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Refer Reply To:
CC:CORP:BO2
PLR-119258-25

Date:
March 02, 2026

LEGEND

Distributing =

State A =
Controlled LLC =

Shareholder A =
Shareholder B =
Shareholder C =
Shareholder D =
Shareholder E =
Business A =
Business B =

a =

b =

c =

d =

e =

f =

g =

h =

Dear :

This letter responds to your letter dated October 8, 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. 2025-30, 2025-42 I.R.B. 489, regarding one or more “Covered Transactions” under sections 355 and 368 of the Internal Revenue Code of 1986, as amended (the “Code”). 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.

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. Verification of the information, representations, and other data may be required as part of the audit process.

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).

FACTS

Distributing is a privately held State A corporation with a single class of voting common stock outstanding. Distributing’s voting common stock is held by five related shareholders with Shareholder A holding a percent, Shareholder B holding b percent, Shareholder C holding c percent, Shareholder D holding d percent, and Shareholder E holding e percent.

Distributing is engaged in Business A, directly and through various disregarded entities. Controlled LLC is a State A limited liability company that is disregarded as an entity separate from Distributing. Controlled LLC conducts Business B, directly and through various disregarded entities.

PROPOSED TRANSACTION

For valid business purposes, Distributing proposes to engage in the following steps to separate Business A from Business B:

1. Immediately prior to the Distribution (described in Step 2), Controlled LLC will either convert to a corporation under State A law or elect to be classified as a corporation (“Controlled”) for federal income tax purposes (the “Conversion”). The Conversion will be treated for federal income tax purposes as a contribution by Distributing of all the assets of Controlled LLC to Controlled in exchange for all

the stock of Controlled and the assumption by Controlled of all of the liabilities associated with Controlled LLC.

2. Distributing will distribute: (1) approximately f percent of the stock of Controlled to Shareholder E in exchange for all of Shareholder E's stock of Distributing and (2) approximately g percent of the stock of Controlled to Shareholders A and B in exchange for approximately h percent of each Shareholder A's and B's stock of Distributing (the "Distribution"). Shareholders A, B, and E are collectively referred to as the "Controlled Shareholders".
3. After the Distribution, Distributing will be owned by Shareholders A, B, C, and D and Controlled will be owned by the Controlled Shareholders.

REPRESENTATIONS

The following representations have been made with respect to the Proposed Transaction:

Rev. Proc. 2017-52 Representations

Except as set forth below and except for all the representations superseded by Rev. Proc. 2025 -30, Distributing has made all the representations in section 3 of the Appendix to Rev. Proc. 2017-52.

Representations 6, 25, 36, 37, 38, 39, 40, and 42 in Section 3 of the Appendix to Rev. Proc. 2017-52 are not applicable.

With respect to representations 3, 8, 11, 15, 22, 31, and 41 in Section 3 of the Appendix to Rev. Proc. 2017-52, Distributing makes the following alternative representations: 3(a); 8(a); 11(b); 15(a); 22(a); 31(a); and 41(a).

In lieu of Representation 14 in section 3 of the Appendix to Rev. Proc. 2017-52, Distributing made the following representations: (1) There is no plan or intention by the shareholders and security holders of Distributing to sell, exchange, transfer by gift or otherwise dispose of any of their stock in, or securities of, either Distributing or Controlled after the transaction. (2) 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. (3) 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 Representation 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 Treas. Reg. § 1.355-8) or a similar acquisition.

Rev. Proc. 2025-30 Representations

Except as set forth below, Distributing has made all the representations in section 3.04 of Rev. Proc. 2025-30 (which restates the guidance originally provided in Section 3 of Rev. Proc. 2018-53, 2018-43 I.R.B. 667).

The second representation in Section 3.04(3) and the representation in section 3.04(6) of Rev. Proc. 2025-30 are not applicable.

Distributing has made all the representations in section 4 of Rev. Proc. 2025-30 (which restate the guidance originally provided in Representations 2, 4, and 17 through 21 in section 3 of the Appendix to Rev. Proc. 2017-52).

RULINGS

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

1. The Conversion and the Distribution, taken together will qualify as a reorganization within the meaning of sections 368(a)(1)(D) and 355. Distributing and Controlled each will be “a party to the reorganization” within the meaning of section 368(b).
2. Distributing will not recognize gain or loss on the Conversion. Sections 361(a) and 357(a).
3. Controlled will not recognize gain or loss on the Conversion. Section 1032(a).

4. Controlled's basis in each asset received from Distributing in the Conversion will equal the basis of that asset in the hands of Distributing immediately before the Conversion. Section 362(b).
5. Controlled's holding period for each asset received from Distributing in the Conversion will include the holding period during which Distributing held that asset. Section 1223(2).
6. The Controlled Shareholders will not recognize gain or loss on the receipt of Controlled stock in the Distribution. Section 355(a)(1).
7. Distributing will not recognize gain or loss on the Distribution. Section 361(c).
8. The basis of the shares of Controlled stock in the hands of each of the Controlled Shareholders immediately after the Distribution will be the same as the basis of the Distributing stock held by the Controlled Shareholders surrendered in exchange therefor. Section 358(a)(1).
9. The holding period of the Controlled shares received by each of the Distributee Shareholders in the Distribution will include the holding period of the Distributing shares surrendered in exchange therefor, provided that the Distributing shares of stock were held as a capital asset on the date of the Distribution. Section 1223(1).
10. Earnings and profits of Distributing, if any, 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, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its return that provides the date and control number (PLR-119258-25) of the letter ruling.

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

Sincerely,

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

cc: