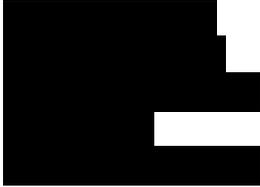


INTERNAL REVENUE SERVICE

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(202) 622-3050

CC:PSI:1-GENIN-110768-02

May 28, 2002



We are responding to your correspondence requesting relief in order to establish November 1, 2000 as the effective date for [REDACTED] ("Taxpayer's") S corporation election. Although we are unable to respond to your request as submitted, this letter provides useful information relating to your request.

Based on the information you have provided, Taxpayer filed a Form 1120s for 2000, its first tax year, on or about September 15, 2001, within the obtained extension of time to file. Around the same time, Taxpayer filed a Form 2553 to elect to be treated as an S corporation effective November 1, 2000. On October 23, 2001, however, the Internal Revenue Service ("Service") notified Taxpayer of its rejection of the S election. As the Service responded and indicated a problem with the S election within 6 months of the filing of the 2000 return, automatic relief under Rev. Proc. 97-48 is unavailable in this matter. To seek relief, therefore, you may submit a private letter ruling request.

Announcement 97-4 (copy enclosed) provides guidance on seeking relief for late S corporation elections and inadvertent invalid S corporation elections. Generally, to request relief for a late or invalid S corporation election you must request a private letter ruling from the National Office. The procedures for requesting a private letter ruling are set out in Revenue Procedure 2002-1 (copy enclosed). In addition, Rev. Proc. 2002-1 requires taxpayers to submit a user fee along with their ruling request. The standard user fee for a private letter ruling is \$6,000. However, taxpayers with gross income of less than \$1 million on their last-filed tax return qualify for a **reduced user fee** in the amount of \$500. If you are eligible to use the reduced fee provision you must include

the statement described in § (B)(1)(b) of Appendix A with your request. Please review Appendix B for a sample format for requesting a private letter ruling.

If you decide to submit a formal request for a private letter ruling, please include the proper user fee (if applying under the reduced fee provisions, send a statement certifying gross income), and refer your request to our office by adding the following to the address:

Attn: CC:PA:T
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Direct to: CC:PSI:1
Room 5002

By way of introduction, the Service has a small business website which provides information and various useful links. Visit this special site at www.irs.gov/smallbiz. Additionally, you can order a single, free copy of the *Small Business Resource Guide* CD-ROM, by calling 1-800-829-3676. The CD-ROM provides critical tax information including forms, instructions, and publications, as well as valuable information from a variety of government agencies, non-profit organizations, and educational institutions.

We hope that the above information proves helpful.

Sincerely yours,

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

Enclosures:
Announcement 97-4
Rev. Proc. 2002-1