

Internal Revenue Service

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Telephone Number:

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Date:
September 30, 2013

Legend

Taxpayer =

Date 1 =

Year 1 =

State A =

a =

b =

c =

d =

e =

Dear :

This letter responds to your letter dated March 29, 2013, in which you requested rulings regarding certain U.S. Federal income tax consequences of a series of proposed transactions (collectively, the "Proposed Transaction"). The information submitted in that letter and later correspondence 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. 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.

Summary of Facts

Taxpayer is a business association that was created for the benefit of a state university in State A (University) pursuant to a trust document dated Date 1. Taxpayer has filed corporate income tax returns (Form 1120 U.S. Corporation Income Tax Return) since at least Year 1. Taxpayer does not have any stock or membership interests and has no shareholders or equity holders. Under its bylaws, Taxpayer is managed by a board of trustees ("Board") consisting of a members. The Board members are delineated as follows: b University faculty members; c University alumni; d University students; e University staff members; and Taxpayer's President. According to the trust, dividends are prohibited and any profits earned by Taxpayer are either returned to purchasers (via cash refunds) or used to develop Taxpayer's operations for the benefit of the students of the University community. Upon liquidation, Taxpayer's assets must be used for the benefit of the students of the University. Although Taxpayer is treated as a C corporation for U.S. Federal income tax purposes, it is not recognized as a corporate entity by State A. Taxpayer proposes the following transaction (Proposed Transaction).

Proposed Transaction

For what has been represented to be valid business reasons, Taxpayer intends to complete the Proposed Transaction, as described below, in the following steps:

- 1) Taxpayer will convert under state law into a State A unincorporated cooperative association.
- 2) Immediately after Step 1, Taxpayer will convert into a State A nonstock corporation ("New Taxpayer").

After the Proposed Transaction, the New Taxpayer will have no shareholders, no members, no stock, and no membership interests. The bylaws of the New Taxpayer will provide categories of board members consistent with the categories identified in the Taxpayer trust bylaws immediately prior to the Proposed Transaction. The New Taxpayer will be managed by board members who are chosen from the University community in accordance with its bylaws.

After the Proposed Transaction, New Taxpayer will continue the historic activities and operations of the Taxpayer prior to the Proposed Transaction. It will continue to reinvest its profits in its operations or reduce prices (via cash refunds to purchasers). Upon liquidation, New Taxpayer must still use any remaining assets for the benefit of the students of the University.

Additionally, after the Proposed Transaction, New Taxpayer will continue to file U.S. Corporate income tax returns (Forms 1120), just as it had prior to the Proposed Transaction. New Taxpayer will remain a taxable corporation for U.S. Federal income

tax purposes and has no plan or intent to seek exemption from taxation under section 501.

Representations

Taxpayer has made the following representations:

- a) The fair market value of the New Taxpayer will be approximately equal to the fair market value of the Taxpayer in the Proposed Transaction.
- b) Immediately after the Proposed Transaction, New Taxpayer will possess the same assets and liabilities, except for assets used to pay expenses incurred in connection with the Proposed Transaction, as those possessed by the Taxpayer immediately prior to the Proposed Transaction. Assets used to pay expenses made by Taxpayer preceding the Proposed Transaction will, in the aggregate, constitute less than one percent of the net assets of Taxpayer.
- c) The fair market value of the assets deemed transferred from Taxpayer to New Taxpayer in the Proposed Transaction will equal or exceed the sum of the liabilities (as determined under section 357(d)) assumed by New Taxpayer.
- d) The liabilities of Taxpayer to be assumed (within the meaning of section 357(d)) by New Taxpayer plus the liabilities, if any, to which the transferred assets are subject were incurred by Taxpayer in the ordinary course of its business and are associated with the assets deemed transferred to New Taxpayer.
- e) At the time of the Proposed Transaction, Taxpayer will not be under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A), and it will not be subject to any state insolvency proceeding applicable to insurers.
- f) Each party will pay its own expenses, if any, incurred in connection with the Proposed Transaction.

Rulings

- 1) The conversions in Steps 1 and 2 of the Proposed Transaction will be integrated and will constitute a reorganization within the meaning of section 368(a)(1)(F).
- 2) Taxpayer, as well as resulting New Taxpayer, will each be a party to a "reorganization" within the meaning of section 368(b).
- 3) No gain or loss will be recognized by Taxpayer upon the deemed transfer of all of its assets to New Taxpayer in the Proposed transaction. Sections 357(a) and 361(a).
- 4) No gain or loss will be recognized by New Taxpayer upon its receipt of Taxpayer assets in the Proposed Transaction. Section 1032(a).

- 5) The basis of the assets held by the resulting New Taxpayer after the Proposed Transaction will be the same as the basis of the assets held by the Taxpayer before the Proposed Transaction. Section 362(b).
- 6) The holding period of each of the assets held by New Taxpayer immediately after the Proposed Transaction will include the holding period of such asset held by Taxpayer prior to the Proposed Transaction. Section 1223(2).
- 7) Taxpayer's tax year will not close on the effective date of the Proposed Transaction. Section 381(b).
- 8) All of the items described in section 381(c) held by Taxpayer immediately before the Proposed Transaction will succeed to and will be taken into account by New Taxpayer immediately after the Proposed Transaction.

Caveats

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.

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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Richard M. Heinecke
Assistant Branch Chief, Branch 6
Office of Associate Chief Counsel (Corporate)

cc: