

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:B02-PLR-118637-01

Date:

June 22, 2001

LEGEND:

Parent =

Foreign Sub =

Purchaser =

Seller =

Target #1 =

Target #2 =

Date A =

Date B =

Country X =

Country Y =

Country Z =

a =

b =

c =

d =

e =

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f =

Company Official =

Tax Professional #1 =

Tax Professional #2 =

Tax Professional #3 =

This letter responds to a letter dated March 21, 2001, submitted on behalf of Parent, requesting an extension of time under §§ 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. Parent (as United States shareholder of Purchaser, the "foreign purchasing corporation") is requesting the extension of time to file an election (sometimes hereinafter referred to as the "Election") under § 338(g) with respect to Purchaser's acquisition of the stock of Target #1 and Target #2 (collectively, "Targets") on Date A. (All citations in this letter to regulations under § 338 are to regulations in effect on Date A). Additional information was received in a letter dated May 23, 2001. The material information is summarized below.

Parent is the common parent of a consolidated group. Parent owns 100% of the stock of Foreign Sub, a Country X corporation. As of Date A, Foreign Sub owned a% of the outstanding shares and controlled b% of the voting rights of the stock of Purchaser, also a Country X corporation. Parent represents that Foreign Sub is a controlled foreign corporation within the meaning of § 957(a) of the Code and is not engaged in the conduct of a trade or business within the United States. Parent also represents that Purchaser was a controlled foreign corporation within the meaning of § 957(a).

Both Targets are Country Y corporations. On Date A, Target #1 had c shares outstanding. Seller, a Country Z corporation, owned d Target #1 shares, and Target #2 owned the remainder. Target #2 had e shares outstanding. Seller owned f Target #2 shares, and Target #1 owned the remainder.

On Date A, Purchaser acquired all of the stock of each of the Targets in exchange for cash and notes (the "Acquisition"). It is represented that the Acquisition qualified as a "qualified stock purchase," as defined in § 338(d)(3).

Prior to the Acquisition, neither Target #1 nor Target #2 filed a United States income tax return. and neither Target #1 nor Target #2 was subject to United States income taxation, or was required, under § 1.6012-2(g), to file a United States income tax return. In addition, neither Target #1 nor Target #2 was (1) a controlled foreign corporation within the meaning of § 957(a); (2) a passive foreign investment company for which an election under § 1295 was in effect; or (3) a foreign investment company or a foreign corporation the stock ownership of which is described in § 552(a)

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Purchaser was not required under § 1.6012-2(g) (other than § 1.6012-2(g)(2)(i)(b)(2)) to file a United States income tax return for its taxable year that included the acquisition date.

The Election was due on Date B, but for various reasons, a valid election was not filed. After the due date for the Election, it was discovered that the Election had not been filed. Subsequently, this request was submitted, under § 301.9100-1, for an extension of time to file the Election. The period of limitations on assessment under § 6501(a) has not expired for Parent's, Purchaser's, or Targets' taxable years in which the Acquisition occurred, the taxable years in which the Election should have been filed, or any taxable year that would have been affected by the Election had it been timely filed.

Section 338(a) permits certain stock purchases to be treated as asset acquisitions if: (1) the purchasing corporation makes or is treated as having made a "§ 338 election" or a "§ 338(h)(10) election" and (2) the acquisition is a "qualified stock purchase."

Under § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making regulatory elections that do not meet the requirements of § 301.9100-2. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case, the time for filing the Election is fixed by the regulations (i.e., § 1.338-1(d)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Parent to file the Election, provided Parent acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits and representations submitted by Parent, Company Official, Tax Professional #1, Tax Professional #2, and Tax Professional #3 explain the circumstances that resulted in the failure to timely file a valid election. The information establishes that a qualified tax professional was responsible for the Election and was aware of all relevant facts, that Parent relied on the tax professional to make, or advise

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Parent to make, the Election, and that the interests of the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(v).

Based on the facts and information submitted, including the representations made, we conclude that Parent has shown it acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under § 301.9100-1, until 30 days from the date of issuance of this letter, for Parent to file the Election with respect to the acquisition of the stock of Targets, as described above.

The above extension of time is conditioned on: (1) the filing, within 120 days of the issuance of this letter, of all returns and amended returns (if any) necessary to report the transaction in accordance with the Election; and (2) the taxpayers' (Parent's consolidated group's and Targets') tax liability (if any) being not lower, in the aggregate, for all years to which the Election applies, than it would have been if the Election had been timely made (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liability for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' tax liability is lower. Section 301.9100-3(c).

Parent (as United States shareholder of the foreign purchasing corporation) must file the Election in accordance with § 1.338-1(d) and (g). That is, a new election on Form 8023 must be executed on or after the date of this letter, which grants an extension, and filed in accordance with the instructions to the form. A copy of this letter must be attached to the election form. Parent must file or amend, as applicable, its returns to report the transaction as a § 338 transaction, for the taxable year in which the transaction was consummated (and for any other affected taxable year) and to attach to the returns a copy of this letter and a copy of the Election.

We express no opinion as to: (1) whether Foreign Sub or Purchaser is a controlled foreign corporation within the meaning of § 957(a); (2) whether the acquisition of the stock of Targets qualifies as a "qualified stock purchase" under § 338(d)(3); or (3) any other tax consequences arising from the Election.

In addition, we express no opinion as to the tax consequences of filing the Election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the Election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-1 we relied on certain statements and representations made by the taxpayer. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under § 301.9100-1 to file the

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Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

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

Sincerely yours,
Associate Chief Counsel (Corporate)
By: Ken Cohen
Senior Technician Reviewer, Branch 3