Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:CORP:B01
PLR-116720-17

Date:
November 16, 2017

Legend

Acquiring =

Merger Sub =

Target =

Partnership =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

Date 1 =

Date 2 =

Date 3 =

Year =

Dear :

This letter responds to your May 24, 2017 request for a ruling under § 384 of the Internal Revenue Code (Code) with respect to a consummated transaction on behalf of the above-captioned taxpayer. The material information submitted for consideration is summarized below.

Acquiring is a holding company, the stock of which is widely held and publicly traded. Acquiring's taxable year is the calendar year. Target is a corporation unrelated to Acquiring. Prior to the acquisition of Target described below (the "Acquisition"), Acquiring owned 100% of the voting Class A common units (representing a% of the economic interest) of Partnership, and unrelated parties owned 100% of the nonvoting Class B common units (representing b% of the economic interest) of Partnership.

On Date 1, the following transactions occurred:

(1) Partnership loaned $c to Acquiring.

(2) Target merged with and into Merger Sub, a disregarded entity owned by Acquiring, with Merger Sub surviving in a transaction that will be reported by all interested parties for U.S. Federal income tax purposes as a merger qualifying under § 368(a)(1)(A).

(3) Acquiring transferred its ownership interest in Merger Sub to Partnership in exchange for additional Class A voting common units and cancellation of the loan described in step (1) above.

After the Acquisition, Acquiring's Class A common units in Partnership represented an economic interest of d%.

On Date 3, Taxpayer made an additional contribution of property to Partnership in exchange for Partnership Class A voting common units, raising its economic interest to e%.

In Year, Acquiring had losses of approximately $f and Partnership had losses of approximately $g. Prior to the Acquisition, Target had built-in gains of approximately $h.

Acquiring has made the following representations:

(a) Acquiring has not accelerated income into the pre-Acquisition period nor has it deferred loss into the post-Acquisition period for the purpose of avoiding the application of § 384(a) of the Code.

(b) There were no extraordinary pre-Acquisition items of income or expense.

(c) On the date of the Acquisition, Target was a "gain corporation" within the meaning of § 384(c) of the Code.

(d) All corporations related to Acquiring will be treated consistently for purposes of allocating income and loss between the pre-Acquisition period and the post-Acquisition period under § 384(c)(3)(A)(ii). Each corporation related to Acquiring will close its books at the close of the day of the Acquisition and elect out of ratable allocation.

(e) The amount allocated to either the pre-Acquisition period or the post-Acquisition period will not exceed the taxable income or loss for the year that includes the date of the Acquisition.

(f) Acquiring's contribution of Target (held in Merger Sub) to Partnership on Date 1 resulted in a variation of its interest in Partnership within the meaning of § 1.706-4(a)(1) that was deemed to occur on Date 1 under § 1.706-4(c)(1).

(g) Acquiring's share of Partnership's loss for Year was $i.

(h) Partnership complied with the rules under § 706(d) in determining its partners' distributive shares of partnership items for Year. In determining its partners' distributive

shares of partnership items subject to § 1.706-4, Partnership applied the interim closing method to its Date 1 variation.

(i) Under the rules under § 706(d), including the interim closing rules under § 1.706-4, Partnership apportioned $j of Acquiring's distributive share of loss for Year to the portion of Partnership's year prior to Date 2, and the remaining $k to the portion of Partnership's year after Date 1.

(j) If Acquiring is granted permission to allocate net operating and net capital losses for purposes of § 384(c)(3)(A)(ii) by treating its books as if they closed as of the Acquisition, it will perform its allocations for purposes of § 384 of items from Partnership for Year in the same manner as Partnership performed its allocations for purposes of § 706(d). Thus, for purposes of § 384, $j of Acquiring's distributive share of $i loss from Partnership will be allocated to the period before Date 2, and the remaining $k will be allocated to the period after Date 1.

Based solely on the facts and information submitted, and on the representations made, it is concluded that Acquiring may allocate net operating and net capital losses for purposes of § 384(c)(3)(A)(ii) by treating its books as if they closed on Date 1.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

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 the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See section 11.04 of Rev. Proc. 2017-1, 2017-1 I.R.B. 1, 60. However, when the criteria in section 11.06 of Rev. Proc. 2017-1, 2017-1 I.R.B. 1, 61 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

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

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.

Sincerely,

Mark S. *Jennings*
Mark S. Jennings
Senior Technician Reviewer, Branch 1
Associate Chief Counsel (Corporate)