Internal Revenue Service

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Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
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Date:
September 21, 2011

TY:

Dear :

Corp A =
Country B =
Business C =

This is in response to your letter dated August 9, 2011, in which you request consent for Corp A to revoke, effective for its 2010 tax year, and for all subsequent taxable years, its election to use the safe harbor method described in Treas. Reg. §1.901-2A(c)(3) in determining the amount of foreign income tax paid or accrued by Corp A to Country B. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is based upon information and representations you submitted and accompanied by your penalty of perjury statement. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification on examination.

Corp A files its tax return on a calendar year basis and is the common parent of an affiliated group of corporations that join in the filing of a consolidated U.S. federal income tax return (the Corp A Group). It uses the accrual method of accounting. The Corp A Group conducts Business C in numerous countries, including Country B.

Treas. Reg. §1.901-2A(c)(1) permits dual capacity taxpayers in computing foreign tax credits for qualifying levies of each country to use either a “facts and circumstances” method or a “safe harbor” method to determine the amount of a levy that is not paid in exchange for a specific economic benefit. The safe harbor method is described in Treas. Reg. §1.901-2A(c)(3).

Treas. Reg. §1.901-2A(d) describes the manner in which taxpayers may elect and revoke the safe harbor method. Treas. Reg. §1.901-2A(d)(4) provides that the safe

harbor method election may not be revoked without the consent of the Commissioner. The Commissioner will normally give consent provided the conditions set forth in the regulation are satisfied. The regulation provides that an application for consent to revoke the election must be made not later than 30 days before the due date (including extensions) for the filing of the income tax return for the first taxable year for which the revocation is sought to be effective, with certain exceptions not applicable to this situation. The Commissioner may make his consent to any revocation conditioned upon adjustments being made in one or more taxable years so as to prevent the revocation from resulting in a distortion of the amount of any item relating to tax liability in any taxable year. The Commissioner will normally consent to a revocation under the circumstances described in Treas. Reg. §1.901-2A(d)(4)(i) through (vi).

Treas. Reg. §1.901-2A(d)(4)(vi) provides that the Commissioner will normally consent to a revocation of a safe harbor election if the election has been in effect with respect to at least three taxable years prior to the taxable year for which the revocation is to be effective.

The safe harbor method has been used with respect to Country B consistently for all qualifying levies since 1996. Corp A's application for consent to revoke the safe harbor election with respect to qualifying levies of Country B was made not later than 30 days before September 15, 2011, the due date (including extensions) for Corp A's U.S. consolidated federal income tax return for its 2010 tax year, and the applicable safe harbor election with respect to Country B has been in effect with respect to at least Corp A's last three taxable years prior to its 2010 tax year. Accordingly, consent is granted to Corp A to revoke its safe harbor election with respect to qualifying levies of Country B effective for its 2010 tax year and for all subsequent taxable years.

No opinion was requested, and no opinion is expressed, as to whether, based upon all of the relevant facts and circumstances, the amount (if any) paid pursuant to a levy or levies imposed by Country B is not an amount paid in exchange for a specific economic benefit.

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.

This ruling is directed only to Corp A, the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Corp A must attach a statement to its return that provides the date and control number of this letter ruling.

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel (International)

Enclosure: Copy for 6110 purposes