

## Internal Revenue Service

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Department of the Treasury  
Washington, DC 20224

Person To Contact:

Telephone Number:

Refer Reply To:

CC:INTL

PLR-135606-06

Date:

March 2, 2007

Taxpayer =

Entity 1 =

Entity 2 =

Entity 3 =

Entity 4 =

Entity 5 =

Entity 6 =

Entity 7 =

Entity 8 =

Entity 9 =

Entity 10 =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Country A =

Country B =

Country C =

Dear :

This is in response to your representative's letter dated July 18, 2006, in which your representative requests on behalf of Taxpayer an extension of time under Treas. Reg. § 301.9100-3 to file elections under Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i), as applicable, and annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B), as applicable, for Years 1 through 6 with respect to dual consolidated losses (as defined in Treas. Reg. § 1.1503-2(c)(5)) attributable to the Taxpayer's interests in its separate units, as described below. Additional information was received in a letter dated December 21, 2006. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in

support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

During the tax years in issue, Taxpayer relied on its in-house certified public accountants to prepare its consolidated returns and to include the necessary elections and certifications with its U.S. federal income tax returns. Taxpayer's accountants inadvertently failed to prepare election agreements as required by Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i), as applicable, for Years 1 through 6 with respect to dual consolidated losses attributable to its interests in its separate units. Taxpayer's accountants also inadvertently failed to file annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B), as applicable, with respect to losses attributable to Taxpayer's interest in Entity 2 for Years 5 and 6, Entity 3 for Years 4 and 5, and Entity 5 for Year 6.

Entity 1 is disregarded as an entity separate from its owner. The interest in Entity 1 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 1 has activities in Country A that constitute a foreign branch ("Entity 1 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 1 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 3, Year 4, Year 5, and Year 6 are attributable to Entity 1 Branch. No dual consolidated losses are attributable to the interest in Entity 1.

Entity 2 is disregarded as an entity separate from its owner. The interest in Entity 2 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses for Year 4 are attributable to the interest in Entity 2.

Entity 3 is disregarded as an entity separate from its owner. The interest in Entity 3 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses for Year 3 and Year 4 are attributable to the interest in Entity 3.

Entity 4 is disregarded as an entity separate from its owner. The interest in Entity 4 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 4 has activities in Country B that constitute a foreign branch ("Entity 4 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 4 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 1, Year 2, Year 3, Year 4, Year 5, and Year 6 are attributable to Entity 4 Branch. No dual consolidated losses are attributable to the interest in Entity 4.

Entity 5 is disregarded as an entity separate from its owner. The interest in Entity 5 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses for Year 5 and for Year 6 are attributable to the interest in Entity 5.

Entity 6 is disregarded as an entity separate from its owner. The interest in Entity 6 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 6 has

activities in Country C that constitute a foreign branch ("Entity 6 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 6 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 6 are attributable to Entity 6 Branch. No dual consolidated losses are attributable to the interest in Entity 6.

Entity 7 is disregarded as an entity separate from its owner. The interest in Entity 7 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 7 has activities in Country C that constitute a foreign branch ("Entity 7 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 7 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 6 are attributable to Entity 7 Branch. No dual consolidated losses are attributable to the interest in Entity 7.

Entity 8 is disregarded as an entity separate from its owner. The interest in Entity 8 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 8 has activities in Country C that constitute a foreign branch ("Entity 8 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 8 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 6 are attributable to Entity 8 Branch. No dual consolidated losses are attributable to the interest in Entity 8.

Entity 9 is disregarded as an entity separate from its owner. The interest in Entity 9 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Entity 9 has activities in Country C that constitute a foreign branch ("Entity 9 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 9 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses for Year 1, Year 2, Year 3, Year 4, Year 6, and Year 6 are attributable to Entity 9 Branch. No dual consolidated losses are attributable to the interest in Entity 9.

Entity 10 is disregarded as an entity separate from its owner. The interest in Entity 10 is a hybrid entity separate unit as described in Treas. Reg. § 1.1503-2(c)(4). Dual consolidated losses for Year 6 are attributable to the interest in Entity 10.

Taxpayer represents that the income tax laws of Country B do not deny the use of losses, expenses, or deductions of Entity 4 to offset income of another person because the dual resident corporation or separate unit is also subject to income taxation by another country on its worldwide income or on a residence basis.

Taxpayer represents that the income tax laws of Country C do not deny the use of losses, expenses, or deductions of Entities 6, 7, 8, and 9 to offset income of another person because the dual resident corporation or separate unit is also subject to income taxation by another country on its worldwide income or on a residence basis.

Taxpayer represents that it filed this application for relief before the Internal Revenue Service discovered the failure to file the necessary elections and agreements under Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i), as applicable, and annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B), as applicable, with respect to the dual consolidated losses incurred in the years in question. Treas. Reg. § 301.9100-3(b)(1)(i).

Treas. Reg. § 301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in Treas. Reg. § 301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. § 301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. § 301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

In the present situation, the elections and agreements under Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i) and annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B) are regulatory elections as defined in Treas. Reg. § 301.9100-1(b). Therefore, the Commissioner has discretionary authority under Treas. Reg. § 301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the rules set forth in Treas. Reg. § 301.9100-3(a).

Based on the facts and information submitted, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter to file the elections and agreements under Treas. Reg. § 1.1503-2(g)(2)(i) or Treas. Reg. § 1.1503-2T(g)(2)(i) described in this letter for dual consolidated losses for the years in question that are attributable to Entities 1 through 10. Taxpayer is also granted an extension of time of 60 days from the date of this ruling letter to file the annual certifications under Treas. Reg. § 1.1503-2(g)(2)(vi)(B) or Treas. Reg. § 1.1503-2T(g)(2)(vi)(B) with respect to the dual consolidated losses attributable to Taxpayer's interest in Entity 2 for Years 5 and 6, Entity 3 for Years 4 and 5, and Entity 5 for Year 6.

Taxpayer is not required to file annual certifications for dual consolidated losses attributable to Entity 1 Branch, Entity 4 Branch, Entity 6 Branch, Entity 7 Branch, Entity 8 Branch, and Entity 9 Branch because the losses are attributable to separate units

described in Treas. Reg. § 1.1503-2(c)(3)(i)(A) and, therefore, an extension of time is not necessary in this regard. Treas. Reg. § 1.1503-2(g)(2)(vi)(C).

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the election agreement. Treas. Reg. § 301.9100-1(a). For example, a taxpayer that is subject to mirror legislation enacted by a foreign country may be ineligible to file election agreements pursuant to Treas. Reg. § 1.1503-2(c)(15)(iv).

A copy of this ruling letter should be associated with the elections and certifications that are the subject of this ruling.

This ruling is directed only to the taxpayer who requested it. I.R.C. § 6110(k)(3) provides that it may not be used or cited as precedent. No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to Taxpayer's authorized representatives.

Sincerely,

Associate Chief Counsel (International)

By: \_\_\_\_\_  
Richard L. Chewning  
Senior Counsel  
Office of the Associate Chief Counsel (International)

Enclosure:  
Copy for 6110 purposes