Internal Revenue Service

Number: **200604017**
Release Date: 1/27/2006
Index Number: 1504.00-00

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:B04
PLR-137479-05
Date:
October 26, 2005

Old Parent   =

New Parent   =

Sub   =

Sub 1   =

Sub 2   =

Sub 3   =

Sub 4   =

Date A   =

Date B   =

Date C   =

Date D   =

<u>X</u>   =

Dear   :

     This letter responds to your July 13, 2005 request for a ruling on a certain federal income tax consequence of the transactions described below. The information submitted for consideration by this office is summarized below.

Summary of Facts

     Prior to the transactions described below, Old Parent wholly owned Sub, Sub wholly owned Sub 1, and Sub 1 wholly owned Sub 2, Sub 3, and Sub 4. Old Parent, Sub, Sub 1, Sub 2, Sub 3, and Sub 4, as well as other corporations not relevant to this request, joined in the filing of a consolidated return with Old Parent as common parent. The stock of Sub 2, Sub 3, and Sub 4 accounted for approximately x% (less than 5%) of the total fair market value of Old Parent.

     On Date B, Sub 1 formed New Parent and contributed the stock of Sub 2, Sub 3, and Sub 4 to New Parent. On Date C (a date after Date B), Old Parent elected under § 1361 to be treated as an S corporation, effective Date A (a date before Date B). On Date D (a date after Date C), Sub, Sub 1, and several other direct and indirect subsidiaries of Old Parent each elected under § 1361(b)(3) to be treated as a qualified Subchapter S subsidiary, effective Date A. New Parent, Sub 2, Sub 3, and Sub 4 did not make qualified Subchapter S subsidiary elections, and remained as subchapter C corporations.

Proposed Transaction

     New Parent and its includible corporations that satisfy the stock ownership requirements of § 1504(a)(2) propose to file a consolidated return, with New Parent as common parent, beginning Date B. The taxpayer has requested a ruling on whether such a filing is proper.

Ruling

     Based solely on the information submitted, we rule that New Parent will not be considered a successor to Old Parent within the meaning of § 1504(a)(3)(A), and New Parent and its subsidiaries that are includible corporations under § 1504(b) and that satisfy the stock ownership requirements of § 1504(a)(2), may elect to file a consolidated federal income tax return beginning Date B.

Caveats

     No opinion was requested and none is expressed regarding whether: (i) Sub 1's contribution of the stock of Sub 2, Sub 3, and Sub 4 to New Parent qualified as tax free; (ii) Old Parent's S corporation election was properly and timely made; (iii) each of Sub,

Sub 1, and the other direct and indirect subsidiaries of Old Parent for which Old Parent made a qualified subchapter S subsidiary election was a "qualified subchapter S subsidiary" within the meaning of § 1361(b)(3)(B) at the time of such election; and (iv) the deemed liquidations of Sub, Sub 1, and the other direct and indirect subsidiaries of Old Parent pursuant to Treas. Reg. § 1.1361-4(a)(2)(i) qualified as tax free. In addition, no opinion is expressed about the tax treatment of any of the above-described transactions under any other provisions of the Code or the federal income tax regulations, or the tax treatment of any conditions existing at the time of, or effect resulting from, these transactions that are not specifically covered by the above ruling.

Procedural Matters

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

A copy of this letter must be attached to the federal income tax return of each taxpayer involved for the taxable year in which the above-described transactions are consummated.

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

Sincerely,

Marc A. Countryman

Marc A. Countryman
Senior Technician Reviewer, Branch 4
Office of Associate Chief Counsel
(Corporate)

cc: