

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

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Date:

January 07, 2025

TY:

Legend

Taxpayer:

EIN:

Country X:

Date 1:

Year 1:

Company Y:

EIN:

Company Z:

EIN:

Year 2:

Tax Professional 1:

Tax Professional 2:

Accounting Firm:

Date 2:

Year 3:

Year 4:

Dear :

This is in response to a letter dated September 3, 2024, submitted on behalf of Taxpayer by its authorized representative, requesting an extension of time under Treas. Reg. § 301.9100-3 to make the election provided by section 953(d) of the Internal Revenue Code (Code) to be treated as a domestic corporation for U.S. tax purposes effective for Date 1, Year 1.

The ruling contained in this letter is predicated upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as part of the audit process.

FACTS

Taxpayer is a regulated insurance company organized under the laws of Country X. Since its formation in Year 1 until Year 2, Taxpayer was indirectly wholly owned by Company Y, a U.S. corporation. Since a reorganization in Year 2, Taxpayer has been indirectly wholly owned by Company Z, also a U.S. corporation. Company Y was, and Company Z is, the parent company of an affiliated group which files a consolidated federal income tax return for the relevant taxable years.

Taxpayer represents that since formation, it has met the requirements to be taxed as an insurance company for federal income tax purposes. Consistent with this determination, Taxpayer sought the assistance of Tax Professional 1 and Tax Professional 2 (collectively referred to as "Tax Professionals") with Accounting Firm to prepare the necessary statement and other attachments required to make an election under section 953(d) of the Code. Taxpayer represents that on Date 2, Year 3, Tax Professionals timely filed the section 953(d) election statement for Taxpayer with the IRS, and has provided supporting documentation of such filing. Both Tax Professionals were qualified tax professionals, on whom Taxpayer relied to ensure that the section 953(d) election statement was properly filed and that all necessary elements required to effect the election were completed. Taxpayer represented that, beginning with the Year 1 taxable year, Company Y, and later Company Z, has always treated Taxpayer as if a valid section 953(d) election had been made and treated Taxpayer as a domestic corporation and a member of its consolidated group. Taxpayer, Company Y, and Company Z have filed consistently with Taxpayer having made a section 953(d) election for all affected tax years.

However, in Year 4, Country X's Registrar of Companies asked Taxpayer for evidence of its section 953(d) election to demonstrate that Taxpayer was a tax resident of the United States. In particular, Country X's Registrar of Companies requested a copy of a letter issued by the IRS indicating Taxpayer's eligibility to make a section 953(d) election. Upon executing a search, Taxpayer was unable to locate such letter or any IRS documentation acknowledging Taxpayer's section 953(d) election statement.

Taxpayer represents that it does not seek to alter a return position for which the accuracy-related penalty has been or could have been imposed under section 6662 at the time Taxpayer requested relief and that it has not used hindsight to seek an extension of time to make the election. Taxpayer also represents that granting relief will not result in a lower tax liability in the aggregate for all taxable years affected by the election than it would have had if it had filed the section 953(d) election timely.

LAW AND ANALYSIS

Under section 953(d), certain foreign insurance companies may elect to be treated as domestic corporations for U.S. tax purposes. The substantive and procedural rules for making a section 953(d) election are contained in Notice 89-79, 1989-2 C.B. 392, and Rev. Proc. 2003-47, 2003-2 C.B. 55. Rev. Proc. 2003-47 provides that the election must be filed by the due date prescribed in section 6072(b) (including extensions) for the U.S. income tax return that is due if the election becomes effective. Rev. Proc. 2003-47, section 4.04(2). In addition, an electing corporation must use the calendar year as its annual accounting period for U.S. tax purposes, unless it joins in the filing of a consolidated return and adopts the parent corporation's tax year. Notice 89-79, section 1. Rev. Proc. 2003-47 fixes the time to make the election under section 953(d). Therefore, the Commissioner has discretionary authority under Treas. Reg. § 301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the standards set forth under Treas. Reg. § 301.9100-3(a).

Treas. Reg. § 301.9100-3(a) provides that requests for relief subject to this section 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 the grant of relief will not prejudice the interests of the Government.

Treas. Reg. § 301.9100-3(b)(1) provides that except as provided in paragraphs (b)(3)(i) through (iii) of that section, a taxpayer is deemed to have acted reasonably and in good faith if it meets one of the conditions described in Treas. Reg. § 301.9100-3(b)(1)(i) through (v):

- (i) Requests relief before the failure to make the regulatory election is discovered by the Internal Revenue Service;
- (ii) Failed to make the election because of intervening events beyond the taxpayer's control;
- (iii) Failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and complexity of the return or issue), the taxpayer was unaware of the necessity for the election;
- (iv) Reasonably relied on the written advice of the Internal Revenue Service; or

(v) Reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make, or advise the taxpayer to make, the election.

Further, the Commissioner will grant a reasonable extension of time to make a regulatory election only when the interests of the Government will not be prejudiced by the granting of relief. Treas. Reg. § 301.9100-3(c)(1). The interests of the Government are prejudiced if granting relief would result in a taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money). Treas. Reg. § 301.9100-3(c)(1)(i).

Lastly, Treas. Reg. § 301.9100-1(a) cautions that granting an extension of time to make an election is not a determination that the taxpayer is otherwise eligible to make the election.

CONCLUSION

Based on the facts and information submitted, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Taxpayer qualifies for an extension of time to make the election under section 953(d). Taxpayer is deemed to have acted in good faith, as defined by Treas. Reg. § 301.9100-3(b), and the grant of relief will not prejudice the interests of the Government. Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter to make the election provided by section 953(d), in accordance with the procedural rules set forth in Rev. Proc. 2003-47, to be treated as a domestic corporation for federal income tax purposes effective for Date 1, Year 1.

The above extension of time is conditioned on Taxpayer's tax liability (if any) being not lower, in the aggregate, for all years to which the section 953(d) election applies than it would have been if the election had been timely filed (taking into account the time value of money). No opinion is expressed as to Taxpayer's tax liability for the years involved. Further, the granting of the above extension is not a determination that Taxpayer is otherwise eligible to make the section 953(d) election. Treas. Reg. § 301.9100-1(a).

The Taxpayer should attach a copy of this letter ruling to its federal income tax return for the relevant year.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to your authorized representative.

Sincerely,

/s/ Kristine Crabtree

Kristine A. Crabtree
Senior Counsel, Branch 2
(International)

cc: