**Internal Revenue Service**

Department of the Treasury

Washington, DC 20224

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Person to Contact:

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CC:DOM:CORP:5-PLR-119484-99
Date:
April 25, 2000

In re:

USP =

FSub1 =

FSub2 =

FCo 1 =

FCo 2 =

FSH =

x =

y =

z =

Country X =

Country Y =

Country Z =

This is in reply to your letter dated December 10, 1999 requesting that we rule on a significant federal income tax subissue present in a proposed transaction. See § 3.01(27) of Rev. Proc. 2000-3, 2000-1 I.R.B. 103, 107. The facts submitted for consideration are substantially as set forth below.

USP is the parent of an affiliated group of corporations that files a consolidated federal income tax return. USP owns x percent of FSub1, a Country X corporation. The remaining y percent is owned by FSH, a Country Y corporation. FSub1 owns 100 percent of the outstanding stock of FSub2. For valid business reasons, FSub1 will migrate from Country X to Country Z pursuant to a corporate continuance statute.

The following steps will be taken:

(i) Prior to the migration, FSub1 will make a cash distribution of its current earnings and profits as a pro rata dividend to USP and FSH (the "Distribution").

(ii) Prior to the migration, FSub1 will recapitalize its shares (the "Recapitalization").

(iii) Prior to the migration, FSH will contribute all of its stock in FSub1 to FCo 1, a wholly owned foreign corporation, solely in exchange for stock of FCo 1. FCo 1 will then contribute all of its stock in FSub1 to FCo 2, a foreign corporation wholly owned by FCo 1, solely in exchange for stock of FCo 2 (the "Transfers").

(iv) Prior to or following the migration, FSub1 anticipates that it will completely liquidate FSub2 prior to or following the corporate migration (the "Liquidation").

(v) Prior to or following the migration, FSub1 will sell certain assets representative of a reduction of z percent in a historic line of FSub1's business (the "Sale").

After completion of these steps, FSub1 will migrate from Country X to Country Y pursuant to the corporate continuance statutes of Country X and Country Z (the "Migration").

The taxpayer has made the following representations in connection with the proposed transaction:

(a) To the best of the taxpayer's knowledge and belief, the Migration will

qualify under § 368(a)(1)(F) of the Internal Revenue Code provided that the Distribution, Recapitalization, Transfers, Liquidation and Sale do not prevent the Migration from so qualifying.

(b) The Distribution will not exceed 50 percent of the fair market value of FSub1 immediately before the dividend.

(c) FSub1 has no plan or intention to sell or otherwise dispose of any of its assets, except for (i) dispositions made in the ordinary course of business, (ii) distributions of normal, regular dividends such as the Distribution, (iii) the Liquidation, or (iv) the Sale.

(d) Neither FSub 1, nor FSub 2 has a U.S. trade business nor do they have effectively connected income within the meaning of § 884.

(e) FSH is not (and has not been within the last 5 years) a controlled foreign corporation within the meaning of § 957.

(f) FSH is not a passive foreign investment company within the meaning of § 1297.

(g) No elections have been made to treat either FSub 1 or FSub 2 as disregarded entities pursuant to § 301.7701 of the Income Tax Regulations.

(h) FSub 2 will not be distributing any U.S. real property interests within the meaning of § 897 as part of the Liquidation.

(i) FSub 2 has never conducted a trade or business within the United States.

(j) FSub 1 has accumulated effectively connected earnings and profits within the meaning of § 884(b)(2)(B)(iii).

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

The Distribution, Recapitalization, Transfers, Liquidation, and Sale will have no effect on the qualification of the Migration under § 368(a)(1)(F). See Rev. Rul. 96-29, 1996-1 C.B. 50; § 1.368-1T(e)(1)(ii)(A) of the Temporary Income Tax Regulations.

We express no opinion about the tax treatment of the transactions under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above ruling. In particular, no opinion is expressed concerning any of

the international tax consequences including any consequences under §§ 367(b), 367(e), or 884.

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

Each taxpayer involved in the transaction covered by this letter should attach a copy of the letter to its federal income tax return for the taxable year in which the transaction is consummated.

Pursuant to a power of attorney on file in this office, we have sent a copy of this letter to the taxpayer's representative.

Sincerely yours,
Assistant Chief Counsel (Corporate)

By__Debra Carlisle_____
Debra Carlisle
Chief, Branch 5