

## Internal Revenue Service

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Department of the Treasury

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CC:CORP:B01

PLR-111458-25

Date:

November 14, 2025

### LEGEND

Parent =

Sub =

PC 1 =

PC 2 =

State A =

State B =

Profession =

Professional =

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Shareholder 1 =

Shareholder 2 =

a =

b =

State A Code =

State B Code =

First Support Services Agreement =

Second Support Services Agreement =

Date 1 =

Dear :

This letter responds to your authorized representatives' letter dated May 28, 2025, as supplemented by subsequent letters and documentation, requesting rulings under section 1504(a) of the Internal Revenue Code (the "Code"). The material information submitted in that request 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 penalties of perjury statements

executed by an appropriate party. This office has not verified any of the material submitted in support of the request for ruling. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to Rev. Proc. 2025-1, 2025-1 I.R.B. 1, regarding one or more issues under section 1504 of the Code. This office expresses no opinion as to any issue not specifically addressed by the ruling below.

### **FACTS**

Parent is the common parent of an affiliated group of corporations filing a consolidated federal income tax return (the "Parent Group"). Parent owns all the issued and outstanding stock of Sub, a member of the Parent Group.

PC 1 is a State A professional corporation and is subject to State A Code. PC 2 is a State B professional corporation and is subject to State B Code. Each of PC 1 and PC 2 (collectively, the "PCs," and individually, a "PC") is engaged in Profession. Each of State A Code and State B Code provides that PC 1 and PC 2, respectively, may engage in Profession only through one or more Professionals. Accordingly, the PCs, through their Professional employees, conduct the aspects of their respective businesses that constitute engagement in Profession.

Under both State A Code and State B Code, the shares of professional corporations engaged in Profession generally may only be issued to, held by, or transferred to Professionals. The legal title to all the issued and outstanding shares of PC 1 is owned by Shareholder 1. The legal title to all the issued and outstanding shares of PC 2 is owned a percent by Shareholder 1 and b percent by Shareholder 2 (collectively, the "Shareholders," and individually, a "Shareholder"). The Shareholders acquired their respective shares in the PCs for a nominal amount.

Shareholder 1 is a Professional and is authorized to engage in Profession in both State A and State B. Shareholder 2 is a Professional and is authorized to engage in Profession in State B. Shareholder 1 and Shareholder 2 each provide consulting services on an at-will basis to Parent and Sub. The consulting services may be terminated by Parent or Sub at any time. The termination of a Shareholder's consulting agreement is a Transfer Event (defined later).

The relevant parties have entered into various agreements (described below). These agreements were in place on Date 1.

Sub and PC 1 have executed the First Support Services Agreement. Sub and PC 2 have executed the Second Support Services Agreement. Under the terms of each service agreement, Sub will perform all administrative and support services on behalf of the respective PC in exchange for a fee. Sub will also manage substantially all

operations of the PCs to the extent that such management does not constitute engagement in Profession.

The bylaws of each PC prohibit the Shareholders from selling, transferring, pledging, or in any other manner alienating the shares of the PC, other than in accordance with the terms in the respective bylaws. Specifically, the bylaws require the Shareholders to sell all of their shares in the respective PC to a designated person, for a nominal amount, upon the occurrence of certain events (each, a "Transfer Event"). A Transfer Event includes (i) the death or permanent disability of a Shareholder, (ii) the disqualification of a Shareholder to practice Profession, and (iii) the termination for any reason of a Shareholder's employment or other engagement (whether as an employee, an independent contractor, or otherwise) with the PC or with any member of the Parent Group.

The Shareholders each executed an Acknowledgement of Stock Restrictions ("Acknowledgement") acknowledging and agreeing to observe and be bound by the transfer restrictions in the respective PC bylaws. The Acknowledgment contains an irrevocable power of attorney appointing Parent as the Shareholder's attorney-in-fact to take any and all appropriate action that may be necessary to transfer the Shareholder's PC shares in accordance with the restrictions set forth in the respective bylaws.

Pursuant to the bylaws of each PC, the shares of each PC are certificated. Moreover, the bylaws require the stock certificates to be endorsed with a legend noting the stock transfer restrictions imposed by the respective bylaws. The PC 1 stock certificate issued to Shareholder 1 and the PC 2 stock certificates issued to Shareholder 1 and Shareholder 2 bear the required legends.

Pursuant to each PC's bylaws, the PCs may not take any of the following actions without prior written consent from Parent: (i) declaring or paying any dividend to any shareholder of the PC; (ii) approving the admission of any additional shareholder; (iii) approving any amendments or changes to the PC's articles of incorporation or bylaws; (iv) approving any merger, acquisition, consolidation, affiliation of the PC with other entities, the sale of all or substantially all of the assets of the PC, or the sale, mortgage or encumbrance of any real or personal property owned by the PC; (v) appointing or removing any members of the PC's board of directors; (vi) creating or investing in any subsidiary entity or entering into any partnership or joint venture; (vii) dissolving or liquidating the PC; (viii) setting the number of directors on the PC's board of directors; or (ix) commencing any litigation or other legal proceeding, or settling, disposing, or terminating of any such litigation or other legal proceeding or of any claim or threat of litigation or other legal proceeding not fully covered by insurance.

In the event Parent decides to terminate the existence of one or both PCs, Parent intends to carry out (or cause to be carried out) the following steps to effect the termination: (i) Parent will terminate the consulting arrangement with the respective Shareholder(s); (ii) pursuant to the Acknowledgement, the relevant Shareholder(s) will

transfer their PC shares to a designated transferee (licensed to practice Profession in the state at issue) for a nominal amount; (iii) Parent, acting through the designated transferee, will cause the PC to amend its articles of incorporation to delete references to practicing Profession and conform its corporate name to comply with the requirements of State A Code or State B Code; and (iv) the PC will merge into a member of the Parent Group.

The First Support Services Agreement, PC 1 bylaws, and Acknowledgement by Shareholder 1 together constitute the PC 1 Agreements. The Second Support Services Agreement, PC 2 bylaws, Acknowledgement by Shareholder 1, and Acknowledgement by Shareholder 2 together constitute the PC 2 Agreements.

## **REPRESENTATIONS**

Parent makes the following representations:

- (a) Since Date 1, neither PC 1 nor PC 2 has declared or paid any dividends, or made any other distributions, to any shareholder.
- (b) PC 1 and PC 2 do not intend to declare or pay any dividends, or make any other distributions, to any shareholder in their capacity as such.
- (c) In the event shares of PC 1 or PC 2 are transferred to a designated transferee pursuant to the stock transfer requirements in the respective PC bylaws, the designated transferee will be required to execute a new acknowledgment of such stock restrictions having terms substantially similar to the Acknowledgement.
- (d) Parent, Sub, and Shareholder 1 are abiding by and observing the terms of the PC 1 Agreements and will continue to abide by the agreements in the future.
- (e) Parent, Sub, Shareholder 1, and Shareholder 2 are abiding by and observing the terms of the PC 2 Agreements and will continue to abide by the agreements in the future.
- (f) Neither PC 1 nor PC 2 is: (i) a corporation exempt from taxation under section 501 of the Code; (ii) an insurance company subject to taxation under section 801 of the Code; (iii) a foreign corporation; (iv) a regulated investment company; (v) a real estate investment trust; (iv) a domestic international sales corporation under section 992 of the Code; or (vii) an S corporation.
- (g) Prior to Date 1, neither PC 1 nor PC 2 has previously joined in the filing of a consolidated return with Parent.

## **RULINGS**

Based on the facts and information submitted and the representations made, we rule as follows:

- (1) As of Date 1, PC 1 is a member of the Parent Group (within the meaning of section 1504(a)(1)) and must join in the filing of a consolidated federal income tax return (within the meaning of sections 1501 and 1502 and the regulations thereunder) with the Parent Group. Section 1504(a); Rev. Rul. 84-79, 1984-1 C.B. 190.
- (2) As of Date 1, PC 2 is a member of the Parent Group (within the meaning of section 1504(a)(1)) and must join in the filing of a consolidated federal income tax return (within the meaning of sections 1501 and 1502 and the regulations thereunder) with the Parent Group. Section 1504(a); Rev. Rul. 84-79, 1984-1 C.B. 190.

## **CAVEATS**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the arrangements under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the arrangements that are not specifically addressed by this letter. No opinion is expressed or implied as to the validity of the agreements under any area of law other than the Code.

## **PROCEDURAL STATEMENTS**

This ruling letter 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 ruling letter 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 return that provides the date and control number (PLR-111458-25) of this ruling letter.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

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Sincerely,

Julie T. Wang  
Senior Technician Reviewer  
(Corporate)

cc: