

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI: 07-PLR-146226-02

Date:

March 21, 2003

LEGEND

Taxpayer:

Parent:

a:

b:

c:

d:

e:

Dear :

We received your letter requesting permission for Taxpayer to revoke its election under § 41(c)(4) of the Internal Revenue Code. This letter responds to that request.

The facts submitted and the representations made are as follows: Taxpayer, a member of a § 41(f)(1) controlled group of corporations, is an accrual basis taxpayer with e tax year. Taxpayer joined the controlled group of Parent on a. Parent, a newly formed entity as of b, files a consolidated income tax return. Taxpayer is an affiliated corporation included on such return.

For the taxable year ended date c, Taxpayer elected to determine the credit for increasing research activities (research credit) under the alternative incremental research credit rules of § 41(c)(4). Before the due date of its return (including extensions) for the taxable year ending on d, Taxpayer submitted a request to revoke its election to determine the research credit under the alternative incremental research

credit rules of § 41(c)(4) for qualified research expenses paid or incurred on, or after, the first day of the taxable year ending on d and all subsequent taxable years.

For taxable 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). 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 by Taxpayer, 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 taxable year ending on d. Taxpayer should compute the research credit for the taxable year ending on d and all succeeding taxable years under the general rule of § 41(a) provided that Taxpayer or a member of its controlled group does not make a new election to determine the research credit under the alternative incremental research credit 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 Taxpayer treated as qualified research expenses.

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

In accordance with the Power of Attorney on file with this office, copies of this letter are 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 the Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any on the material submitted in support of the request for the ruling, it is subject to verification on examination.

Sincerely,

Brenda M. Stewart
Senior Counsel, Branch 7
Office of Associate Chief Counsel
(Passthroughs and Special Industries)

cc: