

INTERNAL REVENUE SERVICE

[REDACTED]

CC:PSI:B01-COR-112499-00

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UILC .1362.02-01

[REDACTED]:

We are responding to correspondence, submitted on your behalf by [REDACTED] [REDACTED] requesting to revoke subchapter S corporation status effective retroactively to 1996. Based on the information submitted, it appears that the IRS Service Center had repeatedly requested amended tax returns to reflect S corporation status (Forms 1120S).

Based on the *Instructions to Form 2553*, taxpayers are generally notified of acceptance or nonacceptance of their election within three months of date of filing (date mailed), and suggest that you take timely follow-up action if the corporation fails to receive an acknowledgment letter confirming receipt of the election. Apparently, you or your representative failed to timely follow up and were repeatedly notified about the S corporation filing requirement via letters consistently asking you to amend your returns. Based on your letter dated March 28, 1997, the corporation had clearly shown an intent to continue operating under S corporation status.

Under current law, there is no provision for late revocation relief for retroactive termination of S corporation status. Under §1.1362-2(a) of the Income Tax Regulations, a revocation made during the taxable year and before the 16th day of the 3rd month of the taxable year is effective on the first day of the taxable year and a revocation filed after the 15th day of the 3rd month of the taxable year is effective for the following year. If a corporation specifies a date for revocation and the date is expressed in terms of a stated day, month, and year that is on or after the date the revocation is filed, the revocation is effective on and after the date so specified. Until you file a statement revoking your election, the corporation will be required to file 1120S returns. The earliest date you may now revoke your S status is January 1, 2001.

Enclosed please find copies of Form 1120S for 1996 through 1999 for your use in preparing amended tax returns.

Please keep this letter with your tax records and feel free to provide a copy of it to your authorized representative. We hope that the above information proves helpful.

Sincerely yours,

/s/ Dianna K. Miosi
DIANNA K. MIOSI
Chief, Branch 1
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures:
Forms 1120S
1996/1997/1998/1999