

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-111925-01

Date:

August 7, 2001

Company:

Shareholders:

Corp:

State:

a:

b:

c:

Address:

Dear

This letter responds to a letter dated February 21, 2001, from your authorized representative, as well as subsequent correspondence, requesting an extension of time for Company to elect under § 1361(b)(3)(B) of the Internal Revenue Code to treat Corp as a qualified subchapter S subsidiary (QSub).

According to the information submitted, Company was incorporated on a under the laws of State. It elected under § 1362(a) to be treated as an S corporation. Corp was incorporated on b, also under the laws of State. The Shareholders intended Corp to be treated as a QSub as of its incorporation date, but the QSub election had an incorrect effective date and was not filed timely.

Section 1361(b)(3)(B) provides that, for purposes of § 1361(b)(3) [Treatment of Certain Wholly Owned Subsidiaries], the term "qualified subchapter S subsidiary" means any domestic corporation which is not an ineligible corporation (as defined in § 1361(b)(2)), if—

- (i) 100 percent of the stock of such corporation is held by the S corporation, and
- (ii) the S corporation elects to treat such corporation as a QSub.

Under § 301.9100-1(c) of the Procedure and Administration Regulations, the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Code, except subtitles E, G, H, and I.

PLR-111925-01

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a).

Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of § 301.9100-2.

Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government. Section 301.9100-3(a).

Based on the facts submitted and the representations made, Company has established that the requirements of §§ 301.9100-1 and 301.9100-3 are satisfied. Consequently, Company is granted an extension of 60 days from the date of this letter for electing under § 1361(b)(3)(B) to treat Corp as a QSub. Within the extension period, Company must file the election with the Chief, Planning and Special Programs, Area 11, at Address for association with Company's return for c. A copy of this letter should be attached to the election statement.

The ruling request indicates that the Forms 1120S filed by Company and Corp for f reflect inaccurate ownership information. These returns must be amended accordingly.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. Section 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election.

In accordance with the power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

This ruling is directed only to the taxpayer on whose behalf it was requested. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

Sincerely,
PAUL F. KUGLER
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures: Copy of this letter
Copy for § 6110 purposes