

**Internal Revenue Service**

Department of the Treasury

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Person to Contact:

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Telephone Number:

Refer Reply To:

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Date:

November 16, 1999

X =

A =

B =

D1 =

Year 1 =

Dear :

This letter responds to a letter dated June 28, 1999, 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 of Year 1. A and B, the sole shareholders of X, represent that they intended that X elect to be an S corporation beginning Year 1, its first taxable year. X's Form SS-4, Application for Employer Identification Number, and X's Consent of Directors to Action Without a Formal Organizational Meeting indicate that X intended to be an S corporation. A, as X's president, represents that X relied on its advisors to file an S corporation election for X. However, the attorneys and the accountants each thought that the other group would prepare and file a Form 2553, Election by a Small Business Corporation, on behalf of X. Due to the confusion, a Form 2553 was not filed timely for X for Year 1. For Year 1, X filed Form 1120S, U.S. Income Tax Return for an S Corporation, for X. A and B filed Form 1040, U.S. Individual Income Tax Return, consistent with X being 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) 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 first 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 who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to X's authorized representative.

Sincerely yours,

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

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