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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PT&E:B03
PLR-104250-24

Date:
May 29, 2025

LEGEND

X =

Y =

Rental Real Estate Trades or Businesses =

Operating Trades or Businesses =

Date 1 =

Dear :

This letter responds to a letter dated February 16, 2024, and subsequent correspondence, submitted on behalf of X and Y by their authorized representative, requesting an extension of time under § 301.9100-3 of the Procedure and

Administration Regulations to make an election under § 1.199A-4 to aggregate various trades or businesses for purposes of § 199A of the Internal Revenue Code (Code).

FACTS

The information submitted states that X and Y (collectively, Taxpayer), individuals filing jointly, own interests in a number of disregarded entities, S corporations, and partnerships that operate several trades or businesses. Taxpayer states that the various trades or businesses are eligible to be aggregated under § 1.199A-4 for purposes of claiming a deduction under § 199A. In Year 1, Taxpayer elected to aggregate and reported on its tax return certain Rental Real Estate Trades or Businesses for purposes of calculating Taxpayer's deduction under § 199A for the taxable year ending Date 1. While Taxpayer intended to aggregate and report all of its eligible trades or businesses, its Rental Real Estate Trades or Businesses and Operating Trades or Businesses, Taxpayer inadvertently failed to include the Operating Trades or Businesses when it elected to aggregate and report its aggregation for the taxable year ending Date 1. Taxpayer represents that its tax advisor failed to adequately advise it about the entities eligible to be aggregated under § 1.199A-4 for purposes of claiming a deduction under § 199A.

Taxpayer states it acted reasonably and in good faith and that granting relief will not prejudice the interests of the government.

LAW AND ANALYSIS

Section 199A generally provides a deduction of up to 20 percent of qualified business income from a domestic trade or business operated as a sole proprietorship or through a partnership, S corporation, trust, or estate (QBI component), plus 20 percent of the combined amount of qualified REIT dividends and qualified PTP income. For taxpayers whose taxable income exceeds a statutorily-defined amount (threshold amount), a taxpayer's deduction might be limited based on (i) the type of trade or business engaged in by the taxpayer, (ii) the amount of W-2 wages paid with respect to the trade or business (W-2 wages), and/or (iii) the UBIA of qualified property held for use in the trade or business (UBIA of qualified property). The deduction is further limited to 20 percent of the taxpayer's taxable income, minus net capital gain.

Section 1.199A-4(a) provides that, in general, an individual or relevant passthrough entity (RPE) engaged in more than one trade or business and, except as provided in § 1.199A-4, must treat each trade or business as a separate trade or business for purposes of calculating the QBI component.

Section 1.199A-4(b)(1) provides that trades or businesses may be aggregated only if an individual or RPE can demonstrate that: (i) The same person or group of persons, directly or by attribution under sections 267(b) or 707(b), owns 50 percent or more of each trade or business to be aggregated; (ii) the ownership required by

§ 1.199A-4(b)(1)(i) exists for a majority of the taxable year, including the last day of the taxable year; (iii) all of the items attributable to each trade or business to be aggregated are reported on returns with the same taxable year, not taking into account short taxable years; (iv) none of the trades or businesses to be aggregated is a specified service trade or business (SSTB) as defined in § 1.199A-5; and (v) the trades or businesses satisfy at least two of the following factors: (A) the trades or businesses provide products, property, or services that are the same or customarily offered together; (B) the trades or businesses share facilities or share significant centralized business elements, such as personnel, accounting, legal, manufacturing, purchasing, human resources, or information technology resources; (C) the trades or businesses are operated in coordination with, or reliance upon, one or more of the businesses in the aggregated group.

Section 1.199A-4(b)(2)(i)-(ii) provides that if an individual or RPE aggregates multiple trades or businesses under § 1.199A-4(b)(1), QBI, W-2 wages, and UBI of qualified property must be combined for the aggregated trades or businesses for purposes of applying the W-2 wage and UBI of qualified property limitations described in § 1.199A-1(d)(2)(iv).

Section 1.199A-4(c)(1) & (3) provide that once an individual or RPE chooses to aggregate two or more trades or businesses, they must consistently report the aggregated trades or businesses in all subsequent taxable years. In addition, an individual or RPE that fails to aggregate may not aggregate trades or businesses on an amended return (other than an amended return for the 2018 taxable year), but may add a newly created or newly acquired trade or business.

Section 301.9100-1(c) provides that the Commissioner may grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 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) provides that the term “regulatory election” includes an election whose due date is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 provide the standards that the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides rules for requesting extensions of time for regulatory elections that do not meet the requirements of § 301.9100-2.

Under § 301.9100-3, a request for relief will be granted when the taxpayer provides the evidence (including affidavits described in § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that (1) the taxpayer acted reasonably and in good faith, and (2) the grant of relief will not prejudice the interests of the Government.

CONCLUSION

Based solely on the information submitted and the representations made, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. As a result, Taxpayer is granted an extension of time of 120 days from the date of this letter to make an election under § 1.199A-4 to aggregate together all of its Rental Real Estate Trades or Businesses and its Operating Trades or Businesses, effective for the taxable year ending Date 1.

This ruling is contingent on Taxpayer, within 120 days from the date of this letter, filing all required returns for all open years consistent with the requested relief. Specifically, Taxpayer must file all relevant returns consistent with the requirements in § 1.199A-4(c). A copy of this letter should be attached to any such returns for the tax years affected. Alternatively, if Taxpayer files its tax returns electronically, it may satisfy this requirement by attaching a statement to its returns that provides the date and control number of this letter ruling.

Except as expressly provided herein, we express or imply no opinion concerning the federal tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In addition, § 301.9100-1(a) provides that the granting of an extension of time for making an election is not a determination that the taxpayer is otherwise eligible to make the election or whether subsequent events have otherwise affected Taxpayer's eligibility to aggregate within the requirements of § 1.199A-4.

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 request for ruling, it is subject to verification on examination.

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

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

Sincerely,

Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

By: _____
Robert D. Alinsky
Branch Chief, Branch 3
Office of Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

Enclosure:

Copy of this letter for § 6110 purposes

cc: