

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:2 - PLR-112409-00

Date:

August 25, 2000

X =

A =

D1 =

D2 =

Year 1 =

Year 2 =

Dear :

This letter responds to a letter, dated May 25, 2000, and subsequent correspondence, submitted on behalf of X by its authorized representative, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on D1 in Year 1. A, as the president of X, represents that X was intended to be an S corporation beginning Year 1, its first taxable year. The Minutes of a Special Meeting of the Directors of X evidence this intent. A mistakenly thought that A had requested an outside party to file a Form 2553, Election by a Small Business Corporation, for X. Therefore, no Form 2553 was filed with the Internal Revenue Service for X. For Year 1 X filed a Form 1120S, U.S. Income Tax Return for an S Corporation, and X's shareholders filed their individual tax returns consistent with X being an S corporation.

On D2 of Year 2, X became wholly owned by a C corporation and thus ineligible to be an S corporation.

Section 1362(b)(5) of the Code provides that if -- (A) an election under § 1362(a) is made for any taxable year after the date prescribed by § 1362(b) for making such election for such taxable year or no such election is made for any taxable year, and (B) the Secretary determines that there was reasonable cause for the failure to timely make such election, the Secretary may treat such an election as timely made for such taxable year.

Based solely on the facts and the representations submitted, we conclude that X has established reasonable cause for failing to make a timely election to be an S corporation for X's Year 1 taxable year. Accordingly, provided that X makes an election to be an S corporation by filing a completed Form 2553 with the appropriate service center effective for its Year 1 taxable year, within 60 days following the date of this letter, then such election will be treated as timely made for X's Year 1 taxable year. A copy of this letter should be attached to the Form 2553.

Except as specifically set forth above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision of the Code, including whether X was or is a small business corporation under § 1361(b) of the 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.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to X's authorized representatives.

Sincerely yours,  
H. GRACE KIM  
Assistant to the Chief, Branch 2  
Office of the Associate Chief Counsel  
(Passthroughs and Special Industries)

Enclosures: 2  
Copy of this letter  
Copy for § 6110 purposes