

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:INTL:B03  
PLR-152500-12

Date:  
February 19, 2013

Legend

Taxpayer =  
State X =  
Taxable Year =  
Business Y =

Dear :

This is in response to your letter dated November 20, 2013, that you submitted on behalf of Taxpayer, 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 ruling request, it is subject to verification on examination.

Taxpayer is a domestic corporation organized under the laws of State X. Taxpayer, a calendar year taxpayer, uses the accrual method as its overall method of accounting. Taxpayer is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. Taxpayer, through its domestic subsidiaries and controlled foreign corporations, conducts Business Y. Taxpayer used the fair market value method for the five years preceding the Taxable Year.

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. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T 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 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 such method unless expressly authorized by the Commissioner to change methods.

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 Taxable Year F and for all subsequent taxable years and for all operative sections of the Code, including sections 199 and 904, 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 the taxpayer requesting it. 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.

Sincerely,

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

cc: