

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

Number: **201222002**  
Release Date: 6/1/2012

Third Party Communication: None  
Date of Communication: Not Applicable  
Person To Contact:  
, ID No.

Index Number: 861.09-06

Telephone Number:

Refer Reply To:  
CC:INTL:B03  
PLR-104529-12  
Date:  
February 28, 2012

TY:

Taxpayer =  
State X =  
Taxable Year =  
Date Y =  
Industry Z =

Dear :

This is in response to a letter your representatives submitted, dated January 31, 3012, requesting a ruling that Taxpayer be permitted to change to 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 and its annual accounting period ends on Date Y. Taxpayer through its wholly owned subsidiaries owns and operates businesses in Industry Z. 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 is the common parent of a group of affiliated corporations that 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 change to 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, including sections 199 and 904 of the Code, 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: