

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:

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Telephone Number:

Refer Reply To:

CC:ITA:B04 – PLR-165083-03

Date:

December 15, 2003

**Legend**

Taxpayer =

TIN =

State N =

A =

B =

C =

Dear \_\_\_\_\_ :

This is in response to your letter of October 30, 2003, requesting, on behalf of the above-named taxpayer, an extension of time under §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file an election under § 168(h)(6)(F)(ii) of the Internal Revenue Code (the "Election"). The material information submitted for consideration is summarized below.

Taxpayer is a for-profit corporation incorporated in N. Taxpayer is owned by A and B who are non-profit corporations and tax-exempt entities under § 501(c). A's and B's mission is to provide housing for low-income tenants.

Taxpayer is a tax-exempt controlled entity within the meaning of § 168(h)(6)(F)(iii). Under § 168(h)(6)(F)(ii), Taxpayer may elect not to be treated as a tax-exempt controlled entity for purposes of § 168(h)(6).

Taxpayer is a .01% general partner of C, a limited partnership, whose purpose is to acquire, rehabilitate and operate three buildings as a low-income housing project under § 42. The buildings are certified historic structures, as that term is defined in § 47(c)(3) and are eligible for rehabilitation tax credits under § 47.

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Under C's Closing Certificate, Taxpayer was to make an election under § 168(h)(6)(F)(ii) to be treated as a taxable entity. The election was necessary so that the alternate depreciation system under § 168(g) would not be applied to C's property and to enable C's rehabilitation expenditures to give rise to the rehabilitation tax credit.

Taxpayer's prior accountant was engaged to prepare C's and Taxpayer's tax returns for the year ended December 31, 2001. Based upon the information submitted, Taxpayer intended to make an election under § 168(h)(6)(F)(ii) on a timely filed federal income tax return for its first tax year ended December 31, 2001. However, the prior accountant prepared C's Form 1065 but failed to prepare Taxpayer's Form 1120 timely and therefore, the election under § 168(h)(6)(F)(ii) was not timely made.

Subsequently, Taxpayer engaged a new accounting firm in December 2002 who became aware of Taxpayer's failure to timely file a federal income tax return for the year ended December 31, 2001, and make an election under § 168(h)(6)(F)(ii). The Taxpayer is seeking relief under §§ 301.9100-1 and 301.9100-3 for failure to make a timely election.

Section 168(h)(6)(A) provides that, for purposes of § 168(h), if (1) any property which is not tax-exempt use property is owned by a partnership which has both a tax-exempt entity and a person who is not a tax-exempt entity as partners, and (2) any allocation to the tax-exempt entity of partnership items is not a qualified allocation, then an amount equal to such tax-exempt entity's proportionate share of such property shall be treated as tax-exempt use property.

Section 168(h)(6)(F)(i) provides that, for purposes of § 168(h)(6), any tax-exempt controlled entity shall be treated as a tax-exempt entity.

Section 168(h)(6)(F)(ii) provides that, for purposes of § 168(h)(6), a tax-exempt controlled entity may elect not to be treated as a tax-exempt entity. Such an election is irrevocable and will bind all tax-exempt entities holding an interest in the tax-exempt controlled entity.

Section 301.9100-7T(a)(2)(i) requires elections under § 168(h)(6)(F)(ii) to be made by the due date of the tax return for the first taxable year for which the election is to be effective. Therefore, the Election is a regulatory election under § 301.9100-1(b).

Under § 301.9100-1(c) and § 301.9100-3(a), the Commissioner has discretion to grant a reasonable extension of time to make a regulatory election under all subtitles of the Internal Revenue Code, except subtitles E, G, H, and I, provided the taxpayer demonstrates to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and that granting relief will not prejudice the interests of the government.

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Based on the facts and information submitted, including the affidavits submitted and representations made, we conclude that Taxpayer acted reasonably and in good faith and granting relief will not prejudice the interests of the government. Accordingly, the requirements of the regulations for granting relief in this case have been satisfied and we grant an extension of time, until 30 days from the date of issuance of this letter, for Taxpayer to file the Election.

Taxpayer must file an amended federal income tax return for its tax year ending on December 31, 2001, and attach thereto the Election and information set forth in § 301.9100-7T(a)(3). Taxpayer should also attach a copy of this letter to the amended return. In addition, pursuant to § 301.9100-7T(a)(3)(ii), a copy of the Election statement should also be attached to the federal income tax returns of each of the tax-exempt shareholders or beneficiaries of Taxpayer.

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.

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant.

The rulings contained in this letter are 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 rulings, it is subject to verification on examination.

Sincerely,

Robert A. Berkovsky  
Branch Chief  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

cc: