

Internal Revenue Service

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B03
PLR-127993-20

Date:
June 07, 2021

LEGEND

X =

Y =

Z =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Year 1 =

State =

Dear :

This letter responds to a letter dated November 25, 2020, and subsequent correspondence, submitted on behalf of X by X's authorized representative, requesting a ruling under § 301.7701-3(c)(1)(iv) and § 301.9100-3 of the Procedure and Administration Regulations. Specifically, your letter requests the Service's consent to change X's entity classification from an association taxable as a corporation to a disregarded entity for federal tax purposes effective Date 6.

FACTS

According to the information submitted, X was incorporated on Date 1 under the laws of State and elected to be treated as an S corporation effective Date 2. Effective

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Date 3, X represents that it converted from a corporation to a limited liability company under the laws of State in a transaction that was treated as a taxable liquidation for federal tax purposes.

On Date 4, all of the interests in X were acquired by Y and X became a disregarded entity by default under § 301.7701-3(b)(1).

Effective Date 5, X filed a Form 8832, *Entity Classification Election* to change its classification from being disregarded as an entity separate from its owner to an association taxable as a corporation for federal tax purposes.

On Date 6, Z acquired all of the outstanding interests in X. X represents that as of Date 6, X had a change of ownership of more than fifty percent that would satisfy § 301.7701-3(c)(1)(iv). X requests to change its classification from an association taxable as a corporation to a disregarded entity for federal tax purposes effective Date 6.

X represents that it acted reasonably and in good faith. Further, X represents that the interests of the Government will not be prejudiced for all taxable years affected by the election by granting the relief sought.

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. Elections are necessary only when an eligible entity does not want to be classified under the default classification or when an eligible entity chooses its classification.

Section 301.7701-3(b)(1) provides that, except as provided in § 301.7701-3(b)(3), unless the entity elects otherwise, a domestic eligible entity is (i) a partnership if it has two or more members; or (ii) disregarded as an entity separate from its owners if it has a single owner.

Section 301.7701-3(c)(1)(i) provides that, except as provided in § 301.7701-3(c)(1)(iv) and (v), an eligible entity may elect to be classified other than as provided under § 301.7701-3(b), or to change its classification, by filing Form 8832, *Entity Classification Election*, with the service center designated on Form 8832.

Section 301.7701-3(c)(1)(iii) provides that an election made under § 301.7701-3(c)(1)(i) will be effective on the date specified by the entity on Form 8832 or on the date filed if no such date is specified. The effective date specified on Form 8832 cannot

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be more than 75 days prior to the date on which the election is filed and cannot be more than 12 months after the date on which the election is filed.

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, 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 ownership interests in the entity as of the effective date of the subsequent election are owned by persons that did not own any interests in the entity on the filing date or on the effective date of the entity's prior election.

Section 301.9100-1(c) provides that the Commissioner in exercising the Commissioner's discretion may grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make a regulatory election, or a statutory election (but not 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) provides that the term "regulatory election" includes an election whose due date is prescribed by a regulation published in the Federal Register.

Section 301.9100-2 provides the standards the Commissioner will use to determine whether to grant an automatic extension of time for making certain elections.

Section 301.9100-3 provides the guidelines for granting extensions of time for making elections that do not meet the requirements of § 301.9100-2. Section 301.9100-3(a) provides that requests for relief subject to § 301.9100-3 will be granted when the taxpayer provides the evidence (including affidavits described in § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the Government.

CONCLUSION

Based solely on the information submitted and the representations made, we consent to X changing its entity classification for federal tax purposes less than 60 months after its previous classification election. As a result, X is granted an extension of time of 120 days from the date of this letter to file the form 8832 with the appropriate service center to elect to be disregarded as an entity separate from its owner for federal tax purposes effective Date 6. A copy of this letter should be attached to the Form 8832.

Except as specifically set forth above, we express or imply no opinion concerning the tax consequences of any transaction or item discussed or referenced in this letter. Specifically, we express or imply no opinion regarding whether X is otherwise eligible to make the election.

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The ruling contained in this letter is 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 ruling request, 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, we are sending a copy of this letter to X's authorized representative.

Sincerely,

Associate Chief Counsel
(Passthroughs & Special Industries)

By: _____
Adrienne M. Mikolashek
Chief, Branch 3
Office of Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

A copy of this letter

A copy for § 6110 purposes

cc: