

## Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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PLR-134053-17

Date:

January 24, 2018

### LEGEND

X =

A =

B =

Trust1 =

Trust2 =

Date 1 =

Date 2 =

Date 3 =

Year 1 =

Year 2 =

Years =

n% =

m% =

State =

Dear :

This is in response to a letter dated September 18, 2017, and supplemental correspondence, submitted on behalf of X, by X's authorized representative, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election under § 754 of the Internal Revenue Code.

### FACTS

According to the information submitted, X was formed as a partnership under the laws of State on Date 1 and is treated as a partnership for federal tax purposes. On Date 2, A, a partner of X, died. After A's death, A's n% interest in X was transferred to B. Upon A's death, Trust1 terminated and Trust1's m% interest in X was transferred to Trust2.

X filed its income tax return for Year 1. X represents that it relied upon its tax advisor when preparing the tax return for Year 1. X represents that it was unaware that it was eligible to make a section 754 election. X further represents that around Year 2, X became aware of its eligibility to make a section 754 election and its failure to timely make the election with its return for its taxable year ending on Date 3. X represents that in Year 2 it amended its returns for Years, reporting a step-up in basis consistent with having made a valid section 754 election.

X further represents that it has acted reasonably and in good faith, that granting relief will not prejudice the interests of the government, and that it is not using hindsight in making the election.

### LAW AND ANALYSIS

Section 754 provides that a partnership may elect to adjust the basis of partnership property when there is a distribution of property or a transfer of a partnership interest. An election under § 754 applies with respect to all distributions of property by the partnership and to all transfers of interests in the partnership during the taxable year with respect to which the election was filed and all subsequent taxable years.

Section 1.754-1(b) of the Income Tax Regulations provides that an election under § 754 to adjust the basis of partnership property under §§ 734(b) and 743(b), with respect to a distribution of property to a partner or a transfer of an interest in a partnership, must be made in a written statement filed with the partnership return for the taxable year during which the distribution or transfer occurs. For the election to be valid, the return must be filed not later than the time prescribed by § 1.6031-1(e) (including extensions) for filing the return for such taxable year.

Under § 301.9100-1(c), the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I. Section 301.9100-1(b) defines the term “regulatory election” as including an election whose due date is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 provide the standards that the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides rules for requesting extensions of time for regulatory elections that do not meet the requirements of § 301.9100-2.

Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

## CONCLUSION

Based solely on the facts submitted and the representations made, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, X is granted an extension of time of one hundred twenty (120) days from the date of this letter to make a § 754 election for Year 1. The election should be made in a written statement filed with the applicable service center for association with X’s tax return for its taxable year ending Date 3. A copy of this letter should be attached to the statement filed.

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.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Holly Porter  
Associate Chief Counsel  
Office of Chief Counsel  
(Passthroughs & Special Industries)

*Laura C. Fields*

By: \_\_\_\_\_  
Laura C. Fields  
Senior Technician Reviewer, Branch 1  
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Enclosures (2)  
Copy of this letter  
Copy for § 6110 purposes

cc: