

Internal Revenue Service

Department of the Treasury
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Person To Contact:
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Telephone Number:

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Date:
May 09, 2017

LEGEND

Taxpayer =

State =

Business1 =

Business2 =

Business12 =

Date =

OtherCo =

Business3 =

DRE =

Member1 =

Member2 =

X\$ =

InvestmentBank =

Dear :

This letter responds to your authorized representatives' letter dated January 27, 2017, requesting rulings under section 355 of the Internal Revenue Code (the "Code"). The relevant information provided in that request and in subsequent 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 is issued pursuant to section 6.03 of Rev. Proc. 2017-1, 2017-1 I.R.B. 19, regarding one or more significant issues under sections 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the proposed transactions. This office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

FACTS

Taxpayer is a publicly traded State corporation and the common parent of a business group that includes corporations, entities disregarded as separate from their sole regarded owners under Treas. Reg. § 301.7701-3 for United States ("U.S.") tax purposes (each, a "disregarded entity"), and partnerships (collectively, the "Taxpayer Group").

Members of the Taxpayer Group have engaged in multiple businesses for at least five years, including (1) Business1 and (2) Business2 (collectively with Business1, Business12). On Date, a member of the Taxpayer Group acquired OtherCo, which engaged in Business3.

Taxpayer intends to engage in a number of restructuring transactions. These transactions will include two divisive reorganizations intended to qualify under sections 368(a)(1)(D) and 355 (the "Proposed Divisive Reorganization Transactions").

In one of the Proposed Divisive Reorganization Transactions, in exchange for stock of a newly formed State corporation ("Controlled"), (a) Taxpayer will contribute to Controlled all of its membership interests in a disregarded entity, DRE; and, (b) two members of the Taxpayer Group (Member1 and Member2) will contribute an aggregate X\$ to Controlled (the "Contribution"). After the Contribution, Taxpayer directly will own Controlled stock representing at least 80 percent of the vote and 80 percent of the value of all outstanding Controlled shares, and Member1 and Member2 will directly own the remainder. Thereafter, Taxpayer will distribute all of its Controlled stock (the "Controlled Distribution"). It is expected that, for a period of time after the Controlled Distribution, one director and certain officers of Taxpayer will serve in similar capacities at Controlled (the "Overlap"), and that the Overlap will benefit Controlled's underlying businesses due to the skills and experience the overlapping management team have gained over the years managing those businesses.

For various reasons explained and supported by an opinion of InvestmentBank (the "Retention Purposes"), Member1 and Member2 will retain their Controlled shares (the "Controlled Retained Shares" and the "Controlled Equity Retention"). Member1 and Member2 will dispose of the Controlled Retained Shares as soon as a disposition is warranted consistent with the Retention Purposes, but in no event later than five years after the Controlled Distribution. During that time, the Controlled Retained Shares will be voted in proportion to the votes cast by the other shareholders of Controlled. With the exception of the Overlap, no one will serve as a director or officer of any combination of Taxpayer, Member1, Member2, and Controlled as long as any member of the Taxpayer Group holds the Controlled Retained Shares.

Taxpayer has represented, inter alia, that in no event will the Controlled Equity Retention prevent Taxpayer from distributing in the Controlled Distribution an amount of Controlled stock that represents control under section 368(c), and that the Controlled Equity Retention will not be in pursuance of a plan having as one of its principal purposes the avoidance of federal income tax.

RULINGS

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

- (1) The acquisition of OtherCo on Date, constitutes an expansion of Business12 (within the meaning of Treas. Reg. § 1.355-3(b)(3)(ii)) and does not constitute the acquisition of a new or different business.

- (2) The Controlled Equity Retention will not be in pursuance of a plan having as one of its principal purposes the avoidance of federal income tax within the meaning of section 355(a)(1)(ii) and Treas. Reg. § 1.355-2(e).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transactions under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from the proposed transactions that is not specifically covered by the above rulings.

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 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,

T. Ian Russell
Branch Chief, Branch 1
Office of Associate Chief Counsel (Corporate)

cc: