

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

In Re:

Refer Reply To:
CC:INTL:B05
PLR-104352-26

Date:
July 09, 2026

Taxpayer =
Date 1 =
Date 2 =
Date 3 =
Date 4 =
Date 5 =
Date 6 =
Date 7 =
Subsidiary =
Corporation 1 =
Corporation 2 =
Accounting Firm =
Amount 1 =
Amount 2 =

Dear :

This letter responds to a letter dated Date 1, and subsequent correspondence dated Date 2, requesting an extension of time under Treas. Reg. §§ 301.9100-1 and 301.9100-3 for Taxpayer to satisfy the identification requirements to integrate a nonfunctional currency debt instrument and qualified hedge under § 1.988-5(a) of the Treasury Regulations for the taxable year ending Date 3.

FACTS

Taxpayer is a domestic corporation with the U.S. dollar as its functional currency. On Date 4, Taxpayer entered into a transaction to acquire Corporation 1 and its subsidiaries. On the same date, Taxpayer's newly-formed indirect subsidiary, Subsidiary, a foreign entity that is treated as a corporation for U.S. tax purposes, entered into a transaction to acquire 100% of the share capital of Corporation 2 and its subsidiaries (the "Transaction"). To finance the Transaction, Taxpayer borrowed from third party lenders and, subsequently, made two Euro-denominated intercompany loans

to Subsidiary of €Amount 1 and €Amount 2 (the “Intercompany Loans”). Also on Date 4, Taxpayer entered into two cross-currency interest rate swaps with third party banks to hedge its currency risk with respect to the Intercompany Loans (the “Hedges”).

Before Date 4, on Date 5, Taxpayer’s treasury department discussed Taxpayer’s intent to enter the Intercompany Loans and Hedges with Accounting Firm. Accounting Firm advised Taxpayer to integrate each of the Intercompany Loans with the respective Hedges under Treas. Reg. § 1.988-5(a) and informed Taxpayer of the requirement to identify the Hedges on or before Date 4 pursuant to Treas. Reg. § 1.988-5(a)(5)(ii) and (8)(i) (the “Identification Requirement”). Taxpayer affirmed that it would integrate the Intercompany Loans and Hedges and relied on internal tax professionals to ensure all requirements were met to do so.

After the Transaction was completed, on Date 6, Accounting Firm requested copies of all documents relating to the Transaction, and Taxpayer provided, among other things, documents it believed would satisfy the Identification Requirement to Accounting Firm. Upon review, Accounting Firm discovered that Taxpayer had inadvertently failed to prepare statements that would satisfy the Identification Requirement for the Hedges. Shortly after discovering the failure, Accounting Firm prepared identification statements, which were signed by Taxpayer on Date 7. Subsequently, Taxpayer submitted a request under Treas. Reg. §§ 301.9100-1 and 301.9100-3 for an extension of time to meet the Identification Requirement.

In connection with this ruling request, Taxpayer has made the following representations:

1. For the taxable year ending Date 3, Taxpayer is not currently under examination.
2. The request for relief was filed before failure to satisfy the Identification Requirement was discovered by the Internal Revenue Service (“IRS”).
3. The period of limitations on assessment under section 6501(a) of the Internal Revenue Code (the “Code”) has not expired for the taxable year ending on Date 3 or any subsequent taxable year.
4. Taxpayer is not seeking to alter a return position for which an accuracy-related penalty could be imposed under section 6662 of the Code.
5. Granting relief will not result in Taxpayer (or its shareholders) having a lower tax liability than if the Identification Requirement had been satisfied in a timely manner.
6. Taxpayer is not using hindsight in making the decision to seek the relief requested. No specific facts have changed since the due date for meeting the Identification Requirement that would make integration more advantageous to Taxpayer.

LAW AND ANALYSIS

Section 988(d)(1) of the Code provides that, to the extent provided in regulations, if any section 988 transaction is part of a 988 hedging transaction, all transactions which are

part of such 988 hedging transaction shall be integrated and treated as a single transaction or otherwise treated consistently for purposes of subtitle A of the Code.

Pursuant to Treas. Reg. § 1.988-5(a)(1), a qualifying debt instrument and § 1.988-5(a) hedge are an integrated economic transaction if all of the requirements under Treas. Reg. § 1.988-5(a)(5) are met (a “qualified hedging transaction”). As a result, no exchange gain or loss is recognized by the taxpayer on the qualifying debt instrument or the § 1.988-5 hedge for the period either is part of a qualified hedging transaction. Treas. Reg. § 1.988-5(a)(5)(i) requires that all payments to be made or received under the qualifying debt instrument (or amounts determined by reference to a nonfunctional currency) must be fully hedged on the date the taxpayer identifies the transaction as a qualified hedging transaction. Treas. Reg. § 1.988-5(a)(5)(iii) requires that none of the parties to the hedge may be related within the meaning of sections 267(b) or 707(b) or the Code. Treas. Reg. § 1.988-5(a)(ii) requires the hedge to be identified on or before the date the hedge is settled or closed.

To identify the hedge, Treas. Reg. § 1.988-5(a)(8) requires the taxpayer to establish a record and enter the following information into the record for each qualifying hedge before the close of the date the hedge is entered into:

1. The date the qualifying debt instrument and hedge are entered into;
2. The date the qualifying debt instrument and hedge are identified as constituting a qualified hedging transaction;
3. The amount that must be deferred, if any, under Treas. Reg. § 1.988-5(a)(6) and the source and character of such amount;
4. A description of the qualifying debt instrument and hedge; and
5. A summary of the cash flow resulting from treating the qualifying debt instrument and hedge as a qualified heading transaction.

Treas. Reg. § 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time to make a regulatory election under all subtitles of the Code except subtitles E, G, H, and I.

Treas. Reg. § 301.9100-1(b) defines the term “regulatory election” as an election whose due date is prescribed by a regulation published in the Federal Register or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Treas. Reg. § 301.9100-2 provides automatic extensions of time for making certain elections. Requests for extensions of time that do not meet the requirements of Treas. Reg. § 301.9100-2 must be made under Treas. Reg. § 301.9100-3.

Requests for relief subject to Treas. Reg. § 301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that the grant of relief will not prejudice the interests of the Government.

Treas. Reg. § 301.9100-3(b)(1)(i) provides that a taxpayer is generally deemed to have acted reasonably and in good faith if the taxpayer requests relief before the failure to make the regulatory election is discovered by the IRS. Treas. Reg. § 301.9100-3(b)(1)(v) provides that a taxpayer is also generally deemed to have acted reasonably and in good faith if the taxpayer reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make (or failed to advise the taxpayer to make) the election.

Treas. Reg. § 301.9100-3(b)(3) provides that a taxpayer is deemed not to have acted reasonably and in good faith if the taxpayer seeks to alter a return position for which an accuracy-related penalty could be or has been imposed under section 6662 of the Code, was informed in all material respects of the required election and related tax consequences but chose not to file the election, or uses hindsight in requesting relief. If specific facts have changed since the due date for making the election that make the election advantageous for the taxpayer, the IRS will not ordinarily grant relief.

Treas. Reg. § 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 years affected by the election than the taxpayer would have had if the election had been timely made. Treas. Reg. § 301.9100-3(c)(1)(ii) provides that the interests of the Government are also ordinarily prejudiced if the taxable year in which the regulatory election should have been made is closed by the period of limitations on assessment under section 6501(a) of the Code before the taxpayer's receipt of a ruling granting relief.

Treas. Reg. § 301.9100-1(a) provides that granting an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election or that the taxpayer complied with the other requirements for a valid election.

CONCLUSION

Based on the facts and representations submitted with Taxpayer's ruling request, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer is granted an extension of 60 days from the date of this ruling letter to meet the identification requirements of Treas. Reg. § 1.988-5(a)(5)(ii) and (8)(i).

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 the ruling, it 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.

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 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 representative.

Sincerely,

Matthew S. Blum
Senior Technical Reviewer
Associate Chief Counsel (International)

cc: