

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:  
CC:CORP:B03 - PLR-115379-01  
Date:  
May 21, 2001

Parent =

Purchaser =

Target =

Target Affiliate 1 =

Target Affiliate 2 =

Target Affiliate 3 =

Target Affiliate 4 =

Target Affiliate 5 =

Seller =

Country A =

Country B =

Date A =

Date B =

Date C =

Authorized  
Representative =

Parent Officials =

Dear

This responds to Authorized Representative's letter dated February 22, 2001 submitted on your behalf, requesting an extension of time under §§ 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. Parent is requesting an extension to file an election under § 338(g) of the Internal Revenue Code with respect to the acquisition of Target and the deemed acquisitions of Target Affiliate 1, Target Affiliate 2, Target Affiliate 3, Target Affiliate 4, and Target Affiliate 5 (collectively, the "Target Affiliates") (hereinafter such election is referred to as "the Election"). All citations in this letter to regulations under § 338 are to the regulations as in effect for Date A. Additional information was received in a letter dated May 7, 2001. The material information submitted for consideration is summarized below.

Parent was (and is) the common parent of a consolidated group. Parent has a taxable year ending December 31 and uses the accrual method of accounting. Purchaser is a wholly owned subsidiary of Parent. Target is a corporation formed under the laws of Country A. The Target Affiliates are wholly owned subsidiaries of Target. Target Affiliate 5 is a Country B corporation, the other Target Affiliates are corporations formed under the laws of Country A. Seller is a foreign corporation.

Prior to its acquisition, neither Target nor any of the Target Affiliates were (1) a controlled foreign corporation within the meaning of § 957(a); (2) a passive foreign investment company for which an election under § 1295 is in effect; (3) a foreign investment company or a foreign corporation the stock ownership of which is described in § 552(a) or (4) required under § 1.6012-2(g) to file a United States income tax return.

On Date A, Purchaser purchased all of the outstanding shares of Target for cash in a fully taxable transaction. It has been represented that the acquisition of the stock of Target was a "qualified stock purchase" within the meaning of § 338(d)(3).

Parent intended to make the Election. The Election was on Date B. However, for various reasons the Election was not filed. On Date C (which is after Date B), it was discovered that the Election was not timely filed. Subsequently, this request was submitted, under § 301.9100-1(a), for an extension of time to file the Election. The period of limitations on assessment under § 6501 has not expired for Parent's consolidated group's, Target's, nor any of the Target Affiliates' tax years in which the acquisition occurred, the taxable year in which the Election should have been filed, or for 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.”

The term target affiliate has the same meaning as in § 338(h)(6) (applied without § 338(h)(6)(B)(i)). Thus, a corporation described in § 338(h)(6)(B)(i) is considered a target affiliate for all purposes of § 338. If a target affiliate is acquired in a qualified stock purchase, it is also a target. See § 1.338-1(c)(14). If an election under § 338 is made for target, old target is deemed to sell target’s assets and new target is deemed to acquire those assets. Under § 338(h)(3)(B), new target’s deemed purchase of stock of another corporation is a purchase for purposes of § 338(d)(3) on the acquisition date of target. If new target’s deemed purchase causes a qualified stock purchase of the other corporation and if a § 338 election is made for the other corporation, the acquisition date for the other corporation is the same as the acquisition date of target. However, the deemed sale and purchase of the other corporation’s assets is considered to take place after the deemed sale and purchase of target’s assets. See § 1.338-2(b)(4).

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 will use 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. Section 301.9100-3 provides extensions of time for making regulatory elections that do not meet the requirements of § 301.9100-2. Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish 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., § 1.338-1(d)). Therefore, the Commissioner has discretionary authority under § 301.9100-1 to grant an extension of time for Parent to file the Election, provided Parent shows that it 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 Parent, Parent Officials, and Authorized Representative explain the circumstances that resulted in the failure to timely file the valid Election. The information establishes that the request for relief was initiated before the failure to make the regulatory election was discovered by the Internal Revenue Service, that qualified tax professionals were responsible for the Election, that Parent relied on the tax professionals to make the Election, and that the interests of the government will not be prejudiced if relief is granted. See §§ 301.9100-

3(b)(1)(i) and (v).

Based on the facts and information submitted, including the representations made, we conclude that Parent 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 Parent to file the Election with respect to the acquisition of Target and the deemed acquisition of the Target Affiliates.

The above extension of time is conditioned on the (1) the filing, within 120 days of the issuance of this letter, of all returns and amended returns (if any) necessary to report the transaction in accordance with the Election; and (2) the taxpayers' (Parent's consolidated group's, Target's, and the Target Affiliates') tax liability (if any) being not 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 upon audit of the federal income tax returns involved. Further, no opinion is expressed as to the federal income tax effect, if any, if it is determined that the taxpayers' liability is lower. Section 301.9100-3(c).

Parent should file the Election in accordance with § 1.338-1(d). That is, a new election on Form 8023 must be executed on or after the date of this letter, which grants an extension, and filed in accordance with the instructions on the election form (together with any information that is required to be attached to the election form). A copy of this letter should be attached to the election form. Parent must file or amend, as applicable, its returns to report the transaction as a § 338 transaction for the taxable year in which the transaction was consummated (and for any other affected taxable year), and to attach to the returns a copy of this letter and a copy of the Election.

No opinion is expressed as to: (1) whether the acquisition of the stock of Target or the deemed acquisition of the stock of the Target Affiliates qualifies as a "qualified stock purchase"; (2) whether the acquisition of the stock of Target or the deemed acquisition of the stock of the Target Affiliates qualifies for § 338(a) treatment; or (3) any other tax consequences arising from the Election.

In addition, no opinion is expressed as to the tax effects or 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 tax effects or consequences 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, its employees and representatives. 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.

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

A copy of this letter is being sent to Authorized Representative, pursuant to the power of attorney on file in this office.

Sincerely yours,  
Associate Chief Counsel (Corporate)

By: Ken Cohen

Senior Technician Reviewer, Branch 3