

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:CORP:B02 – PLR-104514-03

Date:

July 15, 2003

Parent =

New Parent =

Sub =

Date 1 =

Date 2 =

State A =

State B =

Dear :

This is in response to your authorized representative's letter dated January 9, 2003, requesting rulings regarding a proposed transaction. Additional information was provided in subsequent submissions. In particular, you requested rulings pursuant to Treas. Reg. §§ 1.1502-75 and 1.1502-47.

The facts presented indicate that Parent, a State A corporation, is the eligible nonlife parent of a consolidated group filing a life-nonlife consolidated return under Internal Revenue Code §§ 1503 and 1504 and Treas. Reg. § 1.1502-47. Parent owns directly all of the stock of Sub and a number of other nonlife and life companies that are eligible corporations as defined by Treas. Reg. § 1.1502-47(d) are owned directly by

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Parent or Sub. Parent and members of the Parent consolidated group utilize the calendar year for filing their Federal income tax returns.

On Date 1, Parent filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. Under Chapter 11, Parent will attempt to reorganize its business. In particular, pursuant to a plan of reorganization (the "Plan of Reorganization"), Parent intends to undertake a series of transactions intended to qualify as a reorganization under I.R.C. § 368(a)(1)(G):

- i. Parent formed New Parent, a State B Corporation, on Date 2.
- ii. On the effective date of the bankruptcy reorganization (the "Effective Date"), Parent will transfer substantially all of its assets (principally the stock of Sub and the subsidiaries of Sub) to New Parent in exchange for New Parent stock and debt instruments and the assumption of certain indebtedness of Parent.
- iii. On the Effective Date, Parent will distribute all of the New Parent stock, securities, notes and other instruments received from New Parent to certain of its creditors. As a result, Parent's creditors will become shareholders of New Parent and will own more than 50 percent of the outstanding stock of New Parent.
- iv. Parent will not transfer to New Parent certain assets ("Unwanted Assets").
- v. On the Effective Date, all notes, instruments, certificates, and other documents evidencing debt and equity interests of Parent will be canceled and the obligations of Parent will be discharged.
- vi. Also on the Effective Date, Parent will issue one share of its common stock to a liquidation trust ("Trust") as described in Treas. Reg. § 301.7701-4(d).
- vii. Parent will liquidate into Trust and the Unwanted Assets will be distributed to creditors.

The following representations have been provided:

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- a. Parent's Plan of Reorganization requires that Parent be transferred to a liquidating trust and the Parent will go out of existence immediately thereafter under applicable state law.
- b. Upon the transfer of assets to New Parent and the distribution of New Parent's stock, and as part of the Plan of Reorganization, Parent will liquidate and go out of existence for all federal income tax purposes.

Treas. Reg. § 1.1502-47(d)(12)(vi), provides, in part, that if the common parent of a group (or a new common parent) became the common parent in a transaction described in § 1.1502-75(d)(2) or (3) where a group remained in existence, then paragraph (d)(12)(ii)—(iv) of this section apply by treating that common parent as if it were also the previous common parent of the group that remains in existence.

Treas. Reg. § 1.1502-75(d)(2)(ii) provides that the group shall be considered as remaining in existence notwithstanding that the common parent is no longer in existence if the members of the affiliated group succeed to and become the owners of substantially all of the assets of such former parent and there remains one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation and which was a member of the group prior to the date such former parent ceases to exist.

Based on the facts and representations presented and provided that substantially all of Parent's assets are transferred to New Parent, it is held that:

1. The transfer of substantially all of Parent's assets to New Parent and the subsequent liquidation and termination of Parent will qualify as a transaction under Treas. Reg. § 1.1502-75(d)(2)(ii). As a result, the Parent consolidated group will continue in existence with New Parent as the common parent.
2. New Parent will be an eligible corporation of the continuing group. Eligible members of Parent's consolidated group prior to the reorganization will remain eligible members of the consolidated group after the transaction with New Parent as the common parent. Treas. Reg. § 1.1502-47(d)(12)(vi).

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. In particular, no opinion is made as to whether the transaction described above qualifies under I.R.C. §§ 368(a)(1)(G) and 354(a). Furthermore, no

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opinion is given as to whether the other corporations are eligible corporations of the consolidated group.

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.

This ruling is directed only to the taxpayer(s) requesting it. 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.

Sincerely,

Edward S. Cohen

Edward S. Cohen
Branch Chief, Branch 2
Office of Associate Chief Counsel
(Corporate)

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cc: