

## Internal Revenue Service

Number: **201614001**  
Release Date: 4/1/2016

Index Number: 355.10-00

Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:CORP:BR:2  
PLR-113033-15  
Date:  
October 09, 2015

TY:

Legend

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Partnership =

Sub 5 =

Foreign Sub 1 =

Foreign Sub 2 =

Foreign Controlled =

Public Controlled =

Country A =

State A =

Business A =

Business B =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

a =

b =

c =

Dear \_\_\_\_\_ :

This letter responds to your April 10, 2015 request, submitted by your authorized representatives, for a ruling under section 355(d). The information provided in that letter and in 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.

This letter and the ruling contained herein are issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 17, regarding a significant issue under section 355 and only addresses a discrete legal issue involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transaction described in this letter, or as to any issue not specifically addressed by the ruling below.

#### FACTS

Parent is a State A corporation that is publicly traded and is the common parent of an affiliated group the includible corporations of which join in the filing a consolidated Federal income tax return (the "Parent Group"). Parent owns all of the stock of Sub 1, Sub 2, and Sub 3. Parent has owned its Sub 1 stock and Sub 2 stock for over five years. Parent acquired the stock of Sub 3 in a taxable transaction on Date 1. Sub 3 indirectly owns all of the common stock of Sub 4, a U.S. corporation. Sub 1, Sub 2, Sub 3, and Sub 4 are members of the Parent Group.

Sub 1 owns a percent, Sub 2 owns b percent, and Sub 4 owns c percent (a percentage greater than 50 percent) of the interests in Partnership, a Country A entity treated as a partnership for Federal income tax purposes. Partnership owns all of the stock in Sub 5. Sub 5 owns all of the stock in Foreign Sub 1 and Foreign Sub 1 owns all of the stock in Foreign Sub 2.

Parent is directly and indirectly engaged in Business A and Business B.

Between Date 2 and Date 3, Sub 4 transferred assets (mostly consisting of stock in foreign entities) to Partnership in transactions qualifying under section 721 ("the Section 721 Transfers").

#### PROPOSED TRANSACTION

As part of a plan to effect the separation of Business B from Business A and distribute either Business B or Business A to Parent's public shareholders, Parent proposes to engage in the following steps to separate the foreign Business B assets from the foreign Business A assets no earlier than Date 4 (a date five years later than Date 1):

- (i) Foreign Sub 2 (or a direct or indirect subsidiary of Foreign Sub 2) will contribute its Business A assets to a newly formed disregarded entity, Foreign Controlled. Foreign Controlled will make an election to be treated as a corporation for Federal income tax purposes.
- (ii) Foreign Sub 2 will distribute all of the stock of Foreign Controlled to Foreign Sub 1. Foreign Sub 1 will distribute all of the stock of Foreign Controlled to Sub 5. Sub 5 will distribute all of the stock of Foreign Controlled to Partnership.

#### REPRESENTATION

If Partnership were instead a corporation for U.S. federal income tax purposes, the Section 721 Transfers by Sub 4 to Partnership would have qualified under section 351 and the stock of Partnership (if it were a corporation) received would not be treated as purchased within the meaning of section 355(d)(5).

#### RULING

Based solely on the information submitted and the representation set forth above, we rule that the Section 721 Transfers do not result in a purchase for purposes of section 355(d)(5).

#### CAVEATS

Except as expressly stated in the ruling section 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.

#### PROCEDURAL STATEMENTS

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.

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.

In accordance with the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

Sincerely,

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Mark J. Weiss  
Chief, Branch 2  
Office of Associate Chief Counsel (Corporate)

cc: