

INTERNAL REVENUE SERVICE  
Index No.: 1362.01-03  
Number: **199945034**  
Release Date: 11/12/1999

CC:DOM:P&SI:2 - PLR-107337-99  
August 13, 1999

X =

A =

Date 1 =

Year 1 =

Dear :

This is in reply to a letter dated February 3, 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 Date 1. A, as X's president, represents that it was the intent of X's shareholders that X elect to be an S corporation effective for Year 1, X's first taxable year. This intent is evidenced in X's Consent to Actions in Lieu of First Meeting of the Board of Directors and in X's Form SS-4, Application for Employer Identification Number. However, a Form 2553, Election by a Small Business Corporation, was not timely filed for that year for X because the law firm upon whom the shareholders relied to file the S corporation election did not timely file the form.

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 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. This ruling is conditioned on X filing, within 60 days following the date of this letter, any amended returns to report consistent with S corporation status. A copy of this letter should be attached to any such amended returns.

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.

Pursuant to the power of attorney on file with this office, a copy of this letter is being sent to X.

Sincerely yours,

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

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