

## Internal Revenue Service

Department of the Treasury  
Washington, DC 20224

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Person To Contact:

Telephone Number:

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CC:INTL

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Date:

May 10, 2007

Taxpayer =

Sub 1 =

Sub 2 =

Sub 3 =

Entity 1 =

Entity 2 =

Entity 3 =

Entity 4 =

Entity 5 =

Entity 6 =

X =

Year 1 =

Country A =

Country B =

CPA Firm =

Dear :

This is in response to a letter dated December 14, 2006, from your authorized representative requesting an extension of time under Treas. Reg. § 301.9100-3 for Taxpayer to file: (1) elections and agreements under Treas. Reg. § 1.1503-2T(g)(2)(i) (“(g)(2)(i) elections”) with respect to dual consolidated losses (as defined in Treas. Reg. § 1.1503-2(c)(5)) attributable the separate units described below and (2) an extension of time to file rebuttal statements under Treas. Reg. § 1.1503-2(g)(2)(iii)(B). Additional information was submitted in a letter dated May 8, 2007. 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.

Subs 1 through 3 are members of Taxpayer’s affiliated group and are affiliated domestic owners of the separate units described below.

Entity 1 was formed in Country A and has been classified as a partnership for U.S. income tax purposes since its inception. Sub 1 and Sub 3 each held an interest in Entity 1 during Year 1. The interests in Entity 1 are separate units as described in Treas. Reg. § 1.1503-2(c)(3)(i)(B). No dual consolidated losses are attributable to the interests in Entity 1. Entity 1 held X percent interests, directly and indirectly, in Entities 3 through 5 during Year 1.

During Year 1, Entity 3, formed in Country A, 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). Entity 3 held X percent interests in Entities 4 and 5 during Year 1.

During Year 1, Entity 4, formed in Country A, 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 were attributable to Entity 4 Branch during Year 1. No dual consolidated losses were attributable to the interests in Entity 4.

Entity 5, formed in Country B, 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). Entity 5 has activities in Country B that constitute a foreign branch ("Entity 5 Branch") within the meaning of Treas. Reg. § 1.367(a)-6T(g). Entity 5 Branch is a separate unit described in Treas. Reg. § 1.1503-2(c)(3)(i)(A). Dual consolidated losses were attributable to Entity 5 Branch during Year 1. No dual consolidated losses were attributable to the interests in Entity 5.

Entity 2 was formed in Country A and was classified as a partnership for U.S. income tax purposes during Year 1. Sub 1 and Sub 2 each held interests in Entity 2 during Year 1. The interests in Entity 2 are separate unites as described in Treas. Reg. § 1.1503-2(c)(3)(i)(B). No dual consolidated losses are attributable to the interests in Entity 2. Entity 2 held an X percent interest in Entity 6 during Year 1.

Entity 6, formed in Country B, 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 B 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 were attributable to Entity 6 Branch during Year 1. No dual consolidated losses were attributable to the interests in Entity 6.

Taxpayer sold the assets of Entity 4 Branch, Entity 5 Branch and Entity 6 Branch during Year 1 which gave rise to dual consolidated losses with respect to each Branch. At the time of the sale, CPA Firm advised taxpayer that the asset sale would constitute a presumptive dual consolidated loss triggering event pursuant to Treas. Reg. § 1.1502-2(g)(2)(iii)(A). CPA firm also advised Taxpayer that Taxpayer could avail itself of the triggering even rebuttal provision of Treas. Reg. § 1.1502-2(g)(2)(iii)(B). Nevertheless, Taxpayer's tax department failed to include rebuttal statements with Taxpayer's Year 1 return. In addition, the (g)(2)(i) elections submitted with respect to the Year 1 dual consolidated losses described above were prepared on the basis of the separate unit that generated the loss, instead of on the basis of the portion of such loss attributable to Sub 1's, Sub 2's and/or Sub 3's respective ownership portion of Entity 4 Branch, Entity 5 Branch and Entity 6 Branch. Taxpayer represents that these omissions and incorrect filings were unintentional and wholly inadvertent.

None of Taxpayer's separate units has ever been subject to any foreign law that would deny it from using its losses, expenses, or deductions 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 required (g)(2)(i) elections or rebuttal statements. Treas. Reg. § 301.9100-3(b)(1)(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. § 301.9100-1(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. § 301.9100-3(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 (g)(2)(i) elections and rebuttal statements 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 corrected Year 1 (g)(2)(i) elections described above with respect to the dual consolidated losses attributable to Sub 1's, Sub 2's and/or Sub 3's respective ownership portion of Entity 4 Branch, Entity 5 Branch and Entity 6 Branch.

In addition, Taxpayer is granted an extension of time of 60 days from the date of this letter to file the rebuttal statements regarding the sale of the assets of Entity 4 Branch, Entity 5 Branch and Entity 6 Branch in Year 1.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the election agreements. 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 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,

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John J. Merrick  
Special Counsel  
Office of Chief Counsel (International)

Enclosure: