

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-145820-01

Date:

December 17, 2001

Legend

Corporation =

Shareholder =

State =

Date 1 =

Dear:

This letter responds to a letter dated August 2, 2001, and subsequent correspondence, requesting a ruling on behalf of Corporation under section 1362(b)(5) of the Internal Revenue Code.

Corporation was incorporated in State on Date 1. Corporation has one shareholder, Shareholder. It is represented that Corporation has intended to be taxed as an S corporation since Date 1. However, Corporation discovered that its election to be an S corporation had not been filed timely.

Corporation requests a ruling that its section 1362(b) election will be treated as timely made for its taxable year that begins on Date 1.

Section 1362(a) generally provides that a small business corporation may elect to be an S corporation for Federal tax purposes.

Section 1362(b) provides the rule for when an S election will be effective. Generally, if an election to be treated as an S corporation is made within the first two and one-half months of a corporation's taxable year, then the corporation will be treated as an S corporation beginning in the year in which the election is made. If the election is made after the first two and one-half months of a corporation's taxable year, then the corporation will not be treated as having made an effective election to be treated as an S corporation for federal tax purposes until the following taxable year.

Section 1362(b)(5) provides that if an election to be treated as an S corporation for federal tax purposes is either made untimely, pursuant to section 1362(b), or not made at all, and the Secretary determines that there was reasonable cause for the

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failure to make a timely election, then the Secretary may treat the corporation as having made a timely election, and section 1362(b)(3) shall not apply.

Conclusion

Based on the facts submitted and representations made, we conclude that Corporation has established reasonable cause for failing to make a timely election pursuant to section 1362(b)(5). Accordingly, provided Corporation makes an election to be treated as an S corporation for federal tax purposes by filing a completed Form 2553, containing an effective date of Date 1 for the election, with the appropriate Service Center within 60 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. A copy is enclosed for that purpose.

Except as specifically set forth above, we express or imply no opinion concerning the federal tax consequences of the facts described above under any other provision of the Internal Revenue Code. Specifically, we express or imply no opinion concerning whether Corporation is an S corporation for federal tax purposes.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely yours,
Christine Ellison
Chief, Branch 3
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2):

Copy of this letter
Copy for section 6110 purposes

cc: