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Instructions for Form 8869 (12/2020)

Qualified Subchapter S Subsidiary Election

Section references are to the Internal Revenue Code unless otherwise noted.

Revised: 12/2020

Instructions for Form 8869 - Introductory Material

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 8869 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8869](https://www.irs.gov/Form8869).

General Instructions

Purpose of Form

A parent S corporation uses Form 8869 to elect to treat one or more of its eligible subsidiaries as a qualified subchapter S subsidiary (QSub).

The QSub election results in a deemed liquidation of the subsidiary into the parent. Following the deemed liquidation, for federal tax purposes, the QSub is not treated as a separate corporation and all of the subsidiary's assets, liabilities, and items of income, deduction, and credit are treated as those of the parent.

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Because the liquidation is a deemed liquidation, do not file Form 966, Corporate Dissolution or Liquidation. However, a final return for the subsidiary may have to be filed if it was a separate corporation prior to the date of the deemed liquidation. No final return is required if this election is being made pursuant to a reorganization under section 368(a)(1)(F) and Rev. Rul. 2008-18. See Rev. Rul. 2008-18, 2008-13 I.R.B. 674, available at [IRS.gov/irb/2008-13_IRB#RR-2008-18](https://www.irs.gov/irb/2008-13_IRB#RR-2008-18), for details.

Eligible Subsidiary

An eligible subsidiary is a domestic corporation whose stock is owned 100% by an S corporation and is not one of the following ineligible corporations.

- A bank or thrift institution that uses the reserve method of accounting for bad debts under section 585.
- An insurance company subject to tax under subchapter L of the Internal Revenue Code.
- A domestic international sales corporation (DISC) or former DISC.

See sections 1361(b)(3), 1362(f), and their related regulations for additional information.

When To Make the Election

The parent S corporation can make the QSub election for an eligible corporation at any time during the tax year. However, the requested effective date of the QSub election generally cannot be more than:

- 12 months after the date the election is filed, or
- 2 months and 15 days before the date the election is filed.

An election filed more than 12 months before the requested effective date will be made effective 12 months after the date it is filed. An election filed more than 2 months and 15 days after the requested effective date generally is late and will be made effective 2 months and 15 days before the date it is filed. However, an election filed more than 2 months and 15 days after the requested effective date will be accepted as timely filed if the corporation can show that the failure to file on time was due to reasonable cause.

To request relief for a late election, the corporation must generally request a private letter ruling and pay a user fee in accordance with Rev. Proc. 2021-1, 2021-1 I.R.B. 1 (or its successor). However, relief from the ruling and user fee requirements is

available. See Rev. Proc. 2013-30, 2013-36 I.R.B. 173, for details.

Even if a QSub election is made 12 months before or 2 months and 15 days after the effective date, a QSub election will be ineffective if made for a corporation that was formerly eligible, but is ineligible at the time the election is made. See Regulations section 1.1361-3(a)(1).

Where To File

File Form 8869 with the service center where the subsidiary filed its most recent return. However, if the parent S corporation forms a subsidiary, and makes a valid election effective upon formation, submit Form 8869 to the service center where the parent S corporation filed its most recent return.

Acceptance of Election

The service center will notify the corporation if the QSub election is (a) accepted, and when it will take effect, or (b) not accepted. The corporation may also receive an administrative letter confirming the receipt of Form 8869.

The corporation should generally receive a determination on its election within 60 days after it has filed Form 8869. However, if the corporation is not notified of acceptance or nonacceptance of its election within 2 months of the date of filing (date mailed), take follow-up action by calling 800-829-4933.

If the IRS questions whether Form 8869 was filed, an acceptable proof of filing is (a) a certified or registered mail receipt (timely postmarked) from the U.S. Postal Service, or its equivalent from a designated private delivery service (go to [IRS.gov/PDS](https://www.irs.gov/PDS) for the current list of designated services); (b) a Form 8869 with an accepted stamp; (c) a Form 8869 with a stamped IRS received date; or (d) an IRS letter stating that Form 8869 has been accepted.

End of Election

Once the QSub election is made, it remains in effect until it is terminated. If the election is terminated, IRS consent generally is required for another QSub election with regard to the former QSub (or its successor) for any tax year before the fifth tax year after the first tax year in which the termination took effect. See Regulations section 1.1361-5 for details.

Specific Instructions

Address

Include the suite, room, or other unit number after the street address. If the post office does not deliver to the street address and the corporation has a P.O. box, show the box number instead.

If the subsidiary has the same address as the parent S corporation, enter "Same as parent" in Part II.

Additional Subsidiaries

If the QSub election is being made for more than one subsidiary, attach a separate sheet for each subsidiary. Use the same size, format, and line numbers as in Part II of the printed form. Put the parent corporation's name and employer identification number at the top of each sheet.

If the QSub elections are being made effective on the same date for a tiered group of subsidiaries, the parent S corporation may specify the order of the deemed liquidations on an attachment. If no order is specified, the deemed liquidations will be treated as occurring first for the lowest tier subsidiary and proceeding successively upward. See Regulations section 1.1361-4(b)(2).

A QSub election for a tiered group of subsidiaries may, in certain circumstances, result in the recognition of income. A primary example is excess loss accounts (see Regulations section 1.1502-19).

Reorganizations

Line 14. This box should be checked "Yes" if this election is being made pursuant to a reorganization under section 368(a)(1)(F) and Rev. Rul. 2008-18. This occurs when a newly formed parent holding company holds the stock of the subsidiary that was an S corporation immediately before the transaction and the transaction otherwise qualifies as a reorganization under section 368(a)(1)(F). No Form 2553, Election by a Small Business Corporation, is required to be filed by the parent. See Rev. Rul. 2008-18 for details.

Employer Identification Number (EIN)

A QSub may not be required to have an EIN for federal tax purposes. If the QSub does not have an EIN, enter "N/A" on line 8.

However, if the QSub has previously filed a return, separately or as part of a consolidated return, and used an EIN, enter that EIN on line 8 and (if applicable) the EIN of its common parent on line 16b. If this election is being made pursuant to a reorganization under section 368(a)(1)(F) and Rev. Rul. 2008-18, the old S corporation for which this QSub election is being made will retain its EIN. The newly formed parent must get a new EIN. See Rev. Rul. 2008-18 for details.

Failure to enter the subsidiary's EIN may result in the service center sending a notice of delinquent filing to the QSub.

If the QSub wants its own EIN, but does not have one, apply for an EIN in the following ways.

- Online—Go to [IRS.gov/EIN](https://irs.gov/EIN). The EIN is issued immediately once the application information is validated.
- By faxing or mailing Form SS-4, Application for Employer Identification Number.

If the QSub has not received its EIN by the time the election is made, write "Applied For" on line 8. See the Instructions for Form SS-4 for details.

Effective Date of Election

Form 8869 must generally be filed no earlier than 12 months before or no later than 2 months and 15 days after the effective date requested on line 11. For details and exceptions, see When To Make the Election, earlier.

A parent S corporation that forms a new subsidiary and wants the election effective upon formation should enter the formation date. A parent corporation that wants to make the election for an existing subsidiary should enter the requested effective date. For details about the effect of a QSub election, see Regulations section 1.1361-4.

Signature

Form 8869 must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign the parent's S corporation return.

Instructions for Form 8869 - Notices

Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments from [IRS.gov/FormComments](https://www.irs.gov/FormComments). Or you can write to the Internal Revenue Service, Tax Forms and Publications Division, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Don't send the form to this office.

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