

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:Br.1 - PLR-101606-01

Date:

March 12, 2001

Legend:

X =

State =

D1 =

D2 =

This responds to your representative's letter dated November 29, 2000, submitted on behalf of X, requesting relief under section 1362(b)(5) of the Internal Revenue Code.

FACTS

X was incorporated under State law on D1. The shareholders of X intended that X elect to be treated as an S corporation effective D1. However, the election to be treated as an S corporation was not timely filed. X requests a ruling that it will be treated as an S corporation effective D2.

LAW AND ANALYSIS

Section 1362(a) provides that a small business corporation can elect to be treated as an S corporation.

Section 1362(b) provides when an S election becomes effective. If an S election is made within the first two and one-half months of a corporation's taxable year, then that corporation will be treated as an S corporation for the year in which the election was made. If an election is made after the first two and one-half months of a corporation's taxable year, then the corporation will generally not be treated as an S corporation until the following taxable year.

Section 1362(b)(5) provides that if no election is made pursuant to section 1362(a), or if the election is made after the date prescribed for making such an election,

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and the Secretary determines reasonable cause existed for the failure to timely make the election, then the Secretary can treat such an election as timely made for that taxable year and effective as of the first day of that taxable year.

X did not file an election to be treated as an S corporation under § 1362(a). X has, however, established reasonable cause for not making a timely S election and is entitled to relief under § 1362(b)(5).

CONCLUSION

Based solely on the facts submitted and representations made, and provided that X otherwise qualifies as a subchapter S corporation, we conclude that X will be recognized as an S corporation effective D2. An original Form 2553 along with a copy of this letter must be forwarded to the relevant Service Center within the earlier of 60 days from the date of this letter or the expiration of the statute of limitations for any affected income tax returns.

Except as expressly 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.

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.

Sincerely,
Matthew Lay
Assistant to the Branch Chief, Branch 1
Office of Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2):

Copy of this letter
Copy for section 6110 purposes