

INTERNAL REVENUE SERVICE
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CC:DOM:P&SI:2 - PLR-107639-99
August 9, 1999

X =

A =

D1 =

Year 1 =

Year 2 =

Dear :

This responds to your letter dated February 17, 1999, and subsequent correspondence submitted on X's behalf, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on D1 of Year 1. The unanimous consent of board of directors of X reflects the intent of X to have X treated as an S corporation as of X's date of incorporation. A, X's president, represents that A relied on X's lawyers to prepare the appropriate documents and to file X's election to be an S corporation. However, a Form 2553, Election by a Small Business Corporation, was not filed for X. For the Year 1 and Year 2 tax years, X filed its tax return using Form 1120S, U.S. Income Tax Return for an S corporation, and the shareholders of X filed their returns 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 Year 1. 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 of 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 ruled upon above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provisions 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.

Sincerely yours,

H. GRACE KIM
Assistant to the Chief,
Branch 2
Office of the Assistant
Chief Counsel
(Passthroughs and
Special Industries)

Enclosures: 2
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