

INTERNAL REVENUE SERVICE

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November 8, 1999

X =

A =

Date 1 =

Year 1 =

Dear

This is in reply to your letter dated July 7, 1999, submitted on behalf of X as X's authorized representative, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on Date 1 of Year 1. A, as X's president, represents that it was the intent of X's shareholders that X elect to be an S corporation effective for Year 1, X's first taxable year, as evidenced by a resolution of X's Board of Directors. X's attorney prepared a Form 2553, Election by a Small Business Corporation, and X and its shareholders signed it timely, but the form was not timely filed for that year by X because the attorneys that X relied on to handle the S election inadvertently failed to file it. X filed a Form 1120S, U.S. Income Tax Return for an S corporation, for Year 1, and X's shareholders filed their individual return consistent with X's having made a timely S election for Year 1.

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 first taxable year. Accordingly, provided 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 the power of attorney on file with this office, a copy of this letter is being sent to X.

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
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