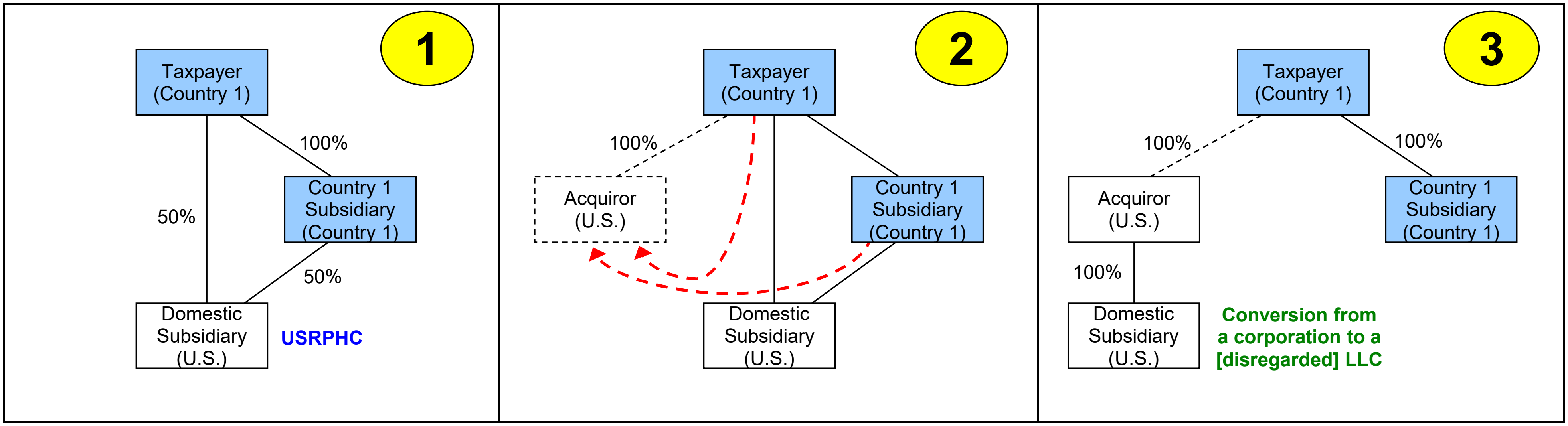
PLR 202629003

Late Relief Granted to Request FIRPTA Withholding Certificates For D Reorganization

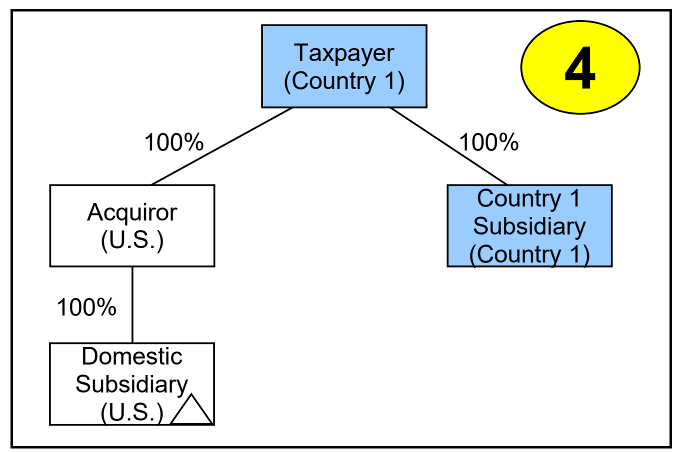
Initial Structure | **Sale of Shares** | **Conversion to Disregarded LLC**



Taxpayer, a Country 1 publicly traded corporation, directly owned 50% of the shares of Domestic Subsidiary, a domestic corporation which was a United States real property holding corporation as defined in section 897(c)(2). Country 1 Subsidiary, a Country 1 corporation wholly owned by Taxpayer, owned the remaining 50% of the shares of Domestic Subsidiary. Taxpayer and Country 1 Subsidiary each sold all of their shares of Domestic Subsidiary to Acquiror, a wholly owned domestic subsidiary of Taxpayer, for cash in the amount of the fair market value of the Domestic Subsidiary shares. As part of the same plan, Domestic Subsidiary then converted to a State 1 limited liability company. Taxpayer took the position that the sale of the shares and the conversion of Domestic Subsidiary were, together, characterized as a reorganization described in section 368(a)(1)(D) (“Reorganization”). Taxpayer and Country 1 Subsidiary both realized losses on the disposition of their shares in Domestic Subsidiary pursuant to the Reorganization.

Without the withholding certificate, Acquiror was required to withhold 15% U.S. tax on the purchase price (or as a result of the deemed transfers in the D reorganization). However, because Taxpayer and Country 1 Subsidiary recognized losses on the sales of the shares, they could have requested withholding certificates to avoid the 15% withholding tax. The PLR granted late relief to request the withholding certificates.

Ending Point



△ Means "flow-thru" for U.S. tax purposes

Blue means non-U.S. person / non-U.S. entity