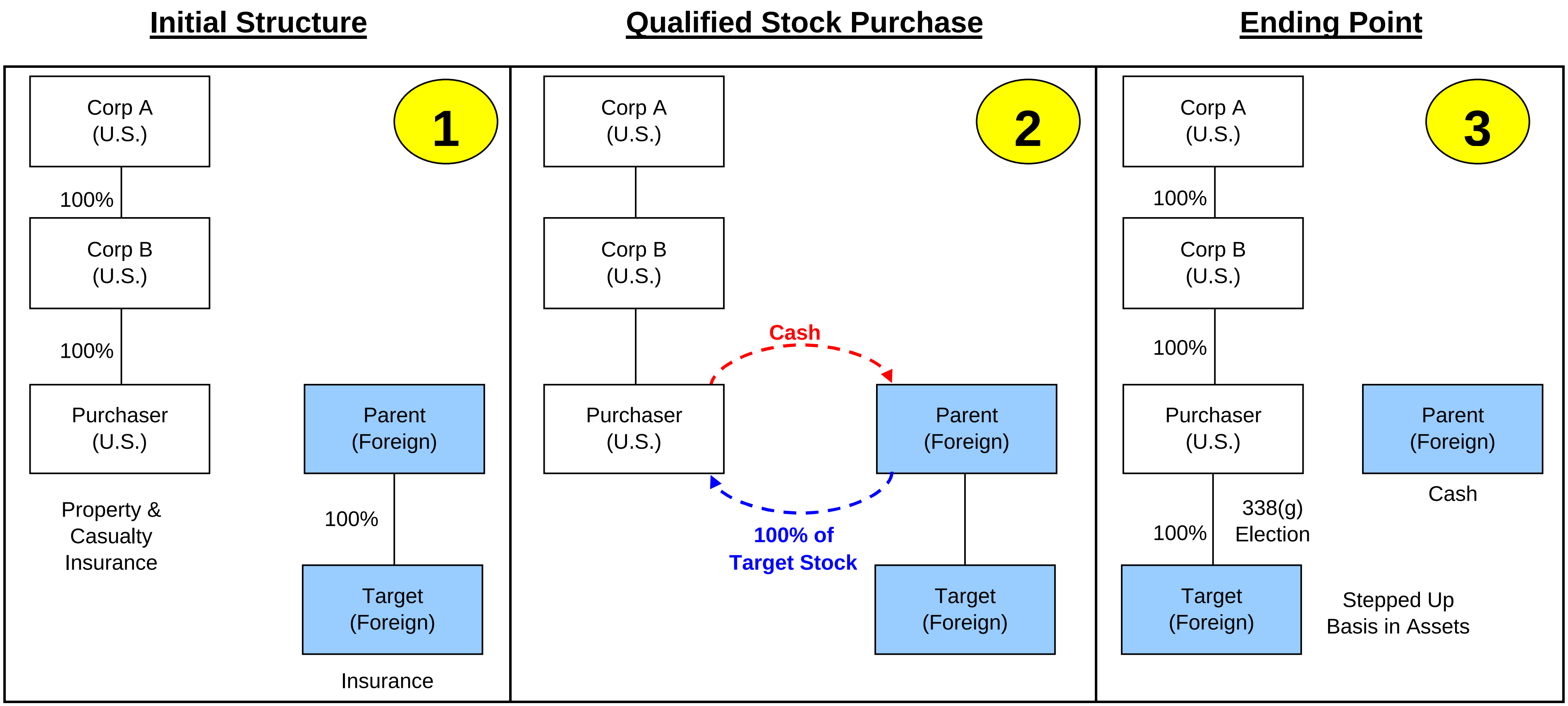
PLR 8938031

Foreign Target in 338(g) Election - No Subpart F Income to Purchaser



Purchaser, a domestic corporation, is a multiple line property and casualty company which writes all types of insurance other than title, life, and annuities. Purchaser is a wholly owned second tier subsidiary of Corp A, a domestic corporation. Target is a foreign joint stock insurance company which was wholly owned by Parent, a foreign corporation. Before the purchase described below, no shares of either Target or Parent were owned by Purchaser either directly of indirectly within the meaning of section 318. Parent and Purchaser entered into an agreement whereby Purchaser was to purchase 100% of the issued and outstanding stock of Target from Parent for cash. Purchaser purchased all of the outstanding stock of Target. Purchaser made an election under section 338 with respect to the purchase of the Target stock. Immediately before Purchaser's purchase of Target's stock, Target had no United States shareholders as defined in section 951(b). Since: 1) section 338 gain from the deemed sale of Target's assets (from "Old-Target" to "New-Target") occurs on the acquisition date; 2) Old Target's taxable year ends on the acquisition date; and, 3) pursuant to Reg. 1.951-1(f), the Purchaser is not deemed to own the stock until the day after the acquisition date, no portion of the section 338 gain is included in the subpart F income attributable to Purchaser's ownership in Target.