

**Revenue Ruling 2009-15
Situation 1**

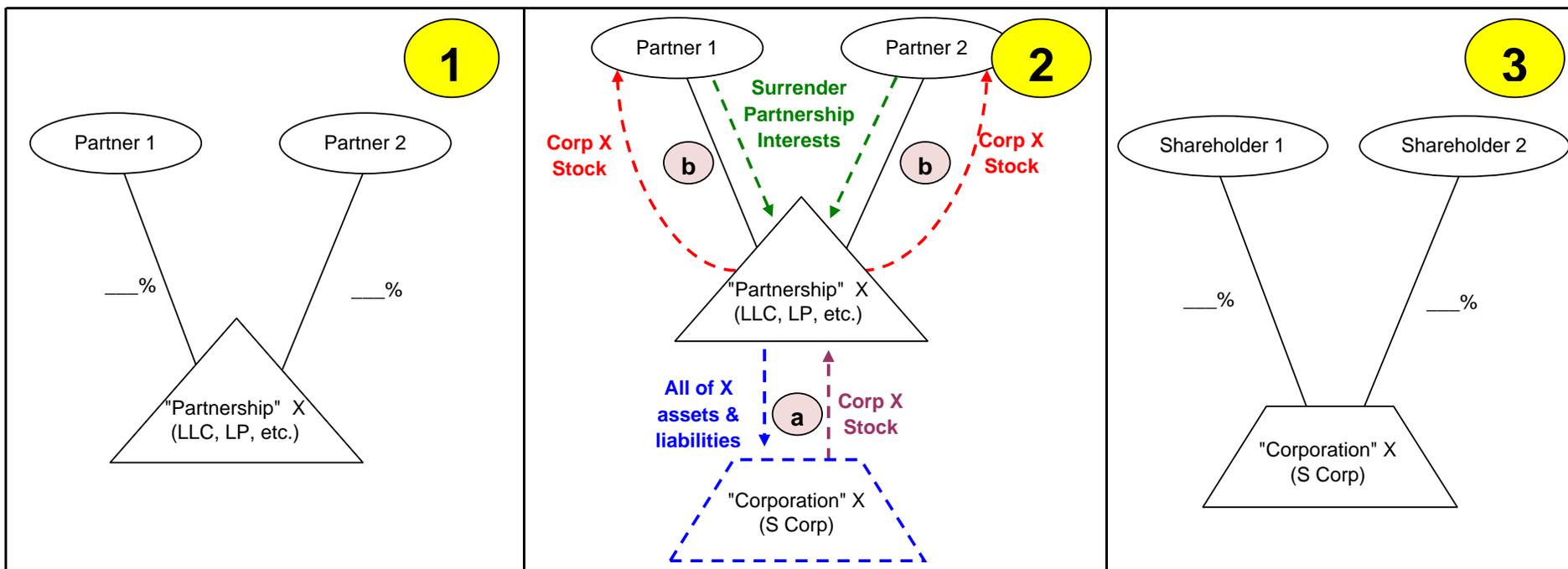
**Partnership UN-CTB Election
to S Corporation**

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Initial Structure

**UN-CTB Election Jan. 1, 2010
(Deemed Transfers on Dec. 31, 2009)**

Ending Point



On January 1, 2009, X, a calendar year taxpayer is organized in State as an unincorporated entity that is classified as a partnership for federal tax purposes. X elects under Reg. 301.7701-3(c)(1)(i) to be treated as an association for federal tax purposes, effective January 1, 2010. On February 1, 2010, X files an election under section 1362(a) to be taxed as an S corporation, effective January 1, 2010. There is no person who held stock in X on January 1, 2010, who does not hold stock at the time the election is made. When X, an entity classified as a partnership for federal tax purposes, elects under Reg. 301.7701-3(c)(1)(i) to be classified as an association for federal tax purposes, the following steps are deemed to occur: X contributes all of its assets and liabilities to the association in exchange for stock in the association, and immediately thereafter X liquidates by distributing the stock of the association to its partners. Under Reg. 301.7701-3(g)(3)(i), these deemed steps are treated as occurring immediately before the close of the day before the election is effective. Thus, the partnership's taxable year ends on December 31, 2009, and the association's first taxable year begins on January 1, 2010. Therefore, the partnership will not be deemed to own the stock of the association during any portion of the association's first taxable year beginning January 1, 2010, and X is eligible to elect to be an S corporation effective January 1, 2010. Additionally, because the partnership's taxable year ends immediately before the close of the day on December 31, 2009, and the association's first taxable year begins at the start of the day on January 1, 2010, the deemed steps will not cause X to have an intervening short taxable year in which it was a C corporation.

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