

Internal Revenue Service

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Department of the Treasury

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Third Party Communication: None

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PLR-104796-16

Date:

May 26, 2016

Oldco =

Newco =

Holdco =

QSub 1 =

Family =

State A =

State B =

Date 1 =

Date 2 =

Dear :

This letter responds to authorized representatives' letter dated February 10, 2016, requesting a ruling on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The material 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 rulings contained herein are issued pursuant to section 6.03 of Rev. Proc. 2016-1, 2016-1 I.R.B. 1 regarding a significant issue under section 368. The rulings contained in this letter only address a discrete legal issue involved in the Proposed 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 rulings below.

Facts

Oldco is a State A corporation formed on Date 1. Oldco has one class of stock, all of which is owned, indirectly through a chain of entities disregarded as separate from their owners for U.S. federal income tax purposes, by a group of trusts whose primary beneficiaries are members of Family (the "Family Trusts"). The Family Trusts are permitted shareholders under section 1361(b)(1). Oldco elected to be treated as a subchapter S corporation effective Date 2, and has had a valid subchapter S election in effect at all times thereafter.

Oldco owns all of the single class of stock of QSub 1, a State B corporation. Oldco has elected to treat QSub 1 as a qualified subchapter S subsidiary ("QSub") within the meaning of section 1361(b)(3)(B). QSub 1 owns all of the stock of a number of corporations, each of which Oldco has elected to treat as a QSub, and these QSubs own all of the interests in another QSub and in two limited liability companies that are disregarded as separate from Oldco for federal income tax purposes (the direct and indirect disregarded entities owned by QSub1 are collectively referred to as the "QSub 1 Entities"). Oldco also owns all of the stock of Holdco, a State B corporation, which is the common parent of an affiliated group of corporations that files a consolidated federal income tax return (the "Holdco Group").

Proposed Transaction

Oldco intends to engage in the Proposed Transaction in order to facilitate the transfer of certain of its business operations and related assets and liabilities to the Holdco Group. The relevant steps of the Proposed Transaction are set forth below.

- (1) The Family Trusts, through their respective chains of disregarded entities, will form Newco under the laws of State B. Newco will have a single class of stock which will be wholly owned by the Family Trusts through their respective chains of disregarded entities.
- (2) The Family Trusts, through their respective chains of disregarded entities, will transfer all of the stock of Oldco to Newco in exchange for stock of Newco on a share-for-share basis.
- (3) Newco will elect to treat Oldco as a QSub and the election will be effective as of the date Newco acquires the stock of Oldco (the “QSub Election”).
- (4) Oldco will transfer all of the stock of Holdco and all of the stock of QSub 1 to Newco (the “Transfers”).
- (5) Newco will transfer the stock of Oldco to Holdco.

Following the Proposed Transaction, Newco will own all of the stock of Holdco and of QSub 1, which will in turn continue to own, directly or indirectly, all of the equity interests of the QSub 1 Entities, and Holdco will own all of the stock of Oldco.

Representation

Oldco represents that, without taking into account Steps (4) and (5), Steps (1) through (3) will qualify as a reorganization within the meaning of section 368(a)(1)(F).

Rulings

Based solely on the information submitted and representations made, we rule as follows:

- (1) Step (5) of the Proposed Transaction will not cause Steps (1) through (3) to fail to qualify as a reorganization within the meaning of section 368(a)(1)(F). Treas. Reg. §1.368-2(m).
- (2) The Transfers (described in Step (4)) will be disregarded for federal income tax purposes. Section 1361(b)(3)(A).

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. In particular, no opinion is expressed or implied concerning the qualification of any entity as a subchapter S corporation or as a QSub.

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.

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,

Frances L. Kelly

Frances L. Kelly
Senior Counsel, Branch 2
Office of Associate Chief Counsel (Corporate)