

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:7-PLR-151798-02

Date:

July 9, 2003

Re.

LEGEND:

Taxpayer: =

x =

y: =

z =

Dear _____ :

We received your letter, dated September 16, 2002, on behalf of Taxpayer requesting permission for Taxpayer and the members of its controlled group to revoke the election under § 41(c)(4) of the Internal Revenue Code. This letter responds to that request.

The facts submitted and representations made are as follows: Taxpayer is an accrual basis taxpayer and a member of a controlled group. Taxpayer files its tax return on the basis of a calendar year. Under § 41(f)(1), all members of Taxpayer's controlled group will use the same method of computing the credit for increasing research activities. For the taxable year ending on x, Taxpayer, on behalf of itself and the members of its controlled group, elected to determine the credit for increasing research activities under the alternative incremental research credit rules of § 41(c)(4). Taxpayer and the members of its controlled group continued to determine the research credit using the alternative incremental research credit rules of § 41(c)(4) through the taxable year ending on y.

Before the due date of its return (including extensions) for the taxable year ending on z, Taxpayer, on behalf of itself and the members of its controlled group, 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 during the taxable year ending on z 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

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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 controlled group to revoke the election to determine its 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 z. Taxpayer should compute its credit for increasing research activities for the taxable year ending on z and all succeeding taxable years using the general rule of § 41(a) provided that neither Taxpayer nor any members 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 Taxpayer or any members of its controlled group treated as qualified 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, the original of this letter is being sent to the taxpayer's authorized representative and a copy is being sent to the taxpayer. 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

cc: