

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:CORP:B2

PLR-101800-24

Date:

May 17, 2024

Legend

Distributing =

Controlled =

Corp 1 =

Family 1 =

Family 2 =

Shareholder A =

Shareholder B =

Shareholder C =

Shareholder D =

Shareholder E =

Shareholder F =

Shareholder G =

Shareholder H =

Shareholder I =

Business A =

Business B =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

Dear :

This letter responds to your letter dated January 26, 2024, as supplemented by subsequent information and documentation, requesting rulings on certain federal income tax consequences of a series of transactions (the "Proposed Transaction," as described below). The material information submitted in that request is summarized below.

This letter is issued pursuant to Rev. Proc. 2024-1, 2024-1 I.R.B. 1, Rev. Proc. 2022-10, 2022-6 I.R.B. 473, and Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2018-53, 2018-43 I.R.B. 667, regarding one or more "Covered Transactions" under section 355 and/or section 368 of the Internal Revenue Code (the "Code"). This office expresses no opinion as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties 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 rulings, it is subject to verification on examination.

This Office has made no determination regarding whether the Distributions (as defined below) satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b).

Summary of Facts

Distributing is the common parent of an affiliated group of corporations, consisting of Distributing, Controlled, and Corp 1, that files a consolidated return for federal income tax purposes. Distributing has outstanding a single class of voting common stock, which is owned by two related families: Family 1 (a%) and Family 2 (b%). Family 1 consists of Shareholder A (c%), Shareholder B (d%), Shareholder C (e%), and Shareholder D (f%) (together, the "Family 1 Shareholders"). Family 2 consists of Shareholder E (g%), Shareholder F (h%), Shareholder G (i%), Shareholder H (j%), and Shareholder I (k%) (together, the "Family 2 Shareholders").

Distributing owns all of the stock of Controlled and Corp 1. The Distributing group conducts two lines of business: Business A, which is conducted by Controlled, and Business B, which is conducted by Distributing and Corp 1. Distributing has submitted financial information in accordance with Rev. Proc. 2017-52 indicating that each of Business A and Business B has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Proposed Transaction

For what are represented as valid business reasons, Distributing proposes to engage, or has engaged, in the following steps to separate Business A from Business B:

1. Cash and investment securities held by Distributing, Corp 1, and Controlled will be allocated among Distributing, Corp 1, and Controlled so that the fair market value of the shares of Controlled stock will approximately equal the fair market value of the corresponding Distributing stock exchanged.
2. Distributing will distribute all the Controlled stock to the Family 2 Shareholders in exchange for all their Distributing stock (the "Distribution").

After the Distribution the Family 1 Shareholders will own all the stock of Distributing, and the Family 2 Shareholders will own all the stock of Controlled.

Representations

Distributing has made all of the representations in Section 3 of the Appendix to Rev. Proc. 2017-52, except as otherwise set forth below:

Distributing has made the following alternative representations:

Representations: 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply:

Representations 6, 39, and 40.

Distributing has not made Representation 42 but has provided the required explanation.

Distributing also makes the following additional representations in lieu of Representation 14 and 15 in Rev. Proc. 2017-52:

Immediately after the Distribution, the fair market value of the business assets of each of Distributing and Controlled will be greater than 80 percent of the fair market value of its total assets. For this purpose, the term "business assets" of a corporation means its gross assets used in one or more businesses. Such assets include cash and cash equivalents held as a reasonable amount of working capital for one or more businesses. Such assets also include assets required (by binding commitment or legal requirement) to be held to provide for exigencies related to a business or for regulatory purposes with respect to a business.

There is no plan or intention by the shareholders or security holders of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, either Distributing or Controlled after the transaction.

There is no plan or intention by Distributing or Controlled, directly or through any related person (within the meaning of section 267(b) or section 707(b)(1)), to purchase any of its outstanding stock after the transaction.

There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the transaction, except in the ordinary course of business.

Distributing has made an additional representation in lieu of Representation 29 in Rev. Proc. 2017-52:

There was no agreement, understanding, arrangement, or substantial negotiations at any point during the two-year period ending on the date of the distribution regarding an acquisition of either Distributing or Controlled (including a predecessor or successor within the meaning of § 1.355-8) or a similar acquisition).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Transaction:

1. No gain or loss will be recognized by (and no amount will be included in the income of) each of the Family 2 Shareholders upon the receipt of Controlled stock in the Distribution. Section 355(a)(1).
2. No gain or loss will be recognized by Distributing in the Distribution. Section 355(c)(1).
3. The basis of the shares of Controlled in the hands of each of the Family 2 Shareholders immediately after the Distribution will be the same as the basis of the Distributing shares surrendered in exchange therefor. Section 358(a)(1).
4. The holding period of the Controlled shares received by each of the Family 2 Shareholders in the Distribution will include the holding period of the Distributing shares surrendered in exchange therefor, provided that the Distributing shares were held as a capital asset in that shareholder's hands on the date of the Distribution. Section 1223(1).
5. Earnings and profits of Distributing, if any, will be allocated between Distributing and Controlled in accordance with section 312(h), Treas. Reg. § 1.312-10(b), and Treas. Reg. § 1.1502-33(e)(3).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

Procedural Statements

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 this letter ruling.

Pursuant to the Power of Attorney on file with this office, copies of this letter are being sent to your authorized representatives.

Sincerely,

Mark J. Weiss
Chief, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: