INTERNAL REVENUE SERVICE Index No.: 1362.00-00

Number: **199921028** Release Date: 5/28/1999

Feb. 25, 1999

<u>x</u>	=
<u>A</u>	=
B	=
<u>D1</u>	=
Year 1	=

Dear

This responds to your recent letter, and subsequent correspondence, submitted on behalf of \underline{X} , requesting a ruling under § 1362(b)(5) of the Internal Revenue Code.

The information submitted states that \underline{X} was incorporated on <u>D1</u> of Year 1. The shareholders of \underline{X} are \underline{A} and \underline{B} . \underline{A} , as \underline{X} 's President, represents that at the time \underline{X} was incorporated the shareholders of \underline{X} assumed that the attorney who had incorporated \underline{X} had taken care of filing the Form 2553, Election by a Small Business Corporation. The Form 2553 for \underline{X} was not filed. The SS-4 filed for \underline{X} reflects the shareholder's intent to have \underline{X} treated as an S corporation. \underline{X} and the shareholders of \underline{X} have filed their federal tax returns consistent with the treatment of \underline{X} as an S corporation.

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 \underline{X} has established reasonable cause for failing to make a timely election to be an S corporation for \underline{X} 's first taxable year, Year 1. Accordingly, provided that \underline{X} makes an election to be an S corporation by filing the 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 \underline{X} 's Year 1 taxable year. A copy of this letter should be attached to the Form 2553.

Except as specifically ruled upon above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provisions of the Code, including whether \underline{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.

Sincerely yours,

J. THOMAS HINES
Senior Technician Reviewer
Branch 2
Office of the Assistant
Chief Counsel
(Passthroughs and
Special Industries)

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