



Trust5 =

Trust6 =

A =

State =

Date1 =

Date2 =

Date3 =

Date4 =

Date5 =

Date6 =

Date7 =

Years =

n =

Dear :

This letter responds to a letter dated October 29, 2015, and subsequent correspondence, submitted on behalf of X by X's authorized representative, requesting a ruling under § 1362(f) of the Internal Revenue Code (the Code).

The information submitted states that X, a State corporation, elected to be an S corporation effective Date1. On Date2, Trust1 was a revocable trust and an eligible S corporation shareholder of X. Also on Date2, A, the trustee and beneficiary of Trust1, died. X represents that Trust1 continued to qualify as an eligible S corporation shareholder under § 1361(c)(2)(A)(iii) for the two-year period beginning on Date2 and ending on Date3. However, Trust1 continued to hold shares of X on and after Date4. X represents that Trust1 is a trust that meets the qualifications to be an electing small business trust (ESBT), but that an ESBT election had not been made on behalf of Trust1.

In addition, on Date5, shares of X were transferred from Trust1 to Trust2, Trust3 and Trust4. On Date6, shares of X were transferred from Trust5 to Trust6. X represents that Trust2, Trust3, Trust4, and Trust6 are all trusts that meet the qualifications to be ESBTs, but that the trustees of these trusts failed to file ESBT elections on their behalf.

X represents that X and all of X's shareholders have filed tax returns consistent with X being an S corporation since Date1. X further represents that the circumstances resulting in the termination of X's S corporation election were inadvertent and were not motivated by tax avoidance or retroactive tax planning. X and its shareholders have agreed to make such adjustments consistent with the treatment of X as an S corporation as may be required by the Secretary.

Section 1362(f) provides, in part, that if (1) an election under § 1362(a) by a corporation (A) was not effective for the taxable year for which made (determined without regard to § 1362(b)(2)) by reason of a failure to meet the requirements of § 1361(b) or to obtain shareholder consents or (B) was terminated under § 1362(d)(2) or (3), (2) the Secretary determines that the circumstances resulting in the ineffectiveness or termination were inadvertent, (3) no later than a reasonable period of time after discovery of the circumstances resulting in the ineffectiveness or termination, steps were taken (A) so that the corporation is a small business corporation or (B) to acquire the shareholder consents, and (4) the corporation and each person who was a shareholder of the corporation at any time during the period specified pursuant to § 1362(f), agrees to make such adjustments (consistent with the treatment of the corporation as an S corporation) as may be required by the Secretary with respect to such period, then, notwithstanding the circumstances resulting in the ineffectiveness or termination, the corporation will be treated as an S corporation during the period specified by the Secretary.

Based solely on the facts submitted and the representations made, we conclude that X's S corporation election terminated on Date4 as the result of Trust1 becoming an ineligible S corporation shareholder as of that date. We further conclude that the termination of X's S corporation election on Date4 was inadvertent within the meaning of § 1362(f). In addition, had X's S corporation election not already terminated on

Date4, X's S corporation election would have terminated on Date5 and Date6 when shares of X were transferred to Trust2, Trust3 and Trust4, and to Trust6, respectively. We hold that these subsequent terminating events were also inadvertent. Accordingly, pursuant to the provisions of § 1362(f), X will be treated as continuing to be an S corporation from Date4 and thereafter, provided that X's S corporation election was valid and not otherwise terminated under § 1362(d).

This ruling is contingent upon the trustee of Trust1 filing an ESBT election on behalf of Trust1 with an effective date of Date4; the trustees of Trust2, Trust3 and Trust4 filing ESBT elections on behalf of these trusts with an effective date of Date5; and the trustee of Trust6 filing an ESBT election on behalf of Trust6 with an effective date of Date6. These elections must be filed with the appropriate service center within 120 days of the date of this letter ruling. A copy of this letter should be attached to each election.

In addition, this ruling is contingent on Trust1, Trust2, Trust3, Trust4 and Trust6 (collectively, Trusts) filing within 120 days of the date of this letter any amended returns and making adjustments necessary to properly reflect the treatment of Trusts as ESBTs, for the Years taxable years.

Furthermore, as an adjustment under § 1362(f)(4), a payment of \$n and a copy of this letter must be sent to the following address: Internal Revenue Service, Cincinnati Service Center, 201 West Rivercenter Blvd., Covington, KY 41001, Stop 31, Terri Lackey, Manual Deposit. This payment and a copy of this letter must be sent no later than Date7.

If the above conditions are not met, then this letter ruling is null and void. Furthermore, if these conditions are not met, X must send a notification that its S corporation election has terminated to the service center with which X's S corporation election was filed.

Except as specifically set forth above, we express no opinion concerning the federal tax consequences of the facts described above under any other provision of the Code. Specifically, we express no opinion regarding X's eligibility to be an S corporation or the validity of its S corporation election. Further, we express no opinion as to whether Trusts qualify as ESBTs, or on the income or transfer tax consequences of the transfer of shares of X from Trust1 to Trust2, Trust3 and Trust4 or on the income or transfer tax consequences of the transfer of X shares from Trust5 to Trust6.

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.

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

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

Sincerely,

Mary Beth Carchia  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel  
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes