

**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:1  
PLR-105260-22

Date:  
August 24, 2022

Parent =

Sub 1 =

Sub 2 =

DE =

Foreign Parent =

FDE 1 =

FDE 2 =

FDE 3 =

Business A =

Business B =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Continuing Relationships =

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

This letter responds to your authorized representative's letter dated March 11, 2022, requesting rulings on certain federal income tax consequences of a completed transaction (the "Transaction"). The material information submitted in that request and in subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, regarding one or more "Covered Transactions" under sections 355 and 368 of the Internal Revenue Code (the "Code"). This office expresses no opinion as to any issue not specifically addressed by the rulings 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.

This office has made no determination regarding whether any distribution (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b), (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation, the controlled corporation, or both, see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d), or (iii) is 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, the controlled corporation, or any predecessor or successor of the distributing corporation or the controlled corporation, within the meaning of Treas. Reg. § 1.355-8T. See section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7.

### **Summary of Facts**

Foreign Parent is a foreign entity treated as a corporation for federal income tax purposes. Foreign Parent is the parent of a large, worldwide group of business entities (the "Worldwide Group").

Foreign Parent wholly owns FDE 1, which wholly owns FDE 2, which wholly owns FDE 3, which wholly owns Parent. Each of FDE 1, FDE 2, and FDE 3 is a foreign eligible entity that is disregarded as an entity separate from its owner for federal tax purposes under Treas. Reg. § 301-7701-3(b)(2)(i)(C).

Parent is a domestic corporation and the common parent of a consolidated group (the "Parent Group"). Parent wholly owns Sub 1. Prior to the Transaction, the Parent Group conducted Business A and Business B. Other businesses and members of the Parent Group not relevant to the requested rulings are not described in this letter.

Sub 1 is a domestic corporation that, prior to the Transaction, wholly owned DE and conducted the domestic operations of Business A and Business B.

DE is a domestic eligible entity that is disregarded as an entity separate from its owner for federal tax purposes under Treas. Reg. § 301.7701-3(b)(1)(ii). DE conducts Business B.

Parent has submitted financial information in accordance with Rev. Proc. 2017-52 indicating that each of Business A and Business B has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

### **The Transaction**

For what are represented to be valid business reasons, the Parent Group separated Business B from Business A in the following steps:

1. On Date 1, Parent formed Sub 2, a domestic limited liability company.
2. Effective Date 1, Sub 2 elected to be treated as a corporation for federal tax purposes under Treas. Reg. § 301.7701-3(c).
3. On Date 2, Sub 1 contributed Business B assets, liabilities, and employees to DE.
4. On Date 3, Sub 1 distributed the equity interests in DE to Parent.
5. On Date 4, Parent contributed the equity interests in DE to Sub 2.
6. On Date 5, Parent distributed the stock of Sub 2 to FDE 3 (the "Second Distribution").

Subsequent to the Transaction, the Parent Group and Sub 2 will engage in the Continuing Relationships. Additionally, further realignment related to Business B will occur within the Worldwide Group.

### **Representations**

#### *First Distribution*

With respect to the First Distribution and except as set forth below, Parent has made all the representations in section 3 of the Appendix to Rev. Proc. 2017-52. These representations were made contingent on the granting of the first ruling.

- a. Parent has made the following alternative representations: 3(a), 8(a), 11(a), 15(b), 22(a), 31(a), and 41(a).
- b. Parent has not made the following representations, which do not apply: 7, 19, 20, 24, 25, 35, 36, 37, 38, and 39.
- c. Parent has not made representation 40 but provided the required explanation.

### *Second Distribution*

With respect to the Second Distribution and except as set forth below, Parent has made all the representations in section 3 of the Appendix to Rev. Proc. 2017-52.

- d. Parent has made the following alternative representations: 3(a), 8(a), 11(a), 15(b), 22(a), 31(a), and 41(a).
- e. Parent has not made the following representations, which do not apply: 7, 17, 18, 19, 20, 24, 25, 35, and 39.
- f. Parent has not made representation 40 but provided the required explanation.

### *Contribution*

With respect to the Contribution and except as set forth below, Parent has made the following representation in Rev. Proc. 2018-53, 2017-43 I.R.B. 667.

- g. Parent has not made representation 6, which does not apply.
- h. Parent has not made representations 2 and 4 but provided the required explanation.

### *Additional Representations*

- i. Sub 2 held no assets or liabilities (other than what was needed for corporate formalities) until Parent contributed DE to Sub 2 in step 5 of the Transaction.
- j. Any officers described in the Continuing Relations will provide ministerial or service functions for Parent and Sub 2 and will not have managerial or operational responsibilities for the domestic operations of either Business A or Business B.

## **Rulings**

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

*Contribution and First Distribution*

1. For federal tax purposes, steps 3 through 5 of the Transaction will be treated as if (i) Sub 1 contributed Business B assets (including the equity interests in DE), liabilities, and employees to Sub 2 in exchange for all the stock of Sub 2 (the "Contribution") and (ii) Sub 1 distributed all the stock of Sub 2 to Parent (the "First Distribution"). See Rev. Rul. 77-191, 1977-1 C.B. 94.
2. The Contribution and the First Distribution together will constitute a reorganization within the meaning of section 368(a)(1)(D) of the Code. Sub 1 and Sub 2 will each be a "party to a reorganization" within the meaning of section 368(b).
3. Sub 1 will not recognize gain or loss on the Contribution. Sections 357(a) and 361(a).
4. Sub 2 will not recognize gain or loss on the Contribution. Section 1032(a).
5. Sub 2's basis in each asset received in the Contribution will be the same as the basis of the asset in the hands of Sub 1 immediately before the Contribution. Section 362(b).
6. Sub 2's holding period in each asset received in the Contribution will include the period during which Sub 1 held the asset. Section 1223(2).
7. Sub 1 will not recognize gain or loss on the First Distribution. Section 361(c).
8. Parent will not recognize gain or loss (and no amount otherwise will be includable in its income) on the receipt of the stock of Sub 2 in the First Distribution. Section 355(a).
9. The aggregate basis of the Sub 1 stock and the Sub 2 stock in the hands of Parent immediately after the First Distribution will equal the aggregate adjusted basis of the Sub 1 stock held by Distributing 2 immediately before the First Distribution, allocated between the Sub 1 stock and the Sub 2 stock in proportion to the fair market value of each immediately following the First Distribution in accordance with Treas. Reg. § 1.358-2(a). Section 358(a)(1) and (b).
10. Parent's holding period in the Sub 2 stock received will include the holding period of the Sub 1 stock with respect to which the First Distribution is made, provided that such Sub 1 stock was held by Parent as a capital asset on the date of the First Distribution. Section 1223(1).

11. Earnings and profits will be allocated between Sub 1 and Sub 2 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

### *Second Distribution*

12. Parent will not recognize gain or loss on the Second Distribution. Section 355(c)(1).
13. Foreign Parent will not recognize gain or loss (and no amount otherwise will be includable in its income) on the receipt of Sub 2 in the Second Distribution. Section 355(a).
14. The aggregate basis of the Parent stock and the Sub 2 stock in the hands of Foreign Parent immediately after the Second Distribution will equal the aggregate adjusted basis of the Parent stock held by Foreign Parent immediately before the Second Distribution, allocated between the Parent stock and the Sub 2 stock in proportion to the fair market value of each immediately following the Second Distribution in accordance with Treas. Reg. § 1.358-2(a). Section 358(a)(1) and (b).
15. Foreign Parent's holding period in the Sub 2 stock received will include the holding period of the Parent stock with respect to which the Second Distribution is made, provided that such Parent stock was held by Foreign Parent as a capital asset on the date of the Second Distribution. Section 1223(1).
16. The earnings and profits of each of Parent and Sub 2 will be adjusted in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(b) and 1.1502-33.

### **Closing Agreement**

We will, accordingly, approve a closing agreement with Parent and Sub 2 with respect to certain of those issues affecting their tax liability on the basis set forth above. The necessary closing agreement for Parent has been prepared in triplicate and is enclosed.

### **Caveat**

No opinion is expressed about the tax treatment of the Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Transaction that are not specifically covered by the above rulings.

### **Procedural Statements**

This letter 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 (PLR-105260-22) of this letter.

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

Sincerely,

*Lisa A. Fuller*

Lisa A. Fuller  
Deputy Associate Chief Counsel (Corporate)

cc: