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Person To Contact:
, ID No.
Telephone Number:

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Date:
May 08, 2026

LEGEND:

Taxpayer	=
Subsidiary 1	=
Subsidiary 2	=
Subsidiary 3	=
Subsidiary 4	=
Sponsor	=
Accounting Firm	=
Law Firm	=
Auditing Firm	=
City	=
State	=
Hotel Manager	=
Date 1	=
Date 2	=

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

Date 11 =

Date 12 =

Month =

a =

b =

c =

Dear :

This ruling responds to a letter dated October 14, 2025, and supplemental correspondence, submitted on behalf of Taxpayer and Subsidiary 1. Taxpayer and Subsidiary 1 request an extension of time under sections 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations ("Regulations") to jointly make an election under section 856(l) of the Internal Revenue Code ("Code") to treat Subsidiary 1 as a taxable REIT subsidiary ("TRS") of Taxpayer effective Date 1.

FACTS

Taxpayer was formed as a limited liability company ("LLC") in State on Date 2. Taxpayer has elected to be treated as a real estate investment trust ("REIT") beginning with its taxable year ending Date 3.

Sponsor is a private equity firm that sponsors and manages funds that invest in real estate and real estate-related investments. Sponsor has an internal tax department led by a tax director ("Tax Director") whose responsibilities include providing tax advice and tax compliance services for Taxpayer and Subsidiary 1. Tax Director works with external tax advisors, including Accounting Firm and Law Firm.

Sponsor identified a property (the "Property") in City, which was the site of a hotel (the "Hotel"), for Taxpayer to acquire from an unaffiliated third party. Sponsor planned for Taxpayer to demolish the Hotel and build a multi-family residential property in the Hotel's place. On Date 4, Tax Director drafted a structure in which Taxpayer would hold its interest in the Property through a series of LLCs, each of which was a partnership or an entity disregarded as separate from its owner ("DRE"). Tax Director was aware that income from operating the Hotel would not qualify as rents from real property for purposes of the gross income tests in section 856(c)(2) and (3). However, Tax Director determined that the structure was appropriate, because it was not expected that the Hotel would be in operation at the time of the acquisition.

On Date 5, Tax Director learned that after the acquisition of the Property, Taxpayer planned to continue operating the Hotel for a few months. Taxpayer intended to engage Hotel Manager, the company that managed and operated the Hotel for the former owner, to operate the Hotel after the acquisition. Tax Director determined that the planned structure would no longer be appropriate for the acquisition of the Property and engaged Accounting Firm and Law Firm to help structure the acquisition of the Property from a tax perspective. Accounting Firm mistakenly believed that a third party planned to invest indirectly in the Property and that Taxpayer would own an interest in Subsidiary 1 through a partnership. Accounting Firm's advice was based on this mistaken belief.

On Date 6, Tax Director called Accounting Firm to discuss the change in circumstances and the urgency of finalizing the tax structure of the acquisition of the Property, which was scheduled to close in a days. On Date 7, Tax Director held a conference call with Accounting Firm and Law Firm to discuss structuring alternatives. Accounting Firm and Law Firm agreed with Tax Director that the planned structure was not appropriate, because Taxpayer would earn non-qualifying income from operating the Hotel. One of the alternative structures discussed was for a TRS to own the Hotel and for an eligible independent contractor ("EIK") to manage the Hotel as a qualified lodging facility. While Accounting Firm and Law Firm thought Hotel Manager would likely qualify as an EIK, additional diligence would be required to confirm that conclusion.

After the conference call, Accounting Firm sent Tax Director an email discussing an alternative structure in which Taxpayer would own the Property through a C corporation that would not be a TRS. Taxpayer would acquire the stock of a C corporation with the proceeds of a stock offering of Taxpayer, and the C corporation would indirectly own the Property. Accounting Firm advised Tax Director that the acquired stock of the C corporation would qualify as temporary investment of new capital for one year under section 856(c)(5)(B) (the "TINC Rule") and, thus, would qualify as real estate assets for the purpose of the asset test in section 856(c)(4)(A). Accounting Firm also advised Tax Director that dividends Taxpayer received from the C corporation would be qualified temporary investment income for the purposes of section 856(c)(3)(I) and, thus, be qualifying income for purposes of the gross income tests in section 856(c)(3).

Because of the pressure to finalize the structure in time and uncertainty about whether Hotel Manager was an EIK, Tax Director accepted the recommendation from Accounting Firm to not jointly elect to treat Subsidiary 1 as a TRS of Taxpayer. On Date 8, Tax Director sent revised structure charts to Accounting Firm and Law Firm. Under that proposed ownership structure, Taxpayer would own all the membership interests in Subsidiary 1; Subsidiary 1 would own b percent of the membership interests in Subsidiary 2, a DRE of Subsidiary 1; Subsidiary 2 would own c percent of the membership interests in Subsidiary 3, an entity classified as a partnership for U.S. federal income tax purposes; and Subsidiary 3 would own b percent of the membership interests in Subsidiary 4, a DRE of Subsidiary 3 that would own the Property after the acquisition. Accounting Firm and Law Firm signed off on the proposed ownership structure. Law Firm did not specifically analyze Taxpayer's eligibility to use the TINC Rule.

On Date 9, Subsidiary 4 acquired the Property. On Date 10, Subsidiary 1 timely filed a Form 8832, *Entity Classification Election*, to be classified as an association taxable as a corporation for federal income tax purposes with a specified effective date of Date 1.

On Date 11, after discussions with auditors at Auditing Firm, Sponsor asked Accounting Firm whether Subsidiary 1 was wholly owned by Taxpayer and, thus, a QRS of Taxpayer. Accounting Firm determined that Taxpayer was the sole regarded owner of Subsidiary 1, Subsidiary 1 was a QRS of Taxpayer, and Taxpayer would be treated as earning directly the Hotel's operating income. Accounting Firm informed Tax Director that when recommending the use of the TINC Rule, Accounting Firm believed that Taxpayer owned an interest in Subsidiary 1 through a partnership. Accounting Firm had not noted that Taxpayer would wholly own Subsidiary 1 in the revised structure charts; otherwise, Accounting Firm would have recommended due diligence to confirm that Hotel Manager was an EIK and an election to treat Subsidiary 1 as a TRS of Taxpayer effective as of Date 1.

Subsequently, Accounting Firm performed additional due diligence to confirm that Hotel Manager would qualify as an EIK. In Month, the Hotel ceased operations. On Date 12, Sponsor engaged Accounting Firm to prepare a request for an extension of time to jointly treat Subsidiary 1 as a TRS of Taxpayer.

REPRESENTATIONS

Taxpayer and Subsidiary 1 make the following additional representations in connection with this request for an extension of time:

1) Taxpayer and Subsidiary 1 filed this request for relief before the failure to timely make the regulatory election on Form 8875 was discovered by the Service.

2) Granting the relief requested will not result in Taxpayer or Subsidiary 1 having a lower U.S. federal tax liability in the aggregate for all years to which the regulatory election applies than they would have had if the election had been timely made (taking into account the time value of money).

3) Taxpayer and Subsidiary 1 do not seek to alter a return position for which an accuracy-related penalty has been or could have been imposed under section 6662 at the time they requested relief, and the new position requires or permits a regulatory election for which relief is requested.

4) Taxpayer and Subsidiary 1 are not using hindsight in requesting this relief. No specific facts have changed since the due date for making the election that make the election advantageous to Taxpayer or Subsidiary 1.

5) Taxpayer and Subsidiary 1 did not choose to not file the election, being informed in all material respects of the required election and related tax consequences.

6) The period of limitations on assessment under section 6501(a) has not expired for Taxpayer or Subsidiary 1 for the taxable year for which the election should have been filed, nor for any taxable year(s) that would have been affected by the election had it been timely made.

In addition, affidavits on behalf of Taxpayer and Subsidiary 1 have been provided as required by section 301.9100-3(e)(2) and (3).

LAW AND ANALYSIS

Section 856(l) provides that a REIT and a corporation (other than a REIT) may jointly elect to treat such corporation as a TRS. To be eligible for treatment as a TRS, section 856(l)(1) provides that the REIT must directly or indirectly own stock in such corporation, and the REIT and such corporation must jointly elect such treatment. The election is irrevocable once made, unless both the REIT and the corporation consent to its revocation. In addition, section 856(l) specifically provides that the election, and any revocation thereof, may be made without the consent of the Secretary.

In Announcement 2001-17, 2001-1 C.B. 716, the Service announced the availability of new Form 8875, *Taxable REIT Subsidiary Election*. According to the

Announcement, this form is to be used for taxable years beginning after 2000 for eligible entities to elect treatment as a TRS. The instructions to Form 8875 provide that the subsidiary and the REIT can make the election at any time during the taxable year. However, the effective date of the election depends on when the Form 8875 is filed. The instructions further provide that the effective date cannot be more than 2 months and 15 days prior to the date of filing the election, or more than 12 months after the date of filing the election. If no date is specified on the form, the election is effective on the date the form is filed with the Service.

Section 301.9100-1(c) provides that the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Code except subtitles E, G, H, and I. Section 301.9100-1(b) defines a regulatory election as an election whose due date is prescribed by regulations, or by a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Section 301.9100-3(a) through (c)(1) sets forth rules that the Service will use to determine whether, under the particular facts and circumstances of each situation, the Commissioner will grant an extension of time for regulatory elections that do not meet the requirements of section 301.9100-2. Section 301.9100-3(a) provides that requests for relief subject to section 301.9100-3 will be granted when the taxpayer provides the evidence (including affidavits described in section 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

Section 301.9100-3(b) provides that a taxpayer generally is deemed to have acted reasonably and in good faith if the taxpayer (i) requests relief under section 301.9100-3 before the failure to make the regulatory election is discovered by the Service; (ii) failed to make the election because of intervening events beyond the taxpayer's control; (iii) failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and the complexity of the return or issue), the taxpayer was unaware of the necessity for the election; (iv) reasonably relied on the written advice of the Service; or (v) reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make, or advise the taxpayer to make, the election. A taxpayer will be deemed to have not acted reasonably and in good faith, however, if the taxpayer (i) seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under section 6662 at the time the taxpayer requests relief and the new position requires or permits a regulatory election for which relief is requested; (ii) was informed in all material respects of the required election and related tax consequences, but chose not to file the election; or (iii) uses hindsight in requesting relief. If specific facts have changed since the due date for making the election that make the election more advantageous to the taxpayer, the Service will not ordinarily grant relief. In such case the Service will grant relief only when the taxpayer provides strong proof that the taxpayer's decision to seek relief did not involve hindsight.

Section 301.9100-3(c)(1) provides that a reasonable extension of time to make a regulatory election will be granted only when the interests of the Government will not be prejudiced by the granting of relief. Section 301.9100-3(c)(1)(i) provides that the interests of the Government are prejudiced if granting relief would result in the taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money). Section 301.9100-3(c)(1)(ii) provides that the interests of the Government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made or any taxable years that would have been affected by the election had it been timely made are closed by the period of limitations on assessment under section 6501(a) before the taxpayer's receipt of a ruling granting relief under section 301.9100-3.

CONCLUSION

Based on the information submitted and representations made, we conclude that Taxpayer and Subsidiary 1 have satisfied the requirements for granting a reasonable extension of time to elect under section 856(l) to treat Subsidiary 1 as a TRS of Taxpayer, effective Date 1. Accordingly, Taxpayer and Subsidiary 1 have 90 calendar days from the date of this letter to make the intended election to treat Subsidiary 1 as a TRS of Taxpayer, effective Date 1.

This ruling is limited to the timeliness of the filing of Form 8875. This ruling’s application is limited to the facts, representations, Code sections, and regulation sections cited herein. Except as 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. No opinion is expressed as to whether Taxpayer otherwise qualifies as a REIT or whether Subsidiary 1 otherwise qualifies as a TRS of Taxpayer under subchapter M of chapter 1 of the Code. Additionally, no opinion is expressed as to any tax liability of Taxpayer and Subsidiary 1.

The ruling contained in this letter is based upon information submitted and representations made by Taxpayer and Subsidiary 1 and accompanied by penalties 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 a ruling, it is subject to verification on examination.

This ruling is directed only to the taxpayers that requested it. Section 6110(k)(3) provides that this ruling may not be used or cited as precedent.

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,

Vanessa Mekpong
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Financial Institutions & Products)

cc: