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This letter responds to your letter dated May 28, 2025, as supplemented by subsequent information and documentation.

This letter is issued pursuant to Rev. Proc. 2025-1, 2025-1 I.R.B. 1, and Rev. Proc. 2023-26, 2023-33 I.R.B. 486.

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.

This office expresses no opinion as to any issue not specifically addressed by the rulings below.

### **Summary of Facts**

Target is a State A corporation treated as an S corporation for U.S. federal income tax purposes. Target owns a percent of the interest in Partnership. The interest in Partnership is Target's primary asset. Target's other asset is approximately \$b in cash and cash equivalents.

Partnership is a State A general partnership treated as a partnership for U.S. federal income tax purposes. Partnership owns c percent of the outstanding shares of Acquiring. The shares in Acquiring are Partnership's primary asset.

Acquiring is a publicly traded State A corporation that has one class of common stock outstanding.

### **Preparatory Transaction**

Partnership will distribute to Target all Acquiring shares attributable to Target's interest in Partnership (the "**Old Acquiring Shares**").

### **Proposed Transaction**

The parties have proposed the following transaction (the "**Reorganization**") to occur after the preparatory transaction:

- Step 1:** Acquiring will acquire all Old Acquiring Shares owned by Target solely in exchange for newly issued Acquiring shares (the "**New Acquiring Shares**").
- Step 2:** Immediately after, Target will convert under State A law into either a State A general partnership or State A limited liability company. After the conversion, the entity will be treated as a partnership for U.S. federal income tax purposes.

Target will use its cash to pay its reorganization expenses, reimburse Acquiring for its reorganization expenses, and distribute pro rata its remaining cash to Target's shareholders (the "**Residual Cash Distribution**").

### **Representations**

The following representations have been made regarding the Reorganization.

1. The Reorganization will be undertaken pursuant to a plan of reorganization, as described in Treas. Reg. §§ 1.368-1(c) and 1.368-2(g), that will be adopted by Target, Acquiring, and each of their affiliates as necessary, before the Reorganization.
2. Neither Acquiring nor any person bearing a relationship to Acquiring specified in sections 267(b) or 707(b)(1) owns, directly or indirectly, nor has owned during the past two years, directly or indirectly, any stock of Target.
3. Acquiring will acquire assets of Target solely in exchange for the New Acquiring Shares.
4. There is no plan or intention by Acquiring (or a person bearing a relationship to Acquiring specified in sections 267(b) or 707(b)(1)) to acquire any of the New Acquiring Shares received by Target shareholders in exchange for their Target stock in connection with the Reorganization, except for any plan or intention to purchase Acquiring Shares pursuant to a repurchase program in which all shareholders may participate (subject to any applicable securities law limitations), which program does not favor participation by Target (or any of its shareholders) or involve any understanding between Target or any of its shareholders, on the one hand, and Acquiring, on the other hand.
5. Except for stock acquired in the Reorganization, neither Acquiring nor any person bearing a relationship to Acquiring specified in sections 267(b) or 707(b)(1) has acquired or will acquire any stock of Target in connection with the Reorganization.
6. Acquiring will acquire from Target assets with a fair market value of at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Target immediately prior to the Reorganization. For purposes of this representation, amounts paid by Target to dissenters, amounts used by Target to pay its reorganization expenses, amounts paid by Target to Acquiring for Acquiring's reorganization expenses incurred in the Reorganization, amounts paid by Target to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends, but including the Residual Cash Distribution) made by Target immediately preceding the transfer will be included as assets of Target held immediately prior to the Reorganization. For purposes of this representation: (i) the 70 percent test is based on the fair market value of the gross assets Target transfers to Acquiring over the fair market value of Target's gross assets immediately prior to the Reorganization; and (ii) the 90 percent test is based on the fair market value of the net assets Target transfers to Acquiring over the fair market value of Target's net assets immediately prior to the Reorganization.
7. For U.S. federal income tax purposes, Target will be treated as distributing the stock and securities it receives in connection with the Reorganization to its shareholders and security holders. Such distribution will be in pursuance of the plan of reorganization.

8. Target will distribute, for U.S. federal income tax purposes, any properties not transferred to Acquiring with respect to its stock or liabilities.
9. Acquiring will continue the historic business of Target or use a significant portion of Target's historic business assets in a business within the meaning of Treas Reg. § 1.368-1(d).
10. No liabilities of Target will be assumed by Acquiring within the meaning of section 357(d).
11. Target and Target's shareholders will pay their respective expenses, and Target will reimburse Acquiring's expenses, if any, incurred in connection with the Reorganization.
12. There is no intercorporate indebtedness existing between Acquiring and Target that was issued, acquired, or will be settled at a discount.
13. The fair market value of the New Acquiring Shares to be received by Target in the Reorganization will approximately equal the fair market value of the Old Acquiring Shares surrendered.
14. Target has not made, and prior to or in connection with the Reorganization will not make, any dividend or other distribution with respect to its stock other than any regular, normal dividends and neither Target nor any related person of Target, as defined in Treas. Reg. § 1.368-1(e)(4) (determined without regard to Treas. Reg. § 1.368-1(e)(4)(i)(A)), will acquire any stock of Target, in each case, in connection with the Reorganization.
15. The Reorganization is motivated, in whole or substantial part, by one or more bona fide non-federal income tax purposes as described in this request for ruling.
16. No party to the Reorganization is under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)).
17. No two parties to the Reorganization are investment companies within the meaning of section 368(a)(2)(F).
18. None of the stock to be transferred is section 306 stock (within the meaning of section 306(c)).
19. There will be no payments of cash in lieu of fractional shares of Acquiring stock in connection with the Reorganization.
20. None of the compensation to be received by any shareholder-employees of Target will be separate consideration for, or allocable to, any of their shares of Target stock; none of the shares of Acquiring stock received by any shareholder-employees will be separate consideration for, or allocable to, any employment agreement; and the compensation paid to any shareholder-employees will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's-length for similar services.

21. Each party to the Reorganization will be solvent, for U.S. federal income tax purposes, immediately before and immediately after each relevant step of the Reorganization.
22. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Reorganization for which the letter ruling is requested have been fully disclosed.

### **Rulings**

1. The Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(C). Target and Acquiring will each be a “party to the reorganization” within the meaning of section 368(b).
2. Target will not recognize any gain or loss on its transfer of the Old Acquiring Shares to Acquiring in exchange for the New Acquiring Shares. Section 361(a).
3. Target will not recognize any gain or loss on the deemed distribution to its shareholders as a result of Step 2. Section 361(c)(1).
4. Each Target shareholder will not recognize gain or loss on the exchange of the shareholder’s Target shares for New Acquiring Shares (as a result of Target’s deemed distribution in Step 2) except on the receipt of a proportionate share of the Residual Cash Distribution, if any. Section 354(a)(1) or 356(a)(1).
5. Each Target shareholder’s basis in the New Acquiring Shares deemed received in the Reorganization will be equal to Target shareholder’s basis in their Target shares immediately before Step 2, properly adjusted for each Target shareholder’s proportionate share of the Residual Cash Distribution, if any. Section 358(a)(1).
6. Each Target shareholder’s holding period in the New Acquiring Shares deemed received in the Reorganization will include the period during which the stock of Target surrendered in exchange was held, provided that the Target stock is held as a capital asset by the Target shareholder on the date of the exchange. Section 1223(1).

### **Caveats**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Reorganization 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 Reorganization that is not specifically covered by the above rulings.

No opinion is expressed or implied concerning the tax treatment of, and tax consequences from, the receipt of the Residual Cash Distribution.

### **Procedural Statements**

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.

A copy of this letter ruling must be attached to any federal 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 and control number of this letter ruling.

Sincerely,

John B. Lovelace  
Senior Technician Reviewer, Branch 5  
Office of Associate Chief Counsel (Corporate)

cc: