

Internal Revenue Service

Department of the Treasury
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Date:
September 17, 2008

Legend:

Parent =

Sub =

Sub 1 =

LLC =

Offering 1 =

Offering 2 =

State X =

Date =

a =

b =

c =

d =

e =

f =

Dear _____ :

We respond to your representative's letter dated June 9, 2008, requesting rulings as to the Federal income tax consequences of a transaction. Additional information was submitted in a letter dated September 11, 2008. The information submitted is summarized below.

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. This Office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

STATEMENT OF FACTS

Parent is a publicly-traded holding company which is the common parent of a consolidated group. Parent, a State X Corporation, owns all of the stock of Sub and Sub owns all of the stock of Sub 1. Both Sub and Sub 1 are State X corporations and members of Parent's consolidated group. Sub 1 owns all of the stock of LLC. LLC is an entity disregarded from its owner, Sub 1, for Federal income tax purposes.

On Date, Parent made two public offerings of securities, "Offering 1" and "Offering 2". (Offering 1 and Offering 2 may be referred to as the "Offerings"). Parent paid an underwriting fee of \$a for Offering 1 and \$b for Offering 2. The net proceeds were \$c from Offering 1 and \$d from Offering 2. LLC underwrote the Offerings and received an aggregate fee of \$e ("Aggregate Underwriting Fee") for providing these services (\$a plus \$b). LLC incurred certain expenses in providing the underwriting services of \$f ("Underwriting Expenses"). When the \$f Underwriting Expenses were netted against the \$e Aggregate Underwriting Fee, LLC realized a net profit ("Net Underwriting Profit"). The net proceeds of the Offerings were used for general corporate purposes.

APPLICABLE LAW

Section 1.1502-13(b)(6) provides that the attributes of an intercompany item or corresponding item are all of the item's characteristics, except amount, location, and timing, necessary to determine the item's effect on taxable income (and tax liability). Attributes include treatment as excluded from gross income or as a noncapital, nondeductible amount.

Section 1.1502-13(c)(1)(i) provides that the separate entity attributes of S's [the member transferring property or providing services] intercompany items and B's [the member receiving the property or services] corresponding items are redetermined to the extent necessary to produce the same effect on consolidated taxable income (and consolidated tax liability) as if S and B were divisions of a single corporation, and the intercompany transaction were a transaction between divisions.

Section 1.1502-13(c)(6)(i) provides that under §1.1502-13(c)(1)(i), S's intercompany item might be redetermined to be excluded from gross income or treated as a noncapital, nondeductible amount.

RULING

Based solely on the information submitted and representations made, we rule as follows:

The Aggregate Underwriting Fee incurred by Parent in the Offerings is not deductible or amortizable now or in the future. Accordingly, the Net Underwriting Profit will be redetermined to be excluded from Sub 1's gross income under §1.1502-13(c)(1)(i) of the Income Tax Regulations and will have no effect on the consolidated taxable income of Parent's consolidated group (§1.1502-13(c)(6)).

CAVEAT

We express no opinion about the tax treatment of any transaction described above under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effect resulting from, any of these transactions that is not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

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

A copy of this ruling letter must be attached to the Federal income tax return of the Parent consolidated group for the taxable year in which the transaction covered by

this letter is consummated. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their returns that provides the date and control number of the letter ruling.

Pursuant to the power of attorney on file in this Office, copies of this letter are being sent to Parent's authorized representatives.

Sincerely,

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

cc: