

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202417006**
Release Date: 4/26/2024

Third Party Communication: None
Date of Communication: Not Applicable

Index Number: 101.00-00, 101.01-00,
101.01-02, 1502.00-00,
1502.13-00

Person To Contact:

ID No.

Telephone Number:

Refer Reply To:
CC:CORP:3
PLR-115130-23

Date:
January 29, 2024

Legend

Parent =

Sub1 =

Sub2 =

Sub3 =

Sub4 =

State A =

Policy Pool 1 =

Policy Pool 2 =

Dear :

This letter responds to your authorized representatives' letter dated July 12, 2023, as supplemented on September 26, 2023, October 31, 2023, and January 22, 2024. In that letter, you requested rulings under section 101 and Treas. Reg. § 1.1502-13. The material information submitted in that letter and 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 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.

Facts

Parent is the parent of a worldwide group of corporations and the common parent of a consolidated group within the meaning of Treas. Reg. § 1.1502-1(h) (the “Parent Group”). Sub1 is a wholly owned subsidiary of Parent; Sub2 is a wholly owned subsidiary of Sub1; and Sub3 is a wholly owned subsidiary of Sub2. Sub4 is also a wholly owned subsidiary of Parent. Sub1, Sub2, Sub3, and Sub4 are includible members of the Parent Group.

The Parent Group holds life insurance policies on certain current and former employees (Policy Pool 1 and Policy Pool 2, collectively the “Policies,” and each a “Policy”). For U.S. federal income tax purposes, Parent is the owner of Policy Pool 1 and Sub4 is the owner of Policy Pool 2.

Proposed Transactions

Parent proposes to engage in the following Proposed Transactions:

- (i) Sub4 will convert to a limited liability company under State A law and Parent will elect for it to be treated as an entity disregarded as separate from Parent for U.S. federal income tax purposes (the “Conversion”). As a result of the Conversion, Parent will assume all of Sub4’s assets and liabilities for U.S. federal income tax purposes, including Policy Pool 2.
- (ii) In a transaction represented to qualify under section 351(b), Parent will contribute the Policies to Sub1 in exchange for cash (in an amount less than the aggregate built-in gain in the Policies) and a constructive issuance of stock of Sub1 (the “First Contribution”).
- (iii) In a transaction represented to qualify under section 351(a), Sub1 will contribute the Policies to Sub2 in exchange solely for a constructive issuance of stock of Sub2 (the “Second Contribution”).
- (iv) In a transaction represented to qualify under section 351(a), Sub2 will contribute the Policies to Sub3 in exchange solely for a constructive issuance of stock of Sub3 (the “Third Contribution”).

Consistent with Representation (f) below, after Step (iv), the Parent Group intends to hold each Policy until the death benefit is received.

Representations

Parent has made the following representations:

- (a) The Conversion will qualify as a non-recognition transaction, either as a complete liquidation described in sections 332 and 337(a), or as a reorganization into Parent described in section 368(a)(1)(C).
- (b) Following the Conversion, Parent's basis in Policy Pool 2 will be the same as the basis of Policy Pool 2 in the hands of Sub4 immediately before the Conversion pursuant to section 334(b) or 362(b), as applicable.
- (c) The Policies constitute, and have always constituted, life insurance for U.S. federal income tax purposes.
- (d) The Policies meet all applicable state insurable interest laws at the time of issuance and at the time of each of the Proposed Transactions.
- (e) The First Contribution qualifies under section 351(b), and the Second Contribution and the Third Contribution each qualify under section 351(a).
- (f) The Parent Group intends to hold each Policy until the death benefit is received.
- (g) In accordance with Treas. Reg. § 1.1502-13(c)(6)(ii)(C)(1)(v) and (c)(6)(ii)(D)(1)(i), no member of the Parent Group will derive any U.S. federal income tax benefit from the Proposed Transactions or the redetermination of Parent's intercompany item in the event a Policy is held by a member of the Parent Group at the time of the death of the insured.

Rulings

Based solely on the information and representations made, and conditioned on the execution of a closing agreement, we rule as follows:

- (1) For purposes of determining the amount of the Policy proceeds excludable from gross income under section 101(a)(1), the First Contribution is a transfer that qualifies under section 101(a)(2)(A).
- (2) Any gain arising from the First Contribution under section 351(b) (the "Boot Gain") is redetermined to be excluded from gross income under Treas. Reg. § 1.1502-13(c)(6)(ii)(D).
- (3) No member of the Parent Group will increase the basis of any asset (including basis in the stock of any member of the Parent Group) as a result of the Boot

Gain (for example, under section 358(a)(1)(B)(ii), section 362(a), or Treas. Reg. § 1.1502-32).

These rulings apply only with respect to Policies that continue to be owned by a member of the Parent Group and whose benefits are paid to a member of the Parent Group by reason of the death of the insured (within the meaning of section 101(a)(1)).

Closing Agreement

We will, accordingly, approve a closing agreement with the taxpayer with respect to those issues affecting its tax liability on the basis set forth above. The necessary closing agreement for Parent has been prepared in triplicate and is enclosed. In pursuance of our practice with respect to such agreements, the agreement contains a stipulation to the effect that any change or modification of applicable statutes enacted subsequent to the date of this agreement and made applicable to the taxable period involved will render the agreement ineffective to the extent that it is dependent upon such statutes.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transactions under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the proposed transactions that is not specifically covered by the above rulings.

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 representative.

Sincerely,

Lisa A. Fuller
Deputy Associate Chief Counsel (Corporate)

Enclosures: Closing Agreement (3 copies)

cc: