## **Internal Revenue Service**

Number: 200452025

Release Date: 12/24/2004 Index Number: 1362.01-03 Department of the Treasury Washington, DC 20224

Third Party Communication: None Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To: CC:PSI:B01 PLR-140401-04

Date:

September 09, 2004

### Legend

X =

<u>State</u> = D1 =

Dear :

This responds to your letter dated June 20, 2004, requesting relief under § 1362(b)(5) of the Internal Revenue Code.

## **Facts**

 $\underline{X}$  was incorporated on  $\underline{D1}$  under the law of  $\underline{State}$ . The shareholder of  $\underline{X}$  intended that  $\underline{X}$  be treated as an S corporation effective on  $\underline{D1}$ , but the election to be treated as an S corporation was not timely filed. Accordingly,  $\underline{X}$  requests a ruling that it will be treated as an S corporation effective  $\underline{D1}$ .

### 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.

 $\underline{X}$  did not file an election to be treated as an S corporation under § 1362(a).  $\underline{X}$  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  $\underline{X}$  otherwise qualifies as an S corporation, we conclude that  $\underline{X}$  will be treated as an S corporation effective  $\underline{D1}$ . Within 60 days from the date of this letter,  $\underline{X}$  should submit a properly completed Form 2553, with a copy of this letter attached, to the appropriate service center.

Except as specifically set forth above, no opinion is expressed or implied as to the federal tax consequences of the facts described above under any other provision of the Code. Specifically, no opinion is expressed concerning whether  $\underline{X}$  is, in fact, an S corporation for federal tax purposes.

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

Sincerely,

/s/ David R. Haglund

David R. Haglund Senior Technician Reviewer, Branch 1 Office of the Associate Chief Counsel (Passthroughs and Special Industries)