

## Qualified Subchapter S Subsidiary Election Form

### Notice 2000-58

The Small Business Job Protection Act of 1996, Public Law 104-188, 110 Stat. 1755, amended section 1361 of the Internal Revenue Code to permit an S corporation (1) to own 80 percent or more of the stock of a C corporation, and (2) to elect to treat a wholly owned subsidiary as a Qualified Subchapter S Subsidiary (QSUB).

In Notice 97-4, 1997-1 C.B. 351, the Internal Revenue Service prescribed temporary election procedures for S corporations to elect QSUB treatment for a subsidiary.

Those procedures included use of Form 966, *Corporate Dissolution or Liquidation*, to make the QSUB election.

Effective January 20, 2000, final regulations (TD 8869, 2000-6 I.R.B. 498 [65 F. R. 3843]) were published relating to QSUBS and other subsidiaries of S corporations. The final regulations provided that QSUB elections shall be made by filing the form to be provided for that purpose. In the preamble to those final regulations, taxpayers were instructed to continue following the instructions in Notice 97-4 until a new QSUB election form was available.

This notice supersedes Notice 97-4. The Internal Revenue Service has released the new QSUB election form,

Form 8869, *Qualified Subchapter S Subsidiary Election*. Form 8869 should be used by all S corporations wishing to elect QSUB treatment for wholly owned corporate subsidiaries as directed in the instructions to the form.

### DRAFTING INFORMATION

The principal author of this notice is Jeanne Sullivan of the office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice, contact Jeanne Sullivan at 202-622-3050 (not a toll-free call).

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