Washington, DC 20224 Number: 200303039 Release Date: 1/17/03 Index Number: 1362.01-03 Person to Contact: Telephone Number: Refer Reply To: CC:PSI:3 PLR-141270-02 Date: October 11, 2002 Legend Company: Shareholders: State: Date 1: Date 2: Date 3: Date 4: Dear This letter responds to your letter dated July 18, 2002, as well as subsequent correspondence, requesting a ruling under § 1362(b)(5) of the Internal Revenue Code regarding Company's late S corporation election.

FACTS

under the laws of State on Date 3. Shareholders intended Company to be an S

Company had assets and began doing business on Date 1. It was incorporated

Internal Revenue Service

Department of the Treasury

corporation from inception; however, it was not incorporated until a later date, and Form 2553, Election by a Small Business Corporation, was not filed timely with the Internal Revenue Service. Company filed Form 1120S, U.S. Income Tax Return for an S Corporation, for the period beginning Date 1 and ending Date 4.

LAW AND ANALYSIS

Section 1362(b)(1) provides, in general, that an election by a small business corporation under § 1362(a) to be an S corporation may be made for any tax year (A) at any time during the preceding tax year, or (B) at any time during the tax year and on or before the 15th day of the 3d month of the tax year.

Section 1362(b)(3) provides that if (A) a small business corporation makes an election under § 1362(a) for any tax year, and (B) that election is made after the 15th day of the 3d month of the tax year and on or before the 15th day of the 3d month of the following tax year, then that election shall be treated as made for the following tax year.

Section 1362(b)(5) provides that if (A) an election under § 1362(a) is made for any tax year (determined without regard to § 1362(b)(3)) after the date prescribed by § 1362(b) for making the election for that tax year or no such election is made for any tax year, and (B) the Secretary determines that there was reasonable cause for the failure to timely make the election, the Secretary may treat such election as timely made for that tax year (and § 1362(b)(3) shall not apply).

Based on the facts and representations submitted by Company, we conclude that there was reasonable cause for Company's failure to make a timely S corporation election. Therefore, Company's late election under § 1362(a) is to be treated under § 1362(b)(5) as filed timely for its tax year beginning Date 3. This ruling is contingent, however, on Company filing Form 2553, to be effective on Date 3, with the appropriate service center no later than 60 days from the date of this letter. A copy of this letter should be attached to the Form 2553. In addition, Company must amend its tax return by filing Form 1065, U.S. Return of Partnership Income, for its tax year beginning Date 1 and ending Date 2, and by filing Form 1120S for its tax year beginning Date 3 and ending Date 4, with the appropriate service center no later than 60 days from the date of this letter.

Except for the specific ruling above, we express or imply no opinion concerning the federal tax consequences of the facts of this case under any other provision of the Code. Specifically, we express or imply no opinion on whether Company otherwise is eligible to be an S corporation.

Under a power of attorney on file with this office, we are sending the original of this letter to you and a copy to Company.

This ruling is directed only to the taxpayer who requested it. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

Sincerely yours,

/s/

JAMES A. QUINN Senior Counsel, Branch 3 Office of Associate Chief Counsel (Passthroughs and Special Industries)

enclosure: copy of this letter

copy for § 6110 purposes