

**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:INTL:B03  
PLR-134390-14  
Date:  
October 22, 2014

TY:

Legend

Corp X =

Corp Y =

Date 1 =

Dear :

This is in response to your representative's letter dated September 12, 2014, requesting a ruling on behalf of Corp X that Corp Y's pre-acquisition subsidiaries (the Corp Y Subs) be permitted to change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense.

The ruling contained in this letter are based upon information and representations submitted by Corp X's representative and accompanied by a penalty of perjury statement executed by an appropriate party of Corp X. While this office has not verified any of the material submitted in support of the request for ruling, it is subject to verification on examination.

Corp X, a domestic corporation that uses the accrual method as its overall method of accounting, is the common parent of an affiliated group of corporations (the Corp X Group) that file a consolidated federal income tax return on a calendar year basis. Corp X elected the tax book value method of asset valuation more than 10 years prior to Date 1 and has consistently applied the tax book value method since its initial election year.

On Date 1, Corp X merged with Corp Y, the common parent of a U.S. consolidated group of corporations. As a result of the merger, the Corp Y Subs became members of the Corp X Group and will be included in Corp X's consolidated federal income tax return starting from the day after Date 1. For more than 5 years prior to Date 1, Corp Y and its subsidiaries had used the fair market value method of asset valuation.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either the tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use that method unless expressly authorized by the Commissioner to change methods.

Based solely on the information submitted and the representations made, pursuant to Treas. Reg. §1.861-8(f)(2) and Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), the Corp Y Subs may change from the fair market value method to the tax book value method of assets valuation for purposes of apportioning interest expense for all operative sections, starting from the time the Corp Y Subs became members of the Corp X Group and for all subsequent taxable years.

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 Corp X and the Corp Y Subs. 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 representative.

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 of the letter ruling.

Sincerely,

Richard L. Chewning  
Senior Counsel, Branch 3  
Office of Associate Chief Counsel  
(International)