

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:

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CC:CORP:B03

PLR-107007-21

Date:

September 09, 2021

Legend

Distributing =

Controlled =

Business A =

Business B =

State A =

Individuals =

=

=

a =

b =

☐ =

Dear ☐ :

This letter responds to the letter from your authorized representative dated March 22, 2021, and subsequent correspondence, submitted on behalf of Distributing, requesting rulings on certain federal income tax consequences of a transaction described below (the “Proposed Transaction”). The material information submitted in that request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2018-53, 2018-43 I.R.B. 667, and section 6.03(2) of Rev. Proc. 2021-1, 2021-1 I.R.B.1, regarding one or more significant issues under sections 355 of the Internal Revenue Code (the “Code”). The ruling contained in this letter only addresses one or more significant issues involved in the Proposed Transaction. This office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based on facts 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 request for rulings. Verification of the information, representations, and other data may be required on examination.

Summary of Facts

Distributing is a publicly traded State A corporation and the common parent of an affiliated group (the “Distributing Group”). At the time of the Proposed Transaction, Distributing will have a single class of voting common stock issued and outstanding (the “Distributing Common Stock”). The Distributing Group has been actively engaged in Business A and Business B.

Distributing owns all the issued and outstanding equity interests in a domestic LLC, (“Controlled”) that is disregarded as separate from Distributing for U.S. federal income tax purposes. Controlled operates Business A through its subsidiaries.

Proposed Transaction

Distributing intends to engage in the Proposed Transaction described below to separate Business A from Business B.

- (i) Pursuant to state law, Controlled will be converted into a State A corporation. Business A will be deemed to be contributed to Controlled (the “Deemed Contribution”).

- (ii) Distributing will distribute at least a (greater than 80 percent) of Controlled stock to its shareholders, pro rata (the "Distribution").
- (iii) Distributing may retain up to b shares of Controlled stock ("Retained Shares") and sell the Retained Shares into the public market or through privately negotiated transactions with third parties in exchange for cash as soon as reasonably practical after the Distribution. It is expected that the sale of Retained Shares will take place within c months after the Distribution but in no event longer than five years after the Distribution.

Following the Distribution, certain Individuals will serve as both a director of Distributing and a director of Controlled. The Individuals will constitute a minority of Controlled's board of directors and under Controlled's governing documents will be subject to an election for director of Controlled by the Controlled shareholders following the distribution in a manner consistent with those of Controlled's other directors.

Representations

Distributing has made the following representations:

- (a) The Deemed Contribution, taken together with the Distribution, will qualify as a reorganization within the meaning of section 368(a)(1)(D) of the Code.
- (b) A sufficient business purpose exists for the retention of the Retained Shares.
- (c) Other than the Individuals, none of Distributing's directors or officers will serve as directors or officers of Controlled while Distributing retains the Retained Shares.
- (d) The Retained Shares will be disposed of as soon as a disposition is warranted consistent with the Retained Shares business purpose, but, in any event, not later than five years after the Distribution.
- (e) Distributing will vote the Retained Shares in proportion to the votes cast by Controlled's other shareholders.

Ruling

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

Distributing's continued ownership of any Retained Shares until its disposition, in no event later than five years after the Distribution, will not be in pursuance of a plan having as one of its principal purposes the avoidance of U.S. federal income tax for purposes of section 355(a)(1)(D)(ii).

Caveats

Except as expressly provided in this letter, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above ruling.

Procedural Statements

This letter 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 returns that provides the date on and control number (PLR-107007-21) of this letter ruling.

Pursuant to a Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

Sincerely,

Mark J. Weiss
Chief, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: