



This replies to your representative's letter dated July 26, 2004, in which your representative requests on behalf of Taxpayer an extension of time under Treas. Reg. §301.9100-3 to file the election and agreement described in §1.1503-2(g)(2)(i), and the annual certification described in §1.1503-2(g)(2)(vi)(B) for the entities and tax years listed on Schedule A, which is attached to and made a part of this ruling letter. Additional information was submitted in a letter dated December 21, 2005. The information submitted for consideration is substantially as set forth below.

The ruling contained in this letter is predicated upon facts and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of the factual information, representations, and other data may be required as a part of the audit process.

During Tax Years One through Six, Taxpayer was the parent corporation of a consolidated group. During this time period, Taxpayer and its first-tier domestic subsidiary Corp C and lower-tier domestic subsidiary Corp D owned interests, directly and through LP, in DE A, DE B, DE E, DE F, and DE G. Because of various transactions, those interests varied during Tax Years One through Six. DE E was a corporation under the laws of Foreign Country T.

DE A incurred a loss in Tax Year One. DE B and DE E incurred losses in Tax Year Four. DE A, DE E, DE F, and DE G incurred losses in Tax Year Six. Each DE elected to be treated as a disregarded entity under Treas. Reg. §301.7701-3(c)(1)(i) prior to the year in which it incurred the loss. Because they were each a disregarded entity, each was a hybrid entity separate unit as defined in §1.1503-2(c)(4). Taxpayer included the losses of those disregarded entities in its consolidated federal income tax returns for Tax Years One, Four, and Six. Accordingly, the losses incurred by those disregarded entities are dual consolidated losses ("DCLs") as defined in §1.1503-2(c)(5).

Taxpayer prepared and filed its consolidated federal income tax returns for Tax Years One through Six without outside assistance. Taxpayer's tax department was unaware that DE A's loss for Tax Year One was a DCL. As a result, Taxpayer did not file the election and agreement described in §1.1503-2(g)(2)(i) with its consolidated federal income tax return for that year, and did not file the annual certifications described in §1.1503-2(g)(2)(vi)(B) with its consolidated federal income tax returns for Tax Years Two through Six. Taxpayer recognized that the loss incurred by DE A in Tax Year One was a DCL during the preparation of this ruling request.

As indicated above, DE B and DE E each incurred losses in Tax Year Four. At the request of Taxpayer's tax compliance manager, Taxpayer's director of international tax researched whether the DCL rules in IRC §1503(d) and the regulations thereunder applied to those losses. The director of international tax concluded that the DCL rules did not apply to those Tax Year Four losses.

In Tax Year Six, Taxpayer hired a new director of international tax (“New Director”). The new director determined that the Tax Year Four losses of DE B and DE E were in fact DCLs.

With respect to the losses incurred by DE E, DE F, and DE G in Tax Year Six, Taxpayer incorrectly filed with its consolidated federal income tax return for that year an election and agreement that combined the losses as one DCL of LP. While preparing this request for relief, CPA Firm advised New Director that separate elections and agreements should have been filed for the K interest in LP with respect to each disregarded entity held by Corp C, and the L interest in LP with respect to each disregarded entity held by Corp D.

Taxpayer represents that the income tax laws of Foreign Country T do not deny the use of losses, expenses, or deductions of DE E to offset income of another person because the dual resident corporation or separate unit is also subject to income taxation by another country on their respective worldwide income or on a residence basis.

Taxpayer represents that it filed this application for relief before the Internal Revenue Service discovered the failure to file the election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i) and the annual certification described in §1.1503-2(g)(2)(vi)(B) for the entities and tax years set forth on Schedule A. Treas. Reg. §301.9100-3(b)(1)(i).

Treas. Reg. §301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in §301.9100-3, to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I.

Treas. Reg. §301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. §301.9100-3(a) provides that requests for relief subject to this section will be granted when the taxpayer provides evidence (including affidavits described in §301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith within the meaning of §301.9100-3(b), subject to the conditions set forth in §301.9100-3(b)(3), and the grant of relief will not prejudice the interests of the Government within the meaning of §301.9100-3(c).

In the present situation, the election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i) and the annual certification described in §1.1503-2(g)(2)(vi)(B) are regulatory elections as defined in §301.9100-1(b). Therefore, the Commissioner has discretionary

authority under §301.9100-1(c) to grant Taxpayer an extension of time, provided that Taxpayer satisfies the standards for relief as set forth in §301.9100-3.

Based on the facts and representations submitted, we conclude that Taxpayer satisfies the standards for relief as set forth in Treas. Reg. §301.9100-3. Accordingly, Taxpayer is granted an extension of time of 60 days from the date of this ruling letter to file the election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i) and the annual certification described in §1.1503-2(g)(2)(vi)(B) for the entities and tax years set forth on Schedule A.

The granting of an extension of time is not a determination that Taxpayer is otherwise eligible to file the election agreements, and the annual certifications. Treas. Reg. §301.9100-1(a). For example, a taxpayer that is subject to mirror legislation enacted by a foreign country may be ineligible to file election agreements pursuant to §1.1503-2(c)(15)(iv).

A copy of this ruling letter should be associated with the election agreements, and the annual certifications.

This ruling is directed only to Taxpayer, who requested it. I.R.C. § 6110(k)(3) provides that it may not be used or cited as precedent.

No ruling has been requested, and none is expressed, as to the application of any other section of the Code or regulations to the facts presented.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to your first and second listed authorized representatives.

Sincerely,

Associate Chief Counsel (International)

By: /s/ Richard L. Chewning  
Richard L. Chewning  
Senior Counsel  
Office of the Associate Chief Counsel  
(International)

Enclosures (2):  
Schedule A  
Copy for 6110 purposes

cc

SCHEDULE A

X = Election and agreement described in Treas. Reg. §1.1503-2(g)(2)(i)  
 Y = Annual certification described in Treas. Reg. §1.1503-2(g)(2)(vi)(B)

	Tax Year One	Tax Year Two	Tax Year Three	Tax Year Four	Tax Year Five	Tax Year Six
DE A	X	Y	Y	Y	Y	X/Y
DE B	NA	NA	NA	X	Y	Y
Corp C's interest in:						
DE E (J) and (K)	NA	NA	NA	X	Y	X/Y
DE F (K)	NA	NA	NA	NA	NA	X
DE G (K)	NA	NA	NA	NA	NA	X
Corp D's interest in:						
DE E (L)	NA	NA	NA	NA	NA	X
DE F (L)	NA	NA	NA	NA	NA	X
DE G (L)	NA	NA	NA	NA	NA	X
J = Interest before Date One						
K = Interest on and after Date One						
L = Interest on or after Date Two						