



Taxpayer began working for Company A in Country Y on Date 1. In a letter dated Date 2 to the Taxpayer, Company A stated that “[t]he U.S. taxes which you are required to pay while in [Country A] will be deducted through the normal payroll process.” Taxpayer represents that based on this statement, she believed Company A would be doing all that was necessary with regards to her U.S. taxes. Further, Taxpayer’s Forms W-2 for the years at issue were sent by Company A to her mother’s address. As a result, Taxpayer did not file a federal income tax return or pay tax for her and tax years. Taxpayer returned to the United States in

In November Taxpayer received a notice from the IRS for her failure to file her federal income tax return. Taxpayer represents that, immediately thereafter, she hired CPA 1 to handle her tax return and that, in April she discovered that CPA 1 had done nothing. She then hired CPA 2 who prepared her income tax return and Form 2555 for and

According to Taxpayer’s income tax return prepared by CPA 2, her employer did not withhold any federal income tax for that year.

Section 911(a) of the Code allows qualified citizens and residents of the United States living abroad to elect to exclude from gross income the foreign earned income and housing cost amounts of such individuals. Treas. Reg. § 1.911-7(a) sets forth the procedural rules for making a valid section 911 election. The election must be made on Form 2555 or on a comparable form, and must be filed with the income tax return or with an amended return. With respect to the timing of the election, Treas. Reg. § 1.911-7(a)(2)(i) provides that a valid section 911 election must be made:

- (A) With an income tax return that is timely filed (including any extensions of time to file);
- (B) With a later return filed within the period prescribed in section 6511(a) amending a timely filed income tax return;
- (C) With an original return filed within one year after the due date of the return (determined without regard to any extension of time to file); or
- (D) With an income tax return filed after the period described in paragraphs (a)(2)(i)(A), (B), or (C) of this section provided -

(1) The taxpayer owes no federal income tax after taking into account the exclusion and files Form 1040 with Form 2555 or a comparable form attached either before or after the Internal Revenue Service discovers that the taxpayer failed to elect the exclusion; or

(2) The taxpayer owes federal income tax after taking into account the exclusion and files Form 1040 with Form 2555 or a comparable form attached before the Internal Revenue Service discovers that the taxpayer failed to elect the exclusion.

Treas. Reg. § 301.9100-1(c) provides that the Commissioner has discretion to grant a taxpayer a reasonable extension of time, under the rules set forth in Treas. Reg. § 301.9100-3, to make a regulatory election under all subtitles of the Code, except subtitles E, G, H, and I.

Treas. Reg. § 301.9100-1(b) provides that an election includes an application for relief in respect of tax, and defines a regulatory election as an election whose due date is prescribed by a regulation, a revenue ruling, revenue procedure, notice, or announcement.

Treas. Reg. § 301.9100-3(a) provides that requests for relief will be granted when the taxpayer provides the evidence (including affidavits described in Treas. Reg. § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

Treas. Reg. § 301.9100-3(b) (1) provides that, except as provided in paragraph (b)(3)(i) through (iii), a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer:

- i. requests relief under this section before the failure to make the regulatory election is discovered by the Internal Revenue Service;
- ii. failed to make the election because of intervening events beyond the taxpayer's control;
- iii. failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and the complexity of the return or issue), the taxpayer was unaware of the necessity for the election;
- iv. reasonably relied on the written advice of the IRS; or
- v. reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make, or advise the taxpayer to make, the election.

In this case, Treas. Reg. § 1.911-7(a) fixes the time to make the election under section 911. Therefore, the Commissioner has discretionary authority under Treas.

Reg. § 301.9100-1(c) to grant Taxpayer an extension of time provided, that Taxpayer satisfies the standards set forth under Treas. Reg. § 301.9100-3(a).

Based on the facts and circumstances of this case, we conclude that Taxpayer satisfies Treas. Reg. § 301.9100-3(a). Accordingly, Taxpayer is granted an extension of time until 60 days from the date of this ruling letter to elect the foreign earned income exclusion for tax year        and

The Taxpayer should attach a copy of this letter ruling to her federal income tax return for the relevant year.

This ruling is directed only to the taxpayer who requested it. I.R.C. section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file in this office, a copy of this ruling letter is being furnished to Taxpayer.

Sincerely,

Valerie Mark Lippe  
Senior Technical Reviewer, Branch 2  
Office of the Associate Chief Counsel  
(International)