

# Yahoo says IRS declined to rule on Alibaba spinoff

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A crucial deal for Yahoo has hit a snag, with the IRS declining to issue a private ruling that would have confirmed the Internet company can spin off its stake in China's Alibaba Group tax free.

But Yahoo said Tuesday the agency hasn't made a final decision on the deal's tax status.

It wasn't immediately clear how the IRS position would affect the spinoff plan, which has been a key element of CEO Marissa Mayer's efforts to satisfy anxious investors by sharing more returns from her company's investment in Alibaba.

Yahoo, which disclosed the IRS position in a regulatory filing, said it's still working on plans to spin off a separate company that will hold its stake in Alibaba, currently worth more than \$23 billion.

But the Sunnyvale, California-based Internet company also said its board will "carefully consider" its options for proceeding without the IRS ruling, which it had sought as part of the deal. It declined further comment beyond the filing Tuesday.

Mayer has said the plan is intended to give Yahoo shareholders an equivalent stake in the new spinoff company without any added tax liability.

While the IRS declined to make a ruling, Yahoo said the agency

indicated "it had not concluded that the proposed spin-off transaction was taxable and therefore was not ruling adversely on the request." Yahoo said its attorneys have advised that the agency's position doesn't change their opinion that the deal isn't taxable.

Shares in Yahoo Inc. fell about \$1.24, or 4 percent, to \$26.99 in after-hours trading after the regulatory filing was made public.

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