

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

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Date:

March 15, 1999

LEGEND

Company =

Shareholder =

D1 =

This letter responds to your letter dated October 2, 1998 submitted on behalf of Company, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code that Company's S corporation status will be effective beginning D1.

FACTS

According to the information submitted, Shareholder incorporated Company on D1 with the intention that Company would be an S corporation from its inception. Company's Form 2553, Election by a Small Business Corporation, however, was not timely filed.

Company requests a ruling that it will be recognized as an S corporation effective D1 under § 1362(b)(5).

LAW

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 the corporation will be treated as an S corporation beginning the year in which the

election is made. If an S election is made after the first two and one-half months of a corporation's taxable year, then the 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) an election under § 1362(a) is made for any taxable year after the date prescribed by § 1362, or no election is made under § 1362(a) 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 the election as timely made for such taxable year.

CONCLUSIONS

After applying the relevant law to the facts submitted and representations made, we conclude that Company has established reasonable cause for not making a timely election and is eligible for relief under § 1362(b)(5). Accordingly, if Company elects to be an S corporation by filing within 60 days following the date of this letter a completed Form 2553 with the appropriate service center containing an effective date of D1 for the election, then such election will be treated as timely made. A copy of this letter should be attached to the Form 2553 filed with the service center. A copy is enclosed for that purpose.

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 Company is an S corporation for federal tax purposes.

Pursuant to a power of attorney on file in this office, the original of this letter is being sent to you and a copy will be sent to Company.

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 yours,

/s/Donna M. Young

Donna M. Young
Senior Technician Reviewer, Branch 3
Office of the Assistant Chief
Counsel
(Passthroughs and Special
Industries)