

Internal Revenue Service

Number: **202521005**

Release Date: 5/23/2025

Index Number: 754.00-00, 9100.00-00,
754.02-00, 9100.15-00

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:PT&E:B01

PLR-114862-24

Date:

February 19, 2025

LEGEND

X =

A =

State =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Dear _____ :

This letter responds to a letter dated June 24, 2024, submitted on behalf of X by X's authorized representative, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to file an election under § 754 of the Internal Revenue Code (Code).

FACTS

According to the information submitted, X is a limited liability company formed under the laws of State on Date 1 and is treated as a partnership for federal tax purposes. On Date 2, existing partners in X purchased the interests of another partner, and X filed a § 754 election for its taxable year ended Date 3. On Date 4, A purchased an interest in X, resulting in a technical termination of X under § 708(b)(1)(B) of the Code (as it was in effect at the time). On Date 5, A purchased an additional interest in X, but X inadvertently failed to timely file a § 754 election for its taxable year ended Date 6.

LAW AND ANALYSIS

Section 754 provides that if a partnership files an election, in accordance with regulations prescribed by the Secretary, the basis of partnership property shall be adjusted, in the case of a distribution of property, in the manner provided in § 734 and, in the case of a transfer of a partnership interest, in the manner provided in § 743. Such an election shall apply with respect to all distributions of property by the partnership and to all transfers of interests in the partnership during the taxable year with respect to which such election was filed and all subsequent taxable years.

Section 1.754-1(b) of the Income Tax Regulations provides that an election under § 754 to adjust the basis of partnership property under §§ 734(b) and 743(b), with respect to a distribution of property to a partner or a transfer of an interest in a partnership, must be made in a written statement filed with the partnership return for the taxable year during which the distribution or transfer occurs. For the election to be valid, the return must be filed not later than the time prescribed by § 1.6031(a)-1(e) (including extensions) for filing the return for such taxable year.

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than 6 months except in the case of a taxpayer who is abroad), under all subtitles of the Code except subtitles E, G, H, and I. Section 301.9100-1(b) provides that the term "regulatory election" includes an election whose due date is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make an election. Section

301.9100-2 provides the rules governing automatic extensions of time for making certain elections. Section 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time for regulatory elections that do not meet the requirements of § 301.9100-2.

Under § 301.9100-3, a request for relief 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 (1) the taxpayer acted reasonably and in good faith, and (2) the grant of relief will not prejudice the interests of the Government.

CONCLUSION

Based solely upon the information submitted and the representations made, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, X is granted an extension of time of one hundred-twenty (120) days from the date of this letter to make an election under § 754 effective for X's taxable year ended Date 6. The election should be made in a written statement filed with the appropriate service center accompanying Form 1065-X, Amended Return or Administrative Adjustment Request (AAR), or Form 8082, Notice of Inconsistent Treatment or AAR, and any related filings as instructed in Form 1065-X or Form 8082, as appropriate, for X's taxable year ended Date 7, to be associated with its return for the taxable year ended Date 6. A copy of this letter should be attached to the relevant filing.

This ruling is contingent on X's relevant filing(s) containing adjustments to the basis of X's properties to reflect any § 734(b) or § 743(b) adjustments that would have been made if the § 754 election had been timely made. These basis adjustments must reflect any additional deductions for the recovery of basis related to X's property that would have been allowable if the § 754 election had been timely made, regardless of whether the statutory period of limitation on assessment or filing a claim for refund has expired for any year subject to this grant of late relief. Any deductions for the recovery of basis allowable for an open year are to be computed based on the remaining useful life or recovery period and using property basis as adjusted by the greater of any such deductions allowed or allowable in any prior year had the § 754 election been timely made.

If X is required to file an AAR in order to properly amend a partnership tax return, then this ruling is contingent on X filing Form 1065-X or Form 8082 and taking into account the adjustments as required by § 6227(b).

Additionally, the partners of X must adjust the basis of their interests in X to reflect what the basis would be if the § 754 election had been timely made, regardless of whether the statutory period of limitation on assessment or filing a claim for refund has expired for any year subject to this grant of late relief. Specifically, the partners of X must reduce the basis of their interests in X in the amount of any additional deductions for the

recovery of basis related to X's property that would have been allowable if the § 754 election had been timely made.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code or the regulations thereunder. In addition, § 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election.

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 rulings, it is subject to verification on examination.

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.

Sincerely,

Jeffrey Erickson
Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

By: _____
Brian J. Barrett
Senior Technician Reviewer, Branch 3
Office of the Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

Enclosure (1)
Copy for § 6110 purposes

PLR-114862-24

5

cc: