

Internal Revenue Service

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Department of the Treasury

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Third Party Communication: None

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B01

PLR-150811-13

Date:

June 12, 2014

LEGEND

X =

Y =

Z =

Date 1 =

Date 2 =

State =

Dear :

This responds to a letter dated December 12, 2013, submitted on behalf of X by X's authorized representative, requesting relief pursuant to § 301.9100-3 of the Procedure and Administration Regulations that X be granted an extension of time to elect to treat Z as a qualified subchapter S subsidiary (QSub) under section § 1361(b)(3) of the Internal Revenue Code (the Code).

FACTS

According to the information submitted and representations within, X was incorporated under the laws of State on Date 1 and acquired all of the stock of Y. X elected to be treated as an S corporation effective Date 1. Effective Date 1, X elected to treat Y, a wholly owned subsidiary, as a QSub. As part of the restructuring, it was discovered that Y's wholly owned subsidiary, Z, inadvertently failed to have a QSub election filed for it prior to the restructuring. It was intended that Z, a wholly owned subsidiary of Y, was to be treated as a QSub effective Date 2. However, due to inadvertence, a Form 8869, Qualified Subchapter S Subsidiary Election, was not timely filed, with regard to Z.

X represents that it has filed consistently with being an S corporation and that Z has filed consistently as a QSub since Date 2.

LAW AND ANALYSIS

Section 1362(a)(1) provides that except as provided in subsection (g), a small business corporation may elect, in accordance with the provisions of this section, to be an S corporation. Section 1362(a)(2) provides that an election under this subsection shall be valid only if all persons who are shareholders in such corporation on the day on which such election is made consent to such election.

Section 1361(b)(3)(A) generally provides that a Qualified subchapter S subsidiary shall not be treated as a separate corporation and all assets, liabilities, and items of income, deduction, and credit of a Qualified subchapter S subsidiary shall be treated as assets, liabilities, and such items (as the case may be) of the S corporation.

Section 1361(b)(3)(B) defines a Qualified subchapter S subsidiary as a domestic corporation which is not an ineligible corporation, if 100 percent of the stock of the corporation is owned by the S corporation, and the S corporation elects to treat the corporation as a Qualified subchapter S subsidiary .

Section 1.1361-3(a) of the Income Tax Regulations prescribes the time and manner for making an election to be classified as a Qualified subchapter S subsidiary . Section 1.1361-3(a)(4) provides that an election may be effective up to two months and 15 days prior to the date the election is filed or not more than 12 months after the election is filed. The proper form for making the election is Form 8869, Qualified subchapter S subsidiary Election.

Section 1361-3(a)(6) provides that an extension of time to make a Qualified subchapter S subsidiary election may be available under procedures applicable under §§ 301.9100-1 and 301.9100-3.

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than 6 months except in the case of a taxpayer who is abroad), under all subtitles of the

Code except subtitles E, G, H, and I. Section 301.9100-1(b) defines the term “regulatory election” as an election whose due date is prescribed by a regulation published in the Federal Register or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Section 301.9100-2 provides the rules governing automatic extensions of time for making certain elections.

Section 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time for regulatory elections that do not meet the requirements of § 301.9100-2. Under § 301.9100-3, a request for relief will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that (1) the taxpayer acted reasonably and in good faith, and (2) granting relief will not prejudice the interests of the Government.

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that the requirements of § 301.9100-3 have been satisfied. Accordingly, X is granted an extension of time of 120 days from the date of this letter to elect to treat Z as a QSub, effective Date 2. The election should be made by filing Form 8869, Qualified Subchapter S Subsidiary Election, with the appropriate service center, and a copy of this letter should be attached to the election. 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 Code. Specifically, we express or imply no opinion concerning whether X is a valid S corporation, or whether Z is eligible to be a QSub.

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

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to the taxpayer's authorized representative.

Sincerely,

Laura C. Fields

Laura C. Fields
Senior Technician Reviewer, Branch 1
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy of this letter for section 6110 purposes

cc: