

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:DOM:P&SI:3 / PLR-121906-98

Date:

January 4, 1999

Legend

X =

A =

Date =

State =

Dear

This letter responds to a letter, dated November 30, 1998, that was submitted on behalf of X, requesting a ruling that X's S corporation election be effective as of X's first taxable year beginning Date.

The facts submitted indicate that X was incorporated on Date in State. A is the sole shareholder of X. At the time of incorporation, A intended that X become recognized as an S corporation. However, the election was not timely filed with the Internal Revenue Service.

X requests a ruling that it be recognized as an S corporation effective Date under § 1362(b)(5) of the Internal Revenue Code.

Section 1362(a) provides that a small business corporation may elect to be an S corporation.

Section 1362(b) governs the effective date of an S election. If an S election is made within the first two and one-half months of a corporation's taxable year, then that corporation will generally be treated as an S corporation for the year in which the election is made. If an S election is made after the first two and one-half months of a corporation's taxable year, then that corporation will not be treated as an S corporation until the taxable year following the year in which the S election is made.

Section 1362(b)(5) provides that if no § 1362(a) election is made for any taxable year, and the Secretary determines that there was reasonable cause for the failure to timely make the election, then the Secretary may treat the election as timely made for such taxable year and effective as of the first day of the corporation's taxable year.

X has established reasonable cause for failing to file a timely election and is entitled to relief under § 1362(b)(5). After applying the law to the facts submitted and representations made, and assuming that X otherwise qualifies as an S corporation, the Service will recognize X's election to be an S corporation effective Date provided that no later than 60 days from the date of this ruling (1) X properly executes and files Form 2553 with an effective date of Date with the appropriate service center, and (2) all tax returns for X and its shareholders for tax years beginning on or after Date are amended, if necessary, and filed consistent with X being recognized as an S corporation. X should attach a copy of this letter to the Form 2553 filed with the service center. A copy is enclosed for that purpose.

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.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely yours,

Jeff Erickson  
Assistant to the Chief, Branch 3  
Office of Assistant  
Chief Counsel  
(Passthroughs & Special  
Industries)

Enclosures(2):

Copy of this letter

Copy of this letter for § 6110 purposes