Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:PSI:7-PLR-123817-03
Date:
June 16, 2003

LEGEND:

Taxpayer: =

x: =
y: =

Dear   :

We received letters, dated March 31, 2003 and April 30, 2002, from Taxpayer's authorized representative requesting permission for Taxpayer and the members of its § 41(f)(5) controlled group to revoke an election under § 41(c)(4) of the Internal Revenue Code. This letter responds to that request.

The facts and representations submitted are as follows: Taxpayer is an accrual basis taxpayer with a taxable year ending October 31. Taxpayer is the parent of a § 41(f)(1) controlled group. For the taxable year ending on x, Taxpayer elected to determine the credit for increasing research activities under the alternative incremental research rules of § 41(c)(4). Taxpayer and its § 41(f)(5) controlled group determined the research credit for that year using the alternative incremental research rules of § 41(c)(4).

Before the due date of its return (including extensions) for the taxable year ending on y, Taxpayer submitted a request for itself and on behalf of all members of its § 41(f)(5) controlled group to revoke an 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 taxable year ending on y 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 an 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 and the members of its § 41(f)(5) controlled group to revoke an election to determine the credit for increasing research activities under the alternative incremental research credit rules of § 41(c)(4) for qualified research expenses paid or incurred during the taxable year ending on y. Taxpayer and the members of its §

41(f)(5) controlled group should compute the credit for increasing research activities for the taxable year ending on y and all succeeding taxable years using the general rule of § 41(a) provided that neither Taxpayer nor a member of its controlled group makes a new election to determine the credit for increasing research activities 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 that Taxpayer or members of its § 41(f)(5) controlled group treated as qualified expenses.

This ruling is directed only to the taxpayer requesting it and the members of its § 41(f)(5) controlled group. Section 6111(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, 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 Stewart
Senior Counsel, Branch 7
       Office of Associate Chief Counsel
       (Passthroughs and Special Industries)

Enclosure:
       Copy for § 6110 purposes