

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Date:  
March 01, 2011

**LEGEND:**

Taxpayer =

Partnership =

Subsidiary =

Date 1 =

Date 2 =

a =

b =

Dear :

This responds to a letter dated July 21, 2010, on behalf of Taxpayer and Subsidiary requesting an extension of time under § 301.9100-1 of the Procedure and Administration Regulations to make an election under § 856(l) of the Internal Revenue Code to treat Subsidiary as a Taxable REIT Subsidiary of Taxpayer, effective as of Date 1.

## FACTS

Taxpayer is a corporation that has elected to be treated as a real estate investment trust ("REIT") under § 856. Taxpayer buys, owns, redevelops, and leases real property. Taxpayer owns a % of Partnership, which in turn owns b % of Subsidiary. Subsidiary was formed on Date 1. Taxpayer intended to elect to treat Subsidiary as a taxable REIT subsidiary ("TRS") of Taxpayer. At the direction of Taxpayer's general counsel, an employee of Taxpayer prepared Form 8875, "Taxable REIT Subsidiary Election," to make an election to treat Subsidiary as a TRS of Taxpayer as of Date 1. Taxpayer's general counsel reviewed the Form 8875 that was prepared by the employee and presented the Form 8875 to Taxpayer's president for signing on Date 2. Taxpayer's president is an authorized signatory for both Taxpayer and Subsidiary. Taxpayer's president signed the Form 8875 on Date 2 in the presence of Taxpayer's general counsel, and Taxpayer's general counsel gave the signed Form 8875 on the same date to his assistant for mailing to the Service. Pursuant to Taxpayer's normal business practice, on the same date, the assistant put the form in an envelope, addressed the envelope, and placed it into the building's mail drop for mailing via first class U.S. mail.

Taxpayer has not received correspondence from the Service indicating that the election to treat Subsidiary as a TRS has been received and accepted, and is, therefore, pursuing this private letter ruling.

Taxpayer and Subsidiary also make the following additional representations:

1. The request for relief was filed by Taxpayer and Subsidiary before the failure to make the regulatory election was discovered by the Service.
2. Granting the relief requested will not result in Taxpayer and Subsidiary having a lower tax liability in the aggregate for all years to which the regulatory election applies than they would have had if the election had been timely made (taking into account the time value of money).
3. Taxpayer and Subsidiary did not seek to alter a return position for which an accuracy-related penalty has been or could have been imposed under section 6662 of the Code at the time they requested relief and the new position requires or permits a regulatory election for which relief is requested.
4. Being fully informed of the required regulatory election and related tax consequences, Taxpayer and Subsidiary did not choose to not file the election.

## LAW AND ANALYSIS

The Ticket to Work and Work Incentives Improvement Act of 1999, P.L. 106-170, included a change, for tax years beginning after December 31, 2000, to the REIT provisions of § 856(d). This change allows a REIT to form a Taxable REIT Subsidiary that can perform activities that otherwise would result in impermissible tenant service

income. The election under § 856(l) is made on Form 8875, "Taxable REIT Subsidiary Election." Officers of both the REIT and the Taxable REIT Subsidiary must jointly sign the form, which is filed with the IRS Service Center in Ogden, UT.

Section 856(l) of the Code provides that a REIT and a corporation (other than a REIT) may jointly elect to treat such corporation as a Taxable REIT Subsidiary. To be eligible for treatment as a Taxable REIT Subsidiary, § 856(l)(1) provides that the REIT must directly or indirectly own stock in the corporation, and the REIT and the corporation must jointly elect such treatment. The election is irrevocable once made, unless both the REIT and the subsidiary consent to its revocation. In addition, § 856(l) specifically provides that the election, and any revocation thereof, may be made without the consent of the Secretary.

In Announcement 2001-17, 8 I.R.B. 716, the Service announced the availability of new Form 8875, "Taxable REIT Subsidiary Election." According to the Announcement, this form is to be used for tax years beginning after 2000 for eligible entities to elect treatment as a Taxable REIT Subsidiary. The instructions to Form 8875 provide that the subsidiary and the REIT can make the election at any time during the tax year. However, the effective date of the election depends upon when the Form 8875 is filed. The instructions further provide that the effective date on the form cannot be more than 2 months and 15 days prior to the date of filing the election, or 12 months after the date of filing the election. If no date is specified on the form, the election is effective on the date the form is filed with the Service.

Section 301.9100-1(c) of the regulations provides that the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election (defined in § 301.9100-1(b) as an election whose due date is prescribed by regulations or by a revenue ruling, a revenue procedure, a notice, or an announcement published in the Internal Revenue Bulletin), or a statutory election (but no more than 6 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.

Section 301.9100-3(a) through (c)(1)(i) sets forth rules that the Internal Revenue Service generally will use to determine whether, under the particular facts and circumstances of each situation, the Commissioner will grant an extension of time for regulatory elections that do not meet the requirements of § 301.9100-2. Section 301.9100-3(b) provides that subject to paragraphs (b)(3)(i) through (iii) of § 301.9100-3, when a taxpayer applies for relief under this section before the failure to make the regulatory election is discovered by the Service, the taxpayer will be deemed to have acted reasonably and in good faith; and § 301.9100-3(c) provides that the interests of the government are prejudiced if granting relief would result in the taxpayer having a lower tax liability in the aggregate for all years to which the regulatory election applies

than the taxpayer would have had if the election had been timely made (taking into account the time value of money).

## CONCLUSION

Based on the information submitted and representations made, we conclude that Taxpayer and Subsidiary have satisfied the requirements for granting a reasonable extension of time to elect under § 856(l) to treat Subsidiary as a taxable REIT subsidiary of Taxpayer, effective as of Date 1. Taxpayer and Subsidiary have 60 days from the date of this letter to make the intended election.

This ruling is limited to the timeliness of the filing of the Form 8875. This ruling's application is limited to the facts, representations, Code sections, and regulations cited herein.

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. In particular, no opinion is expressed with regard to whether Taxpayer qualifies as a REIT or whether Subsidiary otherwise qualifies as a taxable REIT subsidiary under subchapter M of the Code.

No opinion is expressed with regard to whether the tax liability of Taxpayer and Subsidiary is not lower in the aggregate for all years to which the election applies than such tax liability would have been if the election had been timely made (taking into account the time value of money). Upon audit of the federal income tax returns involved, the director's office will determine such tax liability for the years involved. If the director's office determines that such tax liability is lower, that office will determine the federal income tax effect.

The ruling contained in this letter is 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.

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.

Sincerely,

Alice M. Bennett  
Chief, Branch 3  
Office of Associate Chief Counsel  
(Financial Institutions & Products)

Enclosures:  
Copy of this letter  
Copy for section 6110 purposes