

## Internal Revenue Service

Number: **201943011**  
Release Date: 10/25/2019  
Index Number: 355.01-00

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:04  
PLR-106078-19

Date:  
July 24, 2019

### Legend

Distributing =

Controlled =

Foreign Parent =

Foreign Sub =

Business A =

Business B =

State =

Country =

Dear \_\_\_\_\_ :

This letter responds to your letter dated March 20, 2019, requesting rulings on certain federal income tax consequences of the proposed transaction defined below. The information submitted in that letter 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 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 Distribution (as defined 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) 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).

### **Summary of Facts**

Foreign Parent is a Country corporation and the parent of a worldwide group of corporations. Foreign Parent wholly owns Distributing, a State corporation, and Foreign Sub, a Country corporation.

Distributing is a U.S. holding company and the common parent of an affiliated group of includible corporations that file a consolidated federal income tax return (within the meaning of Treas. Reg. § 1.1502-1(h)) (the “Distributing Group”). Among other entities, Distributing wholly owns Controlled, a State corporation.

The Distributing Group is engaged in two separate business lines: Business A and Business B. Business A is conducted by various direct and indirect subsidiaries of Distributing and Business B is conducted by Controlled and Foreign Sub (and other

subsidiaries of Foreign Parent). Controlled is the only subsidiary of Distributing that is engaged in Business B. For purposes of satisfying the active trade or business requirements of § 355(b) with respect to the Distribution (as defined below), Distributing and the members of its “separate affiliated group” as defined in § 355(b)(3)(B) will rely on Business A, and Controlled will rely on Business B. Financial information has been submitted in accordance with Rev. Proc. 2017-52 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.

### **Proposed Transaction**

The following transactions will occur to separate Business B from Business A (the “Proposed Transaction”):

- (i) Distributing will distribute all of the outstanding stock of Controlled to Foreign Parent (the “Distribution”).
- (ii) Immediately following the Distribution, Foreign Parent will contribute all of the stock of Controlled to Foreign Sub (the “Contribution”).

### **Representations**

With respect to the Distribution, except as set forth below, Distributing has made all of the representations set forth in § 3 of the Appendix to Rev. Proc. 2017-52.

1. Distributing has made the following alternative representations set forth in § 3 of the Appendix to Rev. Proc. 2017-52: 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).
2. Distributing has not made the following representations, which do not apply to the Proposed Transaction: 7, 20, 24, 25, 32, and 35.

### **Rulings**

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

1. No gain or loss will be recognized by (and no amount will be included in the income of) Foreign Parent on the receipt of Controlled stock in the Distribution. Section 355(a)(1).
2. No gain or loss will be recognized by Distributing on the distribution of the Controlled stock in the Distribution. Section 355(c)(1).
3. The aggregate basis of the Distributing stock and the Controlled stock in the hands of Foreign Parent immediately after the Distribution will be the same as Foreign Parent’s basis in the Distributing stock immediately before the

Distribution, allocated between the Distributing stock and the Controlled stock in proportion to the fair market value of each immediately following the Distribution in accordance with Treas. Reg. § 1.358-2(a)(2)(iv). Section 358(b)(2) and (c).

4. The holding period of the Controlled stock received by Foreign Parent in the Distribution will include the holding period of the Distributing stock held by Foreign Parent with respect to which the Distribution will be made, provided that such Distributing stock is held as a capital asset on the date of the Distribution. Section 1223(1).
5. Earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with § 312(h), Treas. Reg. § 1.312-10(b) and Treas. Reg. § 1.1502-33(e)(3).

### **Caveats**

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.

### **Procedural Statements**

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.

A copy of this letter must be attached to any income tax return to which it is relevant. 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, copies of this letter are being sent to your authorized representatives.

Sincerely,

Robert Rhyne  
Assistant to Branch Chief, Branch 2  
Office of Chief Counsel (Corporate)

cc: