

Shareholder E =

Shareholder F =

Shareholder G =

Shareholder H =

a =

b =

c =

d =

e =

f =

g =

h =

Dear :

This letter responds to your letter dated April 29, 2025, as supplemented by subsequent information and documentation (the “Ruling Request”), requesting rulings on certain federal income tax consequences of a series of transactions (the “Proposed Transaction,” as described below). The material information submitted in the Ruling Request is summarized below.

This letter is issued pursuant to Rev. Proc. 2025-1, 2025-1 I.R.B. 1 and Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2024-24, 2024-21 I.R.B. 1214, regarding one or more “Covered Transactions” under section 355 and/or section 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 penalties 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 has made no determination regarding whether the Distribution (as defined below) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b).

Summary of Facts

Distributing is a publicly traded State A corporation that primarily operates Business A, but also operates Business B. Distributing has a single class of voting common stock outstanding, which is owned by three related families, Family 1 (a%), Family 2 (b%), and Family 3 (c%), as well as other unrelated shareholders (d%). Family 3 consists of Shareholder A (e%), Shareholder B (f%), Shareholder C (g%), Shareholder D (h%), Shareholder E (i%), Shareholder F (e%), Shareholder G (e%), and Shareholder H (e) (each a “Family 3 Shareholder”, and collectively, the “Family 3 Shareholders”).

Distributing has submitted financial information in accordance with Rev. Proc. 2017-52 indicating that Business A has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Proposed Transaction

For what has been represented to be a valid business purpose, Distributing proposes to divide Business A operations in the following Proposed Transaction:

- 1) Distributing will form Controlled as a State A limited liability company that will elect to be treated as a corporation for federal tax purposes.
- 2) Distributing will contribute a portion of the assets of Business A to Controlled in exchange for all of the stock of Controlled and the assumption by Controlled of Distributing’s liabilities associated with the assets contributed (the “Contribution”).
- 3) Distributing will distribute all of the Controlled stock to the Family 3 Shareholders in exchange for all of their Distributing stock (the “Distribution”).

After the Distribution, all of the stock of Controlled will be owned by Family 3, and all of the stock of Distributing will be owned by Family 1, Family 2, and the other unrelated shareholders.

Rev. Proc. 2017-52 Representations

Except as set forth below and except for the representations superseded by Rev. Proc. 2024-24, Distributing made all of the representations in Section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Proposed Transaction.

Distributing has made the following alternative representations:

Representations: 3(a), 8(a), 11(b), 15(a), 22(a), 31(a), and 41(a).

The following representations do not apply to the Proposed Transaction:

Representations: 6, 24, 25, 36, 37, 38, 39, and 40.

In lieu of Representation 14 in Section 3 of the Appendix to Rev. Proc. 2017-52, Distributing made the following representations:

There is no plan or intention by any shareholder who owns 5 percent or more of the stock of Distributing, and the management of Distributing, to its best knowledge and except as described in the Ruling Request, is not aware of any plan or intention on the part of any particular remaining shareholder or security holder of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Distributing or Controlled after the transaction.

Except as described in the Ruling Request, there is no plan or intention by Distributing or Controlled, directly or through any related person (within the meaning of section 267(b) or section 707(b)(1)), to purchase any of its outstanding stock after the transaction.

There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the transaction, except in the ordinary course of business.

In lieu of the alternative Representations 15 in Section 3 of the Appendix to Rev. Proc. 2017-52, Distributing made the following representation:

Immediately after the Distribution, the fair market value of the business assets of each of Distributing and Controlled will be greater than 80 percent of the fair market value of its total assets. For this purpose, the term “business assets” of a corporation means its gross assets used in one or more businesses and all members of such corporation’s separate affiliated group (within the meaning of section 355(b)(3)(B)) are treated as one corporation. Such assets include cash and cash equivalents held as a reasonable amount of working capital for one or more businesses. Such assets also include assets required (by binding commitment or legal requirement) to be held to provide for exigencies related to a business or for regulatory purposes with respect to a business.

In lieu of Representation 29 in Section 3 of the Appendix to Rev. Proc. 2017-52, Distributing made the following representation:

There was no agreement, understanding, arrangement, or substantial negotiations at any point during the two-year period ending on the date of the distribution regarding an acquisition of either Distributing or Controlled (including a predecessor or successor within the meaning of § 1.355-8) or a similar acquisition.

Rev. Proc. 2024-24 Representations

Except as set forth below, Distributing has made all of the representations in section 3.03 and 3.05 of Rev. Proc. 2024-24 with respect to the Proposed Transaction.

Distributing has made the following alternative representations:

Representation: 1A, 15A, 17A.

Distributing has not made the following representations, but provided the required explanations:

Representations: 2, 3, 4, 5, 6, 7, 26, 27, 28, and 29.

The following representations do not apply to the Proposed Transaction:

Representations: 18, 19, 20, and 30.

Rulings

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

- 1) The Contribution followed by the Distribution will qualify as a reorganization within the meaning of sections 368(a)(1)(D) and 355 of the Code. Distributing and Controlled will each be a "party to a reorganization" within the meaning of section 368(b).
- 2) Distributing will not recognize gain or loss on the Contribution. Sections 361(a) and 357(a).
- 3) Controlled will not recognize gain or loss on the Contribution. Section 1032(a).
- 4) Controlled's basis in each asset received in the Contribution will be the same as the basis of that asset in the hands of Distributing immediately before the Contribution. Section 362(b).
- 5) Controlled's holding period in each asset received in the Contribution will include the period during which Distributing held that asset. Section 1223(2).
- 6) Distributing will not recognize gain or loss on the Distribution. Section 361(c)(1).
- 7) The Family 3 Shareholders will not recognize gain or loss on the receipt of Controlled stock in the Distribution. Section 355(a).
- 8) The basis of the Controlled stock in the hands of each Family 3 Shareholder immediately after the Distribution will be the same as the basis of the Distributing stock held by that Family 3 Shareholder exchanged therefor. Section 358(a)(1).
- 9) Each Family 3 Shareholder's holding period in the Controlled stock received in the Distribution will include the period during which that Family 3 Shareholder held the Distributing Stock exchanged therefor, provided that such stock is held as a capital asset on the date of the Distribution. Section 1223(1).
- 10) Earnings and profits will be allocated between Distributing and Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction 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 Transaction that are 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 this letter ruling.

Pursuant to the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

Sincerely,

Jonathan M. Kushner
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: