

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:2
PLR-108933-16

Date:
July 22, 2016

Legend

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Sub 3 =

LLC 1 =

LLC 2 =

LLC 3 =

State A =

Business A =

a =

b =

c =

d =

e =

f =

g =

Date 1 =

Date 2 =

Year 1 =

Dear :

This letter responds to your March 18, 2016 request, submitted by your authorized representatives, for a ruling under section 355(b). The information provided in that letter and later correspondence is summarized below.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by penalties of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for ruling, it is subject to verification on examination.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2016-1, 2016-1 I.R.B. 18, regarding one or more significant issues under section 355. The ruling contained in this letter only addresses one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the ruling below.

FACTS

Distributing is a State A corporation and the common parent of an affiliated group of corporations that file a consolidated federal income tax return (the "Distributing Group"). Distributing wholly owns Sub 1 and Sub 2. In addition, Distributing directly and indirectly owns approximately a percent of LLC 1 (at least a one-third interest), an entity that is treated as a partnership for U.S. federal income tax purposes and is involved in Business A and owns directly approximately b percent of LLC 2, an entity that is treated as a partnership for U.S. federal income tax purposes. Sub 1 wholly owns LLC 3, an entity that is treated as an entity that is disregarded as separate from Sub 1 for federal income tax purposes. Sub 2 directly owns all of the stock of Sub 3. LLC 3 and Sub 3 own approximately c and d percent of LLC 2, respectively.

Distributing acquired an e percent (at least a one-third) interest in LLC 1 on Date 1, which is at least 5 years prior to the date of the Proposed Transaction (defined below). In addition, Distributing acquired an f percent (less than one-third) interest in LLC 2 in Year 1. On Date 2, Distributing acquired a g percent interest in LLC 2. Since Date 2, Distributing has directly or indirectly owned the entire interest in LLC 2.

PROPOSED TRANSACTION

Distributing has proposed the following series of transactions (together constituting the "Proposed Transaction"):

- (i) Distributing will create a new corporation, Controlled.
- (ii) Sub 3 will distribute its entire interest in LLC 2 to Sub 2.
- (iii) Sub 2 will distribute the interest in LLC 2 it received from Sub 3 in step ii to Distributing.
- (iv) In actual or constructive exchange for Controlled Stock, Distributing will contribute to Controlled (1) the LLC 2 member interest it received from Sub 2 in step iii; (2) the LLC 2 member interest that it directly owned in LLC 2 prior to step iii; and (3) 100 percent of the issued and outstanding stock of Sub 1.
- (v) Parent will distribute all of its stock of Controlled to its shareholders.

REPRESENTATIONS

The Distributing Group makes the following representations:

- (a) Distributing owns, and has owned since Date 1, a “significant interest” (within the meaning of Rev. Rul. 2007-42, 2007-28 I.R.B. 44) in LLC 1.
- (b) LLC 1 has been engaged in the active conduct of Business A throughout the period following Distributing's acquisition of its interest in LLC 1 on Date 1.

RULING

Based upon the facts and information submitted and the representations made, we rule that the Distributing Group's acquisition of a g percent interest in LLC 2 on Date 2 constitutes an expansion of Distributing's Business A (within the meaning of Treas. Reg. § 1.355-3(b)(3)(ii)) and does not constitute the acquisition of a new or different business. Treas. Reg. § 1.355-3(b)(3)(ii) and Rev. Rul. 2007-42, 2007-28 I.R.B. 44, Rev. Rul. 2003-38, 2003-17 I.R.B. 811, and Rev. Rul. 2003-18, 2003-7 I.R.B. 467.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

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 (PLR-108933-16) of the letter ruling.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)