

**Internal Revenue Service**

Number: **200610015**

Release Date: 3/10/2006

Index Number: 337.16-00, 9100.29-00

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:B03  
PLR-156743-05

Date:  
December 05, 2005

LEGEND:

Parent =

Sub =

Date A =

Tax Professional =

Company Official =

Dear \_\_\_\_\_ :

This letter responds to a letter dated July 5, 2005, submitted on behalf of Parent, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election. Parent is requesting an extension of time to file a statement under § 1.337(d)-2T(c) of the Income Tax Regulations (the "Election") that was required to be filed with its consolidated Federal income tax return for the taxable year ended Date A. Additional information was submitted by facsimile on November 15, 2005. The information submitted is summarized below.

Parent is the common parent of an affiliated group of corporations filing a consolidated Federal income tax return. The taxpayer represents that its stock in Sub, a corporation all the outstanding shares of which Parent owned, became entirely

worthless during the taxable year ended Date A. Sub joined with Parent in the consolidated return filed for the year ended Date A.

An election under § 1.337(d)-2T(c) to recognize some or all of a loss upon the disposition of the stock of a subsidiary was required to be filed with or as part of Parent's consolidated group's return for the year of the disposition, but for various reasons, a valid Election was not filed. The consolidated group's return was filed consistently with the Election's having been made. The statute of limitations on assessment under § 6501(a) has not expired for Parent's consolidated group's taxable year for which it desires to make the Election or for any taxable years that would be affected by the Election had it been timely filed.

Section 1.337(d)-2T(a)(1) provides that no deduction is allowed for any loss recognized by a member of a consolidated group with respect to the disposition of stock of a subsidiary.

Section 1.337(d)-2T(a)(2)(ii) provides that a disposition means any event in which gain or loss is recognized, in whole or in part.

Section 1.337(d)-2T(c)(1) provides that § 1.337(d)-2T(c) applies with respect to stock of a subsidiary only if a separate statement entitled "§ 1.337(d)-2T(c) statement" is included with the return in accordance with § 1.337(d)-2T(c)(3).

Section 1.337(d)-2T(c)(2) provides that loss is not disallowed under § 1.337(d)-2T(a)(1) to the extent the taxpayer establishes that the loss is not attributable to the recognition of built-in gain on the disposition of an asset (including stock and securities).

Section 1.337(d)-2T(c)(3) provides that the statement required under § 1.337(d)-2T(c)(1) must be included with or as part of the taxpayer's return for the year of the disposition.

Section 1.337(d)-2T(g) provides that § 1.337(d)-2T applies with respect to dispositions and deconsolidations on or after March 7, 2002, unless the disposition or deconsolidation was effected pursuant to a binding written contract entered into before March 7, 2002, that was in continuous effect until the disposition or deconsolidation. If loss is recognized because stock of a subsidiary became worthless, the disposition with respect to the stock is treated as occurring on the date the stock became worthless.

Section 1.1502-80(c) provides that stock of a member is not treated as worthless under § 165 before the stock is treated as disposed of under the principles of § 1.1502-19(c)(1)(iii).

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. 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., § 1.337(d)-2T(c)(3)). Therefore, the Commissioner has discretionary authority under § 301.9100-3 to grant an extension of time for Parent to file the Election, provided Parent shows that it acted reasonably and in good faith, that the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and that granting relief will not prejudice the interests of the government.

Information, affidavits, and representations submitted by Parent, Company Official, and Tax Professional explain the circumstances that resulted in the failure to timely file the Election. The information establishes that Parent reasonably relied on a qualified tax professional who failed to make, or advise Parent to make, the Election, that the request for relief was filed before the failure to make the Election was discovered by the Internal Revenue Service, and that 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 has shown that it acted reasonably and in good faith, that the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied, and that granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under § 301.9100-3, until 45 days from the date on this letter, for Parent to file the Election.

The above extension of time is conditioned on Parent's consolidated group's 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 Parent's consolidated group's tax liability for the years involved. A determination thereof will be made by the Director's office 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' tax liability is lower. Section 301.9100-3(c).

We express no opinion with respect to whether, in fact, Parent qualifies substantively to make the Election. Specifically, no opinion is expressed regarding during what year, if at all, Sub is treated as becoming worthless. In addition, we express no opinion as to the tax effects or consequences of filing the Election late under

the provisions of any other section of the Code or regulations, or as to the tax treatment of any conditions existing at the time of, or effects resulting from, filing the Election late that are not specifically set forth in the above ruling. For purposes of granting relief under § 301.9100-3, we relied on certain statements and representations made by Parent, Company Official, and Tax Professional. However, the Director should verify all essential facts. Moreover, notwithstanding that the extension is granted under § 301.9100-3 to file the Election, any penalties and interest that would otherwise be applicable still apply.

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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to Parent's authorized representative.

Sincerely,

*Ken Cohen*

Ken Cohen  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel (Corporate)

cc: