

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B01
PLR-103038-17

Date:
May 08, 2017

X =

Y =

Country =

Date 1 =

Date 2

Date 3

Dear

This letter responds to a letter dated January 24, 2017, submitted on behalf of X by its authorized representatives, requesting a ruling that X's election to be classified as an association taxable as a corporation was an initial classification election, and not a change in classification, for purposes of § 301.7701-3(c)(1)(iv) of the Procedure and Administration Regulations.

The information submitted states that X was formed under the laws of Country on Date 1. X elected to be classified as an association taxable as a corporation by filing a Form 8832, Entity Classification Election, effective Date 2. Prior to Date 3, X had no assets, income, deductions, liabilities, bank accounts, business operations, or board meetings,

and was dormant. On Date 3, Y, X's sole owner, contributed the first asset and funding to X.

Law and Analysis

Section 301.7701-3(a) provides, in part, that a business entity that is not classified as a corporation under § 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (an eligible entity) can elect its classification for federal tax purposes as provided in § 301.7701-3. An eligible entity with at least two members can elect to be classified as either an association (and thus a corporation under § 301.7701-2(b)(2)) or a partnership, and an eligible entity with a single owner can elect to be classified as an association or to be disregarded as an entity separate from its owner.

Section 301.7701-3(c)(1)(iv) provides that, if an eligible entity makes an election under § 301.7701-3(c)(1)(i) to change its classification (other than an election made by an existing entity to change its classification as of the effective date of this section), the entity cannot change its classification by election again during the sixty months succeeding the effective date of the election. However, the Commissioner may permit the entity to change its classification by election within the sixty months if more than fifty percent of the of the ownership interests in the entity as of the effective date of the subsequent election are owned by person that did not own any interests in the entity on the filing date or on the effective date of the entity's prior election. An election by a newly formed eligible entity that is effective on the date of formation is not considered a change for purposes of § 301.7701-3(c)(1)(iv).

Conclusion

Based solely upon the facts submitted and the representations made, we conclude that X's corporate classification election was an initial classification effective Date 3, and not a change in classification, for purposes of § 301.7701-3(c)(1)(iv). As such, a subsequent election by X to change its classification will not be subject to the sixty months limitation set forth in § 301.7701-3(c)(1)(iv).

Except as specifically set forth above, no opinion is expressed or implied concerning the federal tax consequences of the above described facts under any other provision of the Code.

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.

Pursuant to a power of attorney on file with this office, we are sending a copy of this letter to X's authorized representatives.

Sincerely,

David R. Haglund

David R. Haglund
Chief, Branch 1
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

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

cc: