

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:

Refer Reply To:

CC:PSI:B07

PLR-147916-04

Date:

September 12, 2005

Legend:

I:

X:

Y:

Z:

Dear :

We received a request for permission to compute I's credit for increasing research activities (group credit) using the regular method under § 41(a) of the Internal Revenue Code. This letter responds to that request.

The represented facts are as follows:

T is a § 41(f) controlled group. T's group credit was computed using the alternative incremental research credit (AIRC) rules of § 41(c)(4) for the y taxable year through the z taxable year. A request for permission to compute T's group credit using the regular method under § 41(a) for the taxable year ending on x was submitted timely.

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 to determine T's group credit using the regular method under § 41(a) for the taxable year ending on x, and all succeeding taxable years unless a new election is made to compute T's group credit using the AIRC rules of § 41(c)(4).

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 any member of T 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,

Brenda M. Stewart
Senior Counsel, Branch 7
(Passthroughs & Special Industries)

cc: