

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-113139-00

Date:

March 29, 2001

LEGEND:

<u>X</u>	=
<u>A</u>	=
<u>D1</u>	=
<u>Year1</u>	=
<u>Year2</u>	=
<u>Year3</u>	=

Dear

This letter responds to your letter dated June 21, 2000, and subsequent correspondence written on behalf of X, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code that X's S corporation election will be effective as of the taxable year beginning D1.

FACTS

According to the information submitted, X was incorporated on D1 and A, X's sole shareholder, decided that X would be an S corporation. The Form 2553, Election by a Small Business Corporation, however, was not timely filed.

For Year1, Year2 and Year3, A reported income and losses from X on A's federal income tax return. X and A agree to amend their tax returns consistent with the treatment of X as an S corporation for X's Year1, Year2 and Year3 taxable years.

X requests a ruling that it will be recognized as an S corporation effective for the taxable year beginning D1 under § 1362(b)(5).

LAW AND ANALYSIS

Section 1362(a) provides that a small business corporation may elect to be an S corporation.

Section 1362(b) provides 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 that 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 that 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 for making the election or no § 1362(a) election is made for any taxable year, and (2) the Secretary determines that there was reasonable cause for the failure to timely make the election, then the Secretary may treat the election as timely made for such taxable year.

CONCLUSIONS

After applying the law to the facts submitted and the representations made, we conclude that X has established reasonable cause for not making a timely election and is eligible for relief under § 1362(b)(5). Accordingly, if X makes an election to be an S corporation by filing with the appropriate Service Center a completed Form 2553, containing an effective date of D1 for the election, within 60 days following the date of this letter, 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. This ruling is conditioned on X filing Form 1120S, U.S. Income Tax for an S corporation, for Year1, Year2, and Year3, and A filing amended returns for Year1, Year2, and Year3 consistent with the treatment of X as an S corporation effective for the taxable year beginning D1. A copy of this letter should be attached to each return.

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 X is an S corporation for federal tax purposes.

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.

Under the power of attorney on file with this office, we are sending a copy of this letter to X.

Sincerely yours,
Mary Beth Collins
Assistant to the Chief, Branch 3
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes