

Internal Revenue Service

Department of the Treasury

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Person to Contact:

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Telephone Number:

Refer Reply To:

CC:DOM:P&SI:2 - PLR-113610-99

Date:

September 9, 1999

X =

A =

D1 =

Year 1 =

Dear :

This letter responds to a letter dated July 13, 1999, and subsequent correspondence submitted by you on behalf of X, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X was incorporated on D1. A, the chief executive officer and sole shareholder of X, represents that A consulted with a representative of the Small Business Administration as to the best method of forming X, and was advised that X should be an S corporation. However, A misunderstood the method of properly filing an S corporation election and failed to file a Form 2553, Election by a Small Business Corporation, for X. When A discussed the preparation of a Form 1120S, U.S. Income Tax Return for an S Corporation, for X's Year 1 taxable year with X's accountant, X's accountant discovered that no Form 2553 was filed for X for Year 1.

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 X's first taxable year. 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 following 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 set forth above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision 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,

J. THOMAS HINES
Senior Technician Reviewer
Branch 2
Office of the Assistant
Chief Counsel
(Passthroughs and
Special Industries)

Enclosures: 2
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