

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:02

PLR-108924-15

Date:

August 11, 2015

LEGEND

X =

Trust =

State =

Year =

A =

B =

C =

D =

E =

F =

Date1 =

Date2 =

Date3 =

Date4 =

Date5 =

N1 =

Dear _____ :

This responds to a letter dated March 3, 2015, and subsequent correspondence, submitted on behalf of X by X's authorized representative, requesting a ruling under §1362(f) of the Internal Revenue Code ("Code").

The information submitted states that X was incorporated under the laws of State in Year1. X elected to be an S corporation effective Date1. Under a trust agreement dated Date2, A established Trust as a revocable trust for her benefit and, at her death, for the benefit of B, C, D, E and F. On Date3, Trust acquired N1 shares of stock of X. Trust became irrevocable upon A's death on Date4.

X represents that each of B, C, D, E and F (the "beneficiaries") is an individual and a citizen of the United States. X further represents that, pursuant to the trust agreement of Trust, the beneficiaries are properly treated as each owning substantially separate and independent shares of Trust within the meaning of §§ 663(c) and 1361(d)(3) of the Code. X also represents that each of the separate shares of Trust for the beneficiaries meets the requirements as a Qualified Subchapter S Trust (QSST), except that no QSST elections had been timely filed on behalf of the separate shares of Trust for each of the beneficiaries by Date5 (the due date for the election, taking into account both § 1361(c)(2)(A)(ii) and § 1361(d)(2)(D)) under § 1361(d)(2).

X represents that X and X's shareholders have filed tax returns consistent with X being an S corporation since Date5. X further represents that the circumstances resulting in the termination of X's S corporation election were inadvertent and were not motivated by tax avoidance or retroactive tax planning. X and each person who was or is a shareholder of X at any time since Date5 agree to make any adjustments (consistent with the treatment of X as an S corporation) as may be required by the Secretary with respect to such period.

Section 1361(a)(1) provides that the term "S corporation" means, with respect to any taxable year, a small business corporation for which an election under § 1362(a) is in effect for such year.

Section 1361(b)(1)(B) provides that a "small business corporation" means a domestic corporation that is not an ineligible corporation and that does not have as a shareholder a person (other than an estate, a trust described in § 1361(c)(2), or an organization described in § 1361(c)(6)) who is not an individual.

Section 1362(a)(1) provides that, except as provided in § 1362(g), a small business corporation may elect, in accordance with the provisions of § 1362, to be an S corporation.

Section 1362(d)(2) provides that an election under § 1362(a) shall be terminated whenever (at any time on or after the first day of the first taxable year for which the corporation is an S corporation) such corporation ceases to be a small business corporation. A termination of an S corporation election under § 1362(d)(2) is effective on or after the date of cessation.

Section 1362(f) provides that if (1) an election under § 1362(a) by any corporation was terminated under § 1362(d)(2) or (3); (2) the Secretary determines that the circumstances resulting in such termination were inadvertent; (3) no later than a reasonable period of time after discovery of the circumstances resulting in the termination, steps were taken so that the corporation is a small business corporation; and (4) the corporation, and each person who was a shareholder of the corporation at any time during the period specified under § 1362(f), agrees to make the adjustments (consistent with the treatment of the corporation as an S corporation) as may be required by the Secretary for that period, then, notwithstanding the circumstances resulting in such termination, the corporation shall be treated as an S corporation during the period specified by the Secretary.

Based solely on the facts submitted and the representations made, we conclude that X's S corporation election terminated on Date5 due to the failure of the beneficiaries to properly and timely file QSST elections for their separate shares of Trust. We conclude that the termination was inadvertent within the meaning of § 1362(f). Pursuant to the provisions of § 1362(f), X will be treated as continuing to be an S corporation on Date5 and thereafter, unless X's S corporation election otherwise terminated under § 1362(d).

This ruling is contingent upon the beneficiaries of the separate shares of Trust filing QSST elections for their separate shares of Trust, with an effective date of Date5, within 120 days of the date of this letter. A copy of this letter should be attached to each QSST election.

If the above conditions are not met, then this letter ruling is null and void. Furthermore, if these conditions are not met, X must send a notification that its S election has terminated to the service center with which X's S election was filed.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, no opinion is expressed or implied regarding X's eligibility to be an S corporation or the validity of its S corporation election. Further, no opinion is expressed or implied as to whether Trust and/or its separate shares qualify as

QSSTs. Finally, no opinion is expressed or implied regarding whether the separate shares of Trust are substantially separate and independent shares of a trust within the meaning of § 663(c) and properly treated as separate trusts for purposes of §§ 1361(c) and (d).

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code 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 your authorized representative.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 3
Office of Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes