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Internal Revenue Service

Department of the Treasury
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Person To Contact:
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Refer Reply To:
CC: INTL – PLR-119249-06

Date: May 17, 2006

Taxpayer 1 =
Taxpayer 2 =
Subsidiary =
Month =
Year 1 =
Year 2 =
Country =
Law Firm =
CPA Firm =

Dear :

This is in response to a letter dated March 14, 2006, requesting an extension of time under Treas. Reg. § 301.9100-3 for Taxpayer 1, on behalf of itself and on behalf of Taxpayer 2, to comply with the filing requirements of Treas. Reg. § 1.897-5T(d)(1)(iii) and Treas. Reg. § 1.1445-5(b)(2) with respect to the liquidation of Taxpayer 2 into Taxpayer 1 in Year 1. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

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Taxpayer 1 is a holding company, a successor in interest to Taxpayer 2 with respect to the stock ownership of all of the issued and outstanding stock of Subsidiary, a U.S. Real Property Holding Corporation. Subsidiary was originally wholly owned by Taxpayer 2, which was in turn wholly-owned by Taxpayer 1. Taxpayer 1 and 2 were foreign corporations organized under the laws of Country at the time of the transaction described below. None of the shareholders of Taxpayer 1 are U.S. citizens or residents.

In Month of Year 1, it was decided that having two companies organized in Country was an unnecessary expense and Taxpayer 2 was liquidated into its sole shareholder, Taxpayer 1. The liquidation would have qualified for tax-free treatment under I.R.C. § 332 of the Code if Taxpayer 1 and Taxpayer 2 had been domestic corporations at the time of the liquidation.

In Year 2, Law Firm was retained to review and comment on certain U.S. tax matters regarding Subsidiary, Inc. During the course of this review, it was discovered that the Internal Revenue Service was not notified of the liquidation of Taxpayer 2 into Taxpayer 1. It was also discovered that Taxpayer 2 did not file a tax return for the year of the liquidation in which the transfer of stock in Subsidiary, Inc. was identified.

CPA Firm had been retained for several years to review the books and records of Subsidiary on an annual basis and to prepare annual tax returns for Subsidiary. CPA Firm advised the management of Taxpayer 2 that a liquidation of a wholly owned subsidiary into its parent was generally a tax-free transaction, but never advised management that a filing requirement existed where the corporation being liquidated was a foreign-owned foreign corporation that owned U.S. Real Property Interests.

Treas. Reg. § 301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. § 301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in Treas. Reg. § 301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. § 301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that

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the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

In the present situation, the statements required by Treas. Reg. § 1.897-5T(d)(1)(iii) and notice required under Treas. Reg. § 1.1445-5(b)(2)(ii) are regulatory elections as defined in Treas. Reg. § 301.9100-1(b). Therefore, the Commissioner has discretionary authority under Treas. Reg. § 301.9100-1(c) to grant Taxpayer 1 an extension of time, provided that Taxpayer satisfies the rules set forth in Treas. Reg. § 301.9100-3(a).

Based on the facts and information submitted, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer 1, acting on behalf of itself and on behalf of Taxpayer 2, is granted an extension of time of 60 days from the date of this ruling letter to file the statements required by Treas. Reg. § 1.897-5T(d)(1)(iii) and the notice required under Treas. Reg. § 1.1445-5(b)(2)(ii) with respect the liquidating distribution of Subsidiary stock by Taxpayer 2 to its sole shareholder, Taxpayer 1.

The granting of an extension of time is not a determination that Taxpayer 1 is otherwise eligible to file the statements and notice described above. Treas. Reg. § 301.9100-1(a). This ruling does not relieve the transferee corporation of liability for the interest charge required under Treas. Reg. §§ 1.1445-1(e)(2) and (3).

A copy of this ruling letter should be associated with the statements and notice that are the subject of this ruling.

This ruling is directed only to the taxpayer who requested it. Pursuant to I.R.C. § 6110(k)(3) this ruling letter may not be used or cited as precedent. No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to Taxpayer's authorized representative.

Sincerely,

Thomas D. Beem
Senior Technical Reviewer
CC:INTL:Br4

Enclosure:
Copy for 6110 purposes