Internal Revenue Service

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Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:P&SI:1-PLR-110749-99

Date:
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Legend

X =

Y =

Date 1 =

Pursuant to a power of attorney on file in this office, this responds to a letter submitted on behalf of X, requesting an extension of time to elect to treat Y as a Qualified Subchapter S Subsidiary (QSUB) under section 1361(b)(3) of the Internal Revenue Code.

FACTS

X is an S corporation that acquired Y on Date 1. X intended to file an election to treat Y as a QSUB effective Date 1 but the election was not timely filed.

LAW AND ANALYSIS

Section 1361(b)(3)(B) provides that a QSUB means any domestic corporation which is not an ineligible corporation if 100% of the stock of such corporation is held by the S corporation and the S corporation elects to treat such corporation as a QSUB.

Notice 97-4, 1997-2 I.R.B. 24 provides a temporary procedure for making a QSUB election. Under Notice 97-4, the S corporation makes a QSUB election with respect to a subsidiary by filing a Form 966, subject to certain modifications, with the appropriate service center. The election may be effective up to 75 days prior to the filing of the form.

Under § 301.9100-1(c), the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Code, except subtitles E, G, H, and I. Section 301.9100-1(b) defines the term "regulatory election" as including an election whose deadline is prescribed by a regulation published in the Internal Revenue Bulletin.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-1(a).

Section 301.9100-2 provides an automatic extension of time for making certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of § 301.9100-2.

Requests for relief under § 301.9100-3 will be granted when the taxpayer provides evidence to establish that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the Government. Section 301.9100-3(a).

CONCLUSION

In the present situation, the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, an extension of time is granted, until 60 days following the date of this letter, to elect that Y be treated as QSUB effective Date 1. The election should be made by following the procedure provided in Notice 97-4. A copy of this letter should be attached to the election.

Except as specifically set forth above, no opinion is expressed or implied as to the federal income tax consequences of the transactions described above under any

other provision of the code.

This ruling is directed only to the taxpayer on whose behalf it was requested. Section 6110(k)(3) provides that it may not be used or cited as precedent. Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Paul F. Kugler

PAUL F. KUGLER
Assistant Chief Counsel
(Passthroughs and Special Industries)

Enclosures:
Copy of this letter
Copy for §6110 purposes