**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:
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Refer Reply To:
CC:INTL:B02
PLR-137280-11
PLR-137282-11
PLR-137284-11
PLR-137285-11
PLR-137286-11
PLR-137287-11
PLR-137288-11
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PLR-137290-11
PLR-137291-11
PLR-137293-11
PLR-137294-11
PLR-137295-11
PLR-137296-11

Date:
August 19, 2014

TY:

Legend

| | | |
|---|---|---|
| Shareholder 1 | = | |
| SSN | = | |
| Shareholder 2 | = | |
| SSN | = | |
| FC1 | = | |
| FC2 | = | |
| FC3 | = | |
| FC4 | = | |
| FC5 | = | |
| FC6 | = | |
| FC7 | = | |
| FC8 | = | |
| FC9 | = | |

| | |
|---|---|
| FC10 | = |
| FC11 | = |
| FC12 | = |
| FC13 | = |
| FC14 | = |
| Country X | = |
| Country Y | = |
| Year 1 | = |
| Year 26 | = |
| Year 27 | = |
| Year 28 | = |
| Accounting Firm | = |

Dear                                                                                          :

This is in response to a letter dated August 11, 2011 submitted by your authorized representative that requested the consent of the Commissioner of the Internal Revenue Service ("Commissioner") for Shareholder 1 and Shareholder 2 (together the "Shareholders") to make a retroactive qualified electing fund ("QEF") election under section 1295(b) of the Internal Revenue Code (the "Code") and Treas. Reg. §1.1295-3(f) with respect to Shareholders' investment in FC1, FC2, FC3, FC4, FC5, FC6, FC7, FC8, FC9, FC10, FC11, FC12, FC13, and FC14 (individually each an "FC," collectively the "FCs").

The ruling contained in this letter is based upon information and representations submitted on behalf of Shareholders by their authorized representative, 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 this request for ruling, such material is subject to verification on examination.  The information submitted in the request is substantially as set forth below.

FACTS

Shareholders are U.S. citizens, married individuals who file a joint tax return, and have lived in Country X since Year 1.  During Year 26, Shareholders acquired shares of each FC, each an entity organized under the laws of Country Y.  Each FC was treated as a corporation for U.S. federal income tax purposes.  Each FC was a passive foreign investment company ("PFIC") as defined in section 1297(a) of the Code at all relevant times.  Each FC's first tax year end after Shareholders' acquisition occurred during Shareholders' Year 27 tax year.

During Year 28, Shareholders retained Accounting Firm to prepare their Year 27 tax return.  Accounting Firm employed experienced tax professionals who were competent to render tax advice with respect to the ownership of shares of a foreign corporation.

Accounting Firm also advised Shareholders on U.S. federal income tax matters regarding Shareholders' investments, including Shareholders' investments in the FCs. Shareholders relied on Accounting Firm to provide advice with respect to filing and reporting requirements in general, as well as any elections or statements that would be necessary to elect a specific tax treatment.

Shareholders did not know or have reason to know that each FC was a PFIC. Accounting Firm failed to identify the FCs as each being a PFIC, and thus did not advise Shareholders of the availability of a QEF election with respect to Shareholders' investment in each FC.

In Year 28, Accounting Firm determined that each FC was a PFIC. Based on that determination, Shareholders requested that Accounting Firm prepare a request to make a retroactive QEF election for each FC.

Shareholders submitted an affidavit signed by Shareholders, under penalties of perjury, that describes the events that led to the failure to make a QEF election with respect to each FC by the election due date, the discovery of the failure, the responsibilities of Accounting Firm, and the extent to which Shareholders relied on Accounting Firm. Shareholders also submitted an affidavit from Accounting Firm, under penalties of perjury, that describes the advice concerning the tax treatment of each FC that Accounting Firm gave to Shareholders.

Shareholders filed amended returns for Year 27 and Year 28 in which they redetermined their income tax liability for each year to take into account the assessment of tax on its QEF inclusions derived from each FC, and paying the full amount of tax and interest owed by reason of the QEF inclusions.

Shareholders represent that, as of the date of this request for ruling, the PFIC status of the FCs has not been raised by the IRS on audit for any of the taxable years at issue.

RULING REQUESTED

Shareholders request the consent of the Commissioner to make a retroactive QEF election with respect to each FC for Year 27 under Treas. Reg. §1.1295-3(f).

LAW

Section 1295(a) provides that a PFIC will be treated as a QEF with respect to a shareholder if (1) an election by the shareholder under section 1295(b) applies to the PFIC for the taxable year; and (2) the PFIC complies with the requirements prescribed by the Secretary for purposes of determining the ordinary earnings and net capital gains of the company.

Under section 1295(b)(2), a QEF election may be made for a taxable year at any time on or before the due date (determined with regard to extensions) for filing the return for the taxable year.  To the extent provided in regulations, the election may be made after the due date if the shareholder failed to make an election by the due date because the shareholder reasonably believed the company was not a PFIC.

Under Treas. Reg. §1.1295-3(f), a shareholder may request the consent of the Commissioner to make a retroactive QEF election for a taxable year if:

1.  the shareholder reasonably relied on a qualified tax professional, within the meaning of Treas. Reg. §1.1295-3(f)(2);
2.  granting consent will not prejudice the interests of the United States government, as provided in Treas. Reg. §1.1295-3(f)(3);
3.  the request is made before a representative of the Internal Revenue Service raises upon audit the PFIC status of the company for any taxable year of the shareholder; and
4.  the shareholder satisfies the procedural requirements of Treas. Reg. §1.1295-3(f)(4).

The procedural requirements include filing a request for consent to make a retroactive election with, and submitting a user fee to, the Office of the Associate Chief Counsel (International).  Treas. Reg. §1.1295-3(f)(4)(i).  Additionally, affidavits signed under penalties of perjury must be submitted that describe:

1.  the events that led to the failure to make a QEF election by the election due date;
2.  the discovery of the failure;
3.  the engagement and responsibilities of the qualified tax professional; and
4.  the extent to which the shareholder relied on the professional.

Treas. Reg. §§1.1295-3(f)(4)(ii) and (iii).

CONCLUSION

Based on the information submitted and representations made with Shareholders' ruling request, we conclude that Shareholders have satisfied Treas. Reg. §1.1295-3(f). Accordingly, consent is granted to Shareholders to make a retroactive QEF election with respect to each FC for Year 27, provided that Shareholders comply with the rules under Treas. Reg. §1.1295-3(g) regarding the time and manner for making the retroactive QEF election.

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 private letter ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) 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 ruling is being sent to your authorized representatives.

A copy of this letter ruling must be attached to any federal 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,



Jeffery G. Mitchell
Branch Chief, Branch 2
Office of Associate Chief Counsel (International)