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Internal Revenue Service

Department of the Treasury

Index Number: 336.01-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:1-PLR-115468-99
Date:
December 20, 1999

Taxpayer =

X =

State A =

Date 1 =

Date 2 =

Date 3 =

Dear :

We respond to your letter dated September 10, 1999, in which you requested rulings as to the federal income tax consequences of a completed transaction. Specifically, you requested rulings under sections 336 and 337 of the Internal Revenue Code. The information submitted for consideration is summarized below.

Taxpayer was incorporated on Date 2 as a for-profit, State A stock corporation. On Date 3, which was prior to January 29, 1999, Taxpayer amended and restated its Articles of Incorporation under the applicable section of the corporation law of State A to convert to not-for-profit status. Also on Date 3, Taxpayer filed Form 1023, Application for Recognition of Exemption under section 501(c)(3). Taxpayer has not yet received an Internal Revenue Service letter determining Taxpayer's tax-exempt status. Taxpayer employs the accrual method of accounting for both tax and financial reporting purposes.

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X is a State A not-for-profit institution formed on Date 1. X has qualified as a section 501(c)(3) tax-exempt organization for income tax purposes by being described in section 501(c)(3). X is the sole member of Taxpayer. Prior to Taxpayer's conversion from a for-profit corporation to a not-for-profit corporation, X owned all of the outstanding shares of Taxpayer since Date 2.

Taxpayer represents that the conversion of Taxpayer from for-profit to not-for-profit status through amendment of its articles and bylaws on Date 3 did not cause its dissolution under State A law.

Based solely on the facts and representations submitted, and provided that the tax-exempt status of Taxpayer under section 501(c)(3) becomes effective as of Date 3, the conversion of taxpayer from a taxable for-profit corporation to a tax-exempt not-for-profit corporation will not result in recognition of gain or loss under sections 336 and 337.

We express no opinion about the tax treatment of the transaction under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the above rulings. In particular, we express no opinion on whether Taxpayer is a tax-exempt organization under section 501(c)(3).

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code 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.

Sincerely,

Assistant Chief Counsel (Corporate)

By: _____
Mark S. Jennings
Acting Chief, Branch 1