

**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:1  
PLR-114088-17

Date:  
July 11, 2017

Legend

Taxpayer =

Corporation A =

Corporation B =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Date A =

Date B =

Date C =

Date D =

Date E =

Date F =

Date G =

Date H =

Date I =

A =

B =

C =

D =

E =

F =

DD =

EE =

FF =

Dear \_\_\_\_\_ :

This letter responds to your April 26, 2017, request for a ruling on the federal income tax treatment of several declared but unpaid dividends under sections 301 and 316 of the Internal Revenue Code (Code). Additional information was submitted in correspondence dated June 9 and June 26, 2017. The material information submitted in that request and in subsequent correspondence is summarized below.

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. This office has not verified any of the material submitted in

support of the request for rulings; according, all such material is subject to verification on examination.

#### Facts

Throughout Year 1, Year 2, and Year 3, Taxpayer, an individual, was the sole shareholder of Corporation A and the majority shareholder of Corporation B.

During those years, Corporation A declared dividends payable to Taxpayer in the amounts of A, B, and C by Founder's Resolutions dated Date A, Date B, and Date C, respectively. All of these amounts were recorded on Corporation A's General Ledger as amounts credited to Taxpayer's account. At all times throughout Year 1, Year 2, and Year 3, Corporation A was solvent with sufficient assets available to support payment of the distribution.

Also during those years, Corporation B declared gross dividends in the amounts of D, E, and F by unanimous decision of the company's members on Date D, Date E, and Date F, respectively. Of these amounts, Taxpayer's pro rata share was DD, EE, and FF, respectively. All of these amounts were recorded on Corporation B's books. Of such amounts, DD and EE were actually paid to Taxpayer in Year 1 and Year 2, respectively, but FF was not. At all times throughout Year 1, Year 2, and Year 3, Corporation B was solvent with sufficient assets available to support payment of the distribution.

On Date G, a date subsequent to the declaration and recording of all dividend distributions described above, local tax authorities suspended payments to be made by Corporation A; later, on Date H, the local tax authorities seized Corporation A's assets. Subsequently, on Date I, local tax authorities suspended payments to be made by Corporation B and seized Corporation B's assets.

The issues with the local tax authority have been resolved. As a result, Corporation A and Corporation B are expected to begin actually paying the dividends to Taxpayer in Year 4.

Based solely on the information submitted and the representations set forth above, we hold as follows:

#### Ruling

For federal income tax purposes, the distributions of A, B, and C by Corporation A and of DD, EE, and FF by Corporation B were constructively received by Taxpayer, and are thus treated as dividends within the meaning of section 301 and section 316 of the Code, in the years they were declared and not in the year of actual receipt.

### Caveat

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.

### 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 of the letter ruling.

Sincerely,

*Theresa Ann Abell*  
Theresa Ann Abell  
Senior Technician Reviewer  
Office of Associate Chief Counsel (Corporate)

cc: