

Internal Revenue Service

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Legend

Foreign Parent =

FSub 1 =

FDRE1 =

FDRE2 =

Parent =

Sub 1 =

Sub 2 =

DRE 1 =

State X =

Country Y =

Country Z =

Business A =

x =

y =

Notes =

Dear _____ :

This letter responds to your authorized representatives' letter dated July 10, 2020, requesting a ruling on certain U.S. federal income tax consequences of a proposed transaction described below (the "Proposed Transaction"). The 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 penalties 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.

Simplified Facts

Foreign Parent is a publicly traded Country Y entity that is treated as a corporation for U.S. federal income tax purposes. Foreign Parent is the parent of a worldwide group of entities that is engaged in Business A. Foreign Parent indirectly owns all of the outstanding stock of FSub 1, a Country Z entity that is treated as a corporation for U.S. federal income tax purposes. FSub 1 provides financing to Foreign Parent's worldwide group of entities.

FSub 1 directly owns all of the interests in FDRE 1, which in turn directly owns all of the interests in FDRE2. Each of FDRE1 and FDRE2 is a Country Y entity that is disregarded as an entity separate from its owner for U.S. federal income tax purposes (a "disregarded entity"). FDRE2 directly owns all of the outstanding stock of Parent.

Parent is a State X corporation that is the common parent of an affiliated group of corporations that joins in filing a consolidated return (the "Parent Group"). The Parent Group is engaged in domestic operations of Business A. Parent owns, directly or indirectly, all of the outstanding stock of Sub 1 and Sub 2. Each of Sub 1 and Sub 2 is a State X corporation and member of the Parent Group. Sub 2 directly owns all of the interests in DRE 1, a State X limited liability company that is treated as a disregarded entity.

FSub 1 holds Notes issued by Parent. Under the terms of the Notes, Parent, Sub 1, and DRE 1 are co-obligors. The amount outstanding under the Notes is approximately \$x (the "Debt"). Since the issuance of the Notes, Parent's business has experienced a significant deterioration. Parent, and the Parent Group, are likely insolvent as a result of the Debt.

Proposed Transaction

FSub 1 intends to undertake the Proposed Transaction to improve the financial position of Parent. The Proposed Transaction is described as follows:

FSub 1 will gratuitously forgive a portion of the Debt (the "Debt Forgiveness"). The amount to be forgiven is expected to be approximately \$y (the "Applicable Debt").

FSub 1 intends that the Parent Group will be solvent following the Debt Forgiveness.

Representations

Parent makes the following representations with respect to the Proposed Transaction:

- (a) The Notes have been properly characterized as debt for U.S. federal income tax purposes at all times prior to the Debt Forgiveness and have been treated by FSub 1, Parent, and the Parent Group as debt for all U.S. federal income tax purposes.
- (b) Parent and the Parent Group were solvent when the Notes were issued.
- (c) Except for the Notes, no member of the Parent Group has any material indebtedness for borrowed money owed to any person outside the Parent Group, provided that members of the Parent Group may guarantee obligations of Foreign Parent or its subsidiaries.
- (d) Except for Parent, all of the stock of each member of the Parent Group is wholly owned by other members of the Parent Group, directly or through disregarded entities of members of the Parent Group.

Ruling

Based solely on the information provided and the representations set forth above, we rule as follows:

None of Parent, Sub 1, or Sub 2 will recognize income, gain, or loss as a result of the Debt Forgiveness, except that Parent will recognize discharge of indebtedness income to the extent, if any, that the adjusted issue price of the Applicable Debt exceeds FSub 1's adjusted basis in the Applicable Debt. Section 108(e)(6).

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.

In accordance with the power of attorney on file with this Office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Gerald B. Fleming

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: