

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B02

PLR-152854-04

Date:

January 14, 2005

Legend

X:

Y:

State:

Year 1:

Year 2:

d1:

Dear _____ :

This responds to your representative's letter dated October 5, 2004, and subsequent correspondence submitted on behalf of X, requesting that the Service grant X an extension of time to elect to be treated as a disregarded entity under § 301.7701-3(c) of the Procedure and Administration Regulations.

The information submitted states that X is a corporation formed under the laws of _____ Country. X is wholly owned by Y, a domestic corporation formed in State that is the

common parent of an affiliated group of corporations that joins in filing consolidated federal income tax returns. X was largely inactive until Y began to transition its entire internal manufacturing operations to X in Year 1. X inadvertently failed to timely file the Form 8832, Entity Classification Election effective d1.

X represents that pursuant to § 301.7701-3(a), X is a foreign eligible entity that is not required to be classified as a corporation for federal tax purposes.

Section 301.7701-3(b)(2) provides guidance on the classification of a foreign entity for federal income tax purposes. Generally, a foreign eligible entity is treated as an association taxable as a corporation if all members have limited liability, unless the entity makes an election to be treated otherwise. If the foreign eligible entity has only one owner, it may elect to be treated as a disregarded entity pursuant to the rules in § 301.7701-3(c).

Section 301.7701-3(c) provides that an entity classification election must be filed on Form 8832 and can be effective up to seventy-five (75) days prior to the date the form is filed or up to twelve (12) months after the date on which the form is filed.

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than 6 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. Section 301.9100-1(b) defines the term "regulatory election" as an election whose due date is prescribed by a regulation published in the Federal Register or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

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 the election.

Section 301.9100-2 provides the rules governing automatic extensions of time for making certain elections.

Section 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time for regulatory elections that do not meet the requirements of § 301.9100-2. Under § 301.9100-3, a request for relief will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that (1) the taxpayer acted reasonably and in good faith, and (2) granting relief will not prejudice the interests of the government.

Based solely on the information submitted and the representations made, we conclude that the requirements of § 301.9100-1 and § 301.9100-3 have been satisfied. As a result, X is granted an extension of time of 60 days from the date of this letter to file a Form 8832 with the appropriate service center and elect to treat X as a

disregarded entity effective d1. A copy of this letter should be attached to the Form 8832. A copy is enclosed for that purpose.

Except as specifically set forth above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision of the Code. We understand that Y claimed the extraterritorial income (ETI) exclusion on its Year 1 and Year 2 federal income tax returns in connection with income from sales of certain products manufactured in Country by X. No opinion is expressed regarding whether Y satisfied any of the requirements and tests under the ETI exclusion provisions and, in particular, whether the foreign content test has been satisfied with respect to any individual product.

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

Pursuant to a power of attorney on file with this office, copies of this letter are being sent to X's authorized representatives.

Sincerely,

Heather C. Maloy
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes

cc: