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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:2
PLR-149149-12

Date:
May 08, 2013

Legend

Substitute Agent =

Parent =

Electing Subsidiary =

Sub 1 =

Date 1 =

Date 2 =

Company Official =

Tax Professionals =

Dear _____ :

This letter responds to a letter dated November 14, 2012, submitted on behalf of Substitute Agent, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election. Additional information was submitted in a letter dated March 6, 2013. The extension is being requested in order to allow Parent, by Substitute Agent, to file an election to restore the value of Electing Subsidiary to Sub 1 under § 1.382-8(h) of the Income Tax Regulations (“Election”). The material information submitted in the request and in subsequent correspondence is summarized below.

During the taxable year ended Date 2, Parent was the common parent of a consolidated group that included Sub 1 and Electing Subsidiary (“Parent Group”). Electing Subsidiary was a wholly owned subsidiary of Sub 1.

Sub 1 was a loss corporation and on Date 1, Sub 1 underwent an ownership change within the meaning of § 382(g). As a result, Sub 1’s value was reduced under § 1.382-8(c)(1) by the value of the stock it owned in Electing Subsidiary. Electing Subsidiary was not a loss corporation. Following the Acquisition, Sub 1 must file a separate federal income tax return and Sub 1’s § 382 limitation must be calculated separately.

Section 382(a) of the Internal Revenue Code (“Code”) provides that the amount of the taxable income of any new loss corporation for any post-change year which may be offset by pre-change losses shall not exceed the § 382 limitation for such year. Under § 382(b)(1), the § 382 limitation is determined by multiplying the value of the old loss corporation by the applicable long term tax-exempt rate.

A special rule designed to prevent “double counting” by controlled groups is set forth in § 1.382-8. Section 1.382-8(c)(1) requires the value of the stock of each component member of the controlled group be reduced by the value of the stock owned by that component member in any other component member. For purposes of applying § 1.382-8, a consolidated group, loss group, or loss subgroup, is treated as a single corporation under § 1.382-8(f). Component members of a controlled group can elect under § 1.382-8(c)(2) to restore some or all of the value to the member whose value is reduced under § 1.382-8(c)(1). The election to restore value is made following the procedures set forth in § 1.382-8(h).

The Election was required to be filed with Parent’s consolidated Federal income tax return for the taxable year that includes Date 1. However, for various reasons, the Election was not filed. Substitute Agent has represented that it is not seeking to alter a return position for which an accuracy-related penalty has been or could have been imposed under § 6662 of the Code at the time of the request for relief and the new position requires or permits a regulatory election for which relief is requested.

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 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 to the satisfaction of the Commissioner 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.*, § 1.382-8(h)). Therefore the Commissioner has discretionary authority under § 301.9100-3 to grant an extension of time for Parent, by Substitute Agent, to file the Election, provided Substitute Agent shows 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.

Information, affidavits, and representations submitted by Substitute Agent, Company Official, and Tax Professionals explain the circumstances that resulted in the failure to timely file the Election. The information establishes that Substitute Agent requested relief before the failure to make the regulatory election was discovered by the Service and that Substitute Agent reasonably relied on a qualified tax professional who failed to make, or advise it to make, the Election. See §§ 301.9100-3(b)(1)(i) and (v).

Based on the facts and information submitted, including the affidavits submitted and the representations that have been made, we conclude that Substitute Agent 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 § 301.9100-3, until 45 days from the date on this letter, for Parent, by Substitute Agent, to file the Election.

The above extension of time is conditioned on the taxpayers' (Parent's and the members of its consolidated group) 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 Director's office upon audit of the Federal income tax returns involved. In addition, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' liability is lower. Section 301.9100-3(c).

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. In particular, we express no opinion with respect to whether an ownership change occurred; whether Sub 1 and Electing Subsidiary are component members of a controlled group; or the amount of value, if any, that may be restored. Further, we express no opinion as to the tax effects or consequences of filing the return or the Election late under the provisions of any other section of the Code or regulations, or as to the tax treatment of any conditions existing at the time of, or effects resulting from, filing the return or the Election late that are not specifically set forth in the above ruling.

For purposes of granting relief under § 301.9100-3, we relied on certain statements and representations made by Substitute Agent, Company Official, and Tax Professionals under penalties of perjury. However, the Director should verify all essential facts. Moreover, notwithstanding that an extension is granted under § 301.9100-3 to file the Election, any penalties and interest that would otherwise be applicable still apply.

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.

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.

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

Sincerely,

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