Internal Revenue Service

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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:INTL:B03
PLR-104153-14
Date:
February 27, 2014

TY:

Legend

Corp X =
Corp Y =

Dear   :

This is in response to your representative's letter dated January 24, 2014, requesting a
ruling on behalf of Corp X that Corp Y and its pre-acquisition subsidiaries be permitted
to change from the fair market value method to the alternative tax book value method of
asset valuation for purposes of apportioning interest expense.

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.

Corp X, a domestic corporation, is a calendar year taxpayer that uses the accrual
method as its overall method of accounting. Corp X is the common parent of a group of
affiliated corporations that files a consolidated U.S. federal income tax return. Corp X
elected the alternative tax book value method of asset valuation in 2012. For several
years prior to 2012, Corp X utilized the tax book value method of asset valuation.

In 2013, Corp X completed the acquisition of Corp Y, the common parent of a U.S.
consolidated group of corporations (the Corp Y Group). For several years prior to the
acquisition, the Corp Y Group utilized the fair market value method of asset valuation.
As a result of the acquisition, the Corp Y Group became members of Corp X's affiliated
group of corporations and will be included in Corp X's consolidated federal income tax
return starting from the day after the acquisition date.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Based solely on the information submitted and the representations made, pursuant to Treas. Reg. §1.861-8(f)(2) and Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), the Corp Y Group may use the alternative tax book value method of assets valuation for purposes of apportioning interest expense for all operative sections, including sections 199 and 904 of the Code, starting from the time it became a member of Corp X's consolidated group and for all subsequent taxable years.

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.

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 representative.

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.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of the Associate Chief Counsel
(International)