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Person To Contact:
, ID No.

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Refer Reply To:
CC:CORP:BO2
PLR-111370-25

Date:
December 03, 2025

LEGEND

S Corporation Target =

Purchaser =

Sellers =

Date 1 =

State A =

Former Company =

Official of S

Corporation Target

Tax Professional =

Dear :

This letter responds to a letter dated May 5, 2025, submitted on behalf of S Corporation Target, Purchaser, and Sellers (collectively, the "Parties"), requesting an extension of time under Treas. Reg. § 301.9100-3 to file the election statement under Treas. Reg. § 1.336-2(h)(3)(iii) (the "Election Statement") with respect to Purchaser's acquisition of all of the stock of S Corporation Target from Sellers on Date 1.

FACTS

Immediately before Date 1, Sellers directly owned all of the issued and outstanding stock of S Corporation Target, a State A corporation that elected to be treated as an S corporation for U.S. federal income tax purposes. On Date 1, Purchaser, an unrelated buyer treated as a disregarded entity for U.S. federal income tax purposes, acquired all of the stock of S Corporation Target from Sellers (the "Disposition"). The Parties represented that the Disposition qualified as a "qualified stock disposition" as defined in Treas. Reg. § 1.336-1(b)(6).

The Parties intended for the stock sale to be treated as an asset sale, and for an election to be made, pursuant to section 336(e) of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the Disposition. As part of the sale agreement, Purchaser and S Corporation Target Sellers entered into a written, binding agreement to make an election under section 336(e) to treat the stock sale as if S Corporation Target sold all its assets in liquidation. However, for various reasons, a timely election was not made. Subsequently, a request was submitted under Treas. Reg. § 301.9100-3 for an extension of time to file the Election Statement.

The Parties each represented that they are not seeking to alter a return position for which an accuracy-related penalty has been or could be imposed under section 6662 at the time of the request for relief. S Corporation Target confirms that granting relief would not result in S Corporation Target having a lower tax liability in the aggregate for all taxable years affected by the election that S Corporation Target would have had if the election had been timely made (taking into account the time value of money).

APPLICABLE LAW

Regulations promulgated under section 336(e) permit certain sales, exchanges, or distributions of stock of a corporation to be treated as asset dispositions if: (1) the disposition is a "qualified stock disposition" as defined in Treas. Reg. § 1.336-1(b)(6); and (2) a section 336(e) election is made.

Treas. Reg. § 1.336-2(h)(3) provides that a section 336(e) election for an S corporation target is made by: (i) all of the S corporation shareholders, including those who do not dispose of any stock in the qualified stock disposition, and the S corporation target entering into a written, binding agreement, on or before the due date (including extensions) of the federal income tax return of the S corporation target for the taxable year that includes the disposition date, to make a section 336(e) election; (ii) the S corporation target retaining a copy of the written agreement; and (iii) the S corporation target attaching the section 336(e) election statement, described in Treas. Reg. § 1.336-2(h)(5) and (6), to its timely filed (including extensions) federal income tax return for the taxable year that includes the disposition date.

Under Treas. Reg. § 301.9100-1(c), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad) under all subtitles of the Code except subtitles E, G, H, and I.

Treas. Reg. §§ 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make a regulatory election. Treas. Reg. § 301.9100-1(a). Treas. Reg. § 301.9100-2 provides automatic extensions of time for making certain elections. Requests for relief under Treas. Reg. § 301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith and that granting relief will not prejudice the interests of the government. Treas. Reg. § 301.9100-3(a). Specifically, Treas. Reg. § 301.9100-3(b)(1) provides that, a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer requests relief under this section before the failure to make the regulatory election is discovered by the Internal Revenue Service (the "IRS").

The time for filing the Section 336(e) Agreement and Election Statement is fixed by regulations (*i.e.*, Treas. Reg. § 1.336-2(h)(3)(i) and (iii)). Therefore, the Commissioner has discretionary authority under Treas. Reg. § 301.9100-3 to grant an extension of time to file the Section 336(e) Agreement and Election Statement, provided the Parties acted reasonably and in good faith, the requirements of Treas. Reg. §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government.

ANALYSIS

While Purchaser and S Corporation Target Sellers entered into a written, binding agreement to make an election under section 336(e) to treat the stock sale as if S Corporation Target sold all its assets in liquidation, the Parties failed to timely file the Election Statement. Information, affidavits, and representations submitted by the Parties, Former Company Official of S Corporation Target, and Tax Professional explain the circumstances that resulted in the failure to timely file the Election Statement. The information establishes that the Parties' request for relief was filed before the failure to file the Election Statement was discovered by the IRS. See Treas. Reg. § 301.9100-3(b)(1)(i).

RULING

Based on the facts and information submitted, including the representations made, we conclude that the Parties have acted reasonably and in good faith, the requirements of Treas. Reg. §§ 301.9100-1 and 301.9100-3 are satisfied, and granting relief will not prejudice the interests of the government. Accordingly, an extension of time is granted under Treas. Reg. § 301.9100-3, until 75 days from the date on this letter, to file the Election Statement with respect to the Disposition.

PROCEDURAL STATEMENTS

WITHIN 75 DAYS OF THE DATE ON THIS LETTER, S Corporation Target must file the Election Statement in accordance with Treas. Reg. § 1.336-2(h)(3)(iii). The Election Statement must be attached to S Corporation Target's tax return for the taxable year including Date 1. Alternatively, if S Corporation Target files its return electronically, it may satisfy the requirement of attaching a copy of this letter to the return by attaching a statement to its return that provides the date on, and control number (PLR-111370-25) of, this letter ruling.

WITHIN 150 DAYS OF THE DATE ON THIS LETTER, all relevant parties must file or amend, as appropriate, all returns and amended returns (if any) necessary to report the transaction consistently with the making of a section 336(e) election for the taxable year in which the transaction was consummated (and for any other affected taxable year).

The above extension of time is conditioned on the Parties' tax liabilities (if any) being not lower, in the aggregate, for all years to which the section 336(e) election applies than such liabilities would have been if the Election Statement had been timely filed (taking into account the time value of money). No opinion is expressed as to the taxpayers' tax liabilities for the years involved. A determination thereof will be made by the applicable Director's office upon audit of the federal income tax returns involved.

We express no opinion as to: (1) whether the Disposition qualifies as a "qualified stock disposition;" or (2) any other tax consequences arising from the filing of the section 336(e) election. In addition, we express no opinion as to the tax consequences of filing the return or making the section 336(e) election late under the provisions of any other section of the Code and regulations, or as to the tax treatment of any conditions existing at the time of, or resulting from, filing the section 336(e) election late that are not specifically set forth in the above ruling. For purposes of granting relief under Treas. Reg. § 301.9100-3, we have relied on certain statements and representations made by the Parties, Former Company Official of S Corporation Target, and Tax Professional. However, the Director should verify all essential facts. In addition, notwithstanding that an extension is granted under Treas. Reg. § 301.9100-3 to file the section 336(e) election, penalties and interest that would otherwise be applicable, if any, continue to apply.

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,

Douglas C. Bates
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel (Corporate)

cc: