

Internal Revenue Service

Department of the Treasury

Index Number: 1362.00-00

Washington, DC 20224

Number: **199909019**
Release Date: 3/5/1999

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:P&SI:1 PLR-115566-98
Date:
November 30, 1998

Legend

X =

H =
W =

State =

D1 =

This responds to your letter dated July 10, 1998, written on behalf of X, requesting a ruling that X's S corporation status will be effective as of D1.

FACTS

H and W incorporated X under State law, intending that X be treated as an S corporation for federal tax purposes as of D1. H and W relied upon X's accountant to file the appropriate documents. X filed a Form 1120S for its first tax year. However, no election to be treated as an S corporation was timely filed.

LAW AND ANALYSIS

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

Section 1362(b) provides the rule on when an S election will be 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

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election is made. If an S election is made after the first two and one-half months of a corporation's taxable year, then that corporation will not be treated as an S corporation until the taxable year after the year in which the S election is made.

Section 1362(b)(5) provides that if: (1) no § 1362(a) election is made for any taxable year, and (2) the Secretary determines that there was reasonable cause for the failure to timely make such election, then the Secretary may treat such an election as timely made for such taxable year and effective as of the first day of its tax year.

X's S corporation election was not filed timely for the election to be effective as of its tax year beginning on D1. Nevertheless, X has established reasonable cause for not making a timely election and is entitled to relief under § 1362(b)(5).

CONCLUSION

Based solely on the facts submitted and representations made and assuming that X otherwise qualifies as a subchapter S corporation as of D1, and X's shareholders make any adjustments to their personal federal income tax returns necessary to comply with this ruling, we conclude that X will be recognized as an S corporation effective for the period beginning on D1. Please file a completed Form 2553 (with a copy of this ruling attached) reflecting X's election of subchapter S corporation status as of D1 with the applicable service center within 60 days of the date of this letter.

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. Specifically, no opinion is expressed concerning whether X otherwise satisfies the S corporation eligibility requirements.

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

Sincerely,

Signed/David R. Haglund
David R. Haglund
Senior Technician Reviewer, Branch 1
Office of the Assistant Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)

Copy of this letter

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