

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B03 – PLR-135663-03

Date:
October 08, 2003

Legend

Purchaser's Parent =

Purchaser =

Target =

Sellers =

U.S. Seller =

State Z =

Country C =

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Corp X =
Date A =
Date B =
Date C =
Year D =
Date E =
Company Official =
Tax Professionals =

Dear :

This letter responds to your letter dated June 4, 2003, submitted on behalf of Purchaser's Parent, the United States shareholder of Purchaser, the foreign purchasing corporation, requesting an extension of time under §301.9100-3 of the Procedure and Administration Regulations to file an election. Purchaser's Parent is requesting an extension to file a "§338 election" under §338(g) with respect to Purchaser's acquisition of the stock of Target (sometimes hereinafter referred to as the "Election"), on Date A. Additional information was received in a letter dated September 22, 2003. The material information is summarized below.

Purchaser's Parent is a State Z corporation and holding company that is the United States parent of a group of Country C corporations. Purchaser's Parent filed its Year D Form 1120 as common parent of a consolidated group that included one other

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member, Corp X. Purchaser is a Country C corporation and wholly owned subsidiary of Purchaser's Parent.

Target was a Country C corporation. On Date A, pursuant to a share sale agreement, Purchaser acquired all of the stock of Target from Sellers (including U.S. Seller) in exchange for cash. On Date B, Purchaser caused Target to amalgamate into Purchaser pursuant to the laws of Country C in an exchange that was intended to qualify for nonrecognition treatment under §§332 and 337. It is represented that Purchaser's acquisition of the stock of Target qualified as a "qualified stock purchase," as defined in §338(d)(3).

Prior to its acquisition, Target was a controlled foreign corporation within the meaning of §957(a) of which U.S. Seller, a State Z limited partnership, owned more than 50 percent of the outstanding stock. Target was not a passive foreign investment company for which an election under §1295 was in effect, a foreign investment company or a foreign corporation the stock ownership of which is described in §552(a)(2). Target was not required under §1.6012-2(g) to file a United States income tax return for its taxable year that includes Date A.

Purchaser is a controlled foreign corporation as defined in §957 (taking into account §953(c)) and is not required under §1.6012-2(g) (other than §1.6012-2(g)(2)(i)(b)(2)) to file a United States income tax return for its taxable year that includes the acquisition date.

Purchaser's Parent intended to file the Election. The Election was due on Date C, but for various reasons a valid Election was not filed. After the due date for the Election, it was discovered that the Election had not been filed. Subsequently, this request was submitted, under §301.9100-3, for an extension of time to file the Election. An assessment for deficiency is not prevented, and will not be prevented, before Date E, by any law or rule of law for any taxable year of any person for which the Election may affect such person's United States tax liability.

Section 338(a) permits certain stock purchases to be treated as asset acquisitions if: (1) the purchasing corporation makes or is treated as having made a "§338 election" or a "§338(h)(10) election"; and (2) the acquisition is a "qualified stock purchase."

Under §301.9100-1(c), 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 Internal Revenue Code except subtitle E, G, H, and I.

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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 301.9100-1(a). Section 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under §301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

In this case the time for filing the Election is fixed by the regulations (i.e., §1.338-2(d)). Therefore, the Commissioner has discretionary authority under §301.9100-3 to grant an extension of time for Purchaser's Parent to file the Election, provided Purchaser's Parent acted reasonably and in good faith, the requirements of §§301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Purchaser's Parent, Company Official, and Tax Professionals explain the circumstances that resulted in the failure to timely file a valid Election. The information establishes that Purchaser's Parent reasonably relied on a qualified tax professional who failed to make, or advise Purchaser's Parent to make, the Election, and that the interests of the government will not be prejudiced if relief is granted. See §301.9100-3(b)(1)(v).

Based on the facts and information submitted, including the representations made, we conclude that Purchaser's Parent has shown it acted reasonably and in good faith, the requirements of §§301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under §301.9100-3, until 45 days from the date on this letter, for Purchaser's Parent to file the Election with respect to the acquisition of stock of Target, as described above.

WITHIN 45 DAYS OF THE DATE ON THIS LETTER, Purchaser's Parent must file the Election on Form 8023, executed on or after the date of this letter, in accordance with §1.338-2(d) and (e)(3) and the instructions to the Form. A copy of this letter must be attached to Form 8023. Notice of the Election must also be provided to U.S. Seller and any other U.S. Person described in § 1.338-2(e)(4).

WITHIN 120 DAYS OF THE DATE ON THIS LETTER, all relevant parties must file or amend, as applicable, all returns and amended returns (if any) necessary to report the transaction as a §338 transaction for the taxable year in which the transaction was consummated (and for any other affected taxable year). A copy of this letter and a copy of Form 8023 (or Form 8883, if appropriate) must be attached to the returns.

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The above extension of time is conditioned on the taxpayers' tax liability (if any) being not lower, in the aggregate, for all years to which the Election applies, than it would have been if the Election had been timely made (taking into account the time value of money). No opinion is expressed as to the taxpayer's tax liability for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the Federal income tax returns involved. Further, no opinion is expressed as to the Federal income tax effect, if any, if it is determined that the taxpayers' tax liability is lower. Section 301.9100-3(c).

We express no opinion as to: (1) whether the acquisition of the Target stock qualifies as a "qualified stock purchase" under §338(d)(3); or (2) any other tax consequences arising from the Election.

In addition, we express no opinion as to the tax consequences of filing the Election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the Election late that are not specifically set forth in the above ruling. Also, except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed concerning the application of §1248, §951 and §338(h)(16) to U.S. Seller because of the deemed sale of Target's assets pursuant to the Election. See §1.338-9.

For purposes of granting relief under §301.9100-3, we relied on certain statements and representations made by the taxpayers. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under §301.9100-3 to file the Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

This letter is directed only to the taxpayer(s) who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

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Pursuant to the power of attorney on file in this office, the original of this letter is being sent to Purchaser's Parent's authorized representative with copies to Purchaser's Parent and a second authorized representative.

Sincerely,

Ken Cohen

Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Office of Associate Chief Counsel

(Corporate)