Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B03
PLR-115807-15

Date:
November 2, 2015

Legend

Parent =

New Parent =

Corp X =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 5 LLC =

Date A =

Date B =

Date C =

Date D =

Date E =

State A =

State B =

State C =

Y =

Dear :

This letter is in response to your authorized representative's letter dated May 4, 2015, requesting rulings concerning the federal income tax consequences of the proposed transactions described below, under § 1.1502-13(c)(6)(ii) and 1.1502-13(j)(2) of the Income Tax Regulations. The material information submitted in your letter and subsequent correspondence dated July 1, 2015, and October 20, 2015, is summarized below.

Parent was the common parent of a consolidated group ("Parent Group"). Parent owned all the stock of Sub 1. Sub 1 owned all the stock of Sub 2 and Sub 3. Sub 2 owned all the stock of Sub 4. On Date A, which was prior to the Parent Group's first taxable year beginning on or after July 12, 1995, Sub 2 distributed all the stock of Sub 4 to Sub 1 in a distribution to which §§ 301 and 311 applied ("Sub 4 Distribution"). Sub 2 recognized gain under § 311(b), all of which was deferred under the regulations effective at that time ("DIG 1"). On the same date, Sub 1 contributed all the stock of Sub 2 and Sub 4 to Sub 3 in a transaction qualifying under § 351 ("Contribution 1"). Immediately following Contribution 1, and also on Date A, Sub 1 distributed all the stock of Sub 3 to Parent in a distribution to which §§ 301 and 311 applied ("Sub 3 Distribution"). Sub 3 recognized gain under § 311(b), all of which was deferred under the regulations effective at that time ("DIG 2").

On Date B, Sub 2 merged with and into Sub 4 in a transaction qualifying as a reorganization under § 368(a) ("Merger"). On Date C, Parent contributed all the stock of Sub 1 to Sub 5, a wholly owned subsidiary of Parent, in a transaction qualifying under § 351. On Date D, Sub 5 converted under State A law to Sub 5 LLC, as a result of which Sub 5 LLC was disregarded as an entity separate from Parent for federal tax purposes. Also on Date D, New Parent acquired all the stock of Parent in a transaction that resulted in the termination of the Parent Group and with all the members of Parent Group becoming members of a consolidated group of which New Parent was the common parent ("New Parent Group"). On Date E, New Parent Group underwent a restructuring that included a reorganization in which newly formed Corp X succeeded New Parent as common parent of the New Parent Group (now called "Corp X Group").

Corp X Group proposes the following transactions. Sub 1 will convert under State B law to an LLC disregarded as an entity separate from Parent for federal tax purposes ("Sub 1 Conversion"). Sub 3 will convert under State C law into an LLC disregarded as an entity separate from Parent for federal tax purposes ("Sub 3 Conversion"). Sub 4 will convert under State A law into an LLC disregarded as an entity separate from Parent for federal tax purposes ("Sub 4 Conversion"). Sub 1 Conversion, Sub 3 Conversion, and Sub 4 conversion will take place in that order over a Y day period.

We have received the following representations from appropriate parties:

a. Other than the transactions described in this letter, no corporate restructuring or similar transaction under § 368, 351, 355 or similar provision took place within the Parent Group, or took place or will take place on or before the date of the Sub 4 Conversion within the Corp X Group (including the time period during which New Parent was the parent of the consolidated group) in which the basis of the stock of any corporation (or a successor thereto) whose stock was the subject of DIG 1 or DIG 2 would have been impacted.

b. Other than the Sub 1 Conversion, the Sub 3 Conversion, and the Sub 4 Conversion, there will be no other transaction involving the stock of any of Sub 1, Sub 3, or Sub 4.

c. Beginning with the Sub 1 Conversion and continuing through the time of the Sub 4 Conversion, no business activities outside the ordinary course will be conducted by Sub 1, Sub 3, or Sub 4, except for the deemed extinguishment of intercompany notes between Sub 4 (including entities disregarded as separate from Sub 4) and Parent (including entities disregarded as separate from Parent) in connection with the Sub 4 Conversion.

Based on the facts and information submitted and the representations made, and provided that a valid election has been made under § 1.1502-13(l)(3) of the regulations

for the taxpayers to elect to apply the intercompany transaction regulations under § 1.1502-13 to stock elimination transactions (described in § 1.1502-13(l)(3)(ii)) to which prior law would otherwise apply, we rule as follows:

1. As a result of the deemed liquidation arising from the Sub 1 Conversion, Parent will become a successor person, within the meaning of § 1.1502-13(j)(2), to Sub 1 and will succeed to DIG 2.

2. Upon the deemed liquidation of Sub 3 resulting from the Sub 3 Conversion, DIG 2 will be redetermined to be excluded from gross income under § 1.1502-13(c)(6)(ii)(C).

3. As a result of the Merger, Sub 4 became a successor person, within the meaning of § 1.1502-13(j)(2), to Sub 2 and succeeded to DIG 1.

4. Upon the deemed liquidation of Sub 4 resulting from the Sub 4 Conversion, DIG 1 will be redetermined to be excluded from gross income under § 1.1502-13(c)(6)(ii)(D).

No opinion is expressed or implied about the federal income tax consequences of any other aspect of any transaction or item discussed or referenced in this letter, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Transaction that are not specifically covered by the above rulings.

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

A copy of this letter ruling 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.

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

Sincerely,

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Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel (Corporate)