

Internal Revenue Service

Department of the Treasury

Index Numbers: 355.01-00, 368.04-00

Washington, DC 20224

Number: **200023035**
Release Date: 6/9/2000

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Telephone Number:

Refer Reply To:

CC:DOM:CORP:Br4 PLR-118110-99

Date:

March 13, 2000

S3 =
Trust A =
f =
g =
Date 1 =
Date 2 =

This letter responds to your November 3, 1999 request for a supplement to our prior letter ruling dated August 18, 1998 (the "Prior Letter Ruling"). The legend abbreviations, factual summary, and representations appearing in the Prior Letter Ruling are incorporated by reference, except as noted below.

The Prior Letter Ruling addresses certain federal income tax consequences of a proposed split-off transaction involving Distributing and Controlled. Because certain aspects of this proposed transaction have changed since the letter's issuance, you have asked that we amend the Prior Letter Ruling as follows:

(1) Change the descriptions of S3, Trust A, f, and g appearing in the legend. Also, add Date 1 and Date 2 to the legend (see above).

(2) Change the phrase "proposed transaction" throughout the letter to "partially completed transaction."

(3) Replace the third full paragraph on page 2 with the following:

Distributing files a consolidated federal income tax return with its wholly owned subsidiaries S1, S2, S3, and S4. S1 conducts Business A, S2 is inactive, S3 conducted Business B prior to the sale of substantially all its assets on Date 1, and S4 conducts Business C. Financial information has been received indicating that S1 and S4 each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the last five years.

(4) Replace the second sentence of the fourth paragraph on page 2, and steps (i) through (iii) on page 3, with the following:

To eliminate these disputes, Distributing has proposed and partially completed the following transaction:

(i) On Date 2, S1 distributed f dollars to Distributing, and Distributing contributed g dollars to each of S3 and S4.

(ii) Distributing will transfer its S3 stock to S4.

(iii) Trust A will be divided into two separate shares, one for the benefit of A and one for the benefit of B. The Distributing voting common stock held by Trust A will be divided equally between the two shares.

(5) Replace representations (c), (d), (e), (f), (j), and (k) with the following:

(c) The five years of financial information submitted on behalf of S1 and S4 represent the present operations of each of these corporations, and there have been no substantial operational changes to either S1 or S4 since the date of the last submitted financial statements.

(d) Immediately after the Distribution, at least 90 percent of the fair market value of the gross assets of Distributing will consist of the stock and securities of S4, which is engaged in the active conduct of a trade or business as defined in § 355(b)(2). Immediately after the Distribution, at least 90 percent of the fair market value of the gross assets of Controlled will consist of the stock and securities of S1, which is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(e) Following the Distribution, S4 and S1 each will continue the active conduct of its trade or business, independently and with its separate employees.

(f) The Distribution is being carried out to end shareholder disputes between A and B over the operations of Business A and Business C. The Distribution is motivated, in whole or substantial part, by this

corporate business purpose.

(j) The total adjusted basis and fair market value of the assets transferred to Controlled by Distributing each equals or exceeds the liabilities assumed (within the meaning of § 357(d)) by Controlled.

(k) The liabilities of Distributing assumed (within the meaning of § 357(d)) by Controlled, were incurred in the ordinary course of business.

(5) Add the following new representations:

(p) The proposed transaction is not part of a plan (or series of related transactions) (within the meaning of § 355(e)) pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of Distributing or Controlled stock entitled to vote, or 50 percent or more of the total value of all shares of all classes of Distributing or Controlled stock.

(q) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

(r) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.

We hereby make the above changes to the Prior Letter Ruling and conclude that, notwithstanding these changes, the rulings contained in the Prior Letter Ruling retain full force and effect.

No opinion is expressed about the tax treatment of the above changes under any

other provisions of the Internal Revenue Code or Federal Income Tax Regulations.

The caveat on pages 5 and 6 of the Prior Letter Ruling remains in effect, except that the second sentence now reads as follows: “In particular, no opinion is expressed regarding the federal tax treatment of (i) the sale of substantially all of S3’s assets on Date 1, (ii) the distribution and contributions described in step (i), or (iii) the stock transfer described in step (ii).”

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

A copy of this supplemental letter and the Prior Letter Ruling should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transaction is completed.

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

Sincerely,

Assistant Chief Counsel (Corporate)

By: _____
Wayne T. Murray
Senior/Technician Reviewer
Branch 4