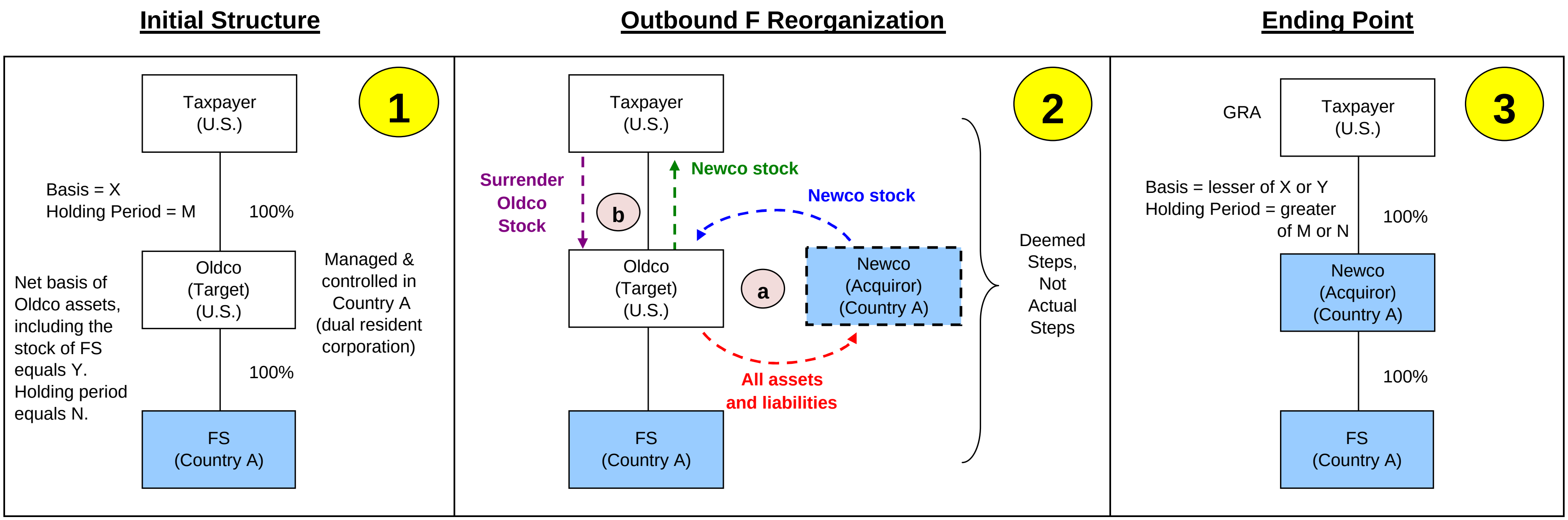
PLR 9533005

Outbound F Reorganization - Sections 367(a)(5) and 1248(f)



Taxpayer, a domestic corporation, is the common parent of a consolidated group and the owner of 100% of the outstanding stock of Oldco. Oldco, a domestic corporation, is managed and controlled in Country A and, therefore, is a "dual resident corporation" subject to section 1503(d). Oldco's sole asset is all the outstanding stock of FS, a Country A corporation.

Taxpayer decided to reorganize Oldco as a Country A corporation. This reorganization was effectuated through multiple steps that qualified as an F reorganization. For federal income tax purposes, the transaction was treated as a transfer of the assets of Oldco to Newco in exchange for all of the Newco stock, and the assumption by Newco of Oldco's liabilities, if any, followed by a liquidating distribution by Oldco of the Newco stock to Taxpayer in exchange for the Oldco stock held by Taxpayer.

The basis of the Newco stock in the hands of Taxpayer will be the lesser of the adjusted basis of the Oldco stock in the hands of Taxpayer immediately prior to the proposed transaction, described above, or the net basis of the transferred assets in the hands of Oldco immediately prior to the proposed transaction (section 367(a)(5)).

For purposes of section 1248, the holding period of the stock of Newco received by Taxpayer, will be the greater of the holding period of the stock of Oldco in the hands of Taxpayer or the holding period of the stock of FS in the hands of Oldco. Section 1248(f)(1) does not apply to the deemed section 361(c) distribution of the stock of Newco by Oldco to Taxpayer (section 1248(f)(2)).