

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact: _____, ID No.

Telephone Number:

Refer Reply To:
CC:INTL:B04
PLR-124711-21

Date:
April 04, 2022

TY:

Legend

Parent =

CFC 1 =

CFC 2 =

CFC 3 =

CFC 4 =

CFC 5 =

Date 1 =

Date 2 =

Date 3 =

a =

Dear _____ :

This is in response to your letter dated November 16, 2021, and additional correspondence dated March 4, 2022, submitted on behalf of Parent by its authorized representative, requesting an extension of time under Treas. Reg. § 301.9100-3 for Parent to file elections and agreements under Treas. Reg. § 1.245A-5(e)(3)(i) to close the taxable year of certain controlled foreign corporations.

The ruling contained in this letter is based upon information and representations submitted by Parent and accompanied by penalties of perjury statements executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification on examination. Information submitted in the request is set forth below. Unless otherwise provided, all Code and section references are to the Internal Revenue Code of 1986, as amended.

FACTS

On its consolidated tax return for the year ending on Date 2, Parent treated an upper-tier CFC (within the meaning of Treas. Reg. § 1.245A-5(i)(28)) as receiving, or being deemed to receive, a dividend with respect to the stock of each of CFC 1, CFC 2, CFC 3, and CFC 4. Parent determined that, absent an election under Treas. Reg. § 1.245A-5(e)(3)(i), there would be (i) an extraordinary reduction with respect to the indirect ownership of the stock of CFC 1, CFC 2, CFC 3, and CFC 4, and (ii) a tiered extraordinary reduction amount (as described in Treas. Reg. § 1.245A-5(f)(2)) with respect to dividends received by an upper-tier CFC that are attributable to the stock of each of CFC 1, CFC 2, CFC 3, and CFC 4. To avoid having a tiered extraordinary reduction amount, Parent determined that it would make the election permitted under Treas. Reg. § 1.245A-5(e)(3)(i) for each of CFC 1, CFC 2, CFC 3, and CFC 4. Parent timely filed the consolidated tax return for its group on Date 3 and reported consistently with the making of an election under Treas. Reg. § 1.245A-5(e)(3)(i) to close the taxable year on Date 1 for each of CFC 1, CFC 2, CFC 3, and CFC 4. However, Parent failed to attach the required election statement described in Treas. Reg. § 1.245A-5(e)(3)(i)(D) to the consolidated tax return. In addition, the binding agreement described in Treas. Reg. § 1.245A-5(e)(3)(i)(C)(2) was not executed.

Further, in the course of preparing its amended tax return for the year ending on Date 2, Parent determined that there would have been (i) an extraordinary reduction with respect to the indirect ownership of the stock of CFC 5, and (ii) a tiered extraordinary reduction amount that was not in excess of \$a attributable to a dividend with respect to the stock of CFC 5.

LAW

Treasury Reg. § 1.245A-5(e)(3)(i)(A) provides that for a taxable year of a controlled foreign corporation in which an extraordinary reduction occurs with respect to a

controlling section 245A shareholder and for which absent Treas. Reg. § 1.245A-5(e)(3)(i) there would be an extraordinary reduction amount or tiered extraordinary reduction amount greater than zero, no amount is considered an extraordinary reduction amount or tiered extraordinary reduction amount with respect to the controlling section 245A shareholder if each controlling section 245A shareholder elects, and each U.S. tax resident described in Treas. Reg. § 1.245A-5(e)(3)(i)(C) agrees, to close the controlled foreign corporation's taxable year for all purposes of the Internal Revenue Code as of the end of the date on which the extraordinary reduction occurs (or if the extraordinary reduction occurs by reason of multiple transactions, as of the end of each date on which a transaction forming part of the extraordinary reduction occurs).

Treasury Reg. § 1.245A-5(e)(3)(i)(C)(1) provides that an election pursuant to Treas. Reg. § 1.245A-5(e)(3)(i) is made and effective if the statement described in Treas. Reg. § 1.245A-5(e)(3)(i)(D) is timely filed (including extensions) by each controlling section 245A shareholder making the election with its original U.S. tax return for the taxable year in which the extraordinary reduction occurs. If a controlling section 245A shareholder is a member of a consolidated group (within the meaning of Treas. Reg. § 1.1502-1(h)) and participates in the extraordinary reduction, the agent for such group (within the meaning of Treas. Reg. § 1.1502-77(c)(1)) must file the election on behalf of such member.

Treasury Reg. § 1.245A-5(e)(3)(i)(C)(2) provides that, before the filing of the statement pursuant to Treas. Reg. § 1.245A-5(e)(3)(i)(C)(1), each controlling section 245A shareholder must enter into a written, binding agreement with each U.S. tax resident that on the end of the date on which the extraordinary reduction occurs (or, if the extraordinary reduction occurs by reason of multiple transactions, each U.S. tax resident that on the end of each date on which a transaction forming a part of the extraordinary reduction occurs) owns directly or indirectly, without regard to the final two sentences of Treas. Reg. § 1.245A(e)(3)(i)(A), stock of the controlled foreign corporation and is a United States shareholder with respect to the controlled foreign corporation. The written, binding agreement must provide that each controlling section 245A shareholder will elect to close the taxable year of the controlled foreign corporation.

Treasury Reg. § 301.9100-1(a) provides that Treas. Reg. §§ 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election.

Treasury Reg. § 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time under the rules set forth in Treas. Reg. §§ 301.9100-2 and 301.9100-3 to make a regulatory election, or a statutory election (but no more than 6 months except in the case of a taxpayer who is abroad), under all subtitles of the Code except subtitles E, G, H, and I. Treasury Reg. § 301.9100-1(b) provides that the term "regulatory election" includes an election whose due date is prescribed by a regulation published in the Federal Register.

Treasury Reg. § 301.9100-2 provides the rules governing automatic extensions of time for making certain elections. Treasury Reg. § 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time for regulatory elections that do not meet the requirements of Treas. Reg. § 301.9100-2.

Treasury Reg. § 301.9100-3(a) provides that requests for relief subject to Treas. Reg. § 301.9100-3 will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that the grant of relief will not prejudice the interests of the government.

CONCLUSION

Based solely on the information submitted and on the representations set forth above, we conclude that the requirements of Treas. Reg. §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, Parent is granted an extension of 90 days from the date of this letter to file elections and agreements under Treas. Reg. § 1.245A-5(e)(3)(i) to close the taxable year of CFC 1, CFC 2, CFC 3, CFC 4, and CFC 5 as of Date 1.

Except as specifically set forth above, we express or imply no opinion concerning the facts of this case under any other provision of the Code. Further, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Treasury Reg. § 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election. Thus, no inference should be taken concerning Parent's eligibility to make the election under Treas. Reg. § 1.245A-5(e)(3)(i) (for example, whether there is a tiered extraordinary reduction amount absent the election).

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.

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,

Robert B. Williams, Jr.
Senior Counsel, Branch 4
(International)

cc: