

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

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Refer Reply To:
CC:INTL
PLR-149369-05

Date:
March 23, 2006

LEGEND

Taxpayer =
Partnership =
Branch X =
Branch Y =
Branch Z =
Tax Year One =
Tax Year Two =
Tax Year =
Three =
Tax Year Four =
Country A =
Country B =
Country C =
Country D =
Individual A =
CPA Firm =

Dear :

This replies to your representative's letter dated September 20, 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 elections and agreements described in §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i), as follows:

	Tax Year One	Tax Year Two	Tax Year Three
Partnership	a (loss year)	na	na
Branch X	a (loss year)	b (loss year)	b (loss year)
Branch Y	a (loss year)	na	na
Branch Z	a (loss year)	b (loss year)	b (loss year)

LEGEND

a = Election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i).
b = Election and agreement described in Treas. Reg. §1.1503-2T(g)(2)(i)
na = Not applicable

Additional information was submitted on February 9, 2006, and March 20, 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.

Taxpayer was the U.S. common parent of an affiliated group of corporations that filed a U.S. consolidated federal income tax return for Tax Years One, Two, and Three.

During Tax Year One, Taxpayer was a partner in Partnership that was an entity treated as a partnership for both Country D and U.S. tax purposes. During Tax Years One, Two, and Three, Branch X in Country A, Branch Y in Country B, and Branch Z in Country C were each a foreign branch of Taxpayer under Treas. Reg. §1.1503-2(c)(3)(A). Partnership and Branches X, Y, and Z incurred losses in the tax years indicated in the above table. Taxpayer's interests in Partnership and Branches X, Y, and Z were separate units as defined under §1.1503-2(c)(3) and (4), and their losses were dual consolidated losses ("DCLs") as defined in §1.1503-2(c)(5).

During Tax Years One, Two, and Three, Taxpayer had a small accounting staff and none were tax professionals. Taxpayer engaged CPA Firm to prepare its U.S. consolidated federal income tax returns for those years, including the preparation of required elections and disclosures. Throughout this period, these tax returns were reviewed by tax partners of CPA Firm who are no longer members of that firm.

In Tax Year Four, Taxpayer brought to the attention of CPA Firm that DCL elections described in Treas. Reg. §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i) may have been

inadvertently omitted from its tax returns for the DCLs incurred by Partnership and Branches X, Y, and Z in Tax Years One through Three. Individual A, a tax partner with CPA Firm, reviewed the prior years' tax returns and discussed the filing requirements with one of CPA Firm's international tax managers. As a result, Individual A agreed that DCL elections should have been filed for the tax years as set forth in the above table.

Taxpayer represents that it filed this application for relief before the Internal Revenue Service discovered the failure to file the elections and agreements described in Treas. Reg. §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i) as set forth in the above table. Treas. Reg. §301.9100-3(b)(1)(i).

Taxpayer represents that Branch X is not subject to income tax in Country A as a corporation (or otherwise at the entity level) either on its worldwide income or on a residence basis and, thus, is not a hybrid entity separate unit as that term is defined in Treas. Reg. §1.1503-2(c)(4).

Taxpayer represents that Branch Y is not subject to income tax in Country B as a corporation (or otherwise at the entity level) either on its worldwide income or on a residence basis and, thus, is not a hybrid entity separate unit as that term is defined in Treas. Reg. §1.1503-2(c)(4).

Taxpayer represents that Branch Z is not subject to income tax in Country C as a corporation (or otherwise at the entity level) either on its worldwide income or on a residence basis and, thus, is not a hybrid entity separate unit as that term is defined in Treas. Reg. §1.1503-2(c)(4).

Taxpayer represents that the income tax laws of Country A do not deny the use of losses, expenses, or deductions of Branch X 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.

Taxpayer represents that the income tax laws of Country D do not deny the use of losses, expenses, or deductions of Partnership 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 elections and agreements described in Treas. Reg. §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i) 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 elections and agreements described in §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i) as set forth in the above table.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the elections and agreements. 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.

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 authorized representative.

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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