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Internal Revenue Service

Department of the Treasury

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Person to Contact:

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LEGEND:

Taxpayer A =
Taxpayer B =

This letter is in response to your request for a supplemental ruling dated February 23, 1999. Taxpayers A and B previously received a private letter ruling, PLR-103344-98, which concluded that Taxpayers A and B may exclude income from gross income under section 115 of the Internal Revenue Code. Except as described below, the facts and analysis of PLR-103344-98 are incorporated by reference.

FACTS

In PLR-103344-98, Taxpayer A intended to modify its Articles of Incorporation to provide that upon dissolution any monies remaining after payment of all liabilities would be transferred to Taxpayer B. Because Taxpayer B is itself deemed to be eligible to exclude income from gross income under section 115, it was concluded that Taxpayer A also qualified to exclude income from gross income under section 115.

Taxpayer A now intends to change the dissolution clause in its Articles of Incorporation to provide that any monies remaining after dissolution will be distributed to the Participating States, integral parts or political subdivisions of the Participating States, Taxpayer B, or entities that themselves qualify to exclude income from gross income under section 115.

ANALYSIS

The issue to be examined is whether the income of Taxpayer A will continue to accrue to a state or political subdivision thereof after the proposed change. In this case, Taxpayer A has expanded the list of potential recipients to include the Participating States and their integral parts and political

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subdivisions as well as other entities that themselves qualify to exclude income from gross income under section 115. After the proposed change, Taxpayer A will continue to distribute funds only to entities whose income will accrue to a state or any political subdivision thereof.

CONCLUSION

Based upon the above analysis, we hold that the proposed change to Taxpayer A's Articles of Incorporation will not change the results of PLR-103344-98. Taxpayer A will continue to be eligible to exclude income from gross income under section 115.

The above holding is conditional pending amendment to the Articles of Incorporation and By Laws of Taxpayer A that upon dissolution of Taxpayer A, any remaining assets may only be distributed to the Participating States, integral parts or political subdivisions of the Participating States, Taxpayer B, or entities that themselves qualify to exclude income from gross income under section 115.

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.

A copy of this letter should be attached to the next income tax return filed for Taxpayer A.

Sincerely,

Assistant Chief Counsel
(Financial Institutions and
Products)

By: Alice M. Bennett
Alice M. Bennett
Chief, Branch 3

enclosures:

copy of this letter
section 6110 copy

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