

Internal Revenue Service

Department of the Treasury
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Date:
January 05, 2026

In re:

Request for an extension of time to make an election not to be treated as a tax-exempt entity

Legend

Parent	=
Taxpayer	=
Sub1	=
Sub2	=
Sub3	=
Advisor	=
Taxable Year	=
<u>X</u>	=
State Z	=

Dear :

This letter ruling responds to Taxpayer’s letter dated July 31, 2025, and subsequent correspondence, submitted by Taxpayer. Taxpayer requests an extension of time under §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to make the election under § 168(h)(6)(F)(ii) of the Internal Revenue Code not to be treated as a tax-exempt entity beginning in Taxable Year.

This letter ruling is being issued electronically in accordance with section 7.02(5) of Rev. Proc. 2025-1, 2025-1 I.R.B. 1, 34-35.

FACTS

Taxpayer represents the facts are as follows:

Taxpayer, a C corporation organized under the laws of the State Z, files a Form 1120, *U.S. Corporation Income Tax Return*, and is not a member of a consolidated group under § 1.1502-1(h) of the Income Tax Regulations. Taxpayer uses an accrual method as its overall accounting method and the calendar year as its annual accounting period. Taxpayer is involved in the business of X. Taxpayer owns interests in three partnerships: Sub1, Sub2, and Sub3. Sub1, Sub2, and Sub3 in turn hold interests in certain subsidiary partnerships. Taxpayer provided copies Forms 4562, *Depreciation and Amortization (Including Information on Listed Property)*, and Schedules K-1 and K-3 (Form 1065) from those subsidiary partnerships for Taxable Year to this office. Taxpayer represents those depreciation deductions are passed up through the subsidiaries to itself and others invested in Sub1, Sub2, Sub3, and those subsidiaries.

Taxpayer is wholly owned by Parent. More than 50 percent of the partners of Parent are tax-exempt entities within the meaning of § 168(h)(2). Accordingly, because tax-exempt entities own more than 50% in value of the stock of Taxpayer, Taxpayer, which is not itself a tax-exempt entity within the meaning of § 168(h)(2) (without regard to § 168(h)(6)), is a tax-exempt controlled entity within the meaning of § 168(h)(6)(F)(iii)(I). Taxpayer represents that the investors of Parent expected that Taxpayer would make the election not to be treated as a tax-exempt entity under § 168(h)(6)(F)(ii). Further, Taxpayer represents that Parent's subscription documents, providing information to prospective investors about Parent's contemplated operations, reflect that Taxpayer intended to make the election not to be treated as a tax-exempt entity under § 168(h)(6)(F)(ii) to claim depreciation allowances under the general depreciation system (GDS) of § 168(a).

Taxpayer engaged Advisor to prepare Taxpayer's Federal income tax return for Taxable Year. Taxpayer provided Advisor documentation for return preparation, in relevant part claiming depreciation as if it had made a valid § 168(h)(6)(F)(ii) election. However, due to an administrative oversight, Taxpayer inadvertently did not mark its documentation to indicate the need for a § 168(h)(6)(F)(ii) election statement. As a result, the submitted Forms 4562 and Schedules K-1 and K-3 reflect depreciation claimed for assets placed in service in Taxable Year, where applicable, but do not include a § 168(h)(6)(F)(ii) election statement. Neither Taxpayer nor Advisor realized this error when filing Taxpayer's Federal income tax return for Taxable Year. Later, while confirming tax filings for its partners, Taxpayer discovered the error. Taxpayer then engaged Advisor to file this request for relief.

Taxpayer represents that, in failing to make the election, it acted reasonably and in good faith because Taxpayer exercised reasonable diligence and reasonably relied on the expertise of Advisor, and that granting an extension of time to make the election under § 168(h)(6)(F)(ii) will not prejudice the interests of the Government.

RULING REQUESTED

Taxpayer requests that the Commissioner of Internal Revenue grant it an extension of time under §§ 301.9100-1 and 301.9100-3 to make the election under § 168(h)(6)(F)(ii) to not to be treated as a tax-exempt entity beginning with Taxable Year.

LAW

Section 167(a) provides that there shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business, or in the production of income. The depreciation deduction provided by § 167(a) for tangible property placed in service after 1986 is generally determined under § 168. Under § 168(g), the alternative depreciation system must be used for any tax-exempt use property as defined in § 168(h).

Section 168(h)(6)(A) provides that, for purposes of § 168(h), if any property that is not tax-exempt property is owned by a partnership having both a tax-exempt entity and non-exempt entity as partners and any allocation to the tax-exempt entity is not a qualified allocation, then an amount equal to such tax-exempt entity's proportionate share of such property is treated as tax-exempt use property.

Section 168(h)(6)(F)(i) provides generally that any tax-exempt controlled entity is treated as a tax-exempt entity for purpose of § 168(h)(5) and (h)(6). Under § 168(h)(6)(F)(iii)(I), a corporation (without regard to § 168(h)(6)(F)(iii)(I) and § 168(h)(2)(E)) constitutes a "tax-exempt controlled entity" if 50 percent or more (in value) of the corporation's stock is held by one or more tax-exempt entities (other than a foreign person or entity).

Under § 168(h)(6)(F)(ii), a tax-exempt controlled entity may elect to not be treated as a tax-exempt entity. Once made, the election is irrevocable and will bind all tax-exempt entities holding an interest in the tax-exempt controlled entity.

Under § 301.9100-7T(a)(1), a § 168(h)(6)(F)(ii) election must be made in accordance with the rules provided in §§ 301.9100-7T(a)(2) and (a)(3). Under § 301.7701-7T(a)(2)(i), a § 168(h)(6)(F)(ii) election must be made by the due date of the tax return for the first taxable year for which the election is to be effective. Section 301.9100-7T(a)(3)(i) provides that the § 168(h)(6)(F)(ii) election must be made by attaching a statement to the tax return for the taxable year in which the election is to be effective.

Section 301.9100-1(c) provides that the Commissioner has the discretion to grant a reasonable extension of time under the rules set forth in § 301.9100-2 and § 301.9100-3 to make certain regulatory elections.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-2 provides automatic extensions of time for certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requires of § 301.9100-2.

Section 301.9100-1(b) defines a regulatory election as one whose due date is prescribed by regulations published in the Federal Register, a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin. Because the due date of the § 168(h)(6)(F)(ii) election is prescribed by § 301.9100-7T(a)(2)(i), the requested § 168(h)(6)(F)(ii) election is a regulatory election.

Section 301.9100-3(a) provides that requests for relief subject to § 301.9100-3 will be granted when a taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that the granting of relief will not prejudice the interests of the Government.

CONCLUSION

Based solely on the facts as represented and the applicable law, we conclude that the requirements of § 301.9100-1 and § 301.9100-3 have been satisfied. Accordingly, Taxpayer is granted an extension of 60 calendar days from the date of this letter ruling to file the election statement with the appropriate service center containing the information required by § 301.9100-7T(a)(3) for the election to be effective beginning in Taxable Year.

Taxpayer must attach a copy of this letter ruling to the election statement. Further, this letter ruling should be attached to all subsequent returns (and amended returns) for all taxable years to which this letter ruling is relevant. If Taxpayer files its amended return electronically, it may satisfy this requirement by attaching a statement to its amended return that provides the date and control number of this letter ruling. Pursuant to § 301.9100-7T(a)(3)(ii), a copy of this letter ruling as the § 168(h)(6)(F)(ii) election statement should also be attached to the Federal income tax returns of each of the tax-exempt shareholders or beneficiaries of Taxpayer.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer and accompanied by penalty of perjury statements executed by the appropriate parties. While this office has not verified any of the material submitted in support of the request for ruling, all material is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. We express no opinion regarding the tax treatment of the instant transaction under the provisions of any other sections of the Code or regulations that may be applicable, or regarding the tax treatment of any conditions existing at the time of, or effects resulting from, the instant transaction.

Pursuant to the Form 2848, *Power of Attorney and Declaration of Representative*, on file with this office, a copy of this letter is being sent to your authorized representatives. We are also sending a copy of this letter ruling to the appropriate Service operating division official.

Sincerely,

BRUCE C. CHANG
Assistant to the Branch Chief, Branch 7
Office of Associate Chief Counsel
(Income Tax & Accounting)

cc: