Internal Revenue Service

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
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Date:
August 22, 2023

Legend

Parent =

M1 =

M2 =

Partnership 1 =

Partnership 2 =

Partnership 3 =

Partnership 4 =

Partnership 5 =

Partnership 6 =

Partnership 7 =

Partnership 8 =

Partnership 9 =

NewCo =

Dear :

This letter responds to your representative's letter dated March 28, 2023, requesting a ruling under Treas. Reg. § 1.1502-3. The material information submitted in that letter and in subsequent correspondence is summarized below.

The ruling contained in this letter is based upon information and representations submitted by the 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 ruling, it is subject to verification on examination.

This office expresses no opinion as to the overall tax consequences of the Proposed Transaction described in this letter or as to any issue not specifically addressed by the ruling below.

FACTS

Parent is the common parent of an affiliated group of corporations that files a consolidated return for U.S. federal income tax purposes (the "Parent Group"). Parent owns all the issued and outstanding shares of stock of M1 and M2, both of which are members of the Parent Group.

M1 owns, either directly or through another partnership, interests in Partnership 1, Partnership 2, Partnership 3, Partnership 4, Partnership 5, Partnership 6, Partnership 7, Partnership 8, and Partnership 9 (together, the "Partnerships") that have invested in renewable energy projects that generate tax credits pursuant to section 48. The other partners in the Partnerships are not related to members of the Parent Group.

PROPOSED TRANSACTION

For what are represented to be valid business reasons, M1 proposes to transfer its interests in the Partnerships to M2 via the following steps:

1. M1 will form a new, wholly owned subsidiary, NewCo.

2. M1 will contribute all of its direct or indirect interests in the Partnerships to NewCo for no consideration.

3. M1 will distribute all of the issued and outstanding stock in NewCo to Parent.

4. Parent will contribute all the issued and outstanding stock in NewCo to M2 for no consideration, after which NewCo will elect to become a disregarded entity for federal income tax purposes.

REPRESENTATIONS

(a) The Partnerships invest in property that is energy property within the meaning of section 48 and that is subject to recapture under section 50.

(b) The Proposed Transaction will not cause any of the Partnerships to terminate within the meaning of section 708(b), because the Partnerships will continue to have business activities, financial operations, or ventures.

(c) M2 intends to hold the interests in the Partnerships for the same purposes that M1 originally held them, and M2 does not intend to dispose of any of the interests before the close of the recapture period under section 50.

(d) There is no plan or intention for M1, M2, or NewCo (or their successors, as may be relevant) to leave the Parent Group.

(e) Absent the application of the regulations under section 1502, the Proposed Transaction will give rise to a recapture of investment credits claimed with respect to investment credit property held by the Partnerships under section 50.

(f) Treas. Reg. § 1.1502-3(f)(2)(ii) and (iii) are neither relevant nor applicable to the Proposed Transaction.

(g) To the extent gain or loss is recognized in the Proposed Transaction, such gain or loss will be taken into account pursuant to Treas. Reg. § 1.1502-13.

(h) The Proposed Transaction will not result in basis adjustments under section 743(b) by any of the Partnerships. In addition, the Proposed Transaction will also not result in basis adjustments under section 743(b) by any of the partnerships through which the Partnerships are held.

RULING

The Proposed Transaction will not result in any credit recapture under section 50. *See* Treas. Reg. § 1.1502-3(f)(2)(i).

CAVEATS

Except as expressly provided in this letter, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above ruling. In particular, no opinion is expressed on whether M1 or members of the Parent Group qualify for the credits. Moreover, the ruling does not protect the taxpayer or an affiliate from a determination of recapture under section 50 that may result from a disposition, or cessation, event occurring after the Proposed Transaction

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

Sincerely,

Julie Wang
Senior Counsel, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: