

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202508001**
Release Date: 2/21/2025
Index Number: 305.13-00

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B05
PLR-103918-24

Date:
August 23, 2024

Legend

Company =

Shareholder 1 =

Shareholder 2 =

State A =

Family =

Date 1 =

x =

Dear :

This letter responds to your letter dated January 24, 2024, on behalf of Company, requesting a ruling on certain U.S. Federal income tax consequences of a proposed redemption. The material information submitted in that request and subsequent correspondence is summarized below.

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.

Summary of Facts

Company is a privately held State A corporation with all its stock (consisting of Class A voting, Class B non-voting, and Class C non-voting) held by or for the benefit of members of Family. Shareholder 1, a member of Family, holds Class A shares, Class B shares and Class C shares. Shareholder 2, also a member of Family, formerly held Class B shares but not Class A shares or Class C shares.

On Date 1, Company entered into a redemption agreement with Shareholder 2, (the "Prior Redemption"). The Prior Redemption was motivated by concerns about intra-Family discord and Shareholder 2's continuing affiliation with Company.

For unrelated business reasons, Company intends to redeem all of Shareholder 1's Class B stock (the "Redemption") within x months of Date 1. The Redemption and the Prior Redemption are separately motivated, and each transaction would have been undertaken whether or not the other transaction occurred. At the time the terms of the Prior Redemption were agreed to, there was no fixed or firm plan to carry out the Redemption. Currently, Company has no plan to make further offers to redeem stock from any of its shareholders after the Redemption.

Representations

Company makes the following representations in connection with the Redemption:

- (1) Company is not required by its charter, bylaws, or otherwise to redeem any of its stock, and the shareholders of Company have no right to require Company to make a tender offer or otherwise redeem any stock. The board of directors of Company has a fiduciary duty to Company and its shareholders to consider the appropriateness of any share repurchase and has not, in any manner, relinquished its discretion in carrying out its fiduciary duties.
- (2) The Redemption is an isolated transaction and is not related to any other past or future transaction.
- (3) The Redemption is motivated solely by Company's business considerations and is not motivated by any intent of Company to confer a Federal income tax benefit on any shareholder.
- (4) The Redemption is not part of a plan to periodically increase the proportionate share of any shareholder in the assets or earnings and profits of Company.

(5) At the present time, Company has no plan to make any further redemptions subsequent to the Redemption. However, it is possible that Company will make additional redemptions in future years based on circumstances prevailing at that time.

Rulings

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

The Redemption will not result in a deemed distribution under section 305 with respect to any of Company's shareholders. See Treas. Reg. § 1.305-3(e), Examples (10) and (11).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Redemption under other provisions of the Code or the regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Redemption or the Prior Redemption that are not specifically covered by the above rulings. In particular, we express no opinion with respect to the income tax treatment of the Redemption or the Prior Redemption to any shareholder under sections 301 or 302 of the Code. Further, we express no opinion on whether the Prior Redemption will result in a deemed distribution to any of Company's shareholders under section 305 of the Code.

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.

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-103918-24) of the letter ruling.

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

Sincerely,

William W. Burhop
Acting Branch Chief, Branch 5
Associate Chief Counsel
(Corporate)

cc: