

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-141530-02
Date:
January 27, 2003

Legend

Parent =

Subsidiary =

Foreign Country =

Date 1 =

Date 2 =

Date 3 =

Dear :

This letter responds to a letter dated July 29, 2002, and subsequent correspondence, presented on behalf of Subsidiary, requesting a ruling under § 301.9100-3(a) of the Procedure and Administration Regulations to file an election for Subsidiary to be treated as a disregarded entity for federal tax purposes.

Facts

According to the information submitted, Parent wholly owns Subsidiary. Subsidiary was incorporated in Foreign Country on Date1.

On Date 2, Parent and Subsidiary were involved in a reorganization. An integral part of the reorganization was to elect to change Subsidiary's federal tax classification from that of a corporation to that of a disregarded entity, resulting in a deemed

liquidation of Subsidiary.

About Date 3, a date more than 75 days after Subsidiary was formed, during the preparation of paperwork required by the laws of Foreign Country, it was discovered that a Form 8832, Entity Classification Election, inadvertently had not been filed.

Law and Application

Section 301.7701-2(a) generally provides that a business entity is any entity recognized for federal tax purposes that is not properly classified as a trust under § 301.7701-4 or otherwise subject to special treatment under the Internal Revenue Code.

Section 301.7701-3(a) provides that a business entity with only one owner is classified as a corporation or is disregarded. If it is disregarded, then the entity's activities are treated in the same manner as a sole proprietorship, branch, or division of the owner.

Section 301.7701-3(a) provides that so long as a business entity is not classified as a corporation under § 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8), it has an opportunity to elect its classification for federal tax purposes. Generally, § 301.7701-3(b)(2)(i)(B) provides that unless a foreign eligible entity elects otherwise, for federal tax purposes it is an association if all of its members have limited liability.

Subsidiary is a business entity that is eligible to elect its classification for federal tax purposes pursuant to § 301.7701-3(a). Subsidiary is a foreign eligible entity with Parent as its single owner. Parent, pursuant to § 301.7701-3(b)(2)(ii) is considered to have limited liability. Therefore, unless a timely election otherwise has been filed or an exception is created, Subsidiary is treated as an association for federal tax purposes.

Section 301.7701-3(c)(1)(i) provides, in part, that an eligible entity may elect to be classified other than as provided under § 301.7701-3(b) by filing Form 8832, Entity Classification Election, with the service center designated on the form.

Section 301.7701-3(c)(1)(iii) provides, in part, that an election made under § 301.7701-3(c)(1)(i) will be effective on the date specified by the entity on Form 8832 or on the date filed if no such date is specified on the election form. The effective date specified on Form 8832 cannot be more than 75 days prior to the date on which the election is filed and can not be more than 12 months after the date on which the election is filed.

Section 301.9100-1(c) permits the Commissioner to grant a reasonable extension of time for making certain elections. Section 301.9100-3 provides that an

extension of time to file certain elections will be granted if the taxpayer is able to establish that it acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

Conclusion

Based solely on the facts and representations submitted, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. Accordingly, Parent is granted an extension of time of 60 days from the date of this letter to file, on behalf of Subsidiary, Form 8832, effective on Date 2, with the appropriate service center. A copy of this letter should be attached to the election. A copy is enclosed for this purpose.

Except for the specific ruling above, no opinion is expressed or implied concerning the federal income tax consequences of the facts of this case under any other provision of the Internal Revenue Code.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, we are sending a copy of this letter to Subsidiary's authorized representative.

Sincerely,

/s/

Heather C. Maloy
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)

Copy of this letter
Copy for § 6110 purposes

cc: