**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-131319-06
Date:
September 27, 2006

Parent =

Holding =

Corporation B =

Subsidiary =

LLC =

State X =

State Y =

Date 1 =

Date 2 =

Date 3 =

Dear :

We respond to your June 16, 2006, request for rulings on the Federal income tax consequences of a proposed transaction under §332 of the Internal Revenue Code. You provided additional information on September 5, 2006. The facts submitted for consideration are substantially as set forth below.

Currently, Parent, a State X corporation, wholly owns all of the outstanding stock of Holding, a State X corporation, which in turn owns all of the outstanding membership interests in LLC, a State X limited liability company treated as disregarded as an entity separate from its owner for Federal tax purposes. Parent and Holding do not join in the filing of a consolidated Federal income tax return. The taxpayers in this case propose that, under State X law, Holding will merge with and into LLC, with LLC succeeding to all of Holding's assets and liabilities. A ruling has been requested that this merger be treated, for Federal income tax purposes, as a complete liquidation of Holding under §332.

Holding, a State X corporation, was organized on Date 1 for the purpose of acquiring all of the outstanding stock of Corporation B, a State Y corporation, and its wholly owned subsidiary, Subsidiary. As part of that acquisition transaction, Corporation B was merged with and into Subsidiary, with Subsidiary surviving. On Date 2, Subsidiary was converted into LLC under State X law and has been treated as disregarded as an entity separate from its owner since that time. Parent was formed on Date 3 for the purpose of acquiring all of the outstanding stock of Holding. Parent has no independent operations from that of owning the stock of Holding.

The taxpayers have made the following representations concerning the proposed transaction:

(a) Parent, on the date of adoption of the plan for merging Holding into LLC (the Merger Plan) and at all times thereafter until the Merger Plan is completed, will be the owner of at least 80 percent of the single outstanding class of Holding stock.

(b) No shares of Holding stock will have been redeemed during the 3 years preceding the adoption of the Merger Plan.

(c) LLC will not elect or claim to be treated as a corporation for Federal income tax purposes.

(d) The Merger Plan will be implemented, and all transfers from Holding to LLC pursuant to the Merger Plan will take place within a single taxable year of Holding.

(e) When the merger occurs, the assets and liabilities of Holding will pass by operation of State X law to LLC, and Holding will cease to exist under

State X law.

(f) Holding will not retain any assets following the merger.

(g) Neither Holding nor LLC will have acquired any assets in any nontaxable transaction, except for acquisitions of assets in connection with transactions qualifying under §351 of the Internal Revenue Code and acquisitions occurring more than 3 years before the date of adoption of the Merger Plan.

(h) No assets of Holding or LLC have been, or will be, disposed of by Holding, LLC, or Parent, except for dispositions in the ordinary course of business and dispositions occurring more than 3 years before adoption of the Merger Plan.

(i) The merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation of any of the businesses or assets of Holding or LLC, if persons holding, directly or indirectly (as determined under §318(a), as modified by §304(c)(3)), more than 20 percent in value of the Holding stock also hold, directly or indirectly, more than 20 percent in value of the stock of the recipient corporation.

(j) Prior to the adoption of the Merger Plan, no assets of Holding or LLC will have been distributed in kind, transferred, or sold to Parent except for (i) transactions that occurred in the normal course of business and (ii) transactions occurring more than 3 years before the adoption of the Merger Plan.

(k) Holding will report all earned income represented by assets that will be deemed distributed to Parent, such as receivables being reported on a cash basis, unfinished contracts, commissions due, etc.

(l) The fair market value of the assets of Holding and LLC will exceed their liabilities, both at the date of adoption of the Merger Plan and immediately prior to the time the merger occurs.

(m) At the time of the merger, there will be no intercorporate debt existing between Parent and either Holding or LLC, and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than 3 years prior to the date of adoption of the Merger Plan.

(n) Neither Parent nor Holding is an organization that is exempt from Federal income tax under §501 or any other provision of the Code.

Based solely on the information submitted and the representations made, we rule as follows:

(1) For Federal income tax purposes, the transfer of all of the assets and liabilities of Holding to LLC and the conversion of the shares of Holding into membership interests in LLC, pursuant to the merger, will be treated as a distribution by Holding of all its assets, including the assets of LLC, to Parent in complete liquidation of Holding under §332 (see §1.332-2(d) of the Income Tax Regulations).

(2) No gain or loss will be recognized by Parent on the deemed receipt of the assets and liabilities of Holding, including the assets and liabilities of LLC, as a result of the merger (§332(a)).

(3) No gain or loss will be recognized by Holding on the deemed distribution of its assets and liabilities, including the assets and liabilities of LLC, to Parent (§§337(a) and 336(d)(3)).

(4) The basis of each asset of Holding, including the assets of LLC, deemed received by Parent will equal the basis of that asset in the hands of Holding or LLC immediately before the transaction (§334(b)(1)).

(5) The holding period of each asset of Holding, including the assets of LLC, deemed received by Parent will include the period during which Holding or LLC held such asset (§1223(2)).

(6) Parent will succeed to and take into account the items of Holding described in §381(c), subject to the conditions and limitations specified in §§381, 382, 383, and 384 and the regulations thereunder (§§381(a) and 1.381(a)-1).

(7) Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Holding as of the date of the merger (§§381(c)(2)(A), 1.381(c)(2)-1). Any deficit in the earnings and profits of Parent or Holding will be used only to offset earnings and profits accumulated after the date of the merger (§381(c)(2)(B)).

We express no opinion about the tax treatment of the transaction under other provisions of the Code and regulations or about the 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.

The rulings contained in this letter are based upon the facts and representations submitted by the taxpayers and accompanied by a penalty of perjury statement

executed by an appropriate party. This Office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. See sections 11.04 and 11.05 of Rev. Proc. 2006-1 I.R.B. 1, 49, which discuss in greater detail the revocation or modification of ruling letters. However, when the criteria in section 11.06 of Rev. Proc. 2006-1, 2006-1 I.R.B. at 50, are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

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

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 returns 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 is being sent to your authorized representatives.

Sincerely,

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

cc: