**Internal Revenue Service**

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:INTL:B03
PLR-113889-13

Date:
May 23, 2013

Legend

Taxpayer =
Taxable Year =
Business Y =

Dear :

This is in response to your representative's letter dated March 22, 2013, that was submitted on behalf of Taxpayer, requesting a ruling that Taxpayer be permitted to change from the fair market value method to the tax book value method of asset valuation for purposes of apportioning interest expense for the Taxable Year and for all subsequent taxable years.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Taxpayer, a domestic corporation and a calendar year taxpayer, uses the accrual method as its overall method of accounting and files a consolidated U.S. federal income tax return. Taxpayer conducts Business Y.

Section 864(e) provides that all allocations and apportionments of interest expense shall be made on the basis of assets rather than gross income. Treas. Reg. §§1.861-8 through 1.861-12 and Temp. Treas. Reg. §§1.861-8T through 1.861-13T set forth the rules specific to the allocation and apportionment of interest expense. Temp. Treas. Reg. §1.861-9T(g)(1)(ii) provides that a taxpayer may elect to determine the value of its assets on the basis of either the tax book value or the fair market value of its assets.

Temp. Treas. Reg. §1.861-8T(c)(2) provides that, once a taxpayer uses the fair market value method, the taxpayer and all related persons must continue to use such method unless expressly authorized by the Commissioner to change methods. Taxpayer used the fair market value method for the four years preceding the Taxable Year.

Based solely on the information submitted and the representations made, Taxpayer may use the tax book value method of asset valuation for purposes of apportioning interest expense, pursuant to Temp. Treas. Reg. §§1.861-8T(c)(2) and 1.861-9T(g)(1)(ii), for the Taxable Year and for all subsequent taxable years and for all operative sections of the Code, including sections 199 and 904, pursuant to Treas. Reg. §1.861-8(f)(2).

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.

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

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

Sincerely,

Richard L. Chewning
Senior Counsel, Branch 3
Office of Associate Chief Counsel (International)