

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Refer Reply To:
CC:INTL:B03
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Date:
December 14, 2011

TY:

Taxpayer =
State X =
Industry Y =
Taxable Year =

Dear :

This is in response to a letter you submitted, dated August 31, 2011, requesting a ruling that Taxpayer be permitted to use the tax book value method of asset valuation for purposes of apportioning interest expense for the Taxable Year and for all subsequent taxable years.

The ruling contained in this letter is based upon information and representations submitted by 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 ruling, it is subject to verification on examination.

Taxpayer is a domestic corporation organized under the laws of State X. Taxpayer uses the accrual method as its overall method of accounting. Taxpayer through its wholly owned subsidiaries owns and operates businesses in Industry Y. Taxpayer must allocate and apportion its deductions, including its deduction for interest expense, for all purposes of the Internal Revenue Code pursuant to Treas. Reg. §§1.861-8 through 1.861-17 and Temp. Treas. Reg. §§1.861-8T through 1.861-14T.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-9 through 1.861-12 and Temp. Treas. Reg. §§1.861-9T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either the tax book value or the fair market value of its assets. Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use that method unless expressly authorized by the Commissioner to change methods.

Taxpayer files a consolidated U.S. federal income tax return. Taxpayer requests, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), that it be permitted to use the tax book value method of asset valuation for the Taxable Year and for all subsequent taxable years.

Based solely on the information submitted and the representations made, Taxpayer may use the tax book value method of asset valuation for purposes of apportioning interest expense, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), for the Taxable Year and for all subsequent taxable years and for all operative sections pursuant to Treas. Reg. § 1.861-8(f)(2).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item described or referenced in this letter.

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

Taxpayer must attach a statement to its return that provides the date and control number of this letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel (International)

cc: