Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:INTL:B03
PLR-141477-05
Date: August 31, 2005

TY:

Corp A =

Corp B =

Corp C =

Corp D =

Corp E =

Country M =
Country N =
Date 1 =
Date 2 =
Date 3 =
Tax Year V =
Tax Year W =
Tax Year X =
Tax Year Y =
Tax Year Z =

Dear . :

This is in response to your letter dated August 4, 2005, requesting consent for Corp A to revoke, effective for Tax Year Z, its election to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) ("the safe harbor method") in determining the amount of foreign income tax paid or accrued to Country M. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations submitted by Corp A and accompanied by a penalty of perjury statement executed by you, 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.

Corp A is a publicly traded domestic corporation that is the common parent of an affiliated group of corporations that filed a consolidated federal income tax return on a calendar year basis (the "Corp A Group") for Tax Year V, Tax Year W, Tax Year X, and Tax Year Y. Corp A is dual capacity taxpayer, as defined in Treas. Reg. §1.901-2(a)(2)(ii)(A), with respect to operations in Country M. Effective for Tax Year V, Corp A elected, pursuant to Treas. Reg. §1.901-2A(d)(3), to apply the safe harbor method with respect to all qualifying levies imposed by Country M. The due date (including extensions) for Corp A's tax return for Tax Year Z is Date 3, which is more than 30 days after August 4, 2005, the date of your letter.

As of the end of Tax Year V through Date 1, Corp B, an indirectly wholly owned subsidiary of Corp A and a member of the Corp A Group, owned all of the stock of Corp C, also a member of the Corp A Group, and of Corp D, a Country N corporation. The stock of Corp C and Corp D constituted "stapled interests" as defined under section 269B(c)(3) of the Internal Revenue Code ("Code"). Corp C and Corp D constituted "stapled entities" as defined under section 269B(c)(2) of the Code. As a result of the stapling arrangement, Corp D was generally treated as a United States corporation for federal income tax purposes; however, it was not treated as a part of the Corp A Group. As a result, Corp D filed its own separate federal income tax returns for its Tax Years V through Y.

Corp D is also a dual capacity taxpayer, as that term is defined in Treas. Reg. §1.901-1(a)(2)(ii)(A), with respect to Country M. Corp D has not filed an election to apply the safe harbor election with respect to all qualifying levies imposed by Country M.

On Date 1 which is within Tax Year Z, as part of a corporate reorganization, Corp B merged into Corp E, a domestic corporation member of the Corp A Group. Shortly thereafter, on Date 2, Corp D was liquidated into Corp E thereby eliminating the separate filing of federal income tax returns by Corp D.

Corp A wishes to adopt Corp D's historic method with respect to qualifying levies of Country M and requests consent to revoke its election to apply the safe harbor method effective for Tax Year Z.

Treas. Reg. §1.901-2A permits dual capacity taxpayers in computing foreign tax credits for qualifying levies of each country to use either a “facts and circumstances” or a ”safe harbor” method to determine the amount of a levy that is not paid in exchange for a specific economic benefit.

Treas. Reg. §1.901-2A(d) describes the manner in which taxpayers may elect the safe harbor method. Treas. Reg. §1.901-2A(d)(4) provides that that election may not be revoked without the consent of the Commissioner. An application for consent must be made not later than 30 days before the due date (including extensions) for the filing of the income tax return for the first taxable year for which the revocation is sought to be effective, with certain exceptions not applicable to this situation. The Commissioner may make his consent to any revocation conditioned upon adjustments being made in one or more taxable years so as to prevent the revocation from resulting in a distortion of the amount of any item relating to tax liability in any taxable year. The Commissioner will normally consent to a revocation under the circumstances described in Treas. Reg. §1.901-2A(d)(4)(i) through (vi).

Treas. Reg. §1.901-2A(d)(4)(vi) provides that the Commissioner will normally consent to a revocation of a safe harbor election if the election has been in effect with respect to at least three taxable years prior to the taxable year for which the revocation is to be effective.

Based solely on the information and representations submitted, Corp A’s application for consent to revoke the safe harbor election made with respect to the levies of Country M was made not later than 30 days before the federal income tax return due date (including extensions) for Tax Year Z and the applicable safe harbor elections have been in effect with respect to at least Corp A’s last three taxable years prior to Tax Year Z. Accordingly, consent is granted to Corp A to revoke its election previously made to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) with respect to the levies of Country M effective for Tax Year Z.

No opinion was requested, and no opinion is expressed, as to whether, based upon all of the relevant facts and circumstances, the amount (if any) paid pursuant to a levy or levies imposed by Country M is not an amount paid in exchange for a specific economic benefit.

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. No opinion was requested, and no opinion is expressed, with respect to any aspect of the reorganization that took place on Dates 1 and 2.

This ruling is directed only to Corp A, 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.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel
(International)

Enclosure:
Copy for 6110 purposes