

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202423008**
Release Date: 6/7/2024

Third Party Communication: None
Date of Communication: Not Applicable

Index Number: 1502.75-00, 1504.02-00,
6012.03-04, 6012.04-00

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:04
PLR-125178-23

Date:
March 11, 2024

Parent =

Subsidiary =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Department =

Regulator =

State Officer =

Court =

a =

b =

Statute =

Dear _____ :

This letter responds to your authorized representatives' letter dated December 22, 2023, requesting rulings on certain federal income tax consequences of a receivership. The material information provided 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. 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 the common parent of a consolidated group ("Parent Group"). Parent directly owns all the stock of Subsidiary, an insurance company subject to tax under section 831. Historically, Subsidiary has been a member of the Parent Group.

On Date 1, Subsidiary executed a consent to an order of receivership for the appointment of Department as receiver of Subsidiary. On Date 2, Regulator advised State Officer that grounds existed for the initiation of delinquency proceedings against Subsidiary. On Date 3, Department petitioned Court for the entry of a consent order appointing Department as receiver of Subsidiary for purposes of liquidation, injunction, and notice of automatic stay. On Date 4, Court ordered the appointment of Department as receiver for the purpose of liquidating Subsidiary in accordance with applicable law (the "Consent Order"). The Consent Order provided, in relevant part, that:

- i. Department be appointed receiver of Subsidiary for purposes of liquidation, effective immediately upon the entry of the Consent Order;
- ii. Department be granted all the powers of Subsidiary's officers, directors, and managers, all of whom were permanently discharged;
- iii. Department be given full power to direct and manage the affairs of Subsidiary, to hire and discharge employees, and to deal with the property and business of Subsidiary;
- iv. Department be vested with title to all property (real or personal), contracts, rights of action, and all books and records of Subsidiary wherever located; and
- v. Department marshal the assets of Subsidiary and liquidate Subsidiary's business.

Parent anticipates that Subsidiary will be in receivership for at least the next a years, and possibly up to the next b years, as the payouts of claims on policies previously issued by Subsidiary ultimately are resolved by Department. Neither Parent nor any of

Parent's affiliates anticipate receiving or otherwise recovering any cash or other property upon final dissolution of Subsidiary pursuant to the Consent Order.

Representations

Parent has made the following representations:

1. The receivership and court-ordered liquidation of Subsidiary are governed by Statute.
2. Parent anticipates that, for each taxable year with respect to which Subsidiary is contemplated to be a member of the Parent Group, beginning with the taxable year ending Date 5, Department will provide Parent with a balance sheet and income statement for Subsidiary and will prepare a pro forma tax return for Subsidiary to be included in the consolidated return for the Parent Group.
3. Subject to the authority granted under the Consent Order, Parent owns 80 percent or greater of the vote and value of the shares of Subsidiary stock.
4. Except for the final dissolution of Subsidiary pursuant to the Consent Order, Parent has no intention to sell or otherwise dispose of an amount of Subsidiary stock that would reduce Parent's ownership of Subsidiary stock to less than 80 percent of the total voting power of all shares of Subsidiary stock or to a value less than 80 percent of the total fair market value of all shares of Subsidiary stock.
5. Parent anticipates that Subsidiary will hold an amount of assets until the time of the final dissolution of Subsidiary pursuant to the Consent Order.
6. Parent has not claimed a worthless securities loss deduction under section 165(g) with respect to the stock of Subsidiary.

Rulings

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

1. The court-ordered liquidation of Subsidiary will not cause Subsidiary to lose its status as a corporation for purposes of section 6012 prior to the completion of the final dissolution of Subsidiary pursuant to the Consent Order. Rev. Rul. 84-170, 1984-2 C.B. 245.
2. Subsidiary is a member of the Parent Group and must be included in the Parent Group's consolidated return unless and until either (i) permission to discontinue filing consolidated returns is granted to Parent under Treas. Reg. § 1.1502-75(c) or (ii) Parent sells or otherwise disposed of an amount of Subsidiary stock that would reduce Parent's ownership of Subsidiary stock to less than 80 percent of the total voting power of all shares of Subsidiary stock or to a value less than 80

percent of the total fair market value of all shares of Subsidiary stock. Rev. Rul. 63-104, 1963-1 C.B. 172.

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) 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 representatives.

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-125178-23) of the letter ruling.

Sincerely,

Austin Diamond-Jones

Austin Diamond-Jones
Branch Chief, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: