

Internal Revenue Service

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Date:

March 29, 2007

Taxpayer 1 =

Taxpayer 2 =

Entity 1 =

Entity 2 =

Entity 3 =

Entity 4 =

Entity 5 =

Entity 6 =

Entity 7 =

Entity 8 =

Entity 9 =

Entity 10 =

Entity 11 =

Entity 12 =

Year 1 =

Year 2 =

Year 2A =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Year 7 =

Year 8 =

Year 9 =

Year 10 =

Dear :

This is in response to a letter dated December 15, 2006, from your authorized representative requesting an extension of time under Treas. Reg. § 301.9100-3 for Taxpayer to file: (1) elections and agreements under Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i), as applicable, (2) annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B), as applicable, and (3) a rebuttal statement under Treas. Reg. § 1.1503-2(g)(2)(iii)(B), with respect to dual consolidated losses (as defined in Treas. Reg. § 1.1503-2(c)(5)) attributable to interests in the entities described below. Additional information was submitted in a letter dated February 27, 2007. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in

support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

Taxpayer 1 was created as a result of a merger involving Taxpayer 2 in Year 2. Taxpayer 1 was the surviving corporation.

Entity 1 is a foreign branch (within the meaning of Treas. Reg. § 1.367(a)-6T(g)) and is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were incurred by Entity 1 in Years 1 and 2.

Entity 2 is a foreign branch (within the meaning of Treas. Reg. § 1.367(a)-6T(g)) and is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were incurred by Entity 2 in Years 1 and 2.

Entity 3 is a foreign partnership that conducts business through a foreign branch. Taxpayer 2 and a member of Taxpayer 2's consolidated group each held an interest in the Entity 3 branch prior to the Year 2 merger. Thereafter, Taxpayer 1 and a member of Taxpayer 1's consolidated group each held an interest in the Entity 3 branch. Each interest in Entity 3's branch is a separate unit as described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses incurred in Year 2 are attributable to Taxpayer 2's and its affiliate's interests in the Entity 3 branch. Dual consolidated losses incurred in Year 3, Year 5, and Year 6 are attributable to Taxpayer 1's and its affiliate's interests in the Entity 3 branch.

Entity 4 is a foreign branch (within the meaning of Treas. Reg. § 1.367(a)-6T(g)) and is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were incurred by Entity 4 in Years 1 and 2.

Entity 5 is a foreign branch (within the meaning of Treas. Reg. § 1.367(a)-6T(g)) and is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were incurred by Entity 5 in Years 1, 2 and 3 through 5. Entity 5 dissolved in Year 5.

Entity 6 is a foreign branch (within the meaning of Treas. Reg. § 1.367(a)-6T(g)) and is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were incurred by Entity 6 in Year 7.

Entity 7 is disregarded as an entity separate from its owner. The interest in Entity 7 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses incurred in Year 9 are attributable to Taxpayer 1's interest in Entity 7.

Entity 7 has never been subject to any foreign law that would deny it from using its losses, expenses, or deductions to offset the income of another person because they

are also subject to income taxation by another country on its worldwide income or on a residence basis.

Entity 8 is disregarded as an entity separate from its owner. The interest in Entity 8 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses incurred in Years 7 through 10 are attributable to Taxpayer 1's interest in Entity 8.

Entity 9 is disregarded as an entity separate from its owner. The interest in Entity 9 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses incurred in Years 7 and 8 are attributable to Taxpayer 1's interest in Entity 9.

Entity 10 is disregarded as an entity separate from its owner. The interest in Entity 10 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 10 has activities in its country of incorporation that constitute a foreign branch ("Entity 10 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 10 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were attributable to Entity 10 Branch in Year 8. No dual consolidated losses were attributable to the interest in Entity 10.

Entity 11 is disregarded as an entity separate from its owner. The interest in Entity 11 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 11 has activities in its country of incorporation that constitute a foreign branch ("Entity 11 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 11 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were attributable to Entity 11 Branch in Years 7 and 8. No dual consolidated losses were attributable to the interest in Entity 11.

Entity 12 is disregarded as an entity separate from its owner. The interest in Entity 12 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses incurred in Years 7 through 9 are attributable to Taxpayer 1's interest in Entity 12.

Taxpayer 2's Year 2 Return

Taxpayer 2's Year 2 return should have included two initial (g)(2)(i) elections with respect to the dual consolidated losses attributable to each interest in Entity 3 branch. Taxpayer 2, relying on its own tax department and external tax professionals, inadvertently failed to attach the elections with respect to the partnership interests in Entity 3 branch to its Year 2 return.

Taxpayer 1's Year 2A Return

Taxpayer 1's Year 2A return should have included new (g)(2)(i) elections for the dual consolidated losses incurred by Taxpayer 2's separate units for Year 1 and Year 2. In particular, Taxpayer 1's return for Year 2A should have included new (g)(2)(i) elections for the Year 1 and Year 2 dual consolidated losses attributable to Entities 2, 4, and 5, as well as the Year 2 dual consolidated losses attributable to the interests in the Entity 3 foreign branch. Taxpayer 1, relying on its own tax department and external tax professionals, inadvertently failed to attach the elections to its Year 2A return.

Taxpayer 1's Year 3 Return

Taxpayer 1's Year 3 return should have included two (g)(2)(i) elections for the dual consolidated losses attributable to each interest in Entity 3 branch. Taxpayer 1, relying on its own tax department and external tax professionals, only attached one election to its Year 3 return and the election misstated the amount of the losses.

Taxpayer 1's Year 5 Return

As previously noted, Entity 5 terminated in Year 5. At the time of the filing of its Year 5 return, Taxpayer 1 was unaware that the termination could be treated as a "triggering event" under Treas. Reg. § 1.1503-2(g)(2)(iii). Taxpayer 1, relying on its own tax department and external tax professionals, failed to attach a Rebuttal Statement to its Year 5 return.

Taxpayer 1's Year 5 return should have included two (g)(2)(i) elections for the dual consolidated losses attributable to each interest in Entity 3 branch. Taxpayer 1, relying on its own tax department and external tax professionals, only attached one election to its Year 5 return.

Taxpayer 1's Year 6 Return

Taxpayer 1's Year 6 return should have included two (g)(2)(i) elections for the dual consolidated losses attributable to each interest in Entity 3 branch. Taxpayer 1, relying on its own tax department and external tax professionals, only attached one election to its Year 6 return.

Taxpayer 1's Year 7 Return

Taxpayer 1's Year 7 return should have included a separate initial (g)(2)(i) election with respect to dual consolidated losses attributable to its interests in Entities 6, 8, 9 and 12, and Entity 11 Branch. Taxpayer 1, relying on its own tax department and external tax professionals, failed to attach separate initial (g)(2)(i) elections for these entities to its Year 7 return.

Taxpayer 1's Year 8 Return

Taxpayer 1's Year 8 return should have included a separate initial (g)(2)(i) election for dual consolidated losses attributable to its interests in Entities 8, 9 and 12, and Entity 10 and Entity 11 Branches. Taxpayer 1, relying on its own tax department and external tax professionals, failed to attach separate initial (g)(2)(i) elections for these entities to its Year 8 return.

In addition, Taxpayer 1, relying on its own tax department and external tax professionals, failed to attach to its Year 8 return separate annual certifications for dual consolidated losses incurred in Year 7 attributable to its interests in Entities 8, 9 and 12.

Taxpayer 1's Year 9 Return

Taxpayer 1, relying on its own tax department, failed to attach to its Year 9 return an initial (g)(2)(i) election for dual consolidated losses attributable to its interest in Entity 8.

Taxpayer 1's Year 9 return should have included separate annual certifications for dual consolidated losses incurred in Years 7 and 8 attributable to its interests in Entities 8, 9 and 12. Taxpayer 1, relying on its own tax department, failed to attach required certifications for dual consolidated losses attributable to its interest in these entities to its Year 9 return.

Taxpayer 1, relying on its own tax department, filed a (g)(2)(i) election with its Year 9 return with respect to dual consolidated losses attributable to its interest in Entity 7. However, this filing was deficient in several respects.

Taxpayer 1's Year 10 Return

Taxpayer 1's Year 10 return should have included an initial (g)(2)(i) election for dual consolidated losses attributable to its interest in Entity 8. The Year 10 return should have also included an annual certification for dual consolidated losses attributable to its interests in Entity 8 for Years 7, 8 and 9. Taxpayer 1, relying on its own tax department and external tax professionals, failed to attach these elections and certifications to its Year 10 return.

Treas. Reg. § 301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. § 301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in Treas. Reg.

§ 301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. § 301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

In the present situation, the filings described in Treas. Reg. § 1.1503-2(g)(2) and Treas. Reg. § 1.1503-2T(g)(2) are regulatory elections as defined in Treas. Reg. § 301.9100-1(b). Therefore, the Commissioner has discretionary authority under Treas. Reg. § 301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the rules set forth in Treas. Reg. § 301.9100-3(a).

Based on the facts and information submitted, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer 1 and Taxpayer 2 are granted an extension of time of 60 days from the date of this ruling letter to file/correct the above described elections and certifications. In addition, Taxpayer 1 is granted an extension of time of 60 days from the date of this letter to file the Rebuttal Statement regarding the dissolution of Entity 5 in Year 5.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the election agreement. Treas. Reg. § 301.9100-1(a). For example, a taxpayer that is subject to mirror legislation enacted by a foreign country may be ineligible to file election agreements pursuant to Treas. Reg. § 1.1503-2(c)(15)(iv).

A copy of this ruling letter should be associated with the elections and certifications that are the subject of this ruling.

This ruling is directed only to the taxpayer who requested it. I.R.C. § 6110(k)(3) provides that it may not be used or cited as precedent. No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to the authorized representatives of Taxpayer 1 and Taxpayer 2.

Sincerely,

Edward R. Barret
Assistant to the Branch Chief
CC:INT:Br1

Enclosure:
Copy for 6110 purposes