

Internal Revenue Service

Number: **202540003**

Release Date: 10/3/2025

Index Number: 9100.00-00, 1361.00-00,
1361.05-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PT&E:B01

PLR-101135-25

Date:

June 23, 2025

LEGEND

X =

Y =

Sub =

State 1 =

State 2 =

State 3 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Dear :

This letter responds to a letter dated December 30, 2024, and subsequent correspondence, submitted on behalf of X, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations for X to file a late election to treat Sub as a qualified subchapter S subsidiary (QSub) under § 1361(b)(3) of the Internal Revenue Code (the Code).

FACTS

According to the information submitted, Y was incorporated under the laws of State 1 on Date 1 and elected to be treated as an S corporation effective Date 1.

On Date 2, Sub was incorporated under the laws of State 2. As of Date 2, Y owned all the outstanding stock of Sub and intended to elect to treat Sub as a QSub effective Date 2. However, due to inadvertence, Y failed to file Form 8869, Qualified Subchapter S Subsidiary election.

On Date 3, X was incorporated under the laws of State 3 and filed Form 2553, Election by a Small Business Corporation, to elect treatment as an S corporation. On Date 4, as part of what X represents was a reorganization under § 368(a)(1)(F), Y's shareholders contributed all the stock of Y to X, thereby causing Y to become a wholly owned subsidiary of X. Subsequently, X filed a Form 8869, Qualified Subchapter S Subsidiary Election, to treat Y as a QSub effective Date 4. On Date 5, Y and Sub converted to State 3 limited liability companies under the laws of State 3.

X, as Y's successor, represents that its failure to make a QSub election for Sub was inadvertent and not the result of tax avoidance or retroactive tax planning. X further represents that all tax returns since Date 2 were filed consistent with Sub being treated as a QSub effective Date 2.

LAW AND ANALYSIS

Section 1361(b)(3)(A) of the Code generally provides that a QSub shall not be treated as a separate corporation, and all assets, liabilities, and items of income, deduction, and credit of a QSub shall be treated as assets, liabilities, and such items (as the case may be) of the S corporation.

Section 1361(b)(3)(B) defines a QSub as a domestic corporation which is not an ineligible corporation, if 100 percent of the stock of the corporation is owned by an S corporation, and the S corporation elects to treat the corporation as a QSub.

Section 1.1361-3(a) of the Income Tax Regulations prescribes the time and manner for making an election to be classified as a QSub. Section 1.1361-3(a)(4) provides that an election may be effective up to two months and 15 days prior to the date the election is

filed or not more than 12 months after the election is filed. The proper form for making the election is Form 8869, Qualified Subchapter S Subsidiary Election.

Section 1.1361-3(a)(6) provides that an extension of time to make a QSub election may be available under procedures applicable under §§ 301.9100-1 and 301.9100-3.

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 (but not more than 6 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, or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Section 301.9100-2 provides the rules governing automatic extensions of time for making certain elections.

Section 301.9100-3 provides the standards the Commissioner will use to determine whether to grant an extension of time for regulatory extensions 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 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 that (2) the grant of relief will not prejudice the interests of the government.

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that X has satisfied the requirements of §§ 301.9100-1 and 301.9100-3 with respect to the QSub election for Sub. Accordingly, we grant X an extension of time of 120 days from the date of this letter to elect to treat Sub as a QSub, effective Date 2. The election should be made by filing Form 8869, Qualified Subchapter S Subsidiary Election, with the appropriate service center, and a copy of this letter should be attached to the Form 8869.

Except as expressly provided herein, we express or imply no opinion concerning the federal tax consequence of the facts described above under any other provision of the Code. Specifically, we express or imply no opinion concerning whether X is a valid S corporation, whether Y was a valid S corporation or QSub, whether Sub is eligible to be a QSub, or the validity of the reorganization under § 368(a)(1)(F) or its tax consequences.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) 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.

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

Sincerely,

Jeffrey Erickson
Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

By: /s/
Jennifer N. Keeney
Senior Counsel, Branch 1
Office of Associate Chief Counsel
(Passthroughs, Trusts, and Estates)

Enclosure

Copy of letter for § 6110 purposes

CC: