

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

[Third Party Communication:

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Person To Contact:

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Refer Reply To:

CC:INTL

PLR-162575-05

Date:

May 17, 2006

LEGEND

Taxpayer =

Corp A =

Corp B =

Corp C =

Corp D =

Corp E =

Tax Year One =

Tax Year Two =

Tax Year
Three =

Tax Year Four =

Tax Year Five =

Tax Year Six =

Country X =

Country Y =

Country Z =

S interest =

T interest =

Dear :

This replies to your representative's letter dated December 12, 2005, in which your representative requests on behalf of Taxpayer an extension of time under Treas. Reg. §301.9100-3 to file the elections and agreements described in §§1.1503-2(g)(2)(i) and 1.1503-2T(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 in the table below. Additional information was submitted in your representative's letter dated April 25, 2006. The information submitted for consideration is substantially as set forth below.

	Tax Year One	Tax Year Two	Tax Year Three	Tax Year Four	Tax Year Five	Tax Year Six
Corp A	na	a	a/c	a/c	b/d	d
Corp B (S interest)	c	c	na	na	na	na
Corp C (T interest)	c	c	na	na	na	na
Corp D (S interest)	c	na	na	na	na	na
Corp E (T interest)	c	na	na	na	na	na

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)
- c = Annual certification described in Treas. Reg. §1.1503-2(g)(2)(vi)(B)
- d = Annual certification described in Treas. Reg. §1.1503-2T(g)(2)(vi)(B)

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 common parent of a group of affiliated corporations that filed a consolidated U.S. federal income tax return for all the tax years covered by this ruling letter.

During Tax Years One through Six, Taxpayer was the sole owner of Corp A, an unlimited liability company formed under the laws of Country X. Corp A was taxed as a separate entity for Country X purposes. For U.S. federal income tax purposes, Corp A was a disregarded entity. As such, Corp A was a hybrid entity separate unit as defined in Treas. Reg. §1.1503-2(c)(4). For Tax Years Two through Five, Corp A incurred dual consolidated losses (DCLs), as defined in §1.1503-2(c)(5), that were included in Taxpayer's consolidated U.S. income tax return for those years. However, Taxpayer did not file the required elections and agreements described in §§1.1503-2(g)(2)(i) and 1.1503-2T(g)(2)(i) with its U.S. federal income tax returns for the years indicated in the table above. Also, Taxpayer did not file the annual certifications described in §§1.1503-2(g)(2)(vi)(B) and 1.1503-2T(g)(2)(vi)(B) with its U.S. federal income tax returns for the years indicated in the table above.

During Tax Years One and Two, Taxpayer owned S interest in Corp B, a private limited company formed under the laws of Country Y. Corp C, a wholly-owned domestic subsidiary of Taxpayer, owned the remaining T interest in Corp B. Corp B was considered a corporation for Country Y tax and legal purposes. During Tax Years One and Two, Corp B was characterized as a partnership for U.S. income tax purposes. As such, Corp B was a hybrid entity separate unit. For the four years preceding Tax Year One, Corp B incurred DCLs. Taxpayer failed to file with its U.S. federal income tax returns for its Tax Years One and Two annual certifications as described in §1.1503-2(g)(2)(vi)(B) with respect to those DCLs, as set forth in the table above.

During Tax Year One, Taxpayer owned S interest in Corp D, a proprietary limited liability company formed under the laws of Country Z. Corp E, a wholly-owned domestic subsidiary of Taxpayer, owned the remaining T interest in Corp D. Corp D was a corporation for Country Z tax and legal purposes. For U.S. income tax purposes, Corp D was treated as a partnership. As such, Corp D was a hybrid entity separate unit. Corp D incurred DCLs in the two years preceding Tax Year One. Taxpayer failed to file with its U.S. federal income tax returns for Tax Year One an annual certification as described in §1.1503-2(g)(2)(vi)(B) with respect to those DCLs, as set forth in the table above.

The facts and the affidavits submitted indicate that Taxpayer relied on its in-house tax professionals to file the required elections and agreements and the annual certifications that are set forth in the table above. For the reasons discussed in the facts and affidavits, the tax professionals did not file these statements.

Taxpayer represents that it filed this application for relief before the Internal Revenue Service discovered the failure to file the elections and agreements and the annual certifications. Treas. Reg. §301.9100-3(b)(1)(i).

Taxpayer represents that the income tax laws of foreign Country Y do not deny the use of losses, expenses, or deductions of Corp B to offset income of another person because Corp B 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 foreign Country Z do not deny the use of losses, expenses, or deductions of Corp D to offset income of another person because Corp D 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, 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 the 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, and the grant of relief will not prejudice the interests of the Government.

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), 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 rules set forth in Treas. Reg. §301.9100-3(a). Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter to file the elections and agreements described in §§1.1503-2(g)(2)(i) and 1.1503-2T(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 in the table 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).

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 Associate Chief Counsel (International)

Enclosures:
Copy for 6110 purposes

cc: