

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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CC:FIP:B05

PLR-118252-24

Date:

April 07, 2025

LEGEND

Taxpayer =

Joint Venture =

Subsidiary =

Accounting Firm 1 =

Accounting Firm 2 =

Management Consultant =

Accounting Firm 3 =

State =

Year 1 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

a =

Dear :

This ruling responds to a letter dated October 8, 2024, and supplemental correspondence, submitted on behalf of Taxpayer and Subsidiary. Taxpayer and Subsidiary request an extension of time under sections 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to jointly make an election under section 856(l) of the Internal Revenue Code ("Code") to treat Subsidiary as a taxable REIT subsidiary ("TRS") of Taxpayer.

FACTS

Taxpayer is a State limited liability company that elected to be treated as a real estate investment trust ("REIT") under sections 856 through 859 of the Code, beginning with its initial taxable year ended Date 1.

Taxpayer owns a a percent interest in Joint Venture. Joint Venture wholly owns Subsidiary, which was formed as a State limited liability company that elected on Form 8832, *Entity Classification Election*, to be treated as an association taxable as a corporation effective as of Date 2. The partnership agreement for Joint Venture designates Taxpayer's partner in Joint Venture (the "JV Partner") as the partnership representative. The JV Partner is owned directly or indirectly by a third-party REIT (the "JV Partner REIT").

As partnership representative of Joint Venture, JV Partner was responsible for forming Subsidiary, ensuring Subsidiary elected to be taxed as a corporation for federal income tax purposes by filing a timely Form 8832, and ensuring that JV Partner REIT and Subsidiary made a timely joint election on Form 8875, *Taxable REIT Subsidiary Election*, to treat Subsidiary as a TRS of the JV Partner REIT. Both elections were effective as of Date 2.

Taxpayer also intended for Subsidiary to be treated as a TRS of Taxpayer. Representatives of Taxpayer mistakenly believed Taxpayer could be listed as an additional REIT entity on the Form 8875 filed by JV Partner such that Subsidiary would also be a TRS of Taxpayer with an effective date of Date 2.

Several external advisors assist Taxpayer. Accounting Firm 1 prepares federal and state income tax returns for Taxpayer. Management Consultant performs REIT testing for Taxpayer. Accounting Firm 3 audits Taxpayer's financial statements. Additionally, Accounting Firm 2 prepares federal and state income tax returns for Joint Venture and Subsidiary.

Taxpayer represents that the engagement of several accounting firms and advisors prevented a timely conversation between Taxpayer and advisors to correct the misperception that an effective TRS election to treat Subsidiary as a TRS of Taxpayer had been made. Management Consultant and Accounting Firm 1 teams therefore prepared REIT testing and Taxpayer tax returns based on the incorrect understanding that an election had been made for Subsidiary to be treated as a TRS of Taxpayer. Taxpayer has treated Subsidiary as a TRS of Taxpayer at all times following Date 2.

During Taxpayer's preparations for a different transaction, the error was discovered. Accounting Firm 1 informed Taxpayer that an effective TRS election could not have been made because JV Partner REIT could not make the TRS election on behalf of Taxpayer as each REIT desiring to treat a direct or indirect corporate subsidiary as a TRS must file its own Form 8875. Upon discovery, Taxpayer engaged Accounting Firm

1 to seek an extension of time to file a joint election on Form 8875 to treat Subsidiary as a TRS of Taxpayer as of Date 3. In conjunction with this request, Taxpayer and Subsidiary executed Form 872, *Consent to Extend the Time to Assess Tax*, with the Internal Revenue Service ("Service") to extend the statute of limitations for Year 1 to Date 5.

Taxpayer and Subsidiary make the following additional representations in connection with this request for an extension of time:

1. Taxpayer and Subsidiary are filing this request for relief before the failure to timely make the regulatory election was discovered by the Service.
2. Granting the relief requested will not result in Taxpayer or Subsidiary having a lower U.S. federal tax liability in the aggregate for all years to which the regulatory election applies than they would have had if the election had been timely made (taking into account the time value of money).
3. Taxpayer and Subsidiary do not seek to alter a return position for which an accuracy-related penalty has been or could have been imposed under section 6662 at the time they requested relief, and the new position requires or permits a regulatory election for which relief is requested.
4. Being fully informed of the required regulatory election and related tax consequences, Taxpayer and Subsidiary did not choose to not file the election.
5. Taxpayer and Subsidiary are not using hindsight in requesting relief. No specific facts have changed since the due date for making the election that make the election more advantageous to Taxpayer or Subsidiary.
6. Granting relief will not affect any tax years of either Taxpayer or Subsidiary that are closed under the period of limitations on assessment under section 6501(a).

In addition, affidavits on behalf of Taxpayer and Subsidiary have been provided as required by section 301.9100-3(e)(2) and (3).

LAW AND ANALYSIS

Section 856(l) provides that a REIT and a corporation (other than a REIT) may jointly elect to treat such corporation as a TRS. To be eligible for treatment as a TRS, section 856(l)(1) provides that the REIT must directly or indirectly own stock in such corporation, and the REIT and such corporation must jointly elect such treatment. The election is irrevocable once made, unless both the REIT and the corporation consent to its revocation. In addition, section 856(l) specifically provides that the election, and any revocation thereof, may be made without the consent of the Secretary.

In Announcement 2001-17, 2001-1 C.B. 716, the Service announced the availability of new Form 8875, *Taxable REIT Subsidiary Election*. According to the Announcement, this form is to be used for taxable years beginning after 2000 for eligible entities to elect treatment as a TRS. The instructions to Form 8875 provide that the subsidiary and the REIT can make the election at any time during the taxable year. However, the effective date of the election depends on when the Form 8875 is filed. The instructions further provide that the effective date cannot be more than 2 months and 15 days prior to the date of filing the election, or more than 12 months after the date of filing the election. If no date is specified on the form, the election is effective on the date the form is filed with the Service.

Section 301.9100-1(c) provides that the Commissioner has discretion to 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) defines a regulatory election as an election whose due date is prescribed by regulations or by a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Section 301.9100-3(a) through (c)(1) sets forth rules that the Service generally will use to determine whether, under the particular facts and circumstances of each situation, the Commissioner will grant an extension of time for regulatory elections that do not meet the requirements of section 301.9100-2. Section 301.9100-3(a) provides that requests for relief subject to section 301.9100-3 will be granted when the taxpayer provides evidence (including affidavits described in section 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

Section 301.9100-3(b) provides that a taxpayer generally is deemed to have acted reasonably and in good faith if the taxpayer (i) requests relief under section 301.9100-3 before the failure to make the regulatory election is discovered by the Service; (ii) failed to make the election because of intervening events beyond the taxpayer's control; (iii) failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and the complexity of the return or issue), the taxpayer was unaware of the necessity for the election; (iv) reasonably relied on the written advice of the Service; or (v) reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make, or advise the taxpayer to make, the election. A taxpayer will be deemed to have not acted reasonably and in good faith, however, if the taxpayer (i) seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under section 6662 at the time the taxpayer requests relief and the new position requires or permits a regulatory election for which relief is requested; (ii) was informed in all material respects of the required election and related tax consequences, but chose not to file the election; or (iii) uses hindsight in requesting relief.

Section 301.9100-3(c)(1) provides that a reasonable extension of time to make a regulatory election will be granted only when the interests of the Government will not be prejudiced by the granting of relief. Section 301.9100-3(c)(1)(i) provides that the interests of the Government are prejudiced if granting relief would result in the taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money). Section 301.9100-3(c)(1)(ii) provides that the interests of the Government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made or any taxable years that would have been affected by the election had it been timely made are closed by the period of limitations on assessment under section 6501(a) before the taxpayer's receipt of a ruling granting relief under section 301.9100-3.

CONCLUSION

Based on the information submitted and the representations made, we conclude that Taxpayer and Subsidiary have satisfied the requirements for granting a reasonable extension of time to elect under section 856(l) to treat Subsidiary as a TRS of Taxpayer, effective Date 3. Accordingly, Taxpayer and Subsidiary have 90 calendar days from the date of this letter to make the intended election to treat Subsidiary as a TRS of Taxpayer, effective Date 3. Taxpayer should attach copies of the executed Forms 872 to the Form 8875 to which this ruling applies.

This ruling is limited to the timeliness of the filing of Form 8875. This ruling's application is limited to the facts, representations, Code sections, and regulation sections cited herein. Except as 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. No opinion is expressed as to whether Taxpayer otherwise qualifies as a REIT or whether Subsidiary otherwise qualifies as a TRS under subchapter M of chapter 1 of the Code. Additionally, no opinion is expressed as to any tax liability of Subsidiary.

The ruling contained in this letter is based upon information submitted and representations made by Taxpayer and Subsidiary and accompanied by penalties of perjury statements executed by the appropriate parties. 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.

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

In accordance with the terms of a power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Vanessa Mekpong
Assistant to the Branch Chief, Branch 1
Office of Associate Chief Counsel
(Financial Institutions & Products)

cc: