**Internal Revenue Service**

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:CORP:B01
PLR-105843-08
Date:
November 18, 2008

Legend

Taxpayer =

General Partner =

Sub 1 =

Sub 2 =

LLC 1 =

Partnership 1 =

Partnership 2 =

Business 1 =

Date 1 =

Date 2 =

State X =

State Y =

aa =

bb =

cc =

dd =

Dear :

This letter responds to a letter dated February 6, 2008, submitted by your authorized representative, in which rulings were requested as to the Federal income tax consequences of a proposed transaction. Additional information was submitted in a letter dated September 16, 2008. The material information submitted for consideration is summarized below.

Taxpayer, a State X corporation, elected to be taxed as an S corporation on Date 1 (a date more than 10 years ago) and is engaged in Business 1. Taxpayer owns all the outstanding stock of General Partner, a State Y corporation, which since Date 1 has been treated as a qualified subchapter S subsidiary ("QSUB") for Federal income tax purposes and Sub 1, a State Y corporation, which has been a QSUB since Date 2.

General Partner owns all of the outstanding membership interests in LLC 1, a single member limited liability company which has elected to be treated as a disregarded entity. LLC 1 owns all the outstanding stock of Sub 2 which has elected to be treated as a QSUB since Date 1. Prior to Date 1, Taxpayer and all of its subsidiaries, including General Partner and Sub 2 were taxed as regular C corporations.

General Partner also owns all of the outstanding general partner units of Partnership 1, a State Y limited partnership treated as a publicly-traded partnership within the meaning of section 7704(b) of the Internal Revenue Code, and Partnership 2, a State Y limited partnership that owns all of the operating assets and operates Business 1. Partnership 1 owns all of the common units of Partnership 2. The common units of Partnership 1 are publicly traded. The general partner units of Partnership 1 and Partnership 2 are not publicly traded.

Taxpayer directly owns aa common units of Partnership 1, and indirectly through Sub 1 and Sub 2 owns bb and cc common units of Partnership 1. The Taxpayer's common units in Partnership 1 can be further broken down into the following specific categories:

(i) As of Date 1, Taxpayer, either directly or through General Partner, held dd Partnership 1 common units;

(ii) Since Date 1, Taxpayer acquired additional Partnership 1 common units in exchange for cash contributions; and

(iii) Since Date 1, Taxpayer has made separate acquisitions of five unrelated target corporations which operated as C corporations. After each of the acquisitions, Taxpayer liquidated each corporation pursuant to section 332, thus subjecting those assets to their own 10-year recognition period for purposes of section 1374 ( the "Section 1374(d)(8) Acquisitions"). After each of the Section 1374(d)(8) Acquisitions, Taxpayer contributed all those assets to Partnership 1 and Partnership 2 for additional Partnership 1 common units, Partnership 1 general partner units and Partnership 2 general partner units. Under section 1374(d)(6) each block of the Partnership 1 common units, Partnership 1 general partner units and Partnership 2 general partner received will possess the same 10-year recognition period as the assets did under the Section 1374(d)(8) Acquisitions.

Taxpayer wants to sell certain identified lots of its Partnership 1 common units, Partnership 1 general partner units and Partnership 2 general partner units.

The taxpayer has made the following representations regarding the proposed transaction:

(1) The taxpayer has identified in its books and records the specific assets acquired in each of the Section 1374(d)(8) Acquisitions and identified the specific lot of Partnership 1 common units, Partnership 1 general partner units and Partnership 2 general partner units associated with each transaction.

(2) Taxpayer either directly or through its disregarded entities has not sold or otherwise disposed of any identified Partnership 1 common units, Partnership 1 general partnership units or Partnership 2 general partnership units.

Based solely on the information submitted and the representations set forth above, we hold Taxpayer's sale, if any, of separately identified lots of Partnership 1 common units after such units have been held for more than the applicable 10-year recognition period under section 1374(d)(7) will not be subject to the corporate level built-in gains tax under section 1374 (a) (Cf. § 1.1223-3(c)(2) of the Income Tax Regulations).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, no opinion is expressed concerning the tax consequences regarding the sale, if any, of the Partnership 1 general partner units or Partnership 2 general partner units.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Mark S. Jennings
Branch Chief, Branch 1
(Corporate)