

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B05
PLR-122144-18
Date:
January 31, 2019

Legend

Corporation =

Shareholder =

State C =

Date =

d =

e =

f =

g =

H% =

I% =

J% =

K% =

Amount =

Dear :

This letter responds to your authorized representative's letter dated July 2, 2018, requesting a ruling under section 302 of the Internal Revenue Code (the "Code"). The information provided in that request and in subsequent correspondences is summarized below. The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This Office has not verified any of the materials submitted in support of the ruling request. Verification of the facts, representations, and other information may be required as part of the audit process.

FACTS

Corporation is a privately held State C corporation. Corporation has two classes of common stock outstanding, Class A and Class B. The two classes of common stock are identical except that the Class A shares are voting stock and the Class B shares are nonvoting stock. Immediately prior to Date, Shareholder directly owned d shares of Class A common stock and e shares of Class B common stock. Shareholder does not own any stock of Corporation by attribution pursuant to section 318. On Date, Corporation redeemed f shares of Class A common stock and g shares of Class B common stock (together, the "Redeemed Stock") from Shareholder for Amount (the "Redemption"). The Redemption reduced Shareholder's Class A stock ownership of Corporation from H% to I% and Shareholder's Class B stock ownership from J% to K%.

REPRESENTATIONS

- (a) Except as noted in the submission, there are no outstanding options or warrants to purchase Corporation stock, nor are there any outstanding debentures or other obligations that are convertible into Corporation stock or would be considered Corporation stock.
- (b) Corporation has not and will not distribute notes or other obligations to the Shareholder.
- (c) No shareholder of Corporation has been or will be obligated to purchase any of the Redeemed Stock.
- (d) The Redemption described in this ruling request is an isolated transaction and is not related to any other past or future transaction.

- (e) None of the Redeemed Stock is “section 306 stock” within the meaning of section 306(c), nor was the Redeemed Stock received in exchange for preferred stock.
- (f) There are no declared but unpaid dividends, or funds set apart for dividends, on any of the Redeemed Stock.
- (g) At the time of the exchange, the fair market value of the consideration received by the Shareholder was approximately equal to the fair market value of Corporation’s stock exchanged therefor.
- (h) The price paid for the Redeemed Stock did not result in a loss with respect to those shares of stock.

RULING

Based solely on the information submitted and the representations made, the Redemption will qualify as a redemption that is not essentially equivalent to a dividend within the meaning of section 302(b)(1). The Amount distributed will be treated as a distribution in full payment in exchange for the Class A common and Class B common shares redeemed, as provided in section 302(a). See United States v. Davis, 397 U.S. 301 (1970); Rev. Rul. 75-502, 1975-2 C.B. 111; Rev. Rul. 75-512, 1975-2 C.B. 112; Rev. Rul. 76-385, 1976-2 C.B. 92; Rev. Rul. 77-426, 1977-2 C.B. 87.

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.

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.

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 [PLR-122144-18].

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

Sincerely,

Maurice M. LaBrie

Maurice M. LaBrie
Assistant to the Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)