

# Qualified Subchapter S Subsidiary Election

(Under section 1361(b)(3) of the Internal Revenue Code)

## Part I Parent S Corporation Making the Election

1a Name of parent	2 Employer identification number (EIN)
b Number, street, and room or suite no. (if a P.O. box, see instructions)	3 Tax year ending (month and day)
c City or town, state, and ZIP code	4 Service center where last return was filed
5 Name of officer or legal representative whom the IRS may call for more information	6 Telephone number of officer or legal representative ( )

## Part II Subsidiary Corporation for Which Election is Made (For additional subsidiaries, see instructions.)

7a Name of subsidiary	8 EIN (if any)
b Number, street, and room or suite no. (if a P.O. box, see instructions)	9 Date incorporated
c City or town, state, and ZIP code	10 State of incorporation

11 Date election is to take effect (month, day, year) (see instructions) . . . . . ▶ / /

12 Did the subsidiary previously file a Federal income tax return? If "Yes," complete lines 13a, 13b, and 13c . . . . . ▶  Yes  No

13a Service center where last return was filed	13b Tax year ending date of last return (month, day, year) ▶ / /	13c Check type of return filed: <input type="checkbox"/> Form 1120 <input type="checkbox"/> Form 1120S <input type="checkbox"/> Other ▶
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14 Was the subsidiary's last return filed as part of a consolidated return? If "Yes," complete lines 15a, 15b, and 15c . . . . . ▶  Yes  No

15a Name of common parent	15b EIN of common parent	15c Service center where consolidated return was filed
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Under penalties of perjury, I declare that I have examined this election, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of officer of parent corporation ▶	Title ▶	Date ▶
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## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

A parent S corporation uses Form 8869 to elect to treat one or more of its eligible subsidiaries as a qualified subchapter S subsidiary (QSub).

The QSub election results in a deemed liquidation of the subsidiary into the parent. Following the deemed liquidation the QSub is not treated as a separate corporation; all of the subsidiary's assets, liabilities, and items of income, deduction, and credit are treated as those of the parent.

 Because the liquidation is a deemed liquidation, **do not** file a **Form 966, Corporate Dissolution or Liquidation**. However, a final return for the subsidiary may have to be filed if it was a separate corporation prior to the date of liquidation.

### Eligible Subsidiaries

An eligible subsidiary is a domestic corporation whose stock is owned 100% by an S corporation and is **not** one of the following ineligible corporations:

- A bank or thrift institution that uses the reserve method of accounting for bad debts under section 585;
- An insurance company subject to tax under the rules of subchapter L of the Code;
- A corporation that has elected to be treated as a possessions corporation under section 936; or

- A domestic international sales corporation (DISC) or former DISC.

### When To Make the Election

The parent S corporation can make the QSub election at any time during the tax year. However, the effective date of the election depends upon when it is filed. See **Effective Date of Election** on page 2.

### Where To File

File Form 8869 with the service center where the subsidiary filed its most recent return. However, if the parent S corporation forms a subsidiary, and makes a valid election effective upon formation, submit Form 8869 to the service center where the parent S corporation filed its most recent return.

### Acceptance of Election

The service center will notify the corporation if the QSub election is (a) accepted and when it will take effect or (b) not accepted.

The corporation should generally receive a determination on its election within 60 days after it has filed Form 8869. However, if the corporation is not notified of acceptance or nonacceptance of its election within 3 months of the date of filing (date mailed), take follow-up action by corresponding with the service center where the corporation filed the election.

If the IRS questions whether Form 8869 was filed, an acceptable proof of filing is: (a) a certified or registered mail receipt (timely postmarked) from the U.S. Postal Service, or its equivalent from a designated private delivery service (see Notice

99-41, 1999-35 I.R.B. 325); (b) a Form 8869 with an accepted stamp; (c) a Form 8869 with a stamped IRS received date; or (d) an IRS letter stating that Form 8869 has been accepted.

Termination of Election

Once the QSub election is made, it remains in effect until terminated. If the election is terminated, IRS consent is generally required for another QSub election with regard to the former QSub (or its successor) for any tax year before the 5th tax year after the 1st tax year in which the termination took effect. See Regulations section 1.1361-5 for more details.

Specific Instructions

Address

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver to the street address and the corporation has a P.O. box, show the box number instead of the street address.

If the subsidiary has the same address as the parent S corporation, enter "Same as parent" in Part II.

If either the parent or subsidiary corporation changes its mailing address after the election is filed, it should notify the IRS by filing Form 8822, Change of Address.

Part II

If the QSub election is being made for more than one subsidiary, attach a separate sheet for each subsidiary. Use the same size, format, and line numbers as in Part II of the printed form. Put the parent corporation's name and employer identification number at the top of each sheet.

If the QSub elections are being made effective on the same date for a tiered group of subsidiaries, the parent S corporation may specify the order of the deemed liquidations on an attachment. If no order is specified, the deemed liquidations will be treated as occurring first for the lowest tier subsidiary and proceeding successively upward. See Regulations section 1.1361-4(b)(2).

Note: A QSub election for a tiered group of subsidiaries may, in certain circumstances, result in the recognition of income. A primary example is excess loss accounts (see Regulations section 1.1502-19).

Employer Identification Number (EIN)

A QSub is not required to have or use an EIN for Federal tax purposes. If the QSub does not have an EIN, enter "N/A" on line 8.

However, if the QSub has previously filed a return, separately or as part of a consolidated return, and used an EIN, enter that EIN on line 8 and (if applicable) the EIN of its common parent on line 15b. Note: Failure to enter the subsidiary's EIN may result in the service center sending a notice of delinquent filing to the QSub.

If the QSub wants its own EIN, but does not have one, get Form SS-4, Application for Employer Identification Number, for details on how to obtain an EIN immediately by telephone. (Caution: The QSub may use its own EIN only under limited circumstances; see Notice 99-6, 1999-3 I.R.B. 12, for guidance.) If the QSub has previously applied for an EIN, but has not received it by the time the election is made, write "Applied for" on line 8. Do not apply for an EIN more than once. See Pub. 583, Starting a Business and Keeping Records, for details.

Effective Date of Election

The effective date of the QSub election entered on line 11 cannot be more than:

- 1. Two months and 15 days prior to the date of filing the election or
2. Twelve months after the date of filing the election.

If the election specifies a date falling earlier than the date in 1, it will be treated as being effective 2 months and 15 days prior

to the date of filing the election. If the election specifies a date falling later than the date in 2, it will be treated as being effective 12 months after the date of filing the election.

If no date is specified, the election is effective on the date Form 8869 is filed.

Late Filed Election

If the QSub election is not timely filed for the desired effective date, Rev. Proc. 98-55, 1998-2 C.B. 643, provides relief if the failure to file on time is due to reasonable cause. A corporation with a valid and timely filed S corporation election may be granted additional time to file the QSub election if all of the following conditions are met:

- The QSub election is filed within 12 months of the required due date for the desired effective date;
On the desired effective date, the subsidiary qualifies for QSub status in all respects other than the timeliness of the election; and
The parent's S corporation tax return due date (excluding extensions) for its first tax year it intended to treat the subsidiary as a QSub has not passed.

If all of the above conditions are met, then file Form 8869, write "FILED PURSUANT TO REV. PROC. 98-55" at the top of page 1, and attach a statement explaining the reason for failing to file the QSub election on time. The service center will review the request for relief and notify the parent corporation if the requirements for granting an extension of time to file the QSub election are satisfied.

If the parent's S corporation election and QSub election are both late, the parent corporation may request relief if the eligibility requirements of Section 4 of Rev. Proc. 98-55 are met. See the revenue procedure for details.

If Rev. Proc. 98-55 does not apply, to obtain relief for a late QSub election the parent corporation must request a private letter ruling and pay a user fee in accordance with Rev. Proc. 2000-1, 2000-1 I.R.B. 4 (or its successor).

Signature

Form 8869 must be signed by the president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) authorized to sign the parent's S corporation return.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping . . . . . 6 hr., 3 min.
Learning about the law or the form . . . . . 59 min.
Preparing, copying, assembling, and sending the form to the IRS . . . . . 56 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. Do not send the form to this address. Instead, see Where To File on page 1.

