

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **200819008**  
Release Date: 5/9/2008

Third Party Communication: None  
Date of Communication: Not Applicable

Index Number: 338.01-02, 9100.06-00

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Refer Reply To:  
CC:CORP:01  
PLR-145685-07

Date:  
February 06, 2008

**LEGEND:**

Purchaser =

Target 1 =

Target 2 =

Target 3 =

Date A =

Date B =

a =

b =

c =

d =

e =

f =

Company Official =

Dear :

This letter responds to a letter dated October 2, 2007, submitted on behalf of Purchaser, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election. Purchaser is requesting an extension to file a "§ 338 election" under § 338(g) with respect to Purchaser's acquisition of the stock of Target 3 on Date A (the "Election"). Additional information was received in letters dated November 30, 2007, and December 7, 2007. The material information is summarized below.

Purchaser, Target 1, Target 2 and Target 3 were foreign corporations. Target 1 owned approximately a% of the voting power and approximately b% of the value of the outstanding shares of Target 3. Target 2 owned approximately c% of the voting power and approximately d% of the value of the outstanding shares of Target 3.

On Date A, Purchaser acquired all of the stock of Target 1 and Target 2 from Target 1 and Target 2 shareholders and approximately e% of the voting power and approximately f% of the value of the shares of Target 3 from Target 3 shareholders in exchange for cash, assumption of debt and Purchaser shares. It is represented that if a § 338(g) election is made for Target 1 and Target 2, then Purchaser's acquisition of the stock of Target 3 qualified as a "qualified stock purchase," as defined in § 338(d)(3).

Target 3 was not a controlled foreign corporation as defined in § 957 for its taxable year that includes the acquisition date (as defined in § 338(h)(2)). However, Target 3 does not represent that it was not a passive foreign investment company at any time during the portion of its taxable year that ends on the acquisition date (as defined in § 338(h)(2)).

The Election was due on Date B, but for various reasons a valid Election was not filed. After the due date for the Election, it was discovered that the Election had not been filed. Subsequently, this request was submitted, under § 301.9100-3, for an extension of time to file the Election.

Section 338(a) permits certain stock purchases to be treated as asset acquisitions if: (1) the purchasing corporation makes or is treated as having made a "§ 338 election" or a "§ 338(h)(10) election"; and (2) the acquisition is a "qualified stock purchase."

Under § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election or a statutory election (but no more than

six 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.

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 a regulatory election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case, the time for filing the Election is fixed by the regulations (i.e., § 1.338-2(d)). Therefore, the Commissioner has discretionary authority under § 301.9100-3 to grant an extension of time for Purchaser to file the Election, provided Purchaser acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Purchaser and Company Official explain the circumstances that resulted in the failure to timely file a valid Election. The information establishes that the request for relief was filed before the failure to make the Election was discovered by the Internal Revenue Service and that the interests of the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(i).

Based on the facts and information submitted, including the representations made, we conclude that Purchaser has shown it acted reasonably and in good faith, the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, provided that Purchaser makes valid § 338(g) elections for the acquisitions of Target 1 and Target 2, an extension of time is granted under § 301.9100-3, until 45 days from the date on this letter, for Purchaser to file the Election with respect to the acquisition of the stock of Target 3, as described above.

**WITHIN 45 DAYS OF THE DATE ON THIS LETTER,** Purchaser must file the Election on Form 8023, in accordance with § 1.338-2(d) and the instructions to the form. A copy of this letter must be attached to Form 8023.

**WITHIN 120 DAYS OF THE DATE ON THIS LETTER,** all relevant parties must file or amend, as applicable, all returns and amended returns (if any) necessary to report the transaction as a § 338 transaction for the taxable year in which the transaction was consummated (and for any other affected taxable year), including, as necessary, Forms 8883 and 5471 and supplemental statements. A copy of this letter must be attached to the returns. Alternatively, taxpayers filing their returns

electronically may satisfy this latter requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

The above extension of time is conditioned on the taxpayers' (Purchaser's and Target 3's) tax liability (if any) being not lower, in the aggregate, for all years to which the Election applies, than it would have been if the Election had been timely made (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liability for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' tax liability is lower. Section 301.9100-3(c).

We express no opinion as to: (1) whether the acquisition of the Target 3 stock qualifies as a "qualified stock purchase" under § 338(d)(3); or (2) any other tax consequences arising from the Election.

In addition, we express no opinion as to the tax consequences of filing the Election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the Election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-3, we relied on certain statements and representations made by the taxpayer and the taxpayer's representatives. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under § 301.9100-3 to file the Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

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

Pursuant to the power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

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Ken Cohen  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel (Corporate)

cc: