

**Internal Revenue Service**

Number: **202244008**  
Release Date: 11/4/2022

Index Number: 355.01-00, 368.04-00,  
312.06-00, 357.00-00,  
358.02-00, 361.02-00,  
362.01-00, 1223.10-00

Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
Date of Communication: Not Applicable

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PLR-110152-22

Date:  
August 09, 2022

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

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 =

Business A1 =

Business A2 =

Business B =

Business C =

Sub 1 Receivable =

DE 11 Payable =

a =

b =

c =

d =

e =

f =

g =

h =

Continuing Relationships =

Dear \_\_\_\_\_ :

This letter responds to your authorized representative's letter received on May 23, 2022, requesting rulings on certain federal income tax consequences of a series of proposed transactions (the "Proposed Transactions"). The material information submitted in that request is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, regarding one or more "covered transactions" under sections 355 and 368 of the Internal Revenue Code (the "Code"). This office expresses no opinion as to any issue not specifically addressed by the rulings 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.

We have made no determination regarding whether any of the Distributions (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b), (ii) is used principally as a device for the distribution of the earnings and profits of Sub 1 or the controlled corporation or both, see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)),

or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest in Sub 1 or the relevant controlled corporation, or any predecessor or successor of Sub 1 or such controlled corporation, within the meaning of Treas. Reg. § 1.355-8T. See section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7.

### Summary of Facts

Parent is a publicly traded domestic corporation and the common parent of a consolidated group (the “Parent Group”).

Parent directly owns all of the outstanding stock of Sub 1, a domestic corporation and a member of the Parent Group. Sub 1 engages in Business A1, Business A2, Business B, and Business C through its direct and indirect subsidiaries. Parent has submitted financial information in accordance with Rev. Proc. 2017-52 indicating that each of Business A1, Business A2, Business B, and Business C will have had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years at the time of the Proposed Transaction. The direct and indirect subsidiaries of Sub 1 relevant to the Proposed Transactions are described below.

Sub 1 wholly owns Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, and Sub 8, each of which is a domestic corporation and a member of the Parent Group. Sub 1 also wholly owns DE 1, DE 2, DE 3, DE 4, and DE 5, each of which is a domestic eligible entity that is disregarded as an entity separate from its owner for federal income tax purposes under Treas. Reg. § 301.7701-3(b)(1)(ii) (a “disregarded entity”).

DE 1 owns a% of the outstanding equity interests of DE 6, a domestic disregarded entity. DE 2 owns the remaining b% of DE 6. DE 6 wholly owns Sub 9 and Sub 10, each of which is a domestic corporation and a member of the Parent Group.

DE 3 wholly owns Sub 11, c% of the outstanding stock of Sub 12, and d% of the outstanding stock of Sub 13, each of which is a domestic corporation and a member of the Parent Group. One or more unrelated persons own the remaining interests of Sub 12 and Sub 13. DE 3 also wholly owns DE 7 and DE 8, each of which is a domestic disregarded entity.

DE 4 wholly owns DE 9, a domestic disregarded entity.

DE 5 wholly owns DE 10, a domestic disregarded entity.

DE 9 owns e% of the outstanding equity interests of DE 11, a domestic disregarded entity. DE 10 owns the remaining f% of DE 11.

DE 11 wholly owns Sub 14, a domestic corporation and a member of the Parent Group, and DE 12, a domestic disregarded entity. DE 11 also owns g% of the

outstanding equity interests of DE 13, a domestic disregarded entity. DE 12 owns the remaining h% of DE 13.

Sub 7 wholly owns Sub 15 and Sub 16, each of which is a domestic corporation and a member of the Parent Group.

### **Proposed Transactions**

For what are represented to be valid business reasons, Sub 1 proposes to separate Business A1, Business A2, and Business B from Business C in the following steps, which will occur sequentially unless otherwise specified:

- 1) Each of Sub 9 and Sub 10 will merge into DE 6 in a transaction intended to qualify under sections 332 and 337.
- 2) In transactions intended to be disregarded for federal income tax purposes:
  - a) DE 11 will convert from one type of eligible entity within the meaning of Treas. Reg. § 301.7701-3 to another pursuant to state law, will change its name, and will remain a domestic disregarded entity.
  - b) DE 13 will convert from one type of eligible entity within the meaning of Treas. Reg. § 301.7701-3 to another pursuant to state law, will change its name, and will remain a domestic disregarded entity.
  - c) DE 12 will distribute its interests in DE 13 to DE 11.
  - d) DE 9 will distribute its interests in DE 11 to DE 4.
  - e) DE 4 will distribute its interests in DE 11 to Sub 1.
  - f) DE 10 will distribute its interests in DE 11 to DE 5.
  - g) DE 5 will distribute its interests in DE 11 to Sub 1.
  - h) DE 3 will distribute DE 8 to Sub 1.
  - i) DE 11 will distribute DE 12 to Sub 1.
  - j) DE 11 will distribute Sub 14 to Sub 1.
- 3) Each of DE 1, DE 2, DE 4, DE 5, DE 8, DE 9, DE 10, and DE 12 will merge into Sub 7 in a transaction or transactions intended to qualify under section 351.
- 4) Each of Sub 2, Sub 3, Sub 5, Sub 8, and Sub 14 will merge into Sub 7 in a transaction or transactions intended to be described in section 368(a)(1).

- 5) Each of Sub 15 and Sub 16 will merge into Sub 7 in a transaction or transactions intended to qualify under sections 332 and 337.
- 6) In transactions intended to be disregarded for federal income tax purposes:
  - a) DE 11 will distribute DE 13 to Sub 1.
  - b) Sub 1 will contribute the Sub 1 Receivable to DE 11 in exchange for an increased interest in DE 11.
  - c) DE 3 will engage in a divisive merger pursuant to state law, resulting in the creation of DE 14, a domestic disregarded entity ("Demerger 1"). Pursuant to Demerger 1, (a) DE 14 will acquire all of the ownership interests in DE 7 and all of the Business C assets formerly owned by DE 3 and will become obligated with respect to all of the known Business C liabilities and all of the unknown liabilities with respect to which DE 3 was formerly obligated; and (b) DE 3 will retain all assets and liabilities not acquired by DE 14. DE 14 and DE 3 will employ the personnel associated with the Business C and Business B, respectively.
  - d) DE 11 will engage in a divisive merger pursuant to state law, resulting in the creation of DE 15, DE 16, and DE 17, each a domestic disregarded entity ("Demerger 2"). Pursuant to Demerger 2, (a) all of the Business A2 assets and all of the known Business A2 liabilities will be retained by DE 11; (b) DE 17 will acquire all of the Business A1 assets formerly owned by DE 11 and will become obligated with respect to all of the known Business A1 liabilities with respect to which DE 11 was formerly obligated, if any; (c) DE 15 will acquire all of the Business B assets formerly owned by DE 11 and the net amount of the receivable from Parent which remains after the Sub 1 Receivable is offset against the DE 11 Payable, and will become obligated with respect to all of the known Business B liabilities with respect to which DE 11 was formerly obligated, if any; and (d) DE 16 will acquire all of the Business C assets formerly owned by DE 11, and will become obligated with respect to all of the known Business C liabilities and all of the unknown liabilities with respect to which DE 11 was formerly obligated, if any. DE 11, DE 17, DE 15, and DE 16 will employ the personnel associated with Business A2, Business A1, Business B, and Business C, respectively, who were formerly employed by DE 11, if any.
  - e) Following and in connection with Demerger 1 and Demerger 2, DE 16 and DE 14 will merge simultaneously with and into DE 13.
  - f) Following and in connection with Demerger 1 and Demerger 2, DE 15 will merge with and into DE 3.
  - g) DE 11 will change its name.



- 7) Sub 1 will change its name in a transaction intended to qualify under section 368(a)(1).
- 8) Effective at least two days after Steps 6 and 7 (“Date 1”), DE 17 will elect under Treas. Reg. § 301.7701-3 to be characterized as an association taxed as a corporation for federal income tax purposes (“Controlled 1 Contribution”; DE 17 hereinafter “Controlled 1”).
- 9) Effective Date 1, DE 11 will elect under Treas. Reg. § 301.7701-3 to be characterized as an association taxed as a corporation for federal income tax purposes (“Controlled 2 Contribution”; DE 11 hereinafter “Controlled 2”).
- 10) Effective Date 1, DE 3 will elect under Treas. Reg. § 301.7701-3 to be characterized as an association taxed as a corporation for federal income tax purposes (“Controlled 3 Contribution”; DE 3 hereinafter “Controlled 3”).
- 11) At least two days after Date 1 and following Steps 8 through 10, Sub 1 will distribute to Parent all of Controlled 1 (“Controlled 1 Distribution”), Controlled 2 (“Controlled 2 Distribution”), and Controlled 3 (“Controlled 3 Distribution”; together with the Controlled 1 Distribution and the Controlled 2 Distribution, the “Distributions”).

### **Continuing Relationships**

After the Proposed Transactions, Sub 1, Controlled 1, Controlled 2, and Controlled 3 will engage in the Continuing Relationships.

### **Representations**

With respect to the Controlled 1 Distribution and except as set forth below, Parent has made all the representations in Section 3 of the Appendix to Rev. Proc. 2017-52.

1. Parent has made the following alternative representations: 3(a), 8(a), 11(a) (except as noted in the Continuing Relationships), 15(a), 22(a), 31(a), and 41(a).
2. Parent has not made the following representations, which do not apply: 7, 19, 20, 24, 25, 35, 36, 37, and 39.
3. Parent has not made Representations 32 and 42 but provided the required explanations.

With respect to the Controlled 2 Distribution and except as set forth below, Parent has made all the representations in Section 3 of the Appendix to Rev. Proc. 2017-52.

1. Parent has made the following alternative representations: 3(a), 8(a), 11(a) (except as noted in the Continuing Relationships), 15(a), 22(a), 31(a), and 41(a).
2. Parent has not made the following representations, which do not apply: 7, 19, 20, 24, 25, 35, 36, 37, and 39.
3. Parent has not made Representations 32 and 42 but provided the required explanations.

With respect to the Controlled 3 Distribution and except as set forth below, Parent has made all the representations in Section 3 of the Appendix to Rev. Proc. 2017-52.

1. Parent has made the following alternative representations: 3(a), 8(a), 11(a) (except as noted in the Continuing Relationships), 15(a), 22(a), 31(a), and 41(a).
2. Parent has not made the following representations, which do not apply: 7, 19, 20, 24, 25, 35, 36, 37, and 39.
3. Parent has not made Representations 32 and 42 but provided the required explanations.

### **Rulings**

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

#### **Controlled 1 Contribution and Controlled 1 Distribution**

1. The Controlled 1 Contribution and the Controlled 1 Distribution together will constitute a reorganization within the meaning of section 368(a)(1)(D). Sub 1 and Controlled 1 will each be a "party to the reorganization" within the meaning of section 368(b).
2. Sub 1 will not recognize gain or loss on the Controlled 1 Contribution. Sections 357(a) and 361(a).
3. Controlled 1 will not recognize gain or loss on the Controlled 1 Contribution. Section 1032(a).
4. Controlled 1's basis in each asset received in the Controlled 1 Contribution will be the same as the basis of the asset in the hands of Sub 1 immediately before the Controlled 1 Contribution. Section 362(b).

5. Controlled 1's holding period in each asset received in the Controlled 1 Contribution will include the period during which Sub 1 held the asset. Section 1223(2).
6. Sub 1 will recognize no gain or loss on the Controlled 1 Distribution. Section 361(c).
7. Parent will not recognize gain or loss (and no amount otherwise will be includable in its income) upon receipt of the equity interests of Controlled 1 in the Controlled 1 Distribution. Section 355(a).
8. Parent's holding period in the equity interests of Controlled 1 received in the Controlled 1 Distribution will include the holding period of the Sub 1 stock with respect to which the Controlled 1 Distribution will be made, provided that such equity interests of Controlled 1 are held by Parent as a capital asset upon the date of the Controlled 1 Distribution. Section 1223(1).

#### Controlled 2 Contribution and Controlled 2 Distribution

9. The Controlled 2 Contribution and the Controlled 2 Distribution together will constitute a reorganization within the meaning of section 368(a)(1)(D). Sub 1 and Controlled 2 will each be a "party to the reorganization" within the meaning of section 368(b).
10. Sub 1 will not recognize gain or loss on the Controlled 2 Contribution. Sections 357(a) and 361(a).
11. Controlled 2 will not recognize gain or loss on the Controlled 2 Contribution. Section 1032(a).
12. Controlled 2's basis in each asset received in the Controlled 2 Contribution will be the same as the basis of the asset in the hands of Sub 1 immediately before the Controlled 2 Contribution. Section 362(b).
13. Controlled 2's holding period in each asset received in the Controlled 2 Contribution will include the period during which Sub 1 held the asset. Section 1223(2).
14. Sub 1 will recognize no gain or loss on the Controlled 2 Distribution. Section 361(c).
15. Parent will not recognize gain or loss (and no amount otherwise will be includable in its income) upon receipt of the equity interests of Controlled 2 in the Controlled 2 Distribution. Section 355(a).
16. Parent's holding period in the equity interests of Controlled 2 received in the Controlled 2 Distribution will include the holding period of the Sub 1 stock with

respect to which the Controlled 2 Distribution will be made, provided that such equity interests of Controlled 2 are held by Parent as a capital asset upon the date of the Controlled 2 Distribution. Section 1223(1).

#### Controlled 3 Contribution and Controlled 3 Distribution

17. The Controlled 3 Contribution and the Controlled 3 Distribution together will constitute a reorganization within the meaning of section 368(a)(1)(D). Sub 1 and Controlled 3 will each be a "party to the reorganization" within the meaning of section 368(b).
18. Sub 1 will not recognize gain or loss on the Controlled 3 Contribution. Sections 357(a) and 361(a).
19. Controlled 3 will not recognize gain or loss on the Controlled 3 Contribution. Section 1032(a).
20. Controlled 3's basis in each asset received in the Controlled 3 Contribution will be the same as the basis of the asset in the hands of Sub 1 immediately before the Controlled 3 Contribution. Section 362(b).
21. Controlled 3's holding period in each asset received in the Controlled 3 Contribution will include the period during which Sub 1 held the asset. Section 1223(2).
22. Sub 1 will recognize no gain or loss in the Controlled 3 Distribution. Section 361(c).
23. Parent will not recognize gain or loss (and no amount otherwise will be includable in its income) upon receipt of the equity interests of Controlled 3 in the Controlled 3 Distribution. Section 355(a).
24. Parent's holding period in the equity interests of Controlled 3 received in connection with the Controlled 3 Distribution will include the holding period of the Sub 1 stock with respect to which the Controlled 3 Distribution will be made, provided that such equity interests of Controlled 3 are held by Parent as a capital asset upon the date of the Controlled 3 Distribution. Section 1223(1).

#### The Distributions

25. The aggregate basis of the stock of Sub 1, the equity interests of Controlled 1, the equity interests of Controlled 2, and the equity interests of Controlled 3 in the hands of Parent immediately after the Distributions will equal the aggregate basis of the Sub 1 stock held by Parent immediately before the Distributions, allocated between the stock of Sub 1, the equity interests of Controlled 1, the equity

interests of Controlled 2, and the equity interests of Controlled 3 in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a) and (b).

26. Earnings and profits will be allocated between Controlled 1, Controlled 2, Controlled 3, and Sub 1 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(d).

### **Caveats**

No opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code or regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from the Proposed Transactions that are not specifically covered by the above rulings.

### **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 of this 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 representative.

Sincerely,

*Austin Diamond-Jones*

Austin Diamond-Jones,  
Senior Technical Reviewer, Branch 1  
Office of Associate Chief Counsel (Corporate)

cc: