

**Internal Revenue Service**

Department of the Treasury

Index Number: 1362.01-03

Washington, DC 20224

Number: **200025029**

Person to Contact:

Release Date: 6/23/2000

Telephone Number:

Refer Reply To:

CC:DOM:P&SI:2-PLR-118612-99

Date:

March 22, 2000

X =

A =

Date 1 =

Year 1 =

Year 2 =

Dear :

This letter responds to a September 14, 1999 letter and subsequent correspondence that X's authorized representative submitted on behalf of X requesting relief under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that X incorporated on Date 1 of Year 1. A, the sole shareholder of X, intended X to be an S corporation beginning with X's Year 1 taxable year. However, X's attorney inadvertently failed to file Form 2553 (Election by a Small Business Corporation) for X for Year 1. When it became apparent that Form 2553 had not been timely filed, X's attorney filed Form 2553 for X effective for Year 2. X filed a Form 1120S (U.S. Income Tax Return for an S corporation) for Year 1 and A filed A's Year 1 Form 1040 (U.S. Individual Income Tax Return) consistent with X being an S corporation.

Section 1362(b)(5) of the Code provides that if-- (A) an election under § 1362(a) for any taxable year is made 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 Year 1 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 Year 1, 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, we express no opinion 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. Pursuant to a power of attorney on file, a copy of this letter is being sent to X's authorized representative.

Sincerely yours,

H. GRACE KIM  
Assistant to Chief  
Branch 2  
Office of the Assistant  
Chief Counsel  
(Passthroughs and Special  
Industries)

Enclosures: 2  
Copy of this letter  
Copy for § 6110 purposes