

## Internal Revenue Service

Number: **200649017**

Release Date: 12/8/2006

Index Number: 884.00-00, 884.02-00,  
884.04-00, 884.08-00,  
884.08-30

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:INTL:B01

PLR-124091-06

Date:

September 08, 2006

TY:

Legend

Parent =

Corp A

Purchaser =

Transferor =

Sub =

Country A =

Date 1 =

Date 2 =

Percent 1 =

Percent 2 =

Percent 3 =

Percent 4 =

Dear :

This is in response to a letter dated March 29, 2006 from your authorized representatives, requesting a ruling that a proposed transaction will not be treated as a "disposition" for purposes of the branch profits tax under section 884 of the Internal

Revenue Code of 1986 and Treas. Reg. section 1.884-2T(d)(5) of the Temporary Income Tax Regulations.

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.

The information submitted for consideration is set forth below.

Parent, a Country A corporation, currently owns Percent 1 of Corp A, and Percent 2 of Purchaser, both Country A corporations. Corp A owns Percent 3 of Transferor, a Country A corporation, which currently owns Percent 3 of Sub, a United States corporation, and Percent 4 of Purchaser.

Transferor is in the business of providing real estate services. Purchaser is in the property management business.

Transferor and Purchaser are taxed as corporations under Treas. Reg. section 301.7701-2(b)(2) for all U.S. federal income tax purposes. Additionally, both Transferor and Purchaser are entitled to benefits under the Tax Convention between the United States and Country A, signed on Date 1.

Prior to Date 2, Transferor owned a number of interests in U.S. limited partnerships and limited liability companies, which in turn owned U.S. real estate. On Date 2, Transferor contributed its interests in all the U.S. limited partnerships and limited liability companies to Sub in exchange for 100 percent of the stock of Sub (the "Prior Transaction"). The Prior Transaction was structured as a tax-free transaction pursuant to section 351. An election pursuant to Treas. Reg. section 1.884-2T(d)(4)(i) was made to attribute all of Transferor's effectively connected earnings and profits ("ECEP") and non-previously taxed accumulated ECEP to Sub. The election was filed with Sub's federal income tax return for the period ended Date 2. Transferor filed a statement, in accordance with Treas. Reg. section 1.884-2T(d)(5), that upon its disposition of all or part of the stock it owns in Sub it will increase its dividend equivalent amount for the taxable year by an amount equal to the lesser of (i) the amount realized upon such disposition or (ii) the total amount of ECEP and non-previously taxed accumulated ECEP that were allocated from Transferor to Sub pursuant to the election by Sub. The statement was filed with Transferor's federal income tax return for the period ended Date 2.

As part of an integrated plan, Parent, Corp A, Transferor and Purchaser intend to enter into a series of transactions whereby (i) Purchaser purchases all of the outstanding stock of Transferor from Corp A and (ii) Transferor will merge with and into Purchaser, with Purchaser as the survivor of the merger (together the steps comprise the "reorganization").

Following the reorganization, Purchaser intends to file a timely statement pursuant to Treas. Reg. section 1.884-2T(d)(5)(i) agreeing that, upon the disposition of all or part of the stock or securities it owns in Sub, Purchaser will treat as a dividend equivalent amount for the taxable year in which the disposition occurs an amount equal to the lesser of (i) the amount realized upon such disposition, or (ii) the total amount of ECEP and non-previously taxed ECEP that were allocated from Transferor to Sub pursuant to the Treas. Reg. section 1.884-2T(d)(4)(i) election for the Prior Transaction.

The following representations have been made in connection with the reorganization:

- (a) Purchaser's purchase of 100 percent of the outstanding stock of Transferor from Corp A and the subsequent merger of Transferor with and into Purchaser, with Purchaser as the survivor of the merger, constitutes a tax-free reorganization under section 368(a)(1)(D); and
- (b) Following the issuance of the ruling requested, Purchaser will timely file a statement pursuant to Treas. Reg. section 1.884-2T(d)(5)(i) agreeing that, upon the disposition of part or all of the stock or securities it owns in Sub, Purchaser will treat as a dividend equivalent amount for the taxable year in which the disposition occurs an amount equal to the lesser of (A) the amount realized upon such disposition or (B) the total amount of ECEP and non-previously taxed accumulated ECEP that was allocated from Transferor to Sub pursuant to the Treas. Reg. section 1.884-2T(d)(4)(i) election for the Prior Transaction.

Based solely on the information submitted and the representations set forth above, and provided that (i) the reorganization constitutes a reorganization within the meaning of section 368(a)(1)(D) with respect to Transferor with no gain recognized under section 356, and (ii) Purchaser files a statement pursuant to Treas. Reg. section 1.884-2T(d)(5)(i) as described in the above representation, the merger of Transferor into Purchaser will not constitute a disposition by Transferor of its stock in Sub under Treas. Reg. section 1.884-2T(d)(5)(i). See Treas. Reg. section 1.884-2T(d)(5)(ii) of the Temporary Income Tax Regulations.

Any subsequent disposition of Sub stock by Purchaser that does not qualify for an exception to the general rule of section 1.884-2T(d)(5)(i) will require an inclusion of a dividend equivalent amount by Purchaser, to the extent required in section 1.884-2T(d)(5)(i).

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. Specifically, no opinion is expressed or implied as to whether Transferor or Purchaser is a qualified resident for purposes of section 884 of the Code, and no opinion is expressed as to any other consequences under section 884 of the Code.

arising from the reorganization. No opinion is expressed about the tax treatment of the reorganization under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the reorganization that are not specifically covered by the above rulings.

This ruling is directed only to the taxpayer 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. 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,

Elizabeth U. Karzon  
Branch Chief, Branch 1  
(International)

cc: