

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
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Date:
July 01, 2016

Legend

Taxpayer =

Dear

This is in response to your representative's letter dated June 9, 2016, requesting a ruling that Taxpayer be permitted to change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense for Taxpayer's taxable year beginning on October 1, , and for all subsequent years.

The ruling contained in this letter is based upon information and representations submitted by 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 ruling, it is subject to verification on examination.

Taxpayer is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. Taxpayer uses the accrual method as its overall method of accounting and its annual accounting period ends on September 30. Taxpayer utilized the fair market value method of asset valuation for several taxable years ending prior to October 1, .

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§ 1.861-8 through 1.861-12 and Treas. Reg. §§ 1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Treas. Reg. § 1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either the tax book value or the fair market value of its assets. Treas. Reg.

§ 1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods.

Taxpayer requests, pursuant to Treas. Reg. §§ 1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), that it be permitted to change to the tax book value method of asset valuation for its taxable year beginning on October 1, , and for all subsequent years.

Based solely on the information submitted and the representations made, pursuant to Treas. Reg. § 1.861-8(f)(2) and Treas. Reg. §§ 1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), Taxpayer may value its assets on the basis of the tax book value method of asset valuation for purposes of apportioning interest expense for all operative sections, including sections 199 and 904 of the Code, for its taxable year beginning on October 1, , and for all subsequent years.

This ruling is directed only to Taxpayer. 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 representatives.

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 L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel (International)

cc: