

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Number: **199937028**

Person to Contact:

Release Date: 9/17/1999

Telephone Number:

Refer Reply To:

CC:DOM:P&SI:2 - PLR-106081-99

Date:

June 18, 1999

X =

A =

D1 =

Year 1 =

Year 2 =

Dear :

This letter responds to your letter dated December 14, 1998, and subsequent correspondence, submitted on behalf of X, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on D1. A, the sole shareholder of X, represents that A intended that X elect to be an S corporation effective for Year 1, its first taxable year. A relied on X's attorney to take care of all necessary filings to secure S corporation status. X's Form 8716, Election to Have a Tax Year Other Than a Required Tax Year, indicated that X intended to be an S corporation. However, a Form 2553, Election by a Small Business Corporation, was not timely filed for that year because X's attorney failed to prepare the form and to make certain that the form was timely filed. For Year 1 and Year 2, X filed Form 1120S, U.S. Income Tax Return for an S Corporation for X. A, the sole shareholder filed Form 1040 (U.S. Individual Income Tax Return) consistent with X being an S corporation.

Section 1362(b)(5) of the Code provides that if -- (A) an election under § 1362(a) is made for any taxable year after the date prescribed by § 1362(b) for making such election for such taxable year or no such election is made for any taxable year, and (B) the Secretary determines that there was reasonable cause for the failure to timely make such election, the Secretary may treat such an election as timely made for such taxable year.

Based solely on the facts and the representations submitted, we conclude that X has established reasonable cause for failing to make a timely election to be an S corporation for X's first taxable year. Accordingly, provided that X makes an election to be an S corporation by filing a completed Form 2553 with the appropriate service center effective for its Year 1 taxable year, within 60 days following the date of this letter, then such election will be treated as timely made for X's Year 1 taxable year. A copy of this letter should be attached to the Form 2553.

Except as specifically set forth above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision of the Code, including whether X was or is a small business corporation under § 1361(b) of the Code.

This ruling is directed only to the taxpayer who requested 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, a copy of this letter is being sent to X.

Sincerely yours,

J. THOMAS HINES
Senior Technician Reviewer
Branch 2
Office of the Assistant
Chief Counsel
(Passthroughs and
Special Industries)

Enclosures: 2
Copy of this letter
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