

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:PSI:3 PLR-126732-02
Date:
December 12, 2002

Legend

Company:

Shareholder:

State:

Date:

Dear _____ :

This letter responds to a letter dated May 10, 2002, from your authorized representative, as well as subsequent correspondence, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code regarding Company's late S corporation election.

FACTS

Company was incorporated under the laws of State on Date. Company's sole Shareholder intended Company to be an S corporation from inception; however, Form 2553 (Election by a Small Business Corporation) was not filed timely with the Internal Revenue Service. Company filed Form 1120 (U.S. Corporation Income Tax Return) for its first three tax years, and the Shareholder filed Form 990 (Return of Organization Exempt from Income Tax) for the same years.

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LAW AND ANALYSIS

Section 1362(b)(1) provides, in general, that an election by a small business corporation under § 1362(a) to be an S corporation may be made for any tax year (A) at any time during the preceding tax year, or (B) at any time during the tax year and on or before the 15th day of the 3d month of the tax year.

Section 1362(b)(3) provides that if (A) a small business corporation makes an election under § 1362(a) for any tax year, and (B) that election is made after the 15th day of the 3d month of the tax year and on or before the 15th day of the 3d month of the following tax year, then that election shall be treated as made for the following tax year.

Section 1362(b)(5) provides that if (A) an election under § 1362(a) is made for any tax year (determined without regard to § 1362(b)(3)) after the date prescribed by this subsection for making the election for that tax year or no such election is made for any tax year, and (B) the Secretary determines that there was reasonable cause for the failure to timely make the election, the Secretary may treat such election as timely made for that tax year (and § 1362(b)(3) shall not apply).

Based on the facts submitted and representations made, we conclude that there was reasonable cause for Company's failure to make a timely S corporation election. Therefore, Company's late election under § 1362(a) is to be treated under § 1362(b)(5) as filed timely for its tax year beginning Date. However, this ruling is contingent on Company filing Form 2553, to be effective on Date, with the appropriate service center no later than 60 days from the date of this letter (a copy of this letter should be attached). In addition, this ruling is contingent on Company and Shareholder filing amended returns for the relevant tax years no later than 60 days from the date of this letter.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. Specifically, we express or imply no opinion on whether Company otherwise is eligible to be an S corporation.

Under a power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

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This ruling is directed only to the taxpayer who requested it. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

Sincerely,

/s/

CHRISTINE ELLISON
Chief, Branch 3
Office of Associate Chief Counsel
(Passthroughs and Special Industries)

enclosure: copy of this letter
copy for § 6110 purposes