

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:B05 - PLR-154627-02

Date:

December 17, 2002

Legend

Taxpayer =

Date 1 =

Date 2 =

Date 3 =

Company Official =

State M =

Dear :

This letter responds to a letter dated October 3, 2002, requesting, on behalf of Taxpayer, an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election. The extension is being requested for Taxpayer to file an election under §1.1502-21(b)(3)(i) of the Income Tax Regulations to relinquish the entire carryback period for the consolidated net operating loss ("CNOL") of Taxpayer's consolidated group for the tax year ending Date 2.

The material information submitted for consideration is summarized below.

Taxpayer is a State M corporation. Taxpayer is a calendar year taxpayer and uses the accrual method of accounting. Taxpayer intended to relinquish the carryback period for its consolidated group's CNOL on its tax return for the tax year ending Date 2. The election was to be filed with Taxpayer's return for the tax year ending on Date 2. However, for various reasons, a valid election was not timely filed. On Date 3 (which is after Date 2), it was discovered that a valid election was not filed. Subsequently, this request was submitted, under § 301.9100-3, for an extension of time to file a valid election. The period of limitations on assessment under § 6501(a) has not expired for

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the taxable year for which the election should have been filed or for any taxable year(s) that would have been affected by the election had it been timely filed.

Section 1.1502-21(b)(3)(i) provides that a consolidated group may elect to relinquish the entire carryback period with respect to a CNOL for any consolidated return year. The election is made in a separate statement entitled "THIS IS AN ELECTION UNDER SECTION 1.1502-21(b)(3)(i) TO WAIVE THE ENTIRE CARRYBACK PERIOD PURSUANT TO SECTION 172(b)(3) FOR THE [insert consolidated return year] CNOLs OF THE CONSOLIDATED GROUP OF WHICH [insert name and employer identification number of common parent] IS THE COMMON PARENT." Section 1.1502-21(b)(3)(i) provides that the statement must be signed by the common parent and filed with the group's income tax return for the consolidated return year in which the CNOL arises.

Pursuant to § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code except subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making regulatory elections that do not meet the requirements of § 301.9100-2. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case, the time for filing the election is fixed by the regulations (i.e., § 1.1502-21(b)(3)(i)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Taxpayer to file the election, provided Taxpayer establishes it acted reasonably and in good faith, the requirements of § 301.9100-1 and § 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Taxpayer and Company Official explain the circumstances that resulted in the failure to timely file the valid election. The information establishes that a tax professional was responsible for the election, that Taxpayer relied on the tax professional to timely make the election, and that the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(v).

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Based on the facts and information submitted, including the representations that have been made, we conclude that Taxpayer has established it acted reasonably and in good faith in failing to timely file the election, the requirements of § 301.9100-1 and § 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, we grant an extension of time under § 301.9100-3, until 60 days from the date on this letter, for Taxpayer to file the election with respect to the relinquishment of the entire carryback period for the CNOL for the tax year ending Date 2, as described above.

Taxpayer should file the election by filing the statement described in § 1.1502-21(b)(3)(i). A copy of this letter should be attached to the election statement.

The above extension of time is conditioned on the Taxpayer's consolidated group's tax liability, if any, not being lower, in the aggregate for all years to which the election applies, than it would have been if the election had been made timely (taking into account the time value of money). No opinion is expressed as to the Taxpayer's consolidated group's tax liability for the years involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the Taxpayer's consolidated group's liability is lower. Section 301.9100-3(c).

No opinion is expressed as to the tax effects or consequences of filing the election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-3, we relied on certain statements and representations made by the taxpayer and its representatives. However, all of the essential facts must be verified. In addition, notwithstanding that an extension is granted under § 301.9100-3 to file the election, penalties and interest that would otherwise be applicable, if any, continue to apply. A copy of this letter must be attached to any income tax return to which it is relevant.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

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

Sincerely,

Ken Cohen

Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel
(Corporate)