

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:B03
PLR-121517-06

Date:
May 22, 2006

TY:

Legend

Corp A =

Corp B =

DRC =

Country M =

Individual =

X

Individual =

Y

Individual =

Z

Date C =

Firm N =

Firm O =

Tax Year 1 =

Tax Year 2 =

Tax Year 3 =

Tax Year 4 =

Tax Year 5 =

Dear :

This is in response to a letter dated March 14, 2006, in which Corp A requests an extension of time under Treas. Reg. §301.9100-3 to file the election statements described in Treas. Reg. §1.1503-2(g)(2)(i), in accordance with Exhibit A, which is

attached to and made part of this ruling letter. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Prior to Date C, Corp A was the parent of an affiliated group of corporations that filed a consolidated federal income tax return (the "Corp A Group"). During the tax years that included Tax Years 1 through 4 and Tax Year 5, DRC was a branch of Corp A operating in Country M. Corp A included net operating losses of DRC in its federal income tax returns for Tax Years 1 through 4 and for Tax Year 5. These losses were dual consolidated losses as described in Treas. Reg. §1.1503-2(c)(5) ("DCLs"). On Date C, in a series of transactions, Corp A spun off Corp B, a wholly owned subsidiary that owned DRC, to its shareholders. This transaction was the subject of _____ with the Internal Revenue Service that was executed on _____ in _____ which this spin off was treated as a transaction in which no gain was recognized.

As a part of a general review of the tax attributes of the Date C transactions, Firm O determined that Corp A did not file the elections and agreements described in Treas. Reg. §1.1503-2(g)(2)(i) for DRC's losses in Tax Year 1 through 4 and for Tax Year 5. Affidavits from Individual X and Individual Y, both of whom were employees of Corp A and were responsible for Corp A's taxes, indicate that Corp A did not maintain a separate tax department for DRC. As a result, the Corp A tax department was responsible for DRC's United States tax compliance. DRC was always treated as a part of the Corp A Group's United States business operations during the tax years in question. Individual X's and Individual Y's affidavits state that it was Corp A's practice to conduct foreign operations through controlled foreign corporations rather than branches and, as a result, Corp A did not have prior occasion to consider the application of section 1503(d) of the Code. Corp A's tax department did not realize that it needed to file the elections and agreements described in Treas. Reg. §1.1503-2(g)(2)(i) for Tax Year 1 through 4 and for Tax Year 5. For Tax Years 2 through 4 and for Tax Year 5, Corp A generally followed what it had done on prior year's returns. The affidavit of Individual Z, a partner in Firm N, indicates that during the periods in question, Firm N had provided Corp A tax advice on numerous tax matters that focused on specific areas of Corp A's organization and structure that did not include DRC's operations.

Once Corp A was informed by Firm O of its failure to file the elections and agreements described in Treas. Reg. §1.1503-2(g)(2)(i) for DRC's DCLs in Tax Year 1 through 4 and for Tax Year 5, Corp A initiated this request for relief for an extension of time under Treas. Reg. §301.9100-3 to file the required elections and agreements in accordance with Exhibit A.

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 election statements described in Treas. Reg. §1.1503-2(g)(2)(i) are regulatory elections as defined in Treas. Reg. §301.9100-1(b). Therefore, the Commissioner has the discretionary authority under Treas. Reg. §301.9100-1(c) to grant an extension of time, provided that the taxpayer satisfies the rules set forth in Treas. Reg. §301.9100-3(a).

Based upon the facts and circumstances submitted, we conclude that Corp A satisfies Treas. Reg. §301.9100-3(a). Accordingly, Corp A is granted an extension of time of 60 days from the date of this ruling letter to file the elections and agreements in accordance with Exhibit A

The granting of an extension of time is not a determination that Corp A is otherwise eligible to file the elections and agreements. See 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 Treas. Reg. §1.1503-2(c)(15)(iv).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Thomas D. Beem
Senior Technical Reviewer, Branch 4
Office of the Associate Chief Counsel
(International)

EXHIBIT A

Extension of time to file the Election and Agreement described in Treas. Reg. §1.1503-2(g)(2)(i) has been requested as indicated:

Name of Entity	Tax Year for which an Election and Agreement is Requested
DRC	Tax Year 1
DRC	Tax Year 2
DRC	Tax Year 3
DRC	Tax Year 4
DRC	Tax Year 5