

# Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

In Re:

Refer Reply To:

CC:PSI:B07

PLR-150983-02

Date:

September 28, 2004

## Legend:

Corporation =

w =

x =

y =

z =

Dear :

This letter responds to a letter from your authorized representative dated September 16, 2002, and a supplemental submission, dated September 16, 2004, requesting permission for Corporation to revoke its election under § 41(c)(4) of the Internal Revenue Code.

The represented facts are as follows. Corporation is a calendar year, accrual method taxpayer. All the members of Corporation's § 41(f)(5) controlled group are included on a single consolidated federal income tax return. For its w taxable year, Corporation, on behalf of itself and the members of its controlled group, elected to compute the credit for increasing research activities (research credit) utilizing the alternative incremental research credit (AIRC) rules of § 41(c)(4). Prior to the due date, including extensions, for Corporation's income tax return for the taxable year ending on x, Corporation, on behalf of itself and the members of its controlled group, requested permission to revoke its § 41(c)(4) election for the taxable year ending on y. Alternatively, Corporation, on behalf of itself and the members of its controlled group, requested permission to revoke its § 41(c)(4) election for the earliest taxable year after z for which the Commissioner will grant permission.

For taxable years beginning after June 30, 1996, taxpayers may elect to determine their research credit under the AIRC rules of § 41(c)(4). Section 41(c)(4)(B) provides that any election under § 41(c)(4)(A) shall apply for the taxable year in which made and all succeeding taxable years unless revoked with the consent of the Secretary.

Based solely on the facts submitted and representations made, we grant permission for Corporation to revoke its election to determine its research credit under the AIRC rules of § 41(c)(4) for qualified research expenses paid or incurred during the taxable year ending on x. However, we do not grant permission for Corporation to revoke its election to determine its research credit under the AIRC rules of § 41(c)(4) for qualified research expenses paid or incurred during the tax year ending on y. Corporation should compute the research credit for the taxable year ending on x and all succeeding taxable years using the general rule of § 41(a), provided that neither Corporation nor any member of its controlled group makes a new election to determine the research credit under the AIRC rules of § 41(c)(4) in a later year.

Except as expressly provided herein, we express or imply no opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. Further, we express or imply no opinion concerning expenditures Corporation treated as qualified research expenses.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) 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,

Heather C. Maloy  
Associate Chief Counsel  
(Passthroughs & Special Industries)