### FACTS

The information submitted states that on Date 1, X was formed as a limited liability company under the laws of State. At the time of formation, X was a wholly-

owned subsidiary of PRS and was treated as a disregarded entity for federal tax purposes. PRS was formed as a limited partnership under the laws of State and was a wholly-owned subsidiary of Y and was treated as a disregarded entity for federal tax purposes. Y is a REIT for federal tax purposes. X filed Form 8832, Entity Classification Election, to be classified as an association effective Date 2. Because Y is a REIT, X's election to be classified as an association caused X to be treated as a qualified REIT subsidiary of Y.

In a taxable spin-off transaction on Date 3, PRS became a wholly-owned subsidiary of Z and was treated as a disregarded entity for federal tax purposes. X represents that Z is a REIT for federal income tax purposes. Effective Date 3, X represents that it became a qualified REIT subsidiary of Z.

On Date 4, PRS issued profits interests to certain individuals providing services to PRS. Effective Date 4, PRS became a partnership for federal income tax purposes, thereby terminating X's status as a qualified REIT subsidiary.

In conjunction with this change in the ownership of X, X desires to change its federal tax classification. Since the sixty month post-election period under § 301.7701-3(c)(1)(iv) had not expired, X submitted this ruling request seeking the Commissioner's consent to make an elective change in classification.

Furthermore, X intended to make the elective change in entity classification effective Date 5. However, X can no longer timely file a Form 8832, Entity Classification Election, to make the election effective as of Date 5.

### LAW AND ANALYSIS

Section 301.7701-3(a) provides that a business entity that is not classified as a corporation under § 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (an eligible entity) can elect its classification for federal tax purposes. Elections are necessary only when an eligible entity does not want to be classified under the default classification or when an eligible entity chooses to change its classification.

Section 301.7701-3(b)(1) provides that, except as provided in § 301.7701-3(b)(3), unless the entity elects otherwise, a domestic eligible entity is: (i) a partnership if it has two or more members; or (ii) disregarded as an entity separate from its owner if it has a single owner.

Section 301.7701-3(c)(1)(i) provides that, except as provided in § 301.7701-3(c)(1)(iv) and (v), an eligible entity may elect to be classified other than as provided under § 301.7701-3(b), or to change its classification, by filing Form 8832, Entity Classification Election, with the service center designated on Form 8832.

Section 301.7701-3(c)(1)(iii) provides that an election made under § 301.7701-3(c)(1)(i) will be effective on the date specified by the entity on Form 8832 or on the date filed if no such date is specified on the election form. The effective date specified on Form 8832 cannot be more than 75 days prior to the date on which the election is filed and cannot be more than 12 months after the date on which the election is filed. If an election specifies an effective date more than 75 days prior to the date on which the election is filed, it will be effective 75 days prior to the date it was filed.

Section 301.7701-3(c)(1)(iv) provides that, if an eligible entity makes an election under § 301.7701-3(c)(1)(i) to change its classification, the entity cannot change its classification by election again during the sixty months succeeding the effective date of the election. However, the Commissioner may permit the entity to change its classification by election within the sixty months if more than fifty percent of the ownership interests in the entity as of the effective date of the subsequent election are owned by persons that did not own any interests in the entity on the filing date or on the effective date of the entity's prior election.

Section 301.9100-1(c) provides that the Commissioner in exercising the Commissioner's discretion may grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make a regulatory election, or a statutory election (but not more than 6 months except in the case of a taxpayer who is abroad), under all subtitles of the Code, except subtitles E, G, H, and I. Section 301.9100-1(b) provides that the term “regulatory election” includes an election whose due date is prescribed by a regulation published in the Federal Register.

Section 301.9100-2 provides the standards the Commissioner will use to determine whether to grant an automatic extension of time for making certain elections. Section 301.9100-3 provides the guidelines for granting extensions of time for making elections that do not meet the requirements of § 301.9100-2. Section 301.9100-3(a) provides that requests for relief subject to § 301.9100-3 will be granted when the taxpayer provides the evidence (including affidavits described in § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

### CONCLUSION

Based solely on the information submitted and the representations made, we consent to X changing its classification for federal tax purposes less than 60 months after its previous classification change. Further, we conclude that X has satisfied the requirements of sections 301.9100-1 and 301.9100-3. As a result, X is granted an extension of time of 120 days from the date of this letter to file Form 8832 with the appropriate service center to elect to be classified as a disregarded entity for federal tax purposes effective Date 5. A copy of this letter should be attached to the Form 8832.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any transaction or item discussed or referenced in this letter. Specifically, no opinion is expressed or implied regarding whether X is otherwise eligible to make the election. Further, no opinion is expressed with regard to whether Y or Z qualifies as a REIT under subchapter M of the Code; or whether X was a qualified REIT subsidiary of Y or Z.

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

Sincerely,

Associate Chief Counsel  
(Passthroughs & Special Industries)

*Laura C. Fields*

By: \_\_\_\_\_  
Laura C. Fields  
Senior Technician Reviewer, Branch 1  
(Passthroughs & Special Industries)

Enclosures (2)  
Copy of Letter  
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