

**Internal Revenue Service**

Department of the Treasury

Number: **200223024**  
Release Date: 6/7/2002  
Index Numbers: 338.01-02

Washington, DC 20224

Person to Contact:

Telephone Number:  
**(202) 622-7770**  
Refer Reply To:  
**CC:CORP:2 - PLR-110210-02**  
Date:  
February 25, 2002

LEGEND

Parent =

Purchaser 1 =

Purchaser 2 =

Partnership =

Target =

Sellers =

Date A =

Date B =

Company Official =

Tax Professional =

Dear :

This letter responds to a letter dated November 5, 2001, submitted on behalf of Parent, requesting an extension of time under §§ 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. Parent is requesting an extension to file a "§ 338 election" under § 338(g) with respect to the acquisition of the stock of Target (sometimes hereinafter referred to as the "Election"), on Date A. (All citations in this letter to regulations under § 338 are to regulations in effect on Date A.) Additional information was received in a letter dated December 17, 2001. The material information is summarized below.

Parent is the common parent of a consolidated group. Purchaser 1 is a wholly owned subsidiary of Parent. Purchaser 2 is an LLC wholly owned by Purchaser 1 and disregarded as an entity separate from Purchaser 1 for Federal income tax purposes. Target is a foreign corporation wholly owned by Partnership, a domestic partnership. Sellers were the only partners of Partnership.

On Date A, pursuant to a purchase agreement of the same date, Purchaser 1 and Purchaser 2 acquired all of Sellers' partnership interests in Partnership in exchange for cash. It is represented that the acquisition of Target by means of the acquisition of all of the partnership interests in Partnership qualified as a "qualified stock purchase," as defined in § 338(d)(3).

Prior to the acquisition, Target did not file a United States income tax return, was not subject to United States income taxation, nor was required, under § 1.6012-2(g), to file a United States income tax return. Target is a controlled foreign corporation within the meaning of § 957(a). Target is not a (1) passive foreign investment company for which an election under § 1295 was in effect; or (2) foreign investment company or foreign corporation, the stock ownership of which is described in § 552(a).

Parent intended to file the Election. The Election was due on Date B, but for various reasons a valid Election was not filed. After the due date for the Election, it was discovered that the Election had not been filed. Subsequently, this request was submitted, under § 301.9100-1, for an extension of time to file the Election. The period of limitations on assessment under § 6501(a) has not expired for Parent's consolidated group's or Target's taxable year in which the acquisition occurred, the taxable year in which the Election should have been filed, or any taxable year that would have been affected by the Election had it been timely filed.

Section 338(a) permits certain stock purchases to be treated as asset acquisitions if: (1) the purchasing corporation makes or is treated as having made a "§ 338 election" or a "§ 338(h)(10) election"; and (2) the acquisition is a "qualified stock purchase."

Under § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case, the time for filing the Election is fixed by the regulations (*i.e.*, § 1.338-2T(d)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Parent to file the Election, provided Parent acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Parent, Company Official and Tax Professional explain the circumstances that resulted in the failure to timely file a valid Election. The information establishes that Parent reasonably relied on a qualified tax professional who failed to make, or advise Parent to make, the Election, and that the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(v).

Based on the facts and information submitted, including the representations made, we conclude that Parent has shown it acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under § 301.9100-1, until 45 days from the date on this letter, for Parent to file the Election with respect to the acquisition of the stock of Target, as described above.

The above extension of time is conditioned on (1) the filing, within 120 days of the date on this letter, of all returns and amended returns (if any) necessary to report the transaction in accordance with the Election, and (2) the taxpayers' (Parent's consolidated group's and Target's) tax liability (if any) being not lower, in the aggregate, for all years to which the Election applies, than it would have been if the Election had been timely made (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liability for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' tax liability is lower. Section 301.9100-3(c).

Parent must file the Election in accordance with § 1.338-2T(d). That is, a new election on Form 8023 must be executed on or after the date on this letter, which grants an extension, and filed in accordance with the instructions to the form. A copy of this letter must be attached to the election form. Parent must file or amend, as applicable, its return to report the transaction as a § 338 transaction for the taxable year in which the transaction was consummated (and for any other affected taxable year), and to

attach to the return a copy of this letter and a copy of the Election.

We express no opinion as to: (1) whether the acquisition of the Target's stock qualifies as a "qualified stock purchase" under § 338(d)(3); or (2) any other tax consequences arising from the Election.

In addition, we express no opinion as to the tax consequences of filing the Election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the Election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-1, we relied on certain statements and representations made by the taxpayers. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under § 301.9100-1 to file the Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

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

Pursuant to the power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely yours,

*Ken Cohen*

---

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

cc: