

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC: INTL – PLR-158058-04

Date: March 24, 2006

In Re:

Taxpayer 1 =

EIN:

Taxpayer 2 =

EIN:

Entity =

CPA Firm =

Country A =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Date A =

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Amount aa =

Amount bb =

Dear :

This is in reply to a letter dated October 22, 2004, requesting an extension of time under Treas. Reg. § 301.9100-3 for Taxpayer 1 to file an election under Treas. Reg. § 1.1503-2(g)(2)(i) for Year 1 with respect to dual consolidated losses attributable to the interest in Entity. In addition, the letter requests an extension of time under Treas. Reg. § 301.9100-3 for Taxpayer 2 to file a new election under Treas. Reg. § 1.1503-2(g)(2)(iv)(B)(3)(iii) for the dual consolidated losses attributable to the interest in Entity for Year 1 and Taxpayer 1's short taxable year ending on Date A. 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 the 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 1 is a domestic corporation that wholly owns Entity, a Country A unlimited liability corporation that is treated as a disregarded entity for federal income tax purposes. The interest in Entity is a hybrid entity separate unit as defined in §1.1503-2(c)(4). Dual consolidated losses of Amount aa for Year 1 are attributable to the interest in Entity. Taxpayer 1 did not file an election under §1.1503-2(g)(2)(i) for the losses with its federal income tax return for Year 1.

On Date A, Taxpayer 1 was acquired by Taxpayer 2, a domestic corporation and parent of a consolidated group. For Taxpayer 1's short taxable year ending on Date A, dual consolidated losses of Amount bb are attributable to the interest in Entity. Taxpayer 1 filed an election under §1.1503-2(g)(2)(i) for these losses, and filed an annual certification under §1.1503-2(g)(2)(vi)(B) for the Year 1 loss, with its return for the short taxable year ending on Date A.

The taxpayers represent that the acquisition of Taxpayer 1 by Taxpayer 2 is an event described in §1.1503-2(g)(iv)(B)(2). However, Taxpayer 2 did not file a new election under §1.1503-2(g)(2)(iv)(B)(3)(iii) with its return for the taxable year (Year 2) during which the acquisition of Taxpayer 1 by Taxpayer 2 on Date A occurred.

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Taxpayer 1 engaged CPA Firm to prepare its tax return for Year 1 and for the short taxable year ending on Date A. Taxpayer 2 also engaged CPA Firm to prepare its tax return for its taxable year (Year 2) that included Date A. CPA did not advise Taxpayer 1 of the requirement to file an election under §1.1503-2(g)(2)(i) with respect to the Year 1 losses. CPA Firm did determine that filings under §1.1503-2(g)-2 should be made with respect to Taxpayer 1's losses for the short taxable year that included Date A. However, CPA Firm did not advise Taxpayer 2 about the requirement to file an election under §1.1503-2(g)(2)(iv)(B)(3)(iii) with its Year 2 return for the Year 1 loss and the loss incurred in the short taxable year ending on Date A. In Year 4, after a more conclusive review, CPA Firm determined that 9100 relief was necessary to extend the time for Taxpayer 1 to make the election under §1.1503-2(g)(2)(i) and for Taxpayer 2 to make the new election under §1.1503-2(g)(2)(iv)(B)(3)(iii).

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. § 301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in Treas. Reg. § 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. § 301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

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

Based on the facts and information submitted, we conclude that Taxpayer 1 and Taxpayer 2 satisfy Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer 1 and Taxpayer 2 are granted an extension of time of 60 days from the date of this ruling letter to file the elections described in this letter.

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A copy of this ruling letter should be associated with the elections.

This ruling is directed only to the taxpayers 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 with this office a copy of this letter is being sent to Taxpayer 1's and Taxpayer 2's authorized representative.

Sincerely,

---

Robert W. Lorence, Jr.  
Senior Counsel  
Office of Associate Chief Counsel (International)

Enclosure:  
Copy for 6110 purposes

cc