



Taxpayer is a private limited liability company organized under the laws of Country A. Taxpayer is treated as a U.S. corporation pursuant to section 269B because the shares of Taxpayer may not be transferred to any person unless corresponding shares of another U.S. corporation, Corp 1, are simultaneously transferred to the same person (stapled corporations). Corp 1, Corp 2, Corp 3, Corp 4, Corp 5, and Corp 6 are each members of the same affiliated group of corporations that files a consolidated federal income tax return. Taxpayer has taken the position that because it is a U.S. corporation under section 269B, it is not included as a member of the Corp 2 consolidated group, but files a separate U.S. corporation income tax return (Notice 89-94).

Taxpayer directly owns all the stock of Foreign Entity A, a private limited liability company organized under the laws of Country A. Prior to Date A, Taxpayer also directly owned all the stock of Foreign Entity B, a private limited liability company organized under the laws of Country A. Both Foreign Entity A and Foreign Entity B are treated as controlled foreign corporations, as defined in section 957, for U.S. federal income tax purposes. Taxpayer transferred 100 percent of the outstanding shares of Foreign Entity B to Foreign Entity A as a contribution to Foreign Entity A's capital in a transaction that Taxpayer represents qualified for nonrecognition under section 351. In order to preserve nonrecognition treatment under section 351, Taxpayer represents that it will file a gain recognition agreement pursuant to Treas. Reg. § 1.367(a)-8 with its U.S. corporate federal income tax return (hereinafter referred to as the "Foreign Entity B GRA").

Taxpayer proposes to transfer its statutory seat to State C and terminate its corporate charter in Country A. Taxpayer represents that this transaction will constitute a reorganization described in section 368(a)(1)(F). Subsequent to this transaction, the restrictions on the ability to transfer or otherwise dispose of the shares of Taxpayer without a simultaneous transfer of corresponding shares of Corp 1 will be removed (the corporations will no longer be stapled). After the transaction, Taxpayer will be a member of the Corp 2 consolidated group. Taxpayer requests a ruling that the section 368(a)(1)(F) reorganization will not trigger the Foreign Entity B GRA, which would require the recognition of gain under section 367(a).

Under Treas. Reg. § 1.367(a)-8(g)(1), Taxpayer's participation in a domestic to domestic section 368(a)(1)(F) reorganization does not result in recognition of gain under the Foreign Entity B GRA, provided Taxpayer satisfies reporting requirements similar to those contained in Treas. Reg. § 1.367(a)-8(g)(2).

**Ending Point**

