

Internal Revenue Service

Department of the Treasury

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Person to Contact:

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Telephone Number:

Refer Reply To:

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Date:

March 13, 2000

Distributing =

Controlled 1 =

Controlled 2 =

Business 5 =

This letter is in response to a request dated January 28, 2000, for a supplemental ruling with respect to a ruling letter dated August 31, 1999 (Control Number PLR-109353-99, LTR 199947020), (the "Prior Letter"). The Prior Letter concerned a proposed transaction under §§ 355 and 368. The facts and representations set forth in the Prior Letter are hereby incorporated, except as modified below, for purposes of this supplemental ruling. Additional information with respect to this supplemental ruling was submitted in a letter dated March 1, 2000.

In your request, you have indicated that, contrary to the facts of the Prior Letter, Distributing will terminate its LIFO election with respect to the Business 5 inventory to be transferred to Controlled 2 prior to such transfer and Controlled 2, following its receipt of the Business 5 inventory and other assets, will not elect the LIFO method of valuing inventory. You have requested a ruling concerning the effect of this modification on the Prior Letter.

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Based on the facts and information submitted, we hold as follows:

The changes from the Prior Letter described above in regard to the LIFO method of valuing inventory will have no effect on any of the rulings contained in the Prior Letter except for rulings (24), (26), (27), (28), and (29) insofar as they pertain to the Business 5 inventory to be transferred to Controlled 2.

In addition, ruling (22) of the Prior Letter is modified to read as follows:

None of the assets received by Controlled 1 and Controlled 2 from Distributing will be subject to § 1374 as amended by § 633(b) of the Tax Reform Act of 1986. However, Distributing, Controlled 1, and Controlled 2 continue to be subject to the provisions of the former § 1374.

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(s) 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.

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 yours,

Assistant Chief Counsel (Corporate)

By *Ken Cohen*

Ken Cohen
Senior Technical Reviewer, Branch 3