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Refer Reply To:
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PLR-135404-17

Date:
December 20, 2017

TY:

Legend

CORP A =

CORP B =

Dear :

This is in response to your representative’s letter dated October 3, 2017, requesting a ruling on behalf of CORP B that it be permitted to value its assets on the basis of the tax book value method of asset valuation for purposes of its taxable year.

The rulings contained in this letter are based upon information and representations submitted by CORP B 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.

CORP A, a domestic corporation, is a calendar year taxpayer that uses the accrual method as its overall method of accounting. CORP A is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. CORP A consolidated group utilized the fair market value method of asset valuation for taxable years prior to taxable year .

CORP B is a domestic corporation that is not part of the CORP A consolidated group. CORP A and CORP B are related persons within the meaning of Treas. Reg. § 1.861-

8T(c)(2). Accordingly, CORP B also utilized the fair market value method of asset valuation for taxable years prior to taxable year . CORP A is simultaneously requesting to value its assets on the basis of the tax book value method.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§ 1.861-8 through 1.861-12 and Treas. Reg. §§ 1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Treas. Reg. 1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either tax book value or the fair market value of its assets. Treas. Reg. § 1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Based solely on the information submitted and the representations made, pursuant to Treas. Reg. § 1.861-8(f)(2) and Treas. Reg. §§ 1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), CORP B may value its assets on the basis of the tax book value method of asset valuation for purposes of apportioning interest expense for all operative sections, including sections 199 and 904 of the Code, for the taxable year and future years.

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.

Sincerely,

Michael I. Gilman
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel (International)