

## Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

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PLR-121627-18

Date:

February 21, 2019

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

FSub 8 =

FSub 9 =

FSub 10 =

FSub 11 =

FSub 12 =

FSub 13 =

DE 1 =

DE 2 =

DE 3 =

DE 4 =

DE 5 =

DE 6 =

DE 7 =

DE 8 =

DE 9 =

DE 10 =

DE 11 =

DE 12 =

DE 13 =

DE 14 =

Country A =

State A =

State B =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Transferred  
Assets =

a =

b =

c =

d =

e =

f =

g =

h =

Dear :

This letter responds to your authorized representative's letter dated June 22, 2018, requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). Additional information was received in correspondence dated February 7, 2019. The material information provided 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 and the rulings contained therein are issued pursuant to section 6.03(2)(a) of Rev. Proc. 2018-1, 2018-1 I.R.B. 1, regarding one or more significant issues under sections 332, 351, 355, and 368, and only address one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the Proposed Transaction or any completed transaction described in this letter or as to any issue not specifically addressed by the rulings below.

### **Summary of Facts**

Parent, a State A corporation, is a widely held public company that is the common parent of a consolidated group (the "Parent Group"). Each of Sub 1, Sub 2, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, and Sub 9 is a member of the Parent Group. Unless otherwise stated, each entity described below is a domestic entity treated as a corporation for federal income tax purposes. Prior to the start of the Proposed Transaction:

Parent owned all of the issued and outstanding shares of Sub 1;

Sub 1 owned a percent of the issued and outstanding equity interests of Sub 2, approximately b (less than 80) percent of the issued and outstanding equity interests of Sub 3, and all of the issued and outstanding equity interests of Sub 4, Sub 5, Sub 6, Sub 7, and DE 1, an entity disregarded for federal income tax purposes (a “disregarded entity”);

DE 1 owned the remaining c percent of the issued and outstanding equity interests of Sub 2;

an unrelated investor owned the remaining approximately d percent of the issued and outstanding equity interests of Sub 3;

Sub 2 owned all the issued and outstanding equity interests of DE 2, a disregarded entity;

Sub 4 owned all the issued and outstanding equity interests of Sub 8;

Sub 6 owned all the issued and outstanding equity interests of Sub 9;

DE 2 owned all the issued and outstanding equity interests of FSub 1, a foreign entity;

FSub 1 owned all the issued and outstanding equity interests of DE 3, a disregarded entity, and e percent of the issued and outstanding equity interests of FSub 2, a foreign entity;

DE 3 owned the remaining f percent of the issued and outstanding equity interests of FSub 2;

FSub 2 owned all the issued and outstanding equity interests of FSub 3 and FSub 4, each a foreign entity, and all the issued and outstanding equity interests of DE 4, DE 5, DE 6, DE 7, DE 8, DE 9, DE 10, DE 11, DE 12, and DE 13, each a disregarded entity;

FSub 4 owned all the issued and outstanding equity interests of DE 14, a disregarded entity;

DE 6 owned g of the issued and outstanding equity interests of FSub 5, a foreign entity, the remaining h percent of which was owned by Sub 4;

DE 7 owned g of the issued and outstanding equity interests of FSub 6, a foreign entity, the remaining h percent of which was owned by Sub 9;

DE 8 owned g of the issued and outstanding equity interests of FSub 7, a foreign entity, the remaining h percent of which was owned by Sub 6;

DE 9 owned g of the issued and outstanding equity interests of FSub 8, a foreign entity, the remaining h percent of which was owned by Sub 9;

DE 10 owned g of the issued and outstanding equity interests of FSub 9, a foreign entity, the remaining h percent of which was owned by Sub 9;

DE 11 owned g of the issued and outstanding equity interests of FSub 10, a foreign entity, the remaining h percent of which was owned by Sub 9;

DE 12 owned g of the issued and outstanding equity interests of FSub 11, a foreign entity, the remaining h percent of which was owned by Sub 9; and

DE 14 owned all the issued and outstanding equity interests of FSub 12, a foreign entity.

### **Proposed Transaction**

Pursuant to an overall restructuring announced on Date 1, Parent and its subsidiaries undertook, and will undertake, the following transactions, Step 1 through Step 22 of which have been completed:

1. On Date 2, FSub 2 formed FSub 13, an entity organized under the laws of Country A and classified as a corporation for federal income tax purposes.
2. On Date 2, Sub 1 formed Sub 10, a State A corporation that became a member of the Parent Group, and contributed minimum capital as required by State A law.
3. On Date 3, FSub 2 contributed all the equity interests of FSub 3, FSub 4, DE 6, DE 7, DE 8, DE 9, DE 10, DE 11, DE 12, and DE 13 to FSub 13.
4. On Date 3 and after Step 3, FSub 2 distributed the shares of FSub 13 pro rata to FSub 1 and DE 3 in a transaction, together with Step 3, intended to qualify under sections 355 and 368(a)(1)(D).
5. On Date 3, DE 3 distributed the shares of FSub 13 received in Step 4 to FSub 1 in a transaction intended to be disregarded for federal income tax purposes.
6. On Date 3 and after Step 5, FSub 1 distributed the shares of FSub 13 to DE 2 in a distribution intended to qualify under section 355.
7. On Date 3, DE 2 distributed the shares of FSub 13 received in Step 6 to Sub 2 in a transaction intended to be disregarded for federal income tax purposes.
8. On Date 3, Sub 2 distributed the shares of FSub 13 pro rata to DE 1 and Sub 1 in a distribution intended to qualify under section 355 (together with Steps 3, 4, and 6, the "Spin-Off Transactions").



9. On Date 3, DE 1 distributed the shares of FSub 13 received in Step 8 to Sub 1 in a distribution intended to be disregarded for federal income tax purposes.
10. On Date 3, Sub 1 contributed the shares of FSub 13 to Sub 10.
11. On Date 4, FSub 13 filed an election under § 301.7701-3, effective as of the same date, to be classified as a disregarded entity for federal tax purposes (thereafter, "DE 15"); together with Steps 2 and 10, such transaction was intended to qualify as a reorganization under section 368(a)(1)(F).
12. On Date 4 and after Step 11, DE 15 distributed the equity interests in FSub 3, FSub 4, DE 6, DE 7, DE 8, DE 9, DE 10, DE 11, DE 12, and DE 13 to Sub 10 in a transaction intended to be disregarded for federal income tax purposes.
13. Beginning on Date 4, DE 15 liquidated under the laws of Country A.
14. On Date 4, Sub 1 contributed its equity interests in Sub 3, Sub 4, Sub 5, Sub 6, and Sub 7 to Sub 10 in a transaction intended to qualify under section 351.
15. On Date 4 and after Step 12, Sub 10 contributed its equity interests in FSub 3 to Sub 3, in DE 6 to Sub 4, in Sub 5, DE 7, DE 8, DE 9, DE 10, DE 11, and DE 12 to Sub 6, and in FSub 4 to Sub 7 in transactions intended to qualify under section 351.
16. On Date 4, Sub 4 contributed its equity interest in DE 6 to Sub 8 in a transaction intended to qualify under section 351.
17. On Date 4, Sub 6 contributed its equity interests in Sub 5, DE 7, DE 8, DE 9, DE 10, DE 11, and DE 12 to Sub 9 in a transaction intended to qualify under section 351.
18. On Date 4, Sub 9 contributed its equity interests in DE 7 to Sub 5 in a transaction intended to qualify under section 351.
19. On Date 5, Parent formed Sub 11, a State A corporation, and contributed minimum capital as required by State A law.
20. On Date 6, Parent contributed Sub 1 to Sub 11.
21. On Date 6 and after Step 20, Sub 1 converted to a State A LLC (thereafter, "DE 16") in a transaction, together with Steps 19 and 20, intended to qualify under section 368(a)(1)(F).
22. On Date 7, DE 16 distributed its shares of Sub 10 to Sub 11 in a transaction intended to be disregarded for federal income tax purposes.

23. On Date 8, FSub 7 transferred the Transferred Assets to DE 16, which held similar assets, in exchange for a note in a transaction intended to be a taxable exchange under section 1001 (the “Asset Transfer”).
24. On Date 9, a date more than one year after the Spin-Off Transactions, Sub 10 will convert to a State A LLC (thereafter, “DE 17”) in a transaction intended to qualify under section 332 (the “Sub 10 Conversion”).
25. One day after Step 24, DE 17 will distribute its equity interests of Sub 3, Sub 4, Sub 5, Sub 6, and Sub 7 to Sub 11 in a transaction intended to be disregarded for federal income tax purposes and will retain its shares of DE 13.
26. One day after Step 25, DE 17 will continue as a State B corporation (thereafter, “Sub 12”) in a transaction intended to qualify under section 351 (the “Sub 12 Contribution”).
27. One day after Step 26, Sub 11 will contribute the stock of Sub 12 to DE 16 in a transaction intended to be disregarded for federal income tax purposes.

### **Representation**

Taxpayer represents that the Transferred Assets and the assets in the Sub 12 Contribution will constitute less than 30% of the gross fair market value of Sub 10.

### **Rulings**

Base solely on the information provided and representation made, we rule as follows:

1. The Sub 10 Conversion will not preclude the Spin-Off Transactions from each qualifying under section 355.
2. The Sub 12 Contribution, together with the Asset Transfer, will not preclude the Sub 10 Conversion from qualifying under sections 332 and 337.
3. The Sub 12 Contribution will not cause the Sub 10 Conversion to be disregarded for federal income tax purposes.

### **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.

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

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,

*Austin Diamond-Jones*

Austin Diamond-Jones  
Assistant to the Branch Chief, Branch 1  
Office of Associate Chief Counsel (Corporate)

cc: