

**Internal Revenue Service**

Department of the Treasury

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Person to Contact:

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Telephone Number:

Refer Reply To:

CC:DOM:P&SI:2 - PLR-119316-98

Date:

January 20, 1999

X =

A =

B =

C =

D =

D1 =

Year 1 =

Dear :

This letter responds to your letter dated August 31, 1998 and subsequent correspondence submitted by you as authorized representative of X on behalf of X, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on D1. A, B, and C were at that time the sole shareholders and officers of X. A has since died, with D inheriting all of A's interest in X, and acting as the executor of A's estate. C, X's president, represents that the shareholders of X intended X to be an S corporation and that a Form 2553, Election by a Small Business Corporation, was prepared and timely filed effective for X's Year 1 taxable year. However, neither X nor the Internal Revenue Service have any written evidence of the Form 2553 having been filed. For all taxable years, X and its shareholders have filed Form 1120S, U.S. Income Tax Return for an S Corporation,

and 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) 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 Year 1 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 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, copies of this letter are being sent to X and to X's other authorized representative.

Sincerely yours,

J. THOMAS HINES  
Senior Technician Reviewer  
Office of the Assistant  
Chief Counsel  
(Passthroughs and  
Special Industries)

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