



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

October 14, 2014

Number: **2015-0038**
Release Date: 12/24/2015

CC:CORP:B2:
CONEX-132453-15

Index Number: 1502.00-00, 1502.75-00

Reference:

Dear _____ :

This letter responds to your letter to the Commissioner of Internal Revenue (the "Commissioner") dated August 10, 2015, requesting permission to discontinue filing consolidated returns. While the IRS welcomes inquiries regarding matters within its jurisdiction, the IRS cannot consider a request to discontinue filing consolidated returns unless the common parent of the affiliated group submits a request for a letter ruling under the specific guidelines in Revenue Procedure 2015-1, 2015-1 I.R.B. 1.

Without addressing the specific facts contained in your letter, it can be pointed out that, as a matter of established law, once an affiliated group of corporations files a consolidated return, that group must continue filing consolidated returns with the IRS. See Treas. Reg. § 1.1502-75(a)(2).

In general, there are two circumstances that allow a group to discontinue filing consolidated returns. First, when a group of related corporations ceases to be an affiliated group as defined in Section 1504(a) of the Internal Revenue Code (the "Code"), the group must discontinue filing consolidated returns. In such a case, there is no need to request permission from the Commissioner to discontinue filing consolidated returns.

Second, the Income Tax Regulations (the "Regulations") permit the Commissioner to grant permission for a group to discontinue filing consolidated returns upon a showing by the taxpayer of good cause. See Treas. Reg. § 1.1502-75(c)(1). Good cause can be demonstrated by showing that one or more changes in the Code or the Regulations occurred after the group elected to file consolidated returns, and such changes have

had a substantial adverse effect on the tax liability of the group. See Treas. Reg. § 1.1502-75(c)(1)(ii). In determining whether good cause exists, the Commissioner will also take into account (1) changes in law or circumstances, including changes which do not affect Federal income tax liability, (2) current changes in law that reduce the consolidated net operating loss or consolidated investment credit relative to the aggregate net operating losses or investment credits of the members of the group if they were to file separate returns, and (3) changes in the Code or Regulations which are effective prior to the taxable year, but which first have a substantial adverse effect on the filing of a consolidated return relative to the filing of separate returns by members of the group in such year. See Treas. Reg. § 1.1502-75(c)(1)(iii).

If an existing group wishes to discontinue filing consolidated returns pursuant to the good cause provision of Treas. Reg. § 1.1502-75(c)(1), the common parent, on behalf of the group, must request a private letter ruling, following the procedure set forth in Rev. Proc. 2015-1, 2015-1 I.R.B. 1. Among other things, such a request must include a complete statement of all relevant facts, accompanied by a declaration under penalties of perjury that such facts are true. See Rev. Proc. 2015-1, § 7.01. In addition, each request requires the payment of a user fee. See Rev. Proc. 2015-1, § 15.05 and Appendix A. A request for a letter ruling ordinarily must be submitted prior to the filing of the tax return for the taxable year with respect to which the letter ruling relates. See Rev. Proc. 2015-1, § 5.01.

As a general matter, the IRS will consider requests for private letter rulings seeking to discontinue filing consolidated returns for good cause pursuant to Treas. Reg. § 1.1502-75(c)(1), but we note that the standard specified in that provision is rather exacting.

Although this letter does not consider your specific set of facts, we hope you find it helpful. The foregoing discussion is provided for informational purposes only. It does not constitute a ruling and may not be relied upon.

If you have any questions about this matter, please contact the undersigned at
(not a toll-free call).

Sincerely,

ROBERT H. WELLEN
Associate Chief Counsel
(Corporate)

By: _____
Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel
(Corporate)