Form **2553**
(Rev. Oct. 1968)
U.S. Treasury Department
Internal Revenue Service

Election by Small Business Corporation

(As to taxable status under subchapter S of the Internal Revenue Code)

NOTE.—This election under section 1372(a) (with the consent of all your stockholders) to be treated as a "small business corporation" for income tax purposes may be made only if the corporation is a domestic corporation which meets all five of the requirements stated in instruction A on the reverse.

Name of corporation	**Employer identification number**	Principal business activity (see instr. E)
Number and street		Election is to be effective for the taxable year beginning (Mo., day, year)
City or town, State and ZIP code		Number of shares issued and outstanding
Is the corporation the outgrowth or continuation of any form of predecessor? ☐ Yes ☐ No. If "Yes," state name of predecessor, type of organization, and period during which it was in existence.		Date and place of incorporation

If this election is effective for the first taxable year the corporation is in existence, submit the following information:

Date corporation first had shareholders	Date corporation first had assets	Date corporation began doing business	Annual return will be filed for taxable year ending (Month)

Name and address (including ZIP code) of each shareholder	Stock	Social Security	Internal Revenue office where
[redacted]			

3	8
4	9
5	10

PURPOSE

The purpose of this election is to permit the undistributed taxable income of a "small business corporation" to be taxed to the shareholders rather than the corporation. The term "undistributed taxable income" means taxable income (as computed under section 1373(d) of the Internal Revenue Code) minus the sum of (1) the tax imposed by section 1378(a) (relating to the tax on certain capital gains) and (2) the amount of money distributed as dividends out of earnings and profits of the taxable year.

INSTRUCTIONS

A. Corporations eligible to elect.—The election may be made only if the corporation is a domestic corporation which meets all five of the following requirements:

(1) It has no more than 10 shareholders; however, if stock is held by a husband and wife as joint tenants, tenants by the entirety, or tenants in common, or is community property (or the income from which is community income), it shall be treated as owned by one shareholder.

(2) It has only individuals or estates as shareholders.

(3) It has no shareholder who is a nonresident alien.

(4) It has only one class of stock.

(5) It is not a member of an affiliated group of corporations (as defined in section 1504 of the Code); however, a corporation shall not be considered a member of an affiliated group during any taxable year by reason of stock owned in another corporation if such other corporation has not begun business before the close of the taxable year and does not have taxable income for the period included in such taxable year.

B. Valid election.—This election shall be valid only if all persons who are shareholders of the corporation on the first day of the corporation's taxable year or on the day of election, whichever is later, consent to such election.

C. Time of making election.—This form must be completed and filed for any taxable year during (a) the first month of such taxable year, or (b) the month preceding such first month. The election shall be effective for the taxable year for which it is made and for all succeeding taxable years unless it is terminated under section 1372(e).

D. Shareholders' statement of consent.—(1) At the option of shareholders on the date of the election, their signatures may be entered on the consent shown in the lower portion of the election form (2553) filed by the corporation, in place of preparing and attaching the consents described in (2) below. See (2) for instructions regarding who must sign. Spaces on Form 2553 relating to dates the shareholders' stock was acquired need be filled in only for those shareholders using the consent shown on the face.

(2) In general.—The consent to the election of the corporation by all shareholders at the date of election (which may be incorporated in one statement) shall be attached to this form unless otherwise shown on the face. In addition to an affirmative statement that the shareholder consents to the corporate election, the attached statement shall set forth the name and address of the corporation and of the shareholder, the number of shares of stock owned by the shareholder, and the date(s) on which such stock was acquired. The consent must be signed by both the husband and wife if they have a community interest in the stock or the income therefrom, and by each tenant in common, each joint tenant, and each tenant by the entirety. The consent of a minor shall be made by the minor or by his legal guardian, or his natural guardian if no legal guardian has been appointed (even in the case of stock held by a custodian for a minor under a statute patterned after the Uniform Gifts to Minors Act). The consent of an estate shall be made by the executor or administrator thereof. If the election is made before the first day of the corporation's taxable year, the consent of persons who became shareholders after the date of the election and on or before such first day shall be filed with the Internal Revenue office where this election was filed as soon as practicable after such first day but in no event later than the last day prescribed for filing the election, and a copy shall also be filed with Form 1120S.

(3) New shareholders.—If a person becomes a shareholder after the first day of the taxable year for which the election is effective, or after the day on which the election is made (if such day is later than the first day of the taxable year), the consent of such shareholder shall be made in a statement filed (with the Internal Revenue office where the election was filed) within the period of 30 days beginning with the day on which such person becomes a new shareholder, and a copy shall also be filed with Form 1120S. If the new shareholder is an estate, the 30-day period shall not begin until the executor or administrator has qualified under local law to perform his duties, but in no event shall such period begin later than 30 days following the close of the corporation's taxable year in which the estate became a shareholder. In addition to an affirmative statement that the shareholder consents to the corporate election, the statement of consent shall set forth the name and address of the corporation and of such new shareholder, the number of shares of stock owned by such shareholder, the date on which such shares were acquired, and the name and address of each person from whom such shares were acquired. NOTE.—Failure of a new shareholder to consent to the election within this required period terminates the election, and the corporation must so notify the Internal Revenue office where this form was filed.

(4) Extension of time.—If an election would be valid except for the failure of a shareholder to file a timely consent, application for an extension of time to file a shareholder's consent may be made to the Internal Revenue office where this election was filed. See Section 1.1372–3(c), Income Tax Regulations, for the requirements and procedures to be followed in applying for such an extension.

E. Principal business activity.—In reporting the principal business activity give the one business activity that accounts for the largest percentage of "total receipts." "Total receipts" means gross sales and/or gross receipts, plus all other income. State the broad field of business activity as well as the specific product or service, such as "Mining copper," "Manufacturing cotton broad woven fabric," "Wholesale food," or "Retail apparel."

F. Where to file.—This election is to be filed with the Internal Revenue office where the corporation will file Form 1120S, U.S. Small Business Corporation Income Tax Return. See instructions for Form 1120S.

G. Signature.—This form must be signed either by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) who is authorized to sign.

H. Election after termination.—If a corporate election has been terminated under section 1372(e), see section 1372(f) of the Code and Section 1.1372–5, Income Tax Regulations, for the restrictions on eligibility to make a new election.

I. Annual return.—The corporation must file Form 1120S annually and attach thereto a copy of each shareholder's consent which was filed subsequently to this Form 2553.

J. Investment credit property.—Section 47 of the Internal Revenue Code and the regulations thereunder provide that section 38 property (relating to the qualified investment in certain depreciable property which was the basis for a credit against tax) ceases to be section 38 property when a corporation makes a valid election under section 1372 to be an electing small business corporation, and the tax recomputation provisions of section 47 will apply.

Such corporations and their shareholders may, however, execute the agreement specified in Section 1.47–4(b)(2) of the regulations so that the recapture provisions of Section 1.47–1(a) will not apply to such section 38 property. Refer to section 47 of the Internal Revenue Code and the regulations thereunder.