

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **200704012**

Release Date: 1/26/2007

Index Number: 9100.00-00

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:3 – PLR-124200-06

Date:

October 24, 2006

Entity 2:

Entity 4:

Entity 1:

Entity 3:

M:

N:

a:

b:

c:

d:

e:

Center:

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Dear _____ :

This letter responds to a letter from your authorized representative dated May 4, 2006, submitted on behalf of Entity 2, requesting an extension of time under §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations for Entity 2 to elect under § 1361(b)(3)(B) of the Internal Revenue Code to treat Entities 1 and 4 as qualified subchapter S subsidiaries (QSubs).

Entity 1 was formed in a as an S corporation, owned equally by M and N. On b, Entity 2 was created as a general partnership, with M and N as equal partners. Effective the same date, Entity 2 filed Form 8832 (Entity Classification Election) to be taxed as a corporation and Form 2553 (Election by a Small Business Corporation) to be treated as an S corporation. M and N transferred all of their stock in Entity 1 to Entity 2 on b. Effective the same date, Entity 2 filed for Entity 1 a Form 8869 (Qualified Subchapter S Election) that contained Entity 1's Employer Identification Number, but inadvertently listed an incorrect corporate name.

Entity 3 was organized as a wholly-owned subsidiary of Entity 2 on c. On d, Entity 1 was converted into a limited partnership, Entity 4, with Entity 2 as a 99% limited partner and Entity 3 as a 1% general partner. Effective the same date, Entity 4 filed Form 8832. However, Entity 2 inadvertently failed to file Form 8869 for Entity 4.

Entity 2 has timely filed its tax returns for e and all subsequent tax years. These returns, as well as those for M and N for the same periods, have been prepared and filed as if Entities 1 and 4 were QSubs effective b and d, respectively.

Section 1361(b)(3)(B) defines a QSub as a domestic corporation that is not an ineligible corporation (as defined in § 1361(b)(2)), if 100 percent of the stock of such corporation is held by an S corporation, and the S corporation elects to treat the corporation as a QSub.

A taxpayer makes a QSub election with respect to a subsidiary by filing Form 8869 with the appropriate service center.

Section 1.1361-3(a)(4) of the Income Tax Regulations provides that the election will be effective on the date specified on the election form or on the date the election is filed if no date is specified. The effective date specified on the election form cannot be

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more than two months and 15 days prior to the date of filing and cannot be more than 12 months after the date of filing.

Section 301.9100-1(c) provides that the Commissioner has discretion to grant a reasonable extension of time under the rules set forth in § 301.9100-3 to make a regulatory election. Section 301.9100-1(b) defines a regulatory election as an election with a due date prescribed by a regulation published in the Federal Register, or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Sections 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. Section 301.9100-1(a).

Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of § 301.9100-2.

Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the Government. Section 301.9100-3(a).

Based on the facts and representations submitted, we conclude that Entity 2 has satisfied the requirements of §§ 301.9100-1 and 301.9100-3. Consequently, Entity 2 is granted an extension of 60 days from the date of this letter for electing under § 1361(b)(3)(B) to treat Entity 4 as a QSub, effective d. Within the extension period, Entity 2 must file Form 8869 with the appropriate service center. A copy of this letter should be attached to the election.

In addition, we conclude that Entity 2 may correct the Form 8869 previously filed for Entity 1 by faxing to Center a Form 8869 listing the correct corporate name for Entity 1. A copy of this letter should be transmitted with the corrected Form 8869.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. Section 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election.

In accordance with the power of attorney on file with this office, we are sending a copy of this letter to your authorized representative.

This ruling is directed only to the taxpayer on whose behalf it was requested. According to § 6110(k)(3) of the Internal Revenue Code, this ruling may not be used or cited as precedent.

Sincerely,

/s/

WILLIAM P. O'SHEA
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures: Copies of this letter (2)
Copy for § 6110 purposes