

INTERNAL REVENUE SERVICE

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January 23, 2001

S =
T =
U =
V =
W =
X =
Y =

Dear

This is in reply to your letter dated July 18, 2000, submitted on behalf of S, T, U, V, W, X, and Y requesting a ruling under § 1362 of the Internal Revenue Code.

The information provided indicates that S, T, U, V, W, X, and Y (the "Corporations") are each S corporations. It is proposed that pursuant to an agreement of merger and applicable state law, S, T, V, W, X, and Y (the "Target") will merge into U (the Survivor"). The separate corporate existence of the Target corporations will cease. The Survivor will acquire all the assets and assume all of the liabilities of the Target corporations.

The stock of the Target corporations will be exchanged solely for stock in the Survivor corporation.

The parties represent that this merger will qualify as a statutory merger (within the meaning of § 368(a)(1)(A)).

Section 1362(d)(2)(A) provides that an election under § 1361(a) shall be terminated whenever (at any time on or after the 1st day of the 1st taxable year for which the corporation is an S corporation) such corporation ceases to be a small business corporation.

Section 1362(d)(2)(B) provides that any termination under

§ 1362(d)(2) shall be effective on or after the date of cessation.

Based solely on the facts submitted and the representations made, we hold as follows:

(1) The Accumulated Adjustments Account of the Survivor corporation after the merger will equal the sum of the Accumulated Adjustments Account of the Survivor corporation and the Target corporations (see Rev. Rul. 79-52, 1979-1 C.B. 283).

(2) The merger will not terminate the elections of the Target corporations as S corporations within the meaning of § 1361(a)(1) for their respective final tax year ending on the effective date of the merger (see Rev. Rul. 64-94, 1964-1 C.B. 317).

(3) The merger will not terminate the Survivor corporation's election to be taxed as an S corporation under § 1361 (see Rev. Rul. 69-566, 1969-2 C.B. 165).

The rulings set forth above are conditioned upon the merger being effective under applicable state law, the merger constituting a valid reorganization within the meaning of § 368(a)(1)(A) and the Corporations each being a valid S corporation at the time of the transaction.

Except as specifically ruled above, we express no opinion concerning the federal tax consequences of the transactions described above under any other provisions of the Code. No opinion is expressed concerning whether the transaction will meet the requirements of § 368(a)(1)(A).

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

Pursuant to the power of attorney on file with this office, a copy of this letter is being sent to S.

Sincerely yours,
J. THOMAS HINES
Branch Chief, Branch 2
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures: 2
Copy of this letter
Copy for § 6110 purposes