Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Date:
March 13, 2017

Legend

Parent =

Sub 1 =

Sub 2 =

DE 1 =

DE 2 =

DE 3 =

PS 1 =

Business =

Facilities =

LLC Agreement =

Sales Agreement =

Date 1 =

a =

b =

c =

d =

e =

Dear :

This letter responds to your representative's letter dated September 14, 2016, submitted on behalf of Parent, requesting rulings concerning the Federal income tax consequences of the transaction described below. Additional information was submitted in letters dated December 30, 2016, February 17, 2017, and March 8, 2017. The material information submitted for consideration is summarized below.

Facts

Parent is a holding company and the common parent of an affiliated group of corporations (the “Parent Group”) that join in the filing of a consolidated federal income tax return. The Parent Group is engaged in Business, largely through two chains of entities. Parent directly owns all of the membership interests in DE 1, a limited liability company disregarded from Parent for federal income tax purposes, and all of the stock of Sub 1. DE 1 owns all of the membership interests in DE 2, a limited liability company disregarded from Parent for federal income tax purposes. Sub 1 owns all of the stock of Sub 2, which owns all of the membership interests in DE 3, a limited liability company disregarded from Sub 2 for federal income tax purposes.

Prior to Date 1, DE 2 and DE 3 held all of the membership interests in PS 1, a limited liability company treated as a partnership for federal income tax purposes. All of

PS 1's Class A membership interests were owned by DE 3, and all of PS 1's Class B membership interests were owned by DE 2. The assets of PS 1 consist of interests in a Facilities, each of which is owned by a special purpose entity, wholly-owned by PS 1 and disregarded from PS 1 for federal income tax purposes. At all times relevant, pursuant to the terms of the LLC Agreement, PS 1's items of income, gain, loss, deduction, and credit were allocated b% to DE 2 and c% to DE 3.

On Date 1, pursuant to the Sales Agreement, DE 2 sold all of its Class B membership interests in PS 1 to DE 3 (the "PS 1 Sale") for cash of $d. Parent's gain from the PS 1 Sale was $e.

Representations

(a) At the time of the PS 1 Sale, PS 1's assets consisted solely of the interests in the special purpose entities, the assets of which consisted solely of the Facilities and other trade or business assets related to the operation thereof. In addition, at the time of the PS 1 Sale, PS 1 (and its special purpose entities) had no liabilities, other than trade liabilities incurred in the ordinary course of its operation of the Facilities.

(b) If the PS 1 assets which Sub 2 is treated as purchasing from Parent in the PS 1 Sale, had been distributed to Parent in a liquidating distribution to which section 732(b) applied, Parent would not have recognized gain or loss on the distribution; the amount of cash (or cash equivalents) distributed would not have exceeded Parent's tax basis in its interest in PS 1.

(c) The amount realized by Parent in the PS 1 Sale will be fully reflected in the bases of the assets that Sub 1 will be treated as purchasing from Parent in connection with the PS 1 Sale.

(d) The Parent Group, Parent, and Sub 2 have maintained, and will continue to maintain, appropriate records with respect to all amounts of income, gain, and/or loss from the PS 1 Sale and with respect to all assets that reflect the federal income tax consequences to the Parent Group of the PS 1 Sale, in order to ensure that all items of income, gain, deduction and/or loss resulting from the PS 1 Sale will be appropriately accounted for and taken into account under the intercompany transaction regulations.

Rulings

Based solely on the information submitted and the representations made, we rule as follows:

(1) PS 1 terminated as a partnership as a result of the PS 1 Sale because PS 1 has a single owner, Sub 2. Section 708(b)(1)(A).

(2) Under Rev. Rul. 99-6, 1999-1 C.B. 432, Parent will treat the PS 1 Sale as a sale of its partnership interest in PS 1 to Sub 2 and will determine its income, gain, and/or loss under sections 741 and 751(a). The amount of Parent's gain or loss will be the difference between the amount realized by Parent with respect to its interest in PS 1 and Parent's adjusted basis in the interest in PS 1. Section 1001.

(3) Under Rev. Rul. 99-6, 1999-1 C.B. 432, PS 1 will be deemed to have made a liquidating distribution of all of its assets to Parent and Sub 2. Following this distribution, Sub 2 will be treated as purchasing the assets deemed to be distributed by PS 1 to Parent in liquidation of Parent's interest in PS 1. Sub 2's basis in the assets deemed purchased from Parent will be the purchase price paid for Parent's interest in PS 1. Section 1012.

(4) The PS 1 Sale is an intercompany transaction as described in Treas. Reg. § 1.1502-13(b)(1).

(5) Parent's income, gain, and/or loss from the PS 1 Sale are its intercompany items. Treas. Reg. § 1.1502-13(b)(2). The amount of Parent's income, gain, and/or loss from the PS 1 Sale (the intercompany items) will be accounted for under the matching rule of Treas. Reg. § 1.1502-13(c).

(6) Sub 2's corresponding items from the PS 1 Sale will be its items with respect to the assets that Sub 2 is treated as purchasing from Parent (in the manner described in Ruling (3) above).

(7) Sub 2's recomputed corresponding items will be determined based upon the respective bases that Parent would have had in the assets that Sub 2 is treated as purchasing from Parent (in the manner described in Ruling (3) above), had these assets been received in a liquidating distribution to which section 732(b) applied.

(8) The separate entity attributes of Parent's intercompany items will be redetermined under Treas. Reg. § 1.1502-13(c)(1)(i) and (c)(4) by treating a proportionate amount of each of the items as allocable to the assets that Sub 2 is treated as purchasing from Parent (in the manner described in Ruling (3) above), based upon the difference between Sub 2's recomputed corresponding items and its corresponding items with respect to each of such assets, in order to produce the same effect on the Parent Group's consolidated taxable income (and consolidated tax liability) as if Parent and Sub 2 were divisions of a single corporation and the PS 1 Sale were between divisions of a single corporation.

Caveats

No opinion is expressed or implied about the federal income tax consequences of any other aspect of any transaction or item discussed or referenced in this letter, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from the PS 1 Sale that is not specifically covered by the above rulings. In particular, we express no opinion about the amount of Parent's gain with respect to the PS 1 Sale.

PROCEDURAL STATEMENTS

The rulings contained in this letter are based upon information 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 materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

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

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Frances L. Kelly
Senior Counsel, Branch 2
Office of the Associate Chief Counsel
(Corporate)

cc: