

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:B01-PLR-125369-01

Date:

June 29, 2001

LEGEND

Company A =

Date 1 =

Date 2 =

State =

This letter responds to a letter from your authorized representatives dated May 3, 2001, submitted on behalf of Company A, requesting a ruling that Company A will be classified as an “eligible entity” under § 301.7701-3(a) of the Procedure and Administration Regulation.

FACTS

Company A is a new entity that will be organized on Date 1, under the State Cooperative LLC Act (Act). The Act was enacted on Date 2, with an effective date of Date 1. The Act defines “Cooperative” as an association organized under this article conducting business on a cooperative plan as provided under this article. “Association” is defined as an organization conducting business on a cooperative plan under the laws of this state or another state that is chartered to conduct business under other laws of this state or another state. Therefore, under the Act, association is defined without reference to a corporation.

LAW AND ANALYSIS

Section 301.7701-2(a) provides that for purposes of this section and section 301.7701-3, a “business entity” is any entity recognized for federal tax purposes (including an entity with a single owner that may be disregarded as an entity separate from its owner under section 301.7701-3) that is not properly classified as a trust under section 301.7701-4 or otherwise subject to special treatment under the Internal Revenue Code. Section 301.7701-2(a) further provides that a business entity with two or more members is classified for federal tax purposes as either a corporation or a partnership, and a business entity with only one owner is classified as a corporation or is disregarded.

Section 301.7701-2(b) provides a list of per se corporations. Section 301.7701-

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2(b)(1) provides that for federal tax purposes, the term corporation means a business entity organized under a Federal or State statute, or under a statute of a federally recognized Indian tribe, if the statute describes or refers to the entity as incorporated or as a corporation, body corporate, or body politic.

Section 301.7701-3(a) defines an eligible entity as a business entity that is not classified as a corporation under section 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (a per se corporation). 301.7701-3(b)(1).

In the present case, Company A is organized as an unincorporated association under the Act, which does not refer to an association as incorporated or as a corporation, body corporate, or body politic. In addition, Company A is not classified as a corporation under section 301.7701-2(b). Therefore, it is an eligible entity and not a per se corporation under section 301.7701-2(b)(1).

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that Company A will be an “eligible entity” under section 301.7701-3(a) upon formation under the Act. Except for the specific ruling above, no opinion is expressed or implied concerning the federal tax consequences of the facts of this case under any other provision of the Code.

In accordance with the power of attorney on file with this office, we are sending your representative the original of this letter and a copy to you.

This ruling is directed only to the taxpayer who requested it. According to section 6110(k)(3), this ruling may not be used or cited as precedent.

Sincerely,
Dianna K. Miosi
Chief, Branch 1
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes