

**Internal Revenue Service**

**Department of the Treasury**

Number: **200137035**

Washington, DC 20224

Release Date: 9/14/2001

Index Numbers: 338.01-02, 9100.07-00

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Refer Reply To:

**CC:CORP:4 PLR-113181-01**

Date:

**June 18, 2001**

**LEGEND**

Purchaser =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Target =

A =

B =

C =

D =

Company Official =

Date A =  
Date B =  
Date C =  
Date D =  
Date E =  
a =

This letter responds to a letter dated February 28, 2001, submitted on behalf of Purchaser and Sellers (defined below) by their authorized representatives, requesting an extension of time under §§ 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. Purchaser and Sellers are requesting an extension to file a § 338(h)(10) election under §§ 338(g) and 338(h)(10) of the Internal Revenue Code and § 1.338(h)(10)-1T(c) of the Income Tax Regulations with respect to Purchaser's Date A acquisition of the stock of Target (sometimes hereinafter referred to as the "Election"). All citations in this letter to regulations under § 338 are to regulations in effect on Date A. Additional information was received in letters dated April 26 and June 8, 2001. The material information is summarized below.

Purchaser is a domestic corporation and common parent of an affiliated group that includes Sub 1, Sub 2, Sub 3, Sub 4, and since Date B, Sub 5 (collectively, the "Purchasing Group"). All of these subsidiaries, except for Sub 5, which was acquired after the year end, were listed on the Form 851 Affiliations Schedule of the Purchasing Group's consolidated tax return for its tax year ended Date C.

On Date D, Target was a domestic S corporation that was owned by A, B, C, and D (collectively, the "Sellers").

Pursuant to a Stock Purchase Agreement, Purchaser, on Date A, acquired all the Target stock from Sellers in exchange for a. It is represented that Purchaser's acquisition of the Target stock qualified as a "qualified stock purchase" as defined in § 338(d)(3).

Purchaser and Sellers intended to file the Election. The Election was due on Date E, 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 § 301.9100-1, for an extension of time to file the Election. The period of limitations on assessment under § 6501(a) has not expired for the Purchasing Group's, Target's, or Sellers' taxable years in which the acquisition occurred, the taxable years in which the Election should have been filed, or any taxable

years that would have been affected by the Election had it been timely filed.

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."

Section 338(h)(10) permits the purchasing and selling corporations to elect jointly to treat the target corporation as deemed to sell all of its assets and distribute the proceeds in complete liquidation. A § 338(h)(10) election may be made for the target corporation only if it is a member of a selling consolidated group, a member of a selling affiliated group filing separate returns, or an S corporation. Section 1.338(h)(10)-1T(c)(1).

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 subtitles E, G, H, and I.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner uses 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 only when the taxpayer provides evidence establishing 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(h)(10)-1T(c)(2)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Purchaser and Sellers to file the Election, provided Purchaser and Sellers demonstrate they 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, Target, Sellers, and Company Official explain the circumstances that resulted in the failure to timely file a valid Election. The information establishes that the request for relief was initiated before the failure to make the Election was discovered by the Internal Revenue Service and that the interests of the government will not be prejudiced if relief is granted. See § 301.9100-3(b)(1)(i).

Based on the facts and information submitted, including the representations made, we conclude that Purchaser and Sellers have demonstrated they 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 § 301.9100-1 until 30 days from the date of issuance of this letter, for Purchaser and Sellers to file the Election with respect to the acquisition of Target stock described above.

This extension of time is conditioned on (1) the filing, within 120 days of the issuance of this letter, of all returns and amended returns (if any) necessary to report the acquisition in accordance with the Election, and (2) the taxpayers' (the Purchasing Group's, Sellers', and Target's) tax liability (if any) not being 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 taxpayers' 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. Furthermore, 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).

Purchaser and Sellers must file the Election in accordance with § 1.338(h)(10)-1T(c)(2). That is, a new election on Form 8023 must be executed on or after the date of this letter, which grants the extension, and filed in accordance with the instructions to the form. A copy of this letter must be attached to the election form. Purchaser and Sellers must file or amend (as applicable) their federal tax returns to report the transaction as a § 338(h)(10) transaction for the taxable year in which the transaction was consummated (and for any other affected taxable year), and attach to these returns a copy of this letter and the Election.

We express no opinion on: (1) whether Purchaser's acquisition of the Target stock qualified as a "qualified stock purchase" under § 338(d)(3); (2) whether Purchaser's acquisition of the Target stock qualified for § 338(h)(10) treatment; and (3) any other tax consequences arising from the Election.

In addition, we express no opinion as to the federal 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.

For purposes of granting relief under § 301.9100-1, we relied on certain statements and representations made by the taxpayer. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under § 301.9100-1 to file the Election, penalties and interest that would otherwise be applicable, if any, continue to apply.

Purchaser must provide the Sellers with a copy of this letter.

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

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Sincerely yours,  
Associate Chief Counsel (Corporate)

By: Ken Cohen

Senior Technician Reviewer, Branch 3