

**Internal Revenue Service**

Department of the Treasury  
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Person To Contact:  
, ID No.

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Refer Reply To:  
CC:INTL  
PLR-146051-05

Date:  
March 03, 2006

**LEGEND**

- Taxpayer =
- DE A =
- Corp B =
- Tax Year One =
- Tax Year Two =
- Tax Year Three =
- Tax Year Four =
- Country Y =
- Country Z =
- Senior Tax =
- Manager =
- CPA Firm =

Dear :

This replies to your representative's letter dated July 29, 2005, in which your representative requests on behalf of Taxpayer an extension of time under Treas. Reg. §301.9100-3 for Taxpayer to file the election and agreement described in §1.1503-2(g)(2)(i), and the annual certifications described in §§1.1503-2(g)(2)(vi)(B) and 1.1503-2T(g)(2)(vi)(B), as follows:

	Tax Year One	Tax Year Two	Tax Year Three	Tax Year Four
DE A	a	ab	ab	c
Corp B's foreign branch	a	ab	ab	c

- a = Election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i).
- b = Annual certification described in Treas. Reg. §1.1503-2(g)(2)(vi)(B)
- c = Annual certification described in Treas. Reg. §1.1503-2T(g)(2)(vi)(B)

Additional information was submitted on January 30, 2006. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

During Tax Years One through Four, Taxpayer was the U.S. parent corporation of an affiliated group of corporations, including Corp B, that filed a consolidated federal income tax return. Prior to Tax Year One, DE A, a country Y corporation owned entirely by a U.S. corporation in Taxpayer's consolidated group, elected to be treated as a disregarded entity for U.S. federal income tax purposes. Corp B during Tax Years One through Three had a foreign branch operation in Country Z that was taxed as a separate corporation in Country Z. DE A and Corp B's foreign branch each incurred losses in Tax Years One through Three.

The facts and affidavits submitted indicate that Taxpayer's director of taxes and its outside legal counsel during Tax Years One through Three, and the senior tax manager of CPA Firm in charge of preparing Taxpayer's U.S. consolidated federal income tax returns for Tax Years One through Three all believed that the IRC §1503(d) limitation on deduction of dual consolidated losses (DCLs) did not apply to the losses incurred by DE A and Corp B's foreign branch. Accordingly, Taxpayer did not file with its U.S. consolidated federal income tax returns for Tax Years One through Three the elections and agreements described in §1.1503-2(g)(2)(i) as set forth above. In addition, because of that belief, Taxpayer failed to file the annual certifications described in §§1.1503-2(g)(2)(vi)(B) and 1.1503-2T(g)(2)(vi)(B) as set forth above.

The Internal Revenue Service, during its examination of Taxpayer's U.S. consolidated federal income tax returns for Tax Years One through Three, informed Taxpayer that the losses incurred by DE A and Corp B's foreign branch in those tax years were DCLs so that the IRC §1503(d) limitation applied to them.

Taxpayer represents that the income tax laws of Country Y do not deny the use of losses, expenses, or deductions of DE A to offset income of another person because the dual resident corporation or separate unit is also subject to income taxation by another country on its worldwide income or on a residence basis.

Treas. Reg. §301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in §301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. §301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. §301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides evidence (including affidavits described in §301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith within the meaning of §301.9100-3(b), subject to the conditions set forth in §301.9100-3(b)(3), and the grant of relief will not prejudice the interests of the Government within the meaning of §301.9100-3(c).

In the present situation, the election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i) and the annual certifications described in §§1.1503-2(g)(2)(vi)(B) and 1.1503-2T(g)(2)(vi)(B) are regulatory elections as defined in §301.9100-1(b). Therefore, the Commissioner has discretionary authority under §301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the rules set forth in §301.9100-3(a).

Based on the facts and representations submitted, we conclude that Taxpayer satisfies the standards for relief as set forth in Treas. Reg. §301.9100-3. Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter for it to file the election and agreement described in §1.1503-2(g)(2)(i) and the annual certifications described in §§1.1503-2(g)(2)(vi)(B) and 1.1503-2T(g)(2)(vi)(B) as set forth above.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the elections and agreements, and the annual certifications. Treas. Reg. §301.9100-1(a). For example, a taxpayer that is subject to mirror legislation enacted by a foreign country may be ineligible to file election agreements pursuant to §1.1503-2(c)(15)(iv).

A copy of this ruling letter should be associated with the elections and agreements, and the annual certifications.

This ruling is directed only to Taxpayer, who requested it. I.R.C. §6110(k)(3) provides that it may not be used or cited as precedent.

No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to your first and second listed authorized representatives.

Sincerely,

Associate Chief Counsel (International)

By: /s/ Richard L. Chewning

Richard L. Chewning

Senior Counsel

Office of the Associate Chief Counsel (International)

Enclosures:

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