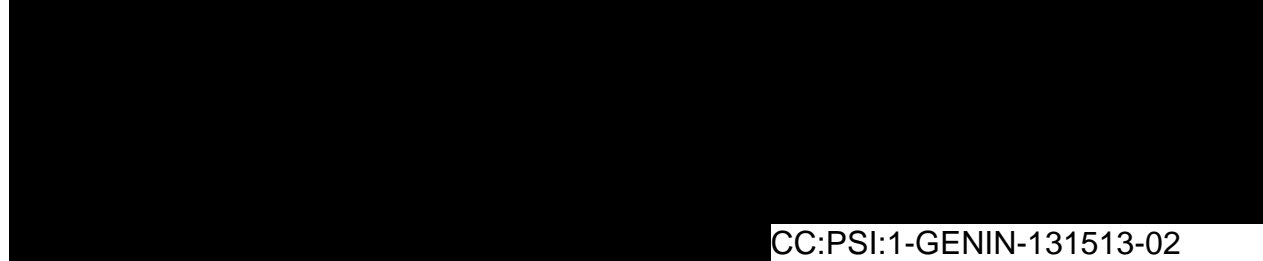


INTERNAL REVENUE SERVICE

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CC:PSI:1-GENIN-131513-02

July 1 2002

UILC: 1362.00-00

[REDACTED]:

We are responding to correspondence requesting relief in order to revoke your S corporation election. The information submitted explains that you wish to revoke the election retroactively to April 1, 2000.

Pursuant to § 1.1362-2 of the Income Tax Regulations, an election made under § 1362(a) of the Internal Revenue Code is terminated if the corporation revokes the election for any taxable year of the corporation for which the election is effective, including the first taxable year. A revocation must be made with the consent of all shareholders holding more than one-half of the issued and outstanding stock of the corporation. In general, a revocation is prospective. However, a revocation made during the taxable year and before the 16th day of the third month of the taxable year is effective on the first day of the year and a revocation made after the 15th day of the third month of the taxable year is effective for the following taxable year. If a corporation makes an election to be an S corporation that is to be effective beginning with the next taxable year and revokes its election on or before the first day of the next taxable year, the corporation is deemed to have revoked its election on the first day of the next taxable year. If a corporation specifies a date for revocation and the date is expressed that is on or after the date the revocation is filed the revocation is effective on and after the date so specified.

In your situation, you have requested to retroactively revoke the S corporation election. Currently, there is no provision which allows you to take this action.

In order to guide taxpayer education, the IRS has developed two new CD-ROMs to help educate small business owners on their tax responsibilities: (1) *Introduction to Federal Taxes for Small Business/Self-Employed*; and (2) *A Virtual Small Business Workshop*. These two CD-ROMs are free and can be ordered by calling 1-800-829-3676. The IRS also provides a special website, www.irs.gov/smallbiz which is

dedicated to providing information to small business taxpayers.

Please keep this letter with your tax records and feel free to provide a copy of it to your authorized representative. We hope that the above information proves helpful.

Sincerely yours,

/s/ Dianna K. Miosi
DIANNA K. MIOSI
Chief, Branch 1
Associate Chief Counsel
(Passthroughs and Special Industries)