

Internal Revenue Service

Department of the Treasury

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Date:
October 20, 1999

Acquiring Parent =

Target Parent =

Date 1 =

State A =

Business X =

This is in response to a letter dated April 16, 1999, in which rulings were requested on behalf of Acquiring Parent regarding certain federal income tax consequences of a completed transaction. The information submitted is summarized below.

Acquiring Parent is a State A corporation engaged in Business X. Acquiring Parent is the common parent of a consolidated group (the "Acquiring Group") that files its consolidated returns on a calendar year basis, using the accrual method of accounting. Target Parent was the common parent of a consolidated group (the "Target Group") that was unrelated to Acquiring Parent until Date 1.

On Date 1, pursuant to an Agreement and Plan of Restructuring and Merger, Acquiring Group acquired Target Parent in a transaction (the "Acquisition") intended to qualify as a tax-free reorganization within the meaning of § 368(a) of the Internal Revenue Code. As a result of the Acquisition, the Target Group has terminated and the Acquiring Group remains in existence. Section 1.1502-75(d)(1) of the Regulations.

Prior to the Acquisition, Target Parent made an election for Target Group under § 1.1502-13(l)(3) of the Regulations (the "Election"), which applies § 1.1502-13 (effective for taxable years beginning on or after July 12, 1995) to stock elimination transactions to which prior law would otherwise apply. Acquiring Parent made no such election for Acquiring Group.

Based solely on the information submitted, we hold that Target Group's Election terminated upon the Target Group's acquisition (and Target Group's subsequent termination) by Acquiring Group.

No opinion is expressed about the tax treatment of the transaction under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the above rulings.

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

A copy of this letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction covered by this ruling letter is consummated. We have sent a copy of this letter to the taxpayer, as designated on the power of attorney on file in this office.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By *Victor Penico*

Victor Penico
Branch Chief, Branch 3