

Internal Revenue Service

Department of the Treasury

Number: **200139006**
Release Date: 9/28/2001
Index Number: 337.00-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:CORP:6-PLR-113870-01
Date:
June 28, 2001

Legend

Taxpayer =

StateX =

Year1 =

IndividualA =

The relevant provisions
of the law of StateX =

Date1 =

Date2 =

Date3 =

Date4 =

This is in response to your authorized representative’s letter dated March 5, 2001, requesting a ruling regarding a proposed transaction under §§ 336 and 337 of the Internal Revenue Code (the “Code”). Additional information was received subsequently by letter and facsimile. The material information submitted for consideration is summarized below.

Taxpayer is a StateX nonprofit corporation subject to U.S. federal income tax. Taxpayer was formed in Year1

. As a StateX nonprofit corporation, Taxpayer has neither shareholders nor other private persons who stand in economic positions of owners, and under the relevant provisions of the law of StateX, its net earnings and assets cannot inure to the benefit of any such person.

Taxpayer, pursuant to an IRS letter ruling dated Date1, became exempt from U.S.

PLR-113870-01

federal income tax as an organization described in

. The exemption was subsequently reaffirmed by a ruling dated Date2 under , which corresponds to section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

On Date3, Taxpayer entered into a closing agreement with the Internal Revenue Service pursuant to which it agreed to the revocation of its tax-exempt status. Effective for tax years beginning after Date4, Taxpayer lost its exempt status as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954. The terms of the closing agreement do not prevent Taxpayer from subsequently applying for recognition as a tax-exempt entity.

Taxpayer, as a corporation formerly described in section 501(c)(3) and formerly exempt from U.S. federal income tax under section 501(a), proposes to regain the Internal Revenue Service's recognition as a corporation exempt from U.S. federal income tax under section 501(a) effective no later than January 28, 2002.

Subsequent to filing its request for this ruling, Taxpayer filed a Form 1023 (Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code) with the Internal Revenue Service to regain its tax exemption under section 501(a).

In connection with this ruling request, the Taxpayer has made the following representations:

1. Under StateX law, the conversion of Taxpayer from a federal taxable organization to a federal tax-exempt organization described in section 501(c)(3) of the Code will not result in a deemed liquidation/reincorporation of Taxpayer, nor in a deemed disposition of Taxpayer's assets.
2. Other than asset dispositions in the ordinary course of its business and investment operations, Taxpayer has no plan or intention to dispose of its assets.

Based solely on the information submitted and representations made, we rule that Taxpayer is a corporation described in §1.337(d)-4(a)(3)(i)(B), provided that Taxpayer is tax-exempt under section 501(a) within three years from January 28, 1999. Accordingly, subject to the proviso in the preceding sentence, upon the change of status of Taxpayer to a tax-exempt entity, Taxpayer will not be treated, pursuant to §1.337(d)-4(a)(2), as if it transferred all of its assets to a tax-exempt entity immediately before the change in status becomes effective in a transaction to which §1.337(d)-4(a)(1) applies.

The ruling contained in this letter is predicated upon the 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

PLR-113870-01

material submitted in support of the request for rulings. Verification of the factual information, representations, and other data may be required as part of the audit process.

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 is expressed as to whether the Taxpayer may qualify for tax-exempt status under the Code. No opinion is expressed as to the tax consequences of any sale of assets by the Taxpayer subsequent to the proposed transaction.

A copy of this letter must be attached to any income tax return to which it is relevant. This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

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,
Assistant Chief Counsel (Corporate)
Alfred C. Bishop, Jr.
Branch Chief (CC:CORP:B6)