

## Internal Revenue Service

## Department of the Treasury

Number: **200132030**

Washington, DC 20224

Release Date: 8/10/2001

Index Number: 0338.01-02, 9100.07-00

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Refer Reply To:

**CC:CORP:B02-PLR-131723-00**

Date:

**May 15, 2001**

### LEGEND:

Purchaser =

Seller =

Target =

Target Affiliates =

Date A =

Date B =

Date C =

Purchaser's In-House  
Tax Professional =

Purchaser's Company Official =

Seller's Company Official =

Authorized Representative =

Dear :

This letter responds to a letter dated November 11, 2000, submitted on behalf of Purchaser and Seller by their authorized representatives, requesting an extension of time under §§ 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. Purchaser and Seller are requesting an extension to file a "§ 338(h)(10) election," under §§ 338(g) and 338(h)(10) of the Internal Revenue Code and § 1.338(h)(10)-1(d) of the Income Tax Regulations with respect to Purchaser's acquisition of the stock of Target and the deemed acquisition of the stock of Target Affiliates (sometimes hereinafter referred to as the "Election") on Date A. (All citations

in this letter to regulations under § 338 are to the regulations in effect on Date A.) Additional information was received in letters dated April 16 and May 11, 2001. The material information is summarized below.

Purchaser is the common parent of a consolidated group. Target was a member of Seller's consolidated group before the transaction, and had a number of subsidiaries (the "Target Affiliates") that were also included in Seller's consolidated group.

On Date A, Purchaser and Seller entered into a stock purchase agreement for Purchaser to acquire all of the Target stock from Seller. Also on Date A, pursuant to the stock purchase agreement, Purchaser acquired all of the Target stock from Seller in exchange for cash and Purchaser's assumption of certain Target liabilities. Following the acquisition, Target and Target Affiliates were included in Purchaser's consolidated return. It is represented that Purchaser's acquisition of the Target stock qualified as a "qualified stock purchase," as defined in § 338(d)(3).

Purchaser and Seller intended to file the Election for Target and Target Affiliates. The Election was due on Date B, but for various reasons a valid Election was not filed. On Date C (which is after the due date for the Election), Purchaser's In-House Tax Professional and Seller's Company Official discovered that the Election had not been filed. Subsequently, this request was submitted, under § 301.9100-1, for an extension of time to file the Election.

Purchaser and Seller filed their returns as if the Election had been made. The period of limitations on assessment under § 6501(a) has not expired for Purchaser's, Seller's, Target's, or Target Affiliates' taxable years in which the acquisition occurred, the taxable years in which the Election should have been filed, or any taxable years that would have been affected by the Election had it been timely filed.

Section 338(a) permits certain stock purchases to be treated as asset acquisitions if: (1) the purchasing corporation makes or is treated as having made a "§ 338 election" or a "§ 338(h)(1) election"; and (2) the acquisition is a "qualified stock purchase."

Section 338(h)(10) permits the purchasing and selling corporations to elect jointly to treat the target corporation as deemed to sell all of its assets and distribute the proceeds in complete liquidation. A § 338(h)(10) election may be made for target only if it is a member of a selling consolidated group, a member of a selling affiliated group filing separate returns, or an S corporation. Section 1.338(h)(10)-1(a).

Under §§ 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the

Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case, the time for filing the Election is fixed by the regulations (*i.e.*, § 1.338(h)(10)-1(d)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Purchaser and Seller to file the Election, provided Purchaser and Seller show they acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Purchaser, Seller, Purchaser's In-House Tax Professional, Purchaser's Company Official, Seller's Company Official, and Authorized Representative explain the circumstances that resulted in the failure to file the Election. The information establishes that a qualified tax professional was responsible for the Election and was aware of all relevant facts, that Purchaser and Seller relied on the tax professional to make the Election, and that the interests of the government will not be prejudiced if relief is granted. See §§ 301.9100-3(b)(1)(v).

Based on the facts and information submitted, including the representations made, we conclude that Purchaser and Seller have shown that they acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under § 301.9100-1, until 30 days from the date of issuance of this letter, for Purchaser and Seller to file the Election with respect to the acquisition of Target stock and the deemed acquisition of Target Affiliates' stock, as described above.

The above extension of time is conditioned on (1) the filing, within 120 days of the issuance of this letter, of all amended returns (if any) necessary to report the transaction in accordance with the Election; (2) the taxpayers' (Purchaser's consolidated group's, Seller's consolidated group's, Target's, and Target Affiliates') tax liability (if any) being not lower, in the aggregate, for all years to which the Election applies, than it would have been if the Election had been timely made (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liability for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' liability is lower. Section 301.9100-3(c).

Purchaser and Seller must file the Election in accordance with § 1.338(h)(10)-1(d). That is, a new election on Form 8023 must be executed on or after

the date of this letter, which grants an extension, and filed in accordance with the instructions to the form. A copy of this letter must be attached to the Election form. Purchaser and Seller, having filed their returns as if the Election had been made, must amend their returns to attach to the returns a copy of this letter and a copy of the Election.

We express no opinion as to: (1) whether the “acquisition/sale” of the Target stock qualifies as a “qualified stock purchase” under § 338(d)(3); (2) whether the “acquisition/sale” of Target stock qualifies for § 338(h)(10) treatment; or (3) any other tax consequences arising from the Election.

In addition, we express no opinion as to the tax consequences of filing the Election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the Election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-1, we relied on certain statements and representations made by the taxpayers. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under § 301.9100-1 to file the Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

Purchaser must provide Seller with a copy of this letter.

This letter is directed only to the taxpayer(s) who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely yours,  
Associate Chief Counsel (Corporate)  
By: Ken Cohen  
Senior Technician Reviewer, Branch 3