

## Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

**CC:P&SI:7-PLR-111768-00**

Date:

January 23, 2001

TY:

Legend

Taxpayer:

x:

y:

z:

Dear

We received a letter dated June 5, 2000 from Taxpayer's authorized representatives requesting permission for Taxpayer to revoke its election under § 41(c)(4). This letter is in response to that request.

For the tax year ending on x, Taxpayer elected to determine its credit for increasing research activities (research credit) under the alternative incremental research credit rules of § 41(c)(4). Taxpayer determined its research credit for the tax years ending on x and y using the alternative incremental research credit rules of § 41(c)(4). Before the due date of its return (including extensions) for the tax year ending on z, Taxpayer submitted a request to revoke its election to determine its research credit under the alternative incremental research credit rules of § 41(c)(4) for qualified research expenses paid or incurred on or after the tax year ending on x and all subsequent taxable years.

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For tax years beginning after June 30, 1996, taxpayers may elect to determine their research credit under the alternative incremental research credit rules of § 41(c)(4). For tax years beginning after June 30, 1996 and before July 1, 1999, the alternative incremental research credit is equal to the sum of the following amounts:

- a. 1.65 percent of so much of the qualified research expenses for the taxable year as exceeds 1 percent of the average annual gross receipts for the 4 preceding tax years but does not exceed 1.5 percent of such average.
- b. 2.2 percent of so much the qualified research expenses for the taxable year as exceeds 1.5 percent of the average annual gross receipts for the 4 preceding tax years but does not exceed 2 percent of such average.
- c. 2.75 percent of so much of the qualified research expenses for the taxable year as exceeds 2 percent of the average annual gross receipts for the 4 preceding tax years.

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 Taxpayer to revoke its election to determine its research credit under the alternative incremental research credit rules of § 41(c)(4) for qualified research expenses paid or incurred during the tax year ending on z. Further, we do not grant permission for Taxpayer to revoke its election to determine its research credit under the alternative incremental research credit rules of § 41(c)(4) for qualified research expenses paid or incurred during the tax years ending on x or y.

Taxpayer should compute its research credit for the tax year ending on z and all succeeding taxable years using the general rule of § 41(a) provided that Taxpayer does not make a new election to determine its research credit under the alternative incremental research credit rules of § 41(c)(4). Taxpayer should attach a copy of this letter to its tax return for the tax year ending on z with the applicable Service Center within 60 days after issuance of this letter.

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 Taxpayer treated as qualified research expenses.

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

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In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

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 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,  
Christine E. Ellison  
Chief, Branch 7  
Associate Chief Counsel (P&SI)

Enclosure (1)