

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201213012**
Release Date: 3/30/2012

Index Number: 1501.00-00, 1502.00-00,
1502.50-00, 1504.00-00,
1504.02-00

Third Party Communication: None
Date of Communication: Not Applicable
Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B05
PLR-134813-11
Date:
January 04, 2012

Legend:

Taxpayer =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Old US Parent =

Old Foreign Parent =

Country A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =
Date 5 =
Date 6 =
Date 7 =
Year 1 =
Year 2 =
Year 3 =
Year 4 =
Year 5 =
Month 1 =

Dear :

We respond to your letter dated August 19, 2011, submitted by your authorized representative, requesting a ruling that, pursuant to section 1504(a)(3)(B) of the Internal Revenue Code and section 7 of Revenue Procedure 2002-32, 2002-1 C.B. 959, the Secretary waive the general rule of section 1504(a)(3)(A), which generally provides that five years must elapse before a corporation that ceases to be a member of an affiliated group filing a consolidated return may join in the filing of a consolidated return with the same affiliated group or by another affiliated group with the same common parent or a successor of such common parent. The information in that letter and a subsequent letter dated December 20, 2011, is summarized below.

Background

Taxpayer was formed on Date 1, and was a wholly owned subsidiary of Old US Parent. Old US Parent was the common parent of an affiliated group of corporations filing a consolidated Federal income tax return; Taxpayer was a member of this consolidated group (the Old Group). Taxpayer formed its wholly owned subsidiary Sub 1 on Date 2.

In Year 1, Taxpayer acquired 100 percent of the stock of Sub 2, which owned Sub 3. Sub 2 and Sub 3 filed a life/life consolidated return for Year 1. In Month 1 of Year 1, Taxpayer formed a life insurance subsidiary, Sub 4. Shortly thereafter, Taxpayer

contributed the stock of Sub 2 to Sub 4. This contribution qualified as a reverse acquisition under Treas. Reg. § 1.1502-75(d)(3). Therefore, beginning in Year 2, Sub 4 became the common parent of the group of life insurance companies that included Sub 2 and Sub 3.

On Date 3, Sub 4 distributed the stock of Sub 2 to Taxpayer. Following the distribution, Sub 2 and Sub 3 filed a consolidated return as a separate life/life group for the period Date 4 to Date 5, and Sub 4 liquidated into Taxpayer under section 332. Sub 2 and Sub 3 joined the Old Group for Year 3.

On Date 6, Old US Parent sold Taxpayer to Old Foreign Parent, which was incorporated in Country A. As a result of the sale, Taxpayer became the common parent of an affiliated group that included Sub 1. Under section 1504(b)(2), Sub 2 and Sub 3 were not includible corporations in this affiliated group. Taxpayer is a successor to Sub 4; therefore, under section 1504(a)(3)(A), Taxpayer may not be included in any consolidated return filed by an affiliated group with a common parent who is a successor to Sub 4 for five years after Sub 4's deconsolidation, unless the requirement is waived by the Secretary.

Taxpayer did not avail itself of the automatic waiver provisions of Rev. Proc. 2002-32 for the first year (Year 4) that included the date on which section 1504(a)(3)(A) first applied to prevent its filing of a consolidated return. This request relates to the Year 5 tax year.

Representation

For purposes of this representation, Taxpayer compared the tax effects resulting from the deconsolidation and reconsolidation of Taxpayer to the tax effects that would have resulted if Sub 4 had not liquidated after distributing the stock of Sub 2. If Sub 4 had not liquidated after the distribution, Sub 4 would have been a nonlife company, as it would have held, if anything other than minimum capital, only investment assets.

The disaffiliation and subsequent consolidation have not provided and will not provide a benefit of a reduction in income, increase in loss, or any other deduction, credit, or allowance (a federal tax savings) that would not otherwise be secured or have been secured had the disaffiliation and subsequent consolidation not occurred, including, but not limited to, the use of a net operating loss or credit that would have otherwise expired, or the use of a loss recognized on a disposition of stock of Taxpayer or a predecessor of such corporation. In determining whether the disaffiliation and subsequent consolidation provided or will provide a federal tax savings, the net consequences to all parties, taking into account the time value of money, are considered.

Ruling

A waiver pursuant to section 1504(a)(3)(B) is hereby granted to permit Taxpayer to become the common parent of an affiliated group filing a consolidated Federal income tax return starting with the tax year beginning Date 7.

Caveats and Procedural Statements

The rulings contained in this letter are 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.

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,

Isaac W. Zimbalist
Isaac W. Zimbalist
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel
(Corporate)