

Dear _____ :

This letter responds to your letter dated February 16, 2024, requesting rulings on certain U.S. federal income tax consequences of a Proposed Transaction (defined below). The material information provided in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is issued pursuant to Rev. Proc. 2024-1, 2024-1 I.R.B. 1, and Rev. Proc. 2024-3, 2024-1 I.R.B. 143. This office expresses no opinion as to any issue not specifically addressed by the rulings below.

Facts

Parent is the common parent of an affiliated group of corporations that operate in a variety of industries and join in filing a consolidated U.S. federal income tax return.

Parent has only common stock issued and outstanding. The stock is owned by a diverse group of individuals and entities (the "Shareholders").

Proposed Transaction

For what have been represented as valid business purposes, Parent has proposed the following steps, some of which have been completed (collectively, the "Proposed Transaction"):

1. Parent formed a wholly owned corporation ("New Parent").
2. New Parent formed a wholly owned limited liability company ("LLC 1"), which will be a disregarded entity for U.S. federal income tax purposes (or a "disregarded entity").
3. LLC 1 formed a wholly owned corporation ("Merger Sub").
4. Merger Sub will merge with and into Parent, with Parent surviving (the "Merger"). Pursuant to applicable state law, the Shareholders' shares of Parent stock will be automatically converted into shares of New Parent stock, and LLC 1's shares of Merger Sub stock will be automatically converted into shares of Parent. Contemporaneously with the effective time of the Merger, each outstanding share of New Parent stock that Parent owned immediately before the effective time of the Merger will be cancelled without any consideration or payment.

No later than the effective time of the Merger, and pursuant to the requisite shareholder action, the individuals comprising the board of directors of Parent immediately before the Merger will become the board of directors of New Parent.

5. On the following day, Parent will convert to a limited liability company ("Parent LLC") pursuant to the applicable state conversion statute (the "Conversion" and, together with the Merger, the "Parent Reorganization"). Following the Conversion, Parent LLC will be classified as a disregarded entity.
6. After the effective time of the Conversion, Parent LLC will distribute to LLC 1 certain assets and liabilities, including equity interests of certain of its direct subsidiaries.

Representations

Parent makes the following representations in connection with the Proposed Transaction:

1. The Proposed Transaction will be undertaken pursuant to a plan of reorganization, as described in §§ 1.368-1(c) and 1.368-2(g), that was adopted by the taxpayer and each of its affiliates as necessary, before the Proposed Transaction.
2. As a result of the Parent Reorganization, the Shareholders of Parent will own all of the outstanding New Parent stock and will own such stock solely by reason of their ownership of Parent's stock immediately prior to the Proposed Transaction. For purposes of this representation, a de minimis amount of stock issued by New Parent other than in respect of stock of Parent to facilitate the organization of New Parent or maintain its legal existence is disregarded.
3. The Shareholders of Parent, determined immediately prior to the Parent Reorganization, will own all of the outstanding stock of New Parent immediately after the Proposed Transaction in identical proportions by value other than as a result of a de minimis amount, if any, of stock issued by New Parent to facilitate its organization or maintain its legal existence.
4. There is no plan or intention for New Parent to issue additional shares of its stock in the Proposed Transaction.
5. Immediately before the Parent Reorganization, New Parent has no business history, tax attributes (including those specified in section 381(c)), or assets other than a de minimis amount of assets to facilitate its organization or maintain its legal existence and tax attributes related to holding those assets, or proceeds of borrowings undertaken in connection with the Parent Reorganization.
6. Immediately after the Parent Reorganization, no corporation other than New Parent will hold property that was held by Parent immediately before the Parent Reorganization, if such other corporation will, as a result, succeed to and take into account the items of Parent described in section 381(c).

7. Immediately after the Parent Reorganization, New Parent will not hold property acquired from a corporation other than Parent if New Parent would, as a result, succeed to and take into account the items of such other corporation described in section 381(c).
8. Parent will completely liquidate (or be deemed to liquidate) in the Parent Reorganization for U.S. federal income tax purposes.
9. The liabilities of Parent that will be assumed by New Parent, within the meaning of section 357(d), were incurred by Parent in the ordinary course of business and are associated with the assets transferred.
10. New Parent, Parent and the Shareholders will pay their respective expenses, if any, incurred in connection with the Parent Reorganization.
11. The Proposed Transaction is motivated, in whole or substantial part, by one or more bona fide non-federal income tax purposes as described in Parent's request for a ruling.
12. At the time of the Parent Reorganization, no party to the Proposed Transaction is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
13. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Proposed Transaction for which the letter ruling is requested have been fully disclosed.
14. All exchanges effectuating the Proposed Transaction will be on a value-for-value basis under arm's-length terms.
15. No party to the Proposed Transaction is an organization exempt from U.S. federal income tax within the meaning of section 501.
16. No party to the Proposed Transaction will be a "personal service corporation" within the meaning of section 269A.

Rulings

Based on the facts and representations received and subject to the caveats below, we rule as follows with respect to the Proposed Transaction:

1. The Parent Reorganization will be integrated and characterized for U.S. federal income tax purposes as (i) the transfer by Parent of all of its assets, subject to liabilities, to New Parent in exchange for stock of New Parent, followed by (ii) the distribution by Parent of the New Parent stock to the Shareholders in liquidation.
2. The Parent Reorganization will qualify as a reorganization under § 368(a)(1)(F). Parent and New Parent each will be a "party to a reorganization" within the meaning of § 368(b).

3. No gain or loss will be recognized by Parent upon the deemed transfer of its assets to New Parent in exchange for New Parent stock and the assumption of Parent's liabilities (§§ 361(a) and 357(a) and (d)).
4. No gain or loss will be recognized by New Parent upon the deemed receipt of Parent's assets in exchange for New Parent stock. (§ 1032(a)).
5. The basis of each asset deemed received by New Parent from Parent will equal the basis of that asset in the hands of Parent immediately before the Parent Reorganization (§ 362(b)).
6. The holding period of each asset deemed received by New Parent from Parent will include the period during which Parent held that asset (§ 1223(2)).
7. No gain or loss will be recognized by Parent upon its deemed distribution of the stock of New Parent to the Shareholders (§ 361(c)).
8. No gain or loss will be recognized by the Shareholders upon their receipt of the stock of New Parent in exchange for the stock of Parent (§ 354(a)).
9. The aggregate basis of the shares of New Parent stock received by the Shareholders will be the same as the aggregate basis of the shares of Parent stock for which they will be exchanged (§ 358(a)).
10. The holding period of the New Parent stock received by each Shareholder in the Parent Reorganization will include the holding period of the Parent stock surrendered in exchange therefor, to the extent that such property was a capital asset in the hands of the Shareholders (§ 1223(1)).
11. New Parent will succeed to and take into account the tax attributes of Parent described in § 381(c) (§ 381(a) and § 1.381(a)-1).
12. The tax year of the Parent consolidated group will not end on the date of the Parent Reorganization and such tax year will continue with New Parent as the successor to Parent in its capacity as the common parent of the Parent consolidated group (§§ 1.381(b)-1 and 1.1502-75(d)(2)(i)).

Caveats

Except as expressly provided herein, we express no opinion concerning the tax consequences of any aspect of any matter or item discussed or referenced in this letter. Moreover, no opinion is expressed about the tax treatment of the transactions or of any other matter under other provisions of the Code or regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction not specifically covered in 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 returns that provides the date on and control number (PLR-103429-24) 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,

Mark J Weiss
Mark J. Weiss
Chief, Branch 2
Corporate

cc: