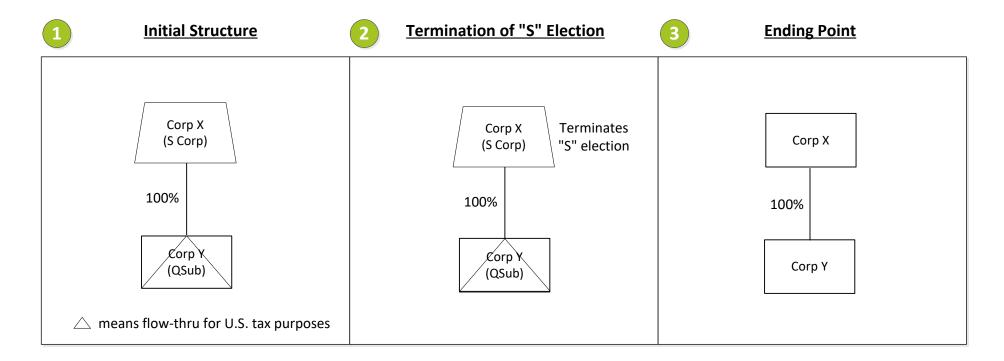
## Treas. Reg. § 1.1361-5(a)(4) Example 1

## <u>Termination of QSub Election upon</u> <u>Termination of Parent's "S" Election</u>





X, an S corporation, owns 100 percent of Y. A QSub election is in effect with respect to Y for 2001. Effective on January 1, 2002, X revokes its S election. Because X is no longer an S corporation, Y no longer qualifies as a QSub at the close of December 31, 2001.