

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
, ID No.

Telephone Number:

Refer Reply To:  
CC:INTL:B03  
PLR-120328-17

Date:  
August 07, 2017

TY:

Legend

CORP A = (TIN )  
CORP B = (EIN )  
DATE 1 =

Dear :

This is in response to your representative’s letter dated June 27, 2017 requesting a ruling on behalf of CORP A’s consolidated group that the consolidated group members be permitted to value their assets on the basis of the tax book value method of asset valuation for purposes of the consolidated group’s taxable year.

The rulings contained in this letter are based upon information and representations submitted by CORP A 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.

CORP A, a domestic corporation, is a calendar year taxpayer that uses the accrual method as its overall method of accounting. CORP A is the common parent of a group of affiliated corporations that files a consolidated U.S. federal income tax return. CORP A consolidated group utilized the tax book value method of asset valuation for taxable years prior to .

On DATE 1, CORP A acquired CORP B. For several years prior to DATE 1, CORP B utilized the fair market value method of asset valuation. As a result of the acquisition,

the CORP B and its U.S. subsidiaries became members of the CORP A consolidated group.

Section 864(e) of the Code 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 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.

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), the CORP A consolidated group members may value their 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 the consolidated group's taxable year and future years.

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.

Sincerely,

Jeffrey L. Parry  
Senior Counsel, Branch 3  
(International)