

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Date:
April 01, 2008

LEGEND

X

Y =

A =

Date1 =

Date2 =

Date3 =

State =

Dear :

This letter responds to a letter dated June 5, 2007, and subsequent correspondence, submitted on behalf of X by X's authorized representative, requesting a ruling on the status of X's election to treat Y as a qualified subchapter S subsidiary (QSub).

FACTS

Y, a State law corporation, is a wholly owned subsidiary of X, a State law corporation. A is the sole shareholder of X. On Date2, X elected to be an S corporation effective Date1. Also on Date2, X timely filed an election to treat Y as a QSub effective Date1.

X represents that since Date1, X has treated Y as a QSub of X for federal tax purposes. Moreover, X and A have filed their federal income tax returns for the Date3 taxable year and all subsequent taxable years consistent with X being an S corporation and Y being a QSub.

LAW AND ANALYSIS

Section 1361(a)(1) of the Internal Revenue Code provides that the term "S corporation" means, with respect to any taxable year, a small business corporation for which an election under § 1362(a) is in effect for such year.

Section 1361(b)(3)(B) provides that for purposes of § 1361(b)(3) the term "qualified subchapter S subsidiary" means any domestic corporation which is not an ineligible corporation (as defined in § 1361(b)(2)), if (i) 100 percent of the stock of such corporation is held by the S corporation, and (ii) the S corporation elects to treat such corporation as a qualified subchapter S subsidiary.

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that X's election to treat Y as a QSub effective Date1 is valid. Therefore, Y will be treated as a QSub of X, an S corporation, under § 1361(b)(3)(B), effective Date1.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Specifically, no opinion is expressed or implied on whether X is a valid S corporation or whether Y is otherwise eligible to be treated as a QSub.

Under a power of attorney on file with this office, we are sending a copy of this letter to X's authorized representative.

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.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, it is subject to verification on examination.

Sincerely,

/s/

Mary Beth Collins
Senior Technician Reviewer, Branch 3
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

A copy of this letter
A copy for § 6110 purposes

cc: