

Internal Revenue Service

Department of the Treasury
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Legend

Trust =

Debtors =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

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Dear _____ :

This is in response to a letter dated July 18, 2013 and subsequent correspondence, submitted on behalf of Trust, requesting a ruling regarding the classification of Trust as a liquidating trust under § 301.7701-4(d) of the Procedure and Administration Regulations.

The information submitted states that Debtors filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court on Date 1.

On Date 2, Debtors submitted to the Bankruptcy Court the Plan of Reorganization (the "Plan"). Debtors filed a plan supplement to the liquidating chapter 11 plan on Date 3 and a plan modification on Date 4. On Date 5, the Plan as modified was confirmed by the Bankruptcy Court. On Date 6, Trust was established and approved by the Bankruptcy Court to facilitate the liquidation of the estate. The initial term of the Trust was for m years, ending Date 7. On Date 8, the Bankruptcy Court extended the term of the Trust by n years ending on Date 9. On Date 10, the Bankruptcy Court extended the term of the Trust by an additional n years ending on Date 11. On Date 12, the Bankruptcy Court extended the term of the Trust by an additional n years ending on Date 13. On Date 14, the Bankruptcy Court extended the term of the Trust by an additional n years ending on Date 15. On Date 16, the Bankruptcy Court extended the term of the Trust by an additional n years ending on Date 17.

Pursuant to the provisions of the Trust agreement, Trust was created for the purpose of liquidating the assets of Trust, with no objective to continue or engage in the conduct of a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of Trust. Trust shall not receive or retain cash in excess of a reasonable amount to meet claims and contingent liabilities (including disputed claims) or to maintain the value of the assets during liquidation. Cash not available for distribution and cash pending distribution will be held in demand and time deposits, such as short-term certificates of deposit, in banks or other savings institutions, or other temporary, liquid investments such as Treasury bills. Since Trust's establishment in Date 6, Trust's trustee has made periodic distributions to beneficiaries of Trust's net income plus all net proceeds from the sale of assets, except for amounts thought to be reasonably necessary to maintain the value of Trust's assets or to meet claims and contingent liabilities.

Trust provides that the beneficiaries of Trust will be treated as the grantors and deemed owners of Trust. It further provides that the parties will value all assets transferred to Trust consistently and use such values for all federal income tax purposes.

Trust provides that the trustee of Trust shall file tax returns as a grantor trust pursuant to § 1.671-4(a) of the Income Tax Regulations.

Trust, consistent with the requirements set out in Rev. Proc. 94-45, 1994-2 C.B. 684, provides that the transfer of Trust assets to Trust will be treated for all federal tax purposes as a deemed transfer by the Debtors to the beneficiaries followed by a deemed transfer by the beneficiaries to Trust.

As of the date of the request, Trust had distributed amounts comprising approximately o% of the claims in the Trust to its beneficiaries. Trust represents that, from its establishment, Trust has been formed and operated consistent with the conditions set out in Rev. Proc. 94-45. Trust now represents that certain developments, generally beyond the control of the trustee of Trust, have occurred that make it

impossible to completely liquidate Trust by Date 17. Trust's term has been extended by the Bankruptcy Court for another n years ending on Date 17 (the New Extension). Trust requests a ruling that it will retain its status as a liquidating trust in compliance with § 301.7701-4(d) and Rev. Proc 94-45.

LAW AND ANALYSIS

Section 671 of the Internal Revenue Code provides that where it is specified in subpart E that the grantor or another person shall be treated as the owner of any portion of a trust, there then shall be included in computing the taxable income and credits of the grantor or the other person those items of income, deductions, and credits against tax of the trust that are attributable to that portion of the trust to the extent that such items would be taken into account under chapter 1 of the Code in computing taxable income or credits against the tax of an individual.

Section 1.671-4(a) provides that, except as provided in § 1.671-4(b)(1) and (2), items of income, deduction, and credit attributable to any portion of a trust which, under the provisions of subpart E (§ 671 and following), part I, subchapter J, chapter 1 of the Code, are treated as owned by the grantor or another person should not be reported by the trust on Form 1041, U.S. Income Tax Return for Estates & Trusts, but should be shown on a separate statement attached to that form.

Section 677(a) provides, in part, that the grantor shall be treated as the owner of any portion of a trust, whether or not the grantor is treated as such owner under § 674, whose income without the approval or consent of any adverse party is, or, in the discretion of the grantor or a non-adverse party, or both, may be (1) distributed to the grantor or the grantor's spouse; or (2) held or accumulated for future distribution to the grantor or the grantor's spouse.

Section 301.7701-4(d) provides that certain organizations which are commonly known as liquidating trusts are treated as trusts for purposes of the Internal Revenue Code. An organization will be considered a liquidating trust if it is organized for the primary purpose of liquidating and distributing the assets transferred to it, and if its activities are all reasonably necessary to, and consistent with, the accomplishment of that purpose. A liquidating trust is treated as a trust for purposes of the Code because it is formed with the objective of liquidating particular assets and not as an organization having as its purpose the carrying on of a profit-making business which normally would be conducted through business organizations classified as corporations or partnerships. However, if the liquidation is unreasonably prolonged or if the liquidation purpose becomes so obscured by business activities that the declared purpose of liquidation can be said to be lost or abandoned, the status of the organization will no longer be that of a liquidating trust.

Rev. Proc. 94-45 provides the conditions under which the Service will consider issuing advance rulings classifying certain trusts as liquidating trusts under

§ 301.7701-4(d). Rev. Proc. 94-45 states that the Service will issue a ruling classifying an entity created pursuant to a bankruptcy plan under Chapter 11 of the Bankruptcy Code, 11 U.S.C. § 1101, et. seq. (1988), as a liquidating trust under § 301.7701-4(d) if certain specified conditions are met.

CONCLUSIONS

Based on the information submitted and the representations made, we conclude that the conditions of Rev. Proc. 94-45 have been satisfied. Accordingly, based on the representations made and the information submitted, we rule that Trust will continue to be classified for federal income tax purposes as a liquidating trust under § 301.7701-4(d) of the regulations, and that the New Extension has not adversely affected the classification of Trust as a liquidating trust. Furthermore, we rule that Trust will continue to be treated for federal income tax purposes as a grantor trust and the beneficiaries of Trust will be treated as the owners of Trust under §§ 671 and 677. We rule that the New Extension has not adversely affected the classification of Trust as a grantor trust for federal income tax purposes.

Except as specifically set forth above, we express or imply no opinion concerning the federal tax consequences of the facts described above under any other provision of the Code.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) 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 will be sent to Trust's authorized representative.

Sincerely,

Bradford Poston
Senior Counsel, Branch 2
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)