

Memo of Major Changes for Instructions for Form 2553, Election by a Small Business Corporation

Beginning with tax years ending after December 30, 2007, a entity may be eligible to request relief for a late S corporation election by filing Form 2553 with Form 1120S, U.S. Income Tax Return for an S Corporation. Additionally, an entity may be eligible to request relief for a late S corporation election **and** a late corporation classification election by filing Form 2553 with Form 1120S. These options are explained in Rev. Proc. 2007-62, which starts on page 786 of Internal Revenue Bulletin 2007-41. The revisions made to the instructions are to support the changes made by Rev. Proc. 2007-62 and the changes made to Form 2553.

What's New

We added a “What’s New” section to outline the changes made by Rev. Proc. 2007-62 and the corresponding changes made to Form 2553.

Relief for Late Elections

We have made this a separate section in the instructions (rather than a subsection of “When To Make the Election”). This section encompasses all the methods for relief from late S corporation elections. The section starts by listing the requirements that must be met in order to provide the explanation of reasonable cause for a late election directly in the designated space on page 1 of Form 2553. For further guidance, we included a reference to the Rev. Proc. 2007-62. The section concludes by providing the other methods for requesting relief from a late election when the requirements of Rev. Proc. 2007-62 are not met.

Where To File

In order to conform to the necessity of having our mailing addresses have three lines of text, we added “Department of the Treasury” as the first line in the “Where To File” address.

Item F

We added instructions for the revised Item F. The instructions inform the entity to check the appropriate box. If box (2) or (4) is checked, we instruct the entity to fill in the requested information, and complete Part II of the form.

Signature

To be consistent with the redesign of Form 2553, we moved the instructions for the “Signature” area so it now comes directly after the instructions for Item F.

Part II

To correspond with the instructions for “Item F”, we changed the first paragraph in the instructions for Part II. The revised paragraph tells entities that they must complete Part II if they checked box (2) or box (4) in Item F.

Box Q1

Rev. Proc. 2008-1 has updated the amount of the user fee. If the request is received before February 2, 2008, the user fee is \$1,500. If the request is received after February 1, 2008, the user fee is \$3,200. Based on this, we revised the text in the fourth paragraph.