

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact: _____, ID No.

Telephone Number: _____

Refer Reply To:
CC:PSI:B01
PLR-158717-04

Date:
February 15, 2005

Legend

X =

Date 1 =

Dear _____ :

This responds to a letter dated October 14, 2004, submitted on behalf of X, requesting relief under § 1362(b)(5) of the Internal Revenue Code.

Facts

According to the information submitted, X was incorporated on Date 1. The sole shareholder of X intended for X to be an S corporation effective Date 1, but the election to be treated as an S corporation was not timely filed. X requests a ruling under § 1362(b)(5) that it will be treated as an S corporation effective Date 1.

Law and Analysis

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

Section 1362(b) provides the rule on when an S election will be effective. Section 1362(b)(2) provides in relevant part that if an S election is made within the first two and one-half months of a corporation's taxable year, then the corporation will be treated as an S corporation for the year in which the election is made. Under § 1362(b)(3), however, 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 after the year in which the S election is filed.

Section 1362(b)(5) provides that if: (1) no ' 1362(a) election is made for any taxable year, and (2) the Secretary determines that there was reasonable cause for the failure to timely make such election, then the Secretary may treat such an election as timely made for such taxable year and ' 1362(b)(3) shall not apply.

X did not file an election to be treated as an S corporation under ' 1362(a). X has, however, established reasonable cause for not making a timely S election and is entitled to relief under ' 1362(b)(5).

Conclusion

Based solely on the facts submitted and the representations made, and provided that X otherwise qualifies as an S corporation, we conclude that X will be treated as an S corporation effective Date 1. Within 60 days from the date of this letter X should submit a properly completed Form 2553 effective Date 1, with a copy of this letter attached, to the relevant service center.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

/s/ Dianna K. Miosi

Dianna K. Miosi
Chief, Branch 1
Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes