

Internal Revenue Service

Number: **202123006**

Release Date: 6/11/2021

Index Numbers: 355.00-00, 361.00-00,
368.04-00

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:B03
PLR-126868-20

Date:
March 15, 2021

Legend

Distributing Parent =

External Controlled =

Controlled =

Business A =

Business B =

Country A =

Continuing Arrangements =

o =

p =

q =

Dear :

This letter responds to your letter dated November 20, 2020, and supplemented by an additional letter dated February 5, 2021, submitted on behalf of Distributing Parent, its affiliates, and its shareholders, requesting a supplemental ruling to the private letter ruling dated June 9, 2020 (PLR-129376-19) (the “Prior Ruling”). The material information submitted for consideration is summarized below. Capitalized or underlined terms not defined in this letter have the meanings assigned to them in the Prior Ruling.

This letter is issued pursuant to section 3.05 of Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2018-53, 2018-43 I.R.B. 667, regarding a supplemental ruling on one or more Covered Transactions under section 355 and/or section 368 of the Internal Revenue Code (the “Code”) and pursuant to section 6.03 of Rev. Proc. 2020-1, 2020-1 I.R.B. 1 regarding one or more significant issues under section 355 of the Code that only address one or more discrete legal issues involved in the transaction.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether the Proposed Transactions: (i) satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) are used principally as a device for the distribution of the earnings and profits of the distributing corporations or the controlled corporation or both (see section 355(a)(1)(B) and Treas.

Reg. § 1.355-2(d)); or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporations or the controlled corporations, within the meaning of Treas. Reg. § 1.355-8 (see section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

Supplemental Facts

The material facts as described in the Prior Ruling are unchanged, except as described below.

In Step 8 of the Proposed Transactions described in the Prior Ruling, Distributing Parent formed External Controlled on Date A, and received q shares of External Controlled (the "Formation Shares"). Following the External Distribution in Step 14, Distributing Parent will still own the Formation shares for certain Country A tax law reasons (the "Formation Shares Retention"). Distributing Parent will sell the Formation Shares to the public on a stock exchange as soon as practically possible after the External Distribution, but in no event later than p days after the External Distribution. The Formation Shares make up a de minimis percentage (approximately q percent) of the total issued and outstanding shares of External Controlled.

Additional information has also been submitted regarding Business A, Business B, and the Continuing Arrangements between Distributing Parent and External Controlled.

Representations

Distributing Parent has made the following representations with respect to the Supplemental Facts:

1. Distributing Parent reaffirms all of the material information submitted in connection with, and all the representations contained in, the Prior Ruling, as modified and supplemented by the representations and information herein.

Distributing Parent has made the following additional representations:

2. The Formation Shares Retention will not be in pursuance of a plan having as one of its principal purposes the avoidance of federal income tax and will be motivated by the business purpose described herein.

3. Distributing Parent is unable to represent that there will be no overlapping directors of Distributing Parent and External Controlled during the period that Distributing Parent owns the Formation Shares. However, the overlapping directors, which are described in the Prior Ruling, constitute a minority of each board of directors and serve a corporate

business purpose. The overlap of directors is not inconsistent with any other corporate business purposes of the External Distribution.

4. Distributing Parent will sell the Formation Shares to the public on a stock exchange as soon as practically possible after the External Distribution, but in no event later than p days after the External Distribution.

5. Following the External Distribution, Distributing Parent will not vote, or cause to be voted, any of the Formation Shares during the period in which it holds such shares.

Rulings

Based solely upon the information submitted and the representations made, we rule as follows on the Proposed Transaction:

1. The Supplemental Facts submitted will not adversely affect any of the rulings in the Prior Ruling, and those rulings will remain in full force and effect.
2. Distributing Parent's continuing ownership of the Formation Shares until their disposal (as soon as practically possible after the External Distribution, but in no event later than p days after the External Distribution), will not be in pursuance of a plan having as one of its principal purposes the avoidance of federal income tax for purposes of section 355(a)(1)(D)(ii).

Caveats

No opinion is expressed or implied about the tax treatment of the Proposed Transactions under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are 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 ruling letter 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 (PLR-126868-20) of this letter ruling.

Sincerely,

Brian R. Loss
Office of Associate Chief Counsel (Corporate)
Senior Technician Reviewer, Branch 4

cc