

**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:B03

PLR-125393-21

Date:

April 12, 2022

Legend

Taxpayer =

Corporation =

Preferred Stock =

Appraiser =

Year1 =

Year2 =

Date1 =

Date2 =

Date3 =

\$X =

Dear :

This letter responds to your letter dated December 3, 2021, requesting a written determination as to whether Taxpayer has established the fair market value of certain shares of preferred stock to the satisfaction of the Service for purposes of making an election under section 1059(c)(4) of the Internal Revenue Code (the Code). See Rev. Proc. 87-33, 1987-2 C.B. 402. The information submitted for consideration is summarized below.

In Year1, Taxpayer acquired newly issued preferred stock of Corporation (specifically, the Preferred Stock). The Preferred Stock is not publicly traded. Subsequently during Year2 and within two years from the acquisition of the Preferred Stock in the transaction, Taxpayer received two quarterly dividends, each in the amount of \$X, with respect to the Preferred Stock. The first dividend received by Taxpayer had an ex-dividend date of Date1 (Dividend 1) and the second dividend had an ex-dividend date of Date2 (Dividend 2).

Taxpayer has represented that the amount of each of Dividend 1 and Dividend 2 exceeded five percent of the adjusted basis in the Preferred Stock and, as a result, each of the dividends otherwise qualified as “extraordinary” under section 1059(c). Accordingly, Taxpayer wishes to elect under section 1059(c)(4) to apply section 1059(c)(1) and (3) by substituting the fair market value of the Preferred Stock as of the day before each of the respective ex-dividend dates for Taxpayer's adjusted basis in the Preferred Stock.

Taxpayer obtained, from Appraiser, two appraisals (the Appraisals), each of which was dated Date3, with respect to the value of the Preferred Stock as of the day before Date1 and Date2. Subsequently, this ruling request was submitted.

Provided that (i) Appraiser followed the relevant guidelines contained in Rev. Rul. 59-60, 1959-1 C.B. 237, as amplified by Rev. Rul. 77-287, 1977-2 C.B. 319, Rev. Rul. 80-213, 1980-2 C.B. 101, and Rev. Rul. 83-120, 1983-2 C.B. 170, (ii) the financial data and all other relevant data analyzed for the Appraisals was accurate and complete, (iii) Appraiser was knowledgeable about the terms of the Preferred Stock, (iv) any and all assumptions and comparables relied upon by Appraiser were reasonable, and (v) Appraiser appropriately took into consideration any and all available data relevant for the appraisals, we conclude that the proposed fair market values of the Preferred Stock as of the day before Date1 and Date2, as supported by the appraisals, have been established to the satisfaction of the Secretary for the purpose of making the election pursuant to section 1059(c)(4).

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.

Taxpayer must include a copy of this letter with the section 1059(c)(4) election statement attached to its federal income tax return for the tax year in which it is relevant

and should retain a copy of this letter with its federal income tax return information for that year.

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.

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.

Sincerely,

Justin O. Kellar  
Senior Technician Reviewer, Branch 3  
Associate Chief Counsel (Corporate)

cc: