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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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, ID No.

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CC:CORP:BO3

PLR-121823-24

Date:

May 30, 2025

LEGEND

Distributing =

Controlled =

Business A =

Business B =

State A =

a =

b =

Date 1 =

Cash Adjustment Amounts =

Continuing Arrangements =

Distributing Historic Debt =

Distributing Qualified Debt =

Distributing Specified Term Loans =

Distributing Trade Payables =

Extended Term Loans =

Overlapping Director =

Permitted Share Repurchase =

Post-Distribution Payment =

Post-Distribution Reimbursement
Payment =

Dear :

This letter responds to your representatives' letters dated December 4, 2024, January 3, 2025, and February 6, 2025, on behalf of Distributing, as supplemented by subsequent information and documentation on May 14, 2025 and May 29, 2025, requesting rulings under sections 355, 361, and 368(a)(1)(D) of the Internal Revenue Code of 1986, as amended (the "**Code**"), Rev. Proc. 2017-52, 2017-41 I.R.B. 283, Rev. Proc. 2023-26, 2023-33 I.R.B. 486, Rev. Proc. 2024-24, 2024-21 I.R.B. 1214, and Guidance Regarding Certain Matters Relating to Nonrecognition of Gain or Loss in Corporate Separations, Incorporations, and Reorganizations, 90 Fed. Reg. 5220 (proposed Jan. 16, 2025) (to be codified at 26 C.F.R. pt. 1) (the "**Notice of Proposed Rulemaking**"), with respect to certain Federal income tax consequences of a series of transactions (the Proposed Transactions, as defined below). The material information provided in the request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2024-1, 2024-1 I.R.B. 1, Rev. Proc. 2017-52, Rev. Proc. 2024-24, and the Notice of Proposed Rulemaking. This office expresses no opinion as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This Office has made no determination regarding whether the Distribution (defined below) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b).

FACTS

Distributing is a publicly traded U.S. corporation, the parent of a worldwide group that includes both domestic and foreign entities (the “**Distributing Group**”), and the common parent of an affiliated group of corporations that join in filing a consolidated U.S. federal income tax return. The Distributing Group currently conducts, among other businesses, Business A and Business B.

Controlled is a newly formed State A corporation and a direct, wholly owned subsidiary of Distributing.

Prior to the commencement of the Proposed Transactions (defined below), Distributing will adopt a plan of reorganization that includes the Proposed Transactions (the “**Plan of Reorganization**”).

For purposes of satisfying the active trade or business requirements of section 355(b) with respect to the Distribution, Distributing and members of its “separate affiliated group” within the meaning of section 355(b)(3) will rely on Business A and Controlled and members of its separate affiliated group will rely on Business B. Distributing has submitted financial information in accordance with Rev. Proc. 2017-52 indicating that each of Business A and Business B have had gross income and employee wages representing the active conduct of a trade or business for each of the past five years. As of Date 1, the Distributing Group had outstanding a of Distributing Historic Debt.

PROPOSED TRANSACTIONS

For what are represented to be valid corporate business purposes, Distributing proposes to separate Business B from its other businesses through the following steps, one or more of which have been completed (the “**Proposed Transactions**”):

Step 1 Controlled borrows b from one or more unrelated third-party lenders, which amount, net of fees and expenses paid to such third-party lenders, will be distributed to Distributing in Step 2 or used by Controlled for working capital, to repay debt, or other purposes (the “**Controlled Borrowing**”). The Controlled Borrowing is expected to consist of term

loans, but may take other forms. Controlled also may enter into a revolving credit agreement to be drawn upon as needs arise.

Depending on market conditions, the Controlled Borrowing may occur prior to Step 2, pursuant to which the assets of and entities conducting the Controlled Business (defined below) are contributed to Controlled. In such case, the legal documentation for the Controlled Borrowing will include covenants, and/or conditions, enforceable by the debt holders, that Distributing will make such contribution. In these circumstances, Distributing may guarantee the Controlled Borrowing, which guarantee (if provided) will be terminated immediately prior to the Distribution.

Step 2 Distributing contributes the assets of, and entities conducting, Business B and certain other Distributing businesses to be conducted by Controlled (the “**Controlled Business**”), and any Cash Adjustment Amounts payable by Distributing to Controlled, to Controlled in exchange for (i) Controlled stock (actual or constructive), (ii) the assumption of liabilities associated with the Controlled Business, (iii) some or all of the cash borrowed in the Controlled Borrowing (the “**Controlled Cash Distribution**”), and (iv) any Cash Adjustment Amounts payable to Distributing by Controlled (collectively, the “**Contribution**”).

Pursuant to the Plan of Reorganization, Distributing will deposit the cash received in the Controlled Cash Distribution, and any Cash Adjustment Amounts payable to Distributing by Controlled, in a segregated account.

Step 3 Shortly in advance of the Distribution (defined below) and in connection with the Contribution, Distributing causes Controlled to issue additional Controlled stock through a recapitalization or other form of issuance such that the amount of Controlled stock outstanding immediately prior to the Distribution is sufficient to effect the Distribution.

Step 4 Distributing distributes 100 percent of the outstanding stock of Controlled pro rata to its shareholders (the “**Distribution**”).

No fractional shares of Controlled stock will be issued or distributed in connection with the Distribution. Fractional shares of Controlled stock that holders of Distributing stock would otherwise be entitled to receive will be aggregated into whole shares and sold in the public market by the distribution agent. The aggregate net proceeds of these sales will be distributed pro rata (based on the fractional shares holders otherwise would be entitled to receive) to those holders of Distributing stock that otherwise would have been entitled to receive fractional shares.

Step 5 After the Distribution, Distributing may refinance some or all of the Distributing Qualified Debt, excluding the Distributing Specified Term

Loans, in one or more qualifying direct issuance transactions as described by Prop. Reg. § 1.361-5(e)(4).

Step 6 During the 12-month period following the Contribution (the “**Boot Purge Period**”), Distributing uses an amount of cash equal to the Controlled Cash Distribution to (a) repay principal, interest, premium (if any, including any “make-whole” payment and any premium pursuant to a tender offer) and any associated fees on Distributing Qualified Debt ; and (b) repurchase its outstanding common stock pursuant to a Permitted Share Repurchase (the uses described in (a) and (b), the “**Controlled Cash Distribution Purge**,” and together with the Contribution and Distribution, the “**External Spin-Off**”). Distributing will use an amount of cash equal to the Controlled Cash Distribution to engage in the Controlled Cash Distribution Purge pursuant to the Plan of Reorganization.

In connection with the External Spin-Off, Distributing and Controlled (or their respective affiliates) will enter into the Continuing Arrangements and will have the Overlapping Director.

Following the External Spin-Off, Controlled may institute a share repurchase program, and Distributing expects to effect share repurchases pursuant to its existing repurchase authorizations or authorizations to be adopted in the future (together with any repurchases made with Section 361 Consideration, the “**Share Repurchases**”). Any Share Repurchases may be implemented through share repurchases in the open market, pursuant to an accelerated share repurchase (“**ASR**”) program, through one or more tender offers open to all shareholders of the issuing corporation, or a combination thereof. It is expected that, under an ASR program, the issuer (i.e., either Distributing or Controlled) would purchase a specified number or dollar amount of its shares from a third-party investment bank at a price per share that is determined over a specified calculation period (which often may be terminated early at the bank’s option) and may be subject to certain caps and/or floors. The issuer would pay for the shares upfront, and the bank would obtain shares that it delivers upfront by borrowing shares (e.g., from customers or mutual funds). Then the bank would buy shares, generally in the open market, over time to return the borrowed shares and to obtain any additional shares it owes to the issuer. There may be a true-up adjustment as between the issuer and the bank at maturity of the ASR program. By contrast, an open market program would allow the issuer to offer to repurchase shares directly in the market, allowing it to repurchase shares in smaller amounts over time without any up-front commitment of capital. Finally, under a self-tender offer, the issuer would generally stipulate both the amount of shares and the price at which it is willing to buy.

REPRESENTATIONS

Except as set forth below, Distributing makes all of the representations in Section 3 of the Appendix to Rev. Proc. 2017-52 in the form set forth therein. Unless otherwise defined, capitalized terms referenced in this section discussing the Rev. Proc. 2017-52 representations have the same meaning given in Rev. Proc. 2017-52.

1. Representations 1, 3(a), 5, 6, 9, 10, 11(a), 12, 13, 14, 15(a), 16, 22(a), 23, 26, 27, 28, 29, 30, 31(a), 33, 34, 36, 37, 38, 39, 41(a), 42, 43, 44, 45, and 46 are true and accurate.
2. Distributing did not make the following representations, which do not apply to the External Spin-Off: 7, 24, 25, and 40.
3. Distributing did not make the following representations, which have been replaced by representations in Rev. Proc. 2024-24: 2, 4, 17, 18, 19, 20, and 21.
4. Distributing made the modified representations listed below as follows:
 - a. **Representation 8(b):** Distributing may have securities outstanding, but it will not distribute Controlled stock, Controlled securities, or Other Property to any holder of such securities in the External Spin-Off, in satisfaction thereof, except in accordance with the Controlled Cash Distribution Purge or for any Post-Distribution Payments.
 - b. **Representation 32:** No intercorporate debt will exist between Distributing and Controlled at the time of, or subsequent to, the Distribution of Controlled stock, except for any debt arising under the Continuing Arrangements and/or ordinary course payables and receivables.
 - c. **Representation 35:** The payment of cash in lieu of fractional shares of Controlled is solely for the purpose of avoiding the expense and inconvenience of issuing fractional shares and does not represent separately bargained-for consideration. The fractional share interests of each Distributing shareholder will be aggregated and sold by the distribution agent in the market and no Distributing shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled (with the possible exception of shareholders who hold Controlled stock in multiple accounts or with multiple brokers).

Except as set forth below and as further discussed in Distributing's request for rulings, Distributing makes all of the representations in Section 3 of Rev. Proc. 2024-24 in the form set forth therein. Unless otherwise defined, capitalized terms referenced in this section discussing the Rev. Proc. 2024-24 representations have the same meaning given in Rev. Proc. 2024-24.

1. Representations 1(a), 7, 8, 9, 10, 11, 12, 13, 14, 15(a), 22, 24, 26, 32, 33, 34, 35, 36, and 37 are true and accurate.
2. Distributing did not make the following representations: 2, 3, 4, 5, 6, 16, 17, 18, 19, 20, and 29, which do not apply to the External Spin-Off.

Distributing makes the following representations, modified as follows:

1. **Representation 21:** Except for the Extended Term Loans and any indebtedness incurred after the Earliest Applicable Date described by Prop. Reg. § 1.361-5(c)(2)(ii) or (v), Distributing incurred each Distributing Qualified Debt that will be satisfied with Section 361 Consideration before the Earliest Applicable Date, and, except for the Distributing Trade Payables, Distributing incurred each Distributing Liability that will be Assumed by Controlled before the Earliest Applicable Date.
2. **Representation 23:** The total Amount of Distributing Debt that will be satisfied with Section 361 Consideration or Assumed by Controlled will not exceed the “maximum amount of distributing corporation debt” determined pursuant to Prop. Reg. § 1.361-5(d).
3. **Representation 25:** No money or Other Property that is transferred by Controlled to Distributing in pursuance of the Plan of Reorganization will be distributed by Distributing to its shareholders in pursuance of the Plan of Reorganization or transferred to its creditors in connection with the Divisive Reorganization on a date that is earlier than the Contribution.
4. **Representation 27:** With the exception of Post-Distribution Payments, all transfers of Section 361 Consideration by Distributing to Distributing’s creditors in satisfaction of Distributing Debt will be made no later than 12 months after the Contribution.
5. **Representation 28:** Distributing will use a segregated account to deposit any Post-Distribution Payment that Distributing receives from Controlled. Except with respect to any Cash Adjustment Amounts received by Distributing (which are addressed in Additional Representation 5), not later than 90 days after the date on which Distributing receives a Post-Distribution Payment from Controlled (or 12 months after the Contribution, whichever is later), Distributing will distribute that Post-Distribution Payment (including any interest earned on the segregated account) to its shareholders or transfer that Post-Distribution Payment to its creditors in payment of Distributing Qualified Debt.
6. **Representation 30:** With the exception of the Extended Term Loans, neither Distributing nor any Distributing Related Person (determined immediately after the Earliest Applicable Date), has replaced, directly or indirectly, any Amount of Distributing Debt that will be satisfied with Section 361 Consideration with borrowing that Distributing or any Distributing Related Person (determined

immediately after the Earliest Applicable Date) anticipated or was committed to, directly or indirectly, before the Earliest Applicable Date.

7. **Representation 31:** No payment by Controlled to satisfy a Distributing Liability (including a Distributing Contingent Liability) that Controlled assumes will be made, directly or indirectly, to Distributing or to a Distributing Related Person or made in any manner that results in Distributing or a Distributing Related Person having legal or practical dominion or control over any part of the payment, except with respect to a Post-Distribution Reimbursement Payment.

Distributing has made the following additional representations:

1. The Share Repurchases were or will be motivated by a corporate business purpose, were or will be made with respect to widely held shares, and were not or will not be motivated by a desire to increase or decrease the ownership percentage of any particular shareholder or group of shareholders.
2. At the time that a Share Repurchase was or will be consummated, the relevant issuing corporation did not or will not know the identity of any beneficial shareholder (i) from which the stock is repurchased in the open market; (ii) in the case of an ASR program, from which the third-party investment bank borrows such stock or purchases such stock to fulfill the bank's obligation to return borrowed shares; or (iii) that participates in a tender offer (except to the extent that the shareholder is the record holder of the tendered shares or provides an identifying tax-related form or statement to the issuer in connection with such participation).
3. Distributing intends to use the cash it receives in the Controlled Cash Distribution and as Cash Adjustment Amounts to execute the Controlled Cash Distribution Purge by engaging in the following transactions, listed in order of priority, and in each case, to the extent that Distributing has sufficient proceeds from the Controlled Cash Distribution or cash from the Cash Adjustment Amounts:
 - i. Fully repay outstanding amounts due and owing on the Distributing Specified Term Loans (including principal, interest, premium (if any, including any "make-whole" payment) and associated fees); provided, that the Distributing Specified Term Loans include, for this purpose, any extension thereof to the extent such extension does not constitute a "significant modification" of such term loan (within the meaning of Treas. Reg. § 1.1001-3);
 - ii. Repurchase Distributing stock from Distributing shareholders in an amount up to the amount authorized by the Special Share Repurchase Authorization (which amount may be zero (0)), which repurchases (if any) may occur at any time or times during the relevant purge period; and

- iii. Repay all or a portion of the Distributing Qualified Debt (other than the Extended Term Loans) (including principal, interest, premium (if any, including any “make-whole payment” and any premium pursuant to a tender offer) and associated fees), which payments may occur at any time or times during the relevant purge period.
4. Distributing may use the cash received in the Controlled Cash Distribution for the satisfaction of lower priority uses listed in Representation 3 at any point during the Boot Purge Period; provided, that, by the end of the Boot Purge Period, Distributing shall have satisfied the uses described in Representation 3.i above in full.
5. To the extent Distributing receives any Cash Adjustment Amounts, Distributing will deposit such Cash Adjustment Amounts in a segregated account and, by the later of (i) 90 days following receipt or (ii) 12 months following the Contribution, use such Cash Adjustment Amounts pursuant to the Controlled Cash Distribution Purge.

RULINGS

Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Proposed Transactions:

1. The Contribution, together with the Distribution, will be a reorganization within the meaning of sections 368(a)(1)(D) and 355. Distributing and Controlled will each be “a party to a reorganization” under section 368(b).
2. No gain or loss will be recognized by Distributing on the Contribution. Sections 357(a) and 361(a).
3. No gain or loss will be recognized by Controlled on the Contribution. Section 1032(a).
4. The basis in each asset received by Controlled from Distributing in the Contribution will equal the basis of that asset in the hands of Distributing immediately before the Contribution. Section 362(b).
5. The holding period in each asset received by Controlled from Distributing in the Contribution will include the period during which that asset was held by Distributing. Section 1223(2).
6. No gain or loss will be recognized by Distributing upon its distribution of the stock of Controlled in the Distribution. Section 361(c).
7. No gain or loss will be recognized by (and no amount otherwise will be included in the income of) the shareholders of Distributing upon the receipt of Controlled stock in the Distribution. Section 355(a)(1).

8. The Controlled Cash Distribution Purge (including with respect to the Controlled Cash Distribution and the Cash Adjustment Amounts received by Distributing) will be treated as being distributed pursuant to the External Spin-Off plan of reorganization. Sections 361(b)(1) and (b)(3).
9. The aggregate basis of the Distributing stock and the Controlled stock in the hands of Distributing's shareholders immediately after the Distribution (including any fractional share interest in the Controlled stock to which a shareholder may be entitled) will equal the aggregate basis of the Distributing stock held by such Distributing shareholder immediately before the Distribution, respectively, allocated between the Distributing stock and the Controlled stock in proportion to the fair market value of each. Section 358(b) and (c); and Treas. Reg. § 1.358-2.
10. The holding period of the Controlled stock received by each Distributing shareholder in the Distribution (including any fractional share interest in the Controlled stock to which shareholders may be entitled) will include the holding period of the Distributing stock with respect to which the distribution of Controlled stock will be made in the case of the Distribution, provided that the Distributing stock is held as a capital asset on the date of the Distribution. Section 1223(1).
11. Earnings and profits will be allocated between Distributing and Controlled in accordance with section 312(h), Treas. Reg. § 1.312-10(a), and Treas. Reg. § 1.1502-33(e).
12. The receipt by Distributing shareholders of cash in lieu of fractional shares, if any, of Controlled stock will be treated for U.S. federal income tax purposes as if the fractional shares had been distributed to the Distributing shareholders as part of the External Spin-Off and then had been disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss) recognized (determined using the basis allocated to the fractional shares in Ruling 9), if any, will be treated as capital gain (or loss) under section 1001, provided the stock was held as a capital asset by the selling shareholder. Such gain (or loss) will be short-term or long-term capital gain (or loss) determined using the holding period provided in Ruling 10.
13. For purposes of section 355(e), the sale of fractional shares of Controlled stock in connection with the Distribution will not be treated as an acquisition that is part of a plan (or series of related transactions) that includes the Distribution.
14. To the extent the Share Repurchases are treated as part of a plan (or series of related transactions) with the External Spin-Off for purposes of section 355(e), such Share Repurchases will be treated as being made from all public shareholders (defined as any shareholder who is not a "controlling shareholder" or "ten-percent shareholder" within the meaning of Treas. Reg. § 1.355-7(h)(3) and (14)) of Distributing or Controlled, as applicable, on a pro rata basis for purposes

of testing the effect of the Share Repurchases on the External Spin-Off under section 355(e) and Treas. Reg. § 1.355-7.

15. Any increase, directly or indirectly, in the percentage of either voting power or value of the stock of Distributing or Controlled (as applicable) owned by a shareholder by virtue of the Share Repurchases or acquisitions of the stock of Distributing or Controlled, if any, as part of a plan (or series of related transactions) with the Distribution will be taken into account for purposes of section 355(e) only after reducing such increase for any reduction in such percentage interest, directly or indirectly, resulting from the Share Repurchases and any disposition of stock in the applicable corporation by such shareholder or issuance of stock by Distributing or Controlled (as applicable), if any, as part of a plan (or series of related transactions) with the Distribution.
16. The effect of the Share Repurchases will be taken into account under section 355(e) and these rulings only to the extent such Share Repurchases are otherwise treated for purposes of section 355(e) as part of a plan (or series of related transactions) with the Distribution.
17. Following the External Spin-Off, Controlled will not be a successor of Distributing for purposes of section 1504(a)(3). Therefore, Controlled and its direct and indirect subsidiaries that are "includible corporations" under section 1504(b) and satisfy the ownership requirements of section 1504(a)(4) will be members of an affiliated group of corporations eligible to file a consolidated U.S. federal income tax return with Controlled as the common parent.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transactions under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transactions that is not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

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.

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

In accordance with the powers of attorney on file with this Office, a copy of this letter is being sent to your authorized representatives.

PLR-121823-24

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Sincerely,

John Lovelace
Senior Counsel, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: