

Internal Revenue Service

Number: **201931007**

Release Date: 8/2/2019

Index Number: 355.01-00

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:CORP:B03

PLR-135881-18

Date:

May 07, 2019

Legend

Distributing =

Controlled =

State A =

Sub 1 =

Sub 2 =

DRE 1 =

DRE 2 =

DRE 3 =

DRE 4 =

DRE 5 =

DRE 6 =

DRE 7 =

DRE 8 =

Shareholder 1 =

Shareholder 2 =

Shareholder 3 =

Shareholder 4 =

Shareholder 5 =

C Business =

D Business =

Dear :

This letter responds to the letter dated December 6, 2018, submitted on behalf of Distributing, its affiliates, and its shareholders, requesting rulings on certain federal income tax consequences of a proposed transaction (the Proposed Transaction, as defined herein). The material information submitted in that request and subsequent correspondences is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, regarding one or more “Covered Transactions” under section 355 of the Internal Revenue Code (the “Code”).

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether the Distribution (as defined below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) is part of a plan (or series of related transaction) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporation or the controlled corporation, within the meaning of Treas. Reg. § 1.355-8T (see section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

Summary of Facts

Distributing, a State A corporation, is owned by Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5 (“Distributing Shareholder” or collectively, “Distributing Shareholders”) through a single class of voting common stock issued and outstanding (“Distributing Common Stock”). Distributing wholly owns Sub 1, Sub 2, DRE 5, DRE 6, DRE 7, and Controlled. Sub 1 wholly owns DRE 1 and DRE 2. Sub 2 wholly owns DRE 8. Controlled wholly owns DRE 3 and DRE 4. Distributing is the common parent of an affiliated group filing a consolidated federal tax return (the “Distributing Group”). Distributing, Sub 1, Sub 2, DRE 1, DRE 2, DRE 5, DRE 6, DRE

7, and DRE 8 are engaged in the D Business. Controlled, DRE 3, and DRE 4 are engaged in the C Business.

The Proposed Transaction

For what are represented to be a valid business purpose, Distributing proposes to separate Controlled from the Distributing Group and will distribute all of the stock of Controlled to the Distributing Shareholders ("the Distribution").

It is anticipated that after the Distribution, some of the Distributing Shareholders may transfer some shares of Distributing Common Stock to their children. It is not anticipated that the value of the stock transferred to the Distributing Shareholders' children will exceed 50 percent of either vote or value of Distributing in the five year period following the Distribution.

Representations

With respect to the Distribution, except as otherwise provided below, Distributing has made all the representations provided in section 3 of the Appendix to Rev. Proc. 2017-52, 2017-41 I.R.B. 283.

Distributing has made the following alternative representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52:

Representations 3(a), 8(a), 11(a), 15(a), 22(a), and 31(a).

Distributing does not make representation 35, which does not apply to the Distribution.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

- 1) No gain or loss will be recognized by (and no amount will be included in the income of) Distributing Shareholders upon the receipt of Controlled stock in the Distribution. Section 355(a).
- 2) Distributing will not recognize gain or loss on the Distribution. Section 355(c).
- 3) Each Distributing Shareholder's basis in the Controlled stock and Distributing Common Stock immediately following the Distribution will equal the basis of the Distributing Common Stock that the shareholder held immediately before the Distribution, allocated in the manner described in Treas. Reg. § 1.358-2. Section 358(a) and (b).

- 4) Each Distributing Shareholder's holding period in the Controlled stock received in the Distribution will include the holding period of the Distributing Common Stock with respect to which the Distribution is made, provided the Distributing Common Stock is held as a capital asset on the date of the Distribution. Section 1223(1).
- 5) Earnings and profits of Distributing, if any, will be allocated between Distributing and Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(b) and Treas. Reg. § 1.1502-33(e).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Distribution under any provision of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Distribution that are not specifically covered by the above rulings.

Procedural Statements

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

Pursuant to a power of attorney on file with this office, copies of this letter are being sent to your authorized representatives.

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 returns that provides the date and control number [PLR-135881-18] of the letter ruling.

Sincerely,

Maurice M. LaBrie
Assistant to the Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: