

INTERNAL REVENUE SERVICE
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CC:DOM:IT&A:9 PLR-103425-99
June 1, 1999

In re:

X = .

A =

B =

C =

D =

Dear

This is in reference to a request filed on behalf of X for permission to change to the deferred expense method of deducting software development costs relating to four computer software projects, for the taxable year beginning (year of change).

It is represented that under the present method of accounting, the taxpayer is currently deducting software development costs. The taxpayer is proposing to capitalize the research and experimental expenditures related to the following computer software projects:

A
B
C
D

The change in accounting method will only apply to the projects listed above for software development costs paid or incurred by the taxpayer on or after the first day of the year of change. The amortization period will be 60 months from the date of completion of each project or over a shorter period (e.g. 36 months in certain cases) where the taxpayer can establish that such costs have a useful life if less than 60 months.

Permission is hereby granted the taxpayer, pursuant to the facts presented, to change to the deferred expense method of deducting software development costs for the four projects listed above, paid or incurred on or after the first day of the year of change, and to amortize over a period of 60 months or less, beginning with the year of change, provided:

- (1) the taxpayer keeps its books and records for the year of change (provided they are not closed for that year on the date the taxpayer receives this letter) and for later tax years on the method granted in this letter.
- (2) that the taxpayer uses the method granted in this letter for the tax year of change and for all later years unless the taxpayer secures permission to change to another recognized method.
- (3) that the taxpayer attaches a copy of this letter to its tax return for the year of change as evidence of its authority for making the change.

In accordance with the provisions of a power of attorney currently on file, we are sending this letter to the taxpayer's representative. A copy will be sent to the taxpayer.

The accounting method change granted in this letter is directed only to the taxpayer who requested it. Section 6001(j) provides that it may not be used as precedent.

Sincerely yours,

Assistant Chief Counsel
(Income Tax and Accounting)

By _____
J. Charles Strickland
Chief, Branch 9
Identification Number 50-07044