

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-150996-02

Date: September 28, 2004

In Re:

LEGEND:

Corporation =

x =

y =

z =

Dear :

This letter responds your letter dated April 5, 2004, and previous correspondence on behalf of Corporation, requesting a ruling that Corporation be granted permission to revoke its election under § 41(c)(4) of the Internal Revenue Code.

The represented facts are as follows. Corporation is an accrual method taxpayer utilizing a calendar taxable year. Corporation is the common parent of a § 41(f)(5) controlled group of corporations, all the members of which file on Corporation's consolidated income tax return. For its x taxable year, Corporation elected to compute its credit for increasing research activities (research credit) utilizing the alternative incremental research credit (AIRC) rules of § 41(c)(4). Corporation has continued to utilize the AIRC. Prior to the due date, including extensions, for Corporation's income tax return for its z taxable year, Corporation requested permission to revoke its § 41(c)(4) election for its y taxable year. Alternatively, Corporation requested permission to revoke its § 41(c)(4) election for the earliest taxable year after y 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 an election under § 41(c)(4)(A) may be 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 Corporation's z taxable year. 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 Corporation's y taxable year. Corporation should compute the research credit for the taxable year ending on z and all succeeding years using the general rule of § 41(a), provided that Corporation does not make a new election to determine its 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 Corporation. 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)

cc: