

## Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:  
CC:PSI:B1-PLR-147560-01  
Date:  
October 11, 2001

### Legend:

X =  
Sub =  
State =  
Date 1 =  
Date 2 =  
Date 3 =

This letter responds to a letter dated August 15, 2001, written on behalf of X, requesting an extension of time under sections 301.9100-1 through 301.9100-3 of the Procedure and Administration Regulations to file an election. X is requesting a ruling that it be granted an extension of time in which to elect to treat its wholly owned subsidiary, Y, as a qualified subchapter S subsidiary (QSub) under section 1361(b)(3) of the Internal Revenue Code.

### FACTS

The information submitted discloses that X was incorporated on Date 1 under the laws of State. X was to be taxed as a C Corporation. On Date 2, X purchased all of the shares of Y, a validly organized corporation under the laws of State, which was also taxed as a C Corporation.

X represents that it filed an election, which was accepted by the Internal Revenue Service, to become an S corporation effective Date 3. X intended to elect to treat Y as a qualified subchapter S subsidiary but failed to timely make the election. X requests a ruling that its section 1362(a) election to treat Y as a QSub will be treated as effective on Date 3.

### LAW AND ANALYSIS

Section 1361(b)(3)(B) defines the term "qualified subchapter S subsidiary" as a domestic corporation which is not an ineligible corporation as defined in section 1361(b)(2), if (1) an S corporation holds 100 percent of the stock of the corporation, and (2) that S corporation elects to treat the subsidiary as a QSub. The election is made by

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filing Form 8869.

Under section 301.9100-1(c) of the Procedure and Administration Regulations, the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Code except subtitles E, G, H and I, if the taxpayer demonstrates to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that granting the relief will not prejudice the interests of the government. Section 301.9100-1(b) defines the term "regulatory election" as including an election whose deadline is prescribed by a notice published in the Internal Revenue Bulletin.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make an election. Section 310.9100-2 provides automatic extensions of time for making certain elections, but does not apply to QSub elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of section 301.9100-2. Requests for relief under section 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government.

## CONCLUSION

Based solely on the facts submitted and the representations made, the requirements of sections 301.9100-1 and 301.9100-3 have been satisfied. As a result, X is granted an extension of time of sixty (60) days from the date of this letter to make an election to treat its wholly owned subsidiary, Y, as a QSub effective Date 2. X should submit the properly completed Forms 8869 to the relevant service center. A copy of this letter should be attached to each of the Forms 8869 filed with the service center.

Except as specifically set forth above, no opinion is expressed or implied 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 a valid S corporation or whether its subsidiary, Y, is a valid QSub.

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.

Sincerely,  
Paul F. Kugler  
Associate Chief Counsel  
(Passthroughs and Special Industries)

Enclosures (2)  
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