

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:

ID No.

Telephone Number:

Refer Reply To:

CC:CORP  
PLR-108435-17

Date:  
September 08, 2017

Legend

Parent =

State A =

Sub =

Date 1 =

Date 2 =

a =

b =

c =

d =

Dear :

This letter responds to your authorized representatives' letter dated March 10, 2017, requesting a ruling as to the Federal income tax consequences of certain

transactions. The information provided in that request and subsequent correspondence submitted for consideration 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. 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.

### **Summary of Facts**

Parent is a publicly traded State A corporation and is the common parent of an affiliated group of corporations which join in the filing of a consolidated Federal income tax return (the "Parent Group"). Sub is a direct subsidiary of Parent, and a member of the Parent Group. Sub has two classes of stock issued and outstanding: common stock ("low-vote stock") and Class B common stock ("high-vote stock"). Parent owns all of the outstanding shares of Sub's high-vote stock. Sub's low-vote stock is publicly traded as of Date 1.

As of Date 2, Sub had a shares of low-vote stock outstanding, b of which were owned by Parent and c of which were owned by the public and by Sub's employees. Also as of Date 2, Sub had d shares of high-vote stock outstanding, all of which were owned by Parent.

Sub's low-vote stock and high-vote stock are identical with respect to liquidation rights and dividend rights. With respect to voting rights, Sub's low-vote stock is entitled to one vote per share and Sub's high-vote stock is entitled to ten votes per share with respect to any matter submitted to a vote or to the consent of the shareholders. The holders of Sub's low-vote stock and high-vote stock vote together as one class on all matters, including the election of directors. Each share of Sub high-vote stock is convertible at any time at the option of the holder into a share of Sub low-vote stock on a share-for-share basis. Shares of Sub low-vote stock are not convertible into shares of Sub high-vote stock. In the event that Sub declares a stock dividend, or distributes stock or securities in one of its subsidiaries to its shareholders, Sub has the ability to distribute low-vote shares to holders of its low-vote stock and high-vote shares to holders of its high-vote stock.

Sub has a stock-based compensation plan under which its employees may be granted stock options, restricted stock units, and performance-based restricted stock units ("stock-based awards"). Pursuant to an Employee Matters Agreement ("EMA") between Parent and Sub, these stock-based awards are settled, at Parent's election, in shares of Parent's common stock or in shares of Sub's low-vote stock. To the extent that shares of Parent's common stock are issued in settlement of these awards, Sub reimburses Parent for the cost of those shares by issuing shares of low-vote stock to Parent.

At the time of the submission, Parent had an excess loss account within the meaning of Treas. Reg. § 1.1502-19(a)(2) (an “ELA”) in the high-vote stock of Sub that it owned.

### **Ruling**

Based solely on the information submitted and the representation set forth above, we rule that: In connection with the investment adjustment required under Treas. Reg. § 1.1502-32 for Parent’s Sub stock, Parent is permitted to utilize its basis in any Sub shares it receives as reimbursement under the EMA to reduce or eliminate its ELA in its previously held high-vote stock in Sub (Treas. Reg. § 1.1502-19(d)(1)).

### **Caveats**

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) 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, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

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

Sincerely,

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Mark J. Weiss  
Chief, Branch 2  
Office of Associate Chief Counsel (Corporate)

cc: