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.
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Date:
August 10, 2026

TY:

Legend

Taxpayer	=
FCs	=
Investment Firm 1	=
Country X	=
Investment Firm 2	=
Tax Preparation Firm	=
Tax Professional 1	=
Tax Professional 2	=
Year 1	=
Year 2	=
Year 3	=

Dear :

This is in response to a letter submitted on Taxpayer's behalf by an authorized representative requesting the consent of the Commissioner of the Internal Revenue Service ("Commissioner") to make a retroactive qualified electing fund ("QEF") election under section 1295(b) of the Internal Revenue Code (the "Code") and Treas. Reg. § 1.1295-3(f) with respect to Taxpayer's investments in FCs.

The ruling contained in this letter is based upon information and representations submitted by 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 ruling, it is subject to verification on examination.

FACTS

Taxpayer is a U.S. person who, in Year 1, acquired shares in FCs, entities organized in various foreign countries that were treated as corporations for U.S. federal income tax purposes. Taxpayer's shares in FCs were acquired by inheritance from their deceased father and held in an account at Investment Firm 1, organized in Country X, for the benefit of the Taxpayer. Taxpayer had no discretion with respect to the opening of the account, the investments in the account, or the management of the account. Investment Firm 1 had full discretion with respect to the account, which meant that Investment Firm 1 had full authority to buy and sell securities without the consent of the Taxpayer. Taxpayer had no prior investment experience, so they were reluctant to make any investment decisions with respect to the account.

For all tax years relevant to this ruling, Taxpayer engaged the tax accounting group at Tax Preparation Firm to prepare their U.S. federal income tax returns, including with respect to Taxpayer's ownership in FCs. Specifically, Tax Professional 1 was employed by Tax Preparation Firm and prepared Taxpayer's U.S. federal income tax returns. Tax Professional 1 is a certified public accountant with more than 20 years of experience with U.S. federal income tax with a particular emphasis on income tax planning and compliance for U.S. taxpayers with offshore holdings and investments. Taxpayer believed that Tax Professional 1 was competent to render tax advice with respect to Taxpayer's ownership of the shares in FCs. Further, Taxpayer believed that Tax Professional 1 had access to all relevant facts and circumstances regarding FCs and had no reason to believe otherwise.

In Year 3, Investment Firm 1 contacted Taxpayer and requested that they transfer their account to a new platform at Investment Firm 1 as it was closing the platform Taxpayer had been using for U.S. investors. At this time Taxpayer first learned that FCs were PFICs when an advisor at Investment Firm 1 recommended that Taxpayer consult with a U.S. tax advisor because they held PFIC stock in their account. Taxpayer immediately reached out to Tax Professional 1 for advice. Prior to Year 3, Tax Professional 1 had never reviewed Taxpayer's investments to determine whether any of their investments in

FCs would qualify as PFICs. In the ensuing discussion, Tax Professional 1 explained the general U.S. federal income tax implications of selling the stock of PFICs, but Tax Professional 1 never discussed the availability of a QEF election.

Some time later, due to general account administration changes at Investment Firm 1, Taxpayer transferred their shares in FCs to a direct account with Investment Firm 2, which was organized in Country X. Concerned about the tax consequences of continuing to hold their shares in FCs, Taxpayer contacted their account representative at Investment Firm 2 for a recommendation for legal counsel with expertise in international tax and PFICs. The account representative recommended that Taxpayer contact Tax Professional 2. Taxpayer subsequently retained Tax Professional 2 to assist them with PFIC matters. Tax Professional 2 provided Taxpayer with a calculation of estimated PFIC tax consequences on a potential sale of their shares in FCs. Tax Professional 2 also explained to Taxpayer that their exposure could have been mitigated by making a QEF election and educated Taxpayer about the availability of a retroactive QEF election. Tax Professional 2 suggested that Taxpayer submit a request for a private letter ruling granting consent to make a late QEF election under section 1295(b) and Treasury Regulation §1.1295-3(f).

Taxpayer submitted affidavits, under penalties of perjury, describing the events that led to the failure to make the QEF election by the election due date; the discovery of the failure; the engagement and responsibilities of Tax Professional 1; and the extent to which Taxpayer relied on Tax Professional 1. In addition, Taxpayer represents that, as of the date of their request for ruling, the PFIC statuses of FCs have not been raised by the IRS on audit for any of the taxable years at issue.

RULING REQUESTED

Taxpayer requests the consent of the Commissioner to make QEF elections retroactive to Year 2 under Treas. Reg. § 1.1295-3(f) with respect to their investments in each of the FCs.

LAW

Section 1295(a) provides that a PFIC will be treated as a QEF with respect to a shareholder if (1) an election by the shareholder under section 1295(b) applies to the PFIC for the taxable year; and (2) the PFIC complies with the requirements prescribed by the Secretary for purposes of determining the ordinary earnings and net capital gains of the company.

Under section 1295(b)(2), a QEF election may be made for a taxable year at any time on or before the due date (determined with regard to extensions) for filing the return for the taxable year. To the extent provided in regulations, the election may be made after the due date if the shareholder failed to make an election by the due date because the shareholder reasonably believed the company was not a PFIC.

Under Treas. Reg. § 1.1295-3(f), a shareholder may request the consent of the Commissioner to make a retroactive QEF election for a taxable year if:

1. the shareholder reasonably relied on a qualified tax professional, within the meaning of Treas. Reg. § 1.1295-3(f)(2);
2. granting consent will not prejudice the interests of the United States government, as provided in Treas. Reg. § 1.1295-3(f)(3);
3. the request is made before a representative of the Internal Revenue Service raises upon audit the PFIC status of the company for any taxable year of the shareholder; and
4. the shareholder satisfies the procedural requirements of Treas. Reg. § 1.1295-3(f)(4).

The procedural requirements include filing a request for consent to make a retroactive election with, and submitting a user fee to, the Office of the Associate Chief Counsel (International). Treas. Reg. § 1.1295-3(f)(4)(i). Additionally, affidavits signed under penalties of perjury must be submitted that describe:

1. the events that led to the failure to make a QEF election by the election due date;
2. the discovery of the failure;
3. the engagement and responsibilities of the qualified tax professional; and
4. the extent to which the shareholder relied on the professional.

Treas. Reg. § 1.1295-3(f)(4)(ii) and (iii).

CONCLUSION

Based on the information submitted and representations made with Taxpayer's ruling request, we conclude that Taxpayer has satisfied Treas. Reg. § 1.1295-3(f). Accordingly, consent is granted to Taxpayer to make retroactive QEF elections with respect to FCs for Year 2 provided that Taxpayer complies with the rules under Treas. Reg. § 1.1295-3(g) regarding the time and manner for making the retroactive QEF elections. We have approved a closing agreement with Taxpayer with respect to those issues affecting their tax liability for closed years on the basis set forth above. Pursuant to our practice with respect to such agreements, the agreement contains a stipulation to the effect that any change or modification of applicable statutes enacted subsequent to the date of this agreement and made applicable to the taxable period involved will render the agreement ineffective to the extent that it is dependent upon such statutes.

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.

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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, copies of this letter ruling are being sent to your authorized representatives.

Sincerely,

/s/ Kristine A. Crabtree

Kristine A. Crabtree
Senior Counsel, Branch 2
Associate Chief Counsel (International)

Cc: