

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

[Third Party Communication:

Date of Communication: Month DD, YYYY]

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:BR3

PLR-118177-20

Date:

January 14, 2021

Legend

Taxpayer =

Corporation =

Preferred Stock =

Appraiser =

Year =

Date 1 =

Date 2 =

Date 3 =

X\$ =

Y\$ =

Dear :

This letter responds to your letter dated August 13, 2020 requesting a written determination as to whether Taxpayer has established the value of certain shares of preferred stock to the satisfaction of the Service for purposes of making an election

under section 1059(c)(4) of the Internal Revenue Code (the Code). See Rev. Proc. 87-33, 1987-2 C.B. 402. The information submitted for consideration is summarized below.

In a transaction during Year, Taxpayer acquired newly issued preferred stock of Corporation (specifically, the Preferred Stock). The Preferred Stock is not publicly traded. Subsequently during Year, Taxpayer received two quarterly dividends with respect to the Preferred Stock. The first dividend received by Taxpayer, in the amount of X\$, had an ex-dividend date of Date 1 (the First Dividend). The second dividend received by Taxpayer, in the amount of Y\$, had an ex-dividend date of Date 2 (the Second Dividend).

Taxpayer has represented that the amount of each of the two quarterly dividends it received in Year exceeded five percent of the adjusted basis in the Preferred Stock and, as a result, each of the dividends otherwise qualified as extraordinary under section 1059(c). Accordingly, Taxpayer elected under section 1059(c)(4) to apply section 1059(c)(1) and (3) by substituting the value of the Preferred Stock as of the day before each of the respective ex-dividend dates for Taxpayer's adjusted basis in the Preferred Stock.

Taxpayer obtained two appraisals (the Appraisals), each of which was dated Date 3, from Appraiser with respect to the value of the Preferred Stock as of the day before Date 1 and the day before Date 2. Subsequently, this ruling request was submitted.

Provided that (i) Appraiser followed the relevant guidelines contained in Rev. Rul. 59-60, 1959-1 C.B. 237, as amplified by Rev. Rul. 77-287, 1977-2 C.B. 319, Rev. Rul. 80-213, 1980-2 C.B. 101, and Rev. Rul. 83-120, 1983-2 C.B. 170, (ii) the financial data and all other relevant data analyzed for the Appraisals was accurate and complete, (iii) Appraiser was knowledgeable about the terms of the Preferred Stock, (iv) any and all assumptions and comparables relied upon by Appraiser were reasonable, and (v) Appraiser appropriately took into consideration any and all available data relevant for the appraisals, we conclude that Taxpayer has established that the amount of the First Dividend did not equal or exceed 5 percent of the fair market value of the Preferred Stock as of the day before Date 1 and that the amount of the Second Dividend did not equal or exceed 5 percent of the fair market value of the Preferred Stock as of the day before Date 2.

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.

Taxpayer should retain a copy of this letter with its federal income tax return information for the tax year(s) in which it is relevant.

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.

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

The rulings contained in this letter are based upon information and representations submitted by the taxpayer 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.

Sincerely,

Thomas I. Russell
Chief, Branch 1
Associate Chief Counsel (Corporate)

cc: