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Department of the Treasury

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Person To Contact:

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Refer Reply To:

CC:CORP:BO3

PLR-117861-24

Date:

January 31, 2025

LEGEND

Taxpayer =

Seller =

Exempt Organization =

Target1 =

Target2 =

State A =

State B =

Date 1 =

Business A =

Dear :

This letter responds to your authorized representatives' letter dated September 30, 2024, requesting rulings on certain federal income tax consequences of

the Completed Transaction (as defined below). The information provided 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 penalties 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 a ruling, it is subject to verification on examination.

Summary of Facts

Taxpayer is a nonprofit corporation organized under the laws of State A that is not exempt from federal income tax. Taxpayer is a mutual insurance company engaged in Business A. Taxpayer is the common parent of an affiliated group of corporations that has chosen to file a life-nonlife consolidated return for federal income tax purposes in accordance with the provisions of sections 1501, 1502, and 1504(c)(2) and the Treasury regulations promulgated thereunder (the "Taxpayer Consolidated Group").

Seller is a nonprofit corporation organized under the laws of State A that is not exempt from federal income tax. Seller, a holding company, is the common parent of an affiliated group of corporations that has chosen to file a consolidated return for federal income tax purposes in accordance with the provisions of sections 1501 and 1502 and the Treasury regulations promulgated thereunder (the "Seller Consolidated Group"). The sole member of Seller is Exempt Organization, a nonprofit corporation organized under the laws of State A that is exempt from federal income tax under section 501(c)(3) and 509(a)(3).

Prior to the Completed Transaction, Seller was the sole member of Target1 and the sole member of Target2. Prior to the Completed Transaction, Target1 and Target2 were each treated as members of the Seller Consolidated Group.

Target1 is a nonstock, nonprofit corporation organized under the laws of State A that is not exempt from federal income tax. Target1 is a mutual benefit corporation under the law of State A and is engaged in Business A.

Target2 is a nonstock, nonprofit corporation organized under the laws of State B that is not exempt from federal income tax. Target2 is a mutual benefit corporation under the law of State B and is engaged in Business A.

As the sole member of Target1, Seller had the right to elect Target1's board of directors. In addition, under the law of State A, Target1 was not prohibited from making distributions to Seller due to Seller's status as a nonprofit corporation. Upon the dissolution of Target1, after payment of all liabilities, Seller, as sole member, had the right to adopt a plan of distribution, whereby Seller could have received the net assets of Target1.

As the sole member of Target2, Seller had the right to elect Target2's board of directors. In addition, under the law of State B, Target2 was not prohibited from making distributions to Seller due to Seller's status as a nonprofit corporation. Target2's Articles of Incorporation state that upon dissolution of Target2, after payment of liabilities, the remaining assets will be transferred to the sole member.

Completed Transaction

On Date 1, Taxpayer purchased the sole membership of Target1 and the sole membership of Target2 from Seller for cash (the "Completed Transaction"). As a result, Taxpayer is currently the sole member of Target1 and the sole member of Target2. As a nonprofit corporation, Taxpayer's rights as sole member with respect to each of Target1 and Target2 are the same as the rights that Seller had prior to the Completed Transaction.

Representations

Taxpayer has made the following representations in connection with the Completed Transaction:

- 1) Although Target1 is not authorized to issue stock, the entire legal and beneficial interest in Target1 had been treated and reported as directly owned by Seller for federal income tax purposes at all relevant times prior to the Completed Transaction in Seller's capacity as the sole member of Target1.
- 2) Following the Completed Transaction, the entire legal and beneficial interest in Target1 has been, and will continue to be, treated and reported as directly owned by Taxpayer for federal income tax purposes in Taxpayer's capacity as the sole member of Target1.
- 3) Target1 will continue to be a mutual benefit corporation under the law of State A for the foreseeable future.
- 4) Although Target2 is not authorized to issue stock, the entire legal and beneficial interest in Target2 had been treated and reported as directly owned by Seller for federal income tax purposes at all relevant times prior to the Completed Transaction in Seller's capacity as the sole member of Target2.
- 5) Following the Completed Transaction, the entire legal and beneficial interest in Target2 has been, and will continue to be, treated and reported as directly owned by Taxpayer for federal income tax purposes in Taxpayer's capacity as the sole member of Target2.
- 6) Target2 will continue to be a mutual benefit corporation under the law of State B for the foreseeable future.
- 7) Pursuant to the terms of the purchase agreement for the Completed Transaction, Taxpayer's acquisition of the memberships of each of Target1 and Target2 from

Seller occurred by purchase during the 12-month acquisition period, as contemplated by section 338(d)(3).

- 8) At all relevant times prior to the Completed Transaction, each of Target1 and Target2 was treated as a member (as defined in Treas. Reg. § 1.1502-1(b)) of the Seller Consolidated Group. Accordingly, for the tax year that includes Date 1, each of Target1 and Target2 will be treated as a consolidated target within the meaning of Treas. Reg. § 1.338(h)(10)-1(b)(1), and the Seller Consolidated Group will be treated as the selling consolidated group within the meaning of Treas. Reg. § 1.338(h)(10)-1(b)(2).
- 9) Each of Target1 and Target2 qualify as a nonlife insurance company (as defined in Treas. Reg. § 1.1502-1(k)).
- 10) Each of Target1 and Target2 will continue to qualify as a nonlife insurance company (as defined in Treas. Reg. § 1.1502-1(k) and Treas. Reg. § 1.1502-47(b)(2)) for the foreseeable future.
- 11) Neither Target1 nor Target2 is an excepted corporation listed in section 1504(b). Further, neither Target1 nor Target2 will become an excepted corporation listed in section 1504(b) in the foreseeable future.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

- 1) The Completed Transaction will be treated as a qualified stock purchase under section 338(d)(3) with respect to each of Target1 and Target2 for which a joint election under section 338(h)(10) may be made by Taxpayer and Seller.
- 2) Following the Completed Transaction, each of Target1 and Target2 will constitute a nonlife member (as defined in Treas. Reg. § 1.1502-47(b)(5) and (7)) of the nonlife subgroup (as defined in Treas. Reg. § 1.1502-47(b)(9)) of the Taxpayer Consolidated Group.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of the Completed Transaction or any other transaction or item discussed or referenced in this letter.

Procedural Statements

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, copies of this letter are being sent to your authorized representatives.

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 (PLR-117861-24) of this letter ruling.

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: