Internal Revenue Service

Number: **202646008**
Release Date: 11/13/2026

Index Number: 9100.00-00, 856.00-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
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Refer Reply To:
CC:FIP:B01
PLR-104377-26

Date:
August 18, 2026

Legend:

Taxpayer =

Subsidiary 1 =

Subsidiary 2 =

Subsidiary 3 =

Subsidiary 4 =

Subsidiary 5 =

Sponsor =

Fund =

State =

Hotel =

City =

Accounting Firm =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Month 1 =

Month 2 =

a =

Dear :

This ruling responds to a letter dated January 21, 2026, 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 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

Sponsor manages investment partnerships formed to invest in a portfolio of hotel real estate assets and operating companies. Sponsor manages Fund, a State limited partnership that is classified as a partnership for federal income tax purposes. On Date 2, Fund formed Taxpayer, a State limited liability company ("LLC"), to hold investments in hotel real estate assets. Taxpayer has elected to be taxed as a real estate investment trust ("REIT") under sections 856 through 859. Sponsor provides all management services to Fund and its subsidiaries, including Taxpayer and Subsidiary 1. Sponsor has an internal tax department and engages external tax professionals for tax advice and preparation of certain tax returns.

Taxpayer acquired an indirect interest in a percent of the capital and profits interests of Subsidiary 2, a State LLC that is classified as a partnership for federal income tax purposes. Subsidiary 2 acquired Hotel through a series of entities that are disregarded from Subsidiary 2 for federal income tax purposes. Subsidiary 3, a corporation wholly owned by Subsidiary 2, is a TRS of Taxpayer. Subsidiary 2 leased Hotel to Subsidiary 4, an entity disregarded as separate from Subsidiary 3 for federal income tax purposes. Subsidiary 3 engaged a third-party hotel manager ("Hotel Manager") that qualifies as an eligible independent contractor to manage Hotel.

Because Hotel Manager did not want to operate the restaurant at Hotel ("Restaurant"), Sponsor identified a third-party restaurant manager ("Restaurant Manager"). Sponsor's Chief Financial Officer ("CFO") consulted with Accounting Firm on how to structure the operation of Restaurant. Accounting Firm recommended that Subsidiary 3 sublease the Restaurant to another TRS and that Sponsor confirm that the Restaurant Manager was actively engaged in the trade or business of operating similar restaurants in other hotels.

CFO accepted Accounting Firm's recommendation to form a new TRS to sublease the Restaurant from Subsidiary 3. Consistent with the recommendation, on Date 3, Subsidiary 2 formed Subsidiary 1, a State LLC, with Subsidiary 2 as the sole member. On Date 4, Subsidiary 2 and Subsidiary 5, an entity disregarded as separate from Subsidiary 1 for federal income tax purposes, entered into a sublease for the Restaurant ("Restaurant Sublease") that took effect when Subsidiary 4 delivered the premises to Subsidiary 5.

Sponsor typically handles tax elections for the entities it manages, including filing Form 8832, *Entity Classification Election*, and Form 8875, *Taxable REIT Subsidiary Election* when necessary. On Date 5, shortly after the formation of Subsidiary 1, CFO emailed Sponsor's tax director ("Tax Director"), reminding Tax Director of the need to file a TRS election for Subsidiary 1.

In Month 1, Sponsor engaged Accounting Firm to evaluate restructuring the Hotel operations. On or about Date 6, in connection with the discussions with Accounting Firm, CFO discovered that Tax Director had not filed Form 8832 for Subsidiary 1 or Form 8875 for Taxpayer and Subsidiary 1 and had not engaged an accounting firm to prepare Subsidiary 1's tax returns for taxable years ended Date 7 and Date 8.

The following day, CFO engaged Accounting Firm to prepare requests for extensions of time to make an entity classification election for Subsidiary 1 to be treated as a corporation and to elect to treat Subsidiary 1 as a TRS of Taxpayer. Accounting Firm also instructed CFO to delay filing Subsidiary 1's tax return for the taxable year ended Date 8, while pursuing the request for an extension of time.

Taxpayer represents that Subsidiary 1 was granted an extension of time to make the entity classification election effective Date 1 in a private letter ruling dated Date 9.

Taxpayer also represents that Subsidiary intends to elect to be treated as a corporation for federal income tax purposes effective Date 1, and will be eligible within the meaning of section 301.7701-3(a) on the date the retroactive election to treat Subsidiary as a TRS of Taxpayer becomes effective.

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 generally 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. In particular, no opinion is expressed or implied regarding the timeliness of Subsidiary 1’s federal income tax returns. 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 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: