

Dear _____ :

This responds to a letter dated March 22, 2006, submitted on behalf of Taxpayer, requesting a ruling under section 1502 and the Treasury Regulations thereunder. The material information is summarized below.

Taxpayer is a State A company that historically was engaged in Business B. Taxpayer was and believes that it continues to be a wholly-owned subsidiary of Intermediate, which is a wholly-owned subsidiary of Parent. Pursuant to an order of Court dated Date 2, Agency is to liquidate and wind up the affairs of Taxpayer. Taxpayer will remain in existence during the liquidation process.

Taxpayer was included in the consolidated federal income tax return of the Parent group for the taxable year ended Date 1, and for at least the five previous taxable years. Taxpayer believes that it continues to be a wholly-owned subsidiary of Intermediate and that Intermediate continues to be a wholly-owned subsidiary of Parent. However, Taxpayer has been informed by Parent that, beginning with the taxable year ended Date 3, Taxpayer is no longer being included in the Parent consolidated federal income tax return. Taxpayer has provided its separate company tax information to Parent for the taxable years ended Date 3 and Date 4. Taxpayer has not filed separate federal income tax returns for such years. Taxpayer believes it has not been included in the Parent consolidated federal income tax return for such years.

Treas. Reg. § 1.1502-77(a)(6)(i) provides in part that the Commissioner may, upon issuing to the common parent written notice that expressly invokes the authority of that provision, deal directly with any member of the group with respect to its liability under § 1.1502-6 for the consolidated tax of the group. Treas. Reg. § 1.1502-6(a) provides in part that the common parent and each subsidiary which was a member of the group during any part of the consolidated return year shall be severally liable for the tax for such year.

In a letter dated June 21, 2006, this office gave notice to Parent that, pursuant to Treas. Reg. § 1.1502-77(a)(6)(i) (to the extent that Taxpayer was a member of the Parent consolidated group), this office would deal directly with Taxpayer for the sole purpose of considering Taxpayer's request for a ruling as to whether Taxpayer is a member of the Parent consolidated group (and thus severally liable for that group's tax).

Section 1.1502-75(a)(2) provides generally that a group of affiliated corporations which filed a consolidated federal income tax return for a previous year must continue to file as a consolidated group unless permission to discontinue consolidation under Treas. Reg. § 1.1502-75(c) is granted. Section 1504 provides in part that a corporation remains a member of an affiliated group so long as it is both an includible corporation and at least 80 percent of its stock, as measured by vote and value, is held by either the common parent or by another member or other members of the group that themselves meet the 80 percent vote and value test.

The status of a corporation as bankrupt or insolvent does not in itself affect the its status of a corporation as member of an affiliated group. See Rev. Rul. 63-104, 1963-1 C.B. 172, holding that an affiliated group of corporations must continue to file consolidated returns where a member of the group is involved in bankruptcy proceedings and the trustee in bankruptcy fails or refuses to file a Form 1122 consenting to the filing of such return. Furthermore, Rev. Rul. 84-170, 1984-2 C.B. 245, holds that a state superintendent must continue to file a federal income tax return for an insurance company so long as the company is considered to continue in existence for federal income tax purposes.

Based on the information supplied and representations made by Taxpayer, it is held as follows:

Taxpayer is a member of the Parent affiliated group and must be included in the Parent group's consolidated federal income tax return as long as Taxpayer continues to meet the tests for affiliation of Section 1504, unless and until permission to discontinue consolidation under Treas. Reg. § 1.1502-75(c) is granted.

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.

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.

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.

Pursuant to the power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Gerald B. Fleming

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
(Corporate)