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-106160-06
Date: March 1, 2006

LEGEND:

Corporation:

a:
b:
c:

Dear :

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

The facts and representations submitted are as follows:

Corporation is an accrual method taxpayer with each taxable year ending on a. Corporation is the parent of a § 41(f)(5) controlled group that files a consolidated federal income tax return. For its b taxable year, Corporation, on behalf of itself and the members of is controlled group, elected to compute the credit for increasing research activities (research credit) utilizing the alternative incremental research credit (AIRC) rules of § 41(c)(4). Prior to the due date, including extensions, for Corporation's income tax return for the taxable year ending on c, Corporation, on behalf of itself and the members of its controlled group, requested permission to revoke its § 41(c)(4) election for the taxable year ending on c and all subsequent years.

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 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 Corporation and its controlled group 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 the taxable year ending on c. Corporation should compute its research credit for the taxable year ending on c using the general rule of § 41(a).

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 or any member of its controlled group 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.

A copy of this letter must be attached to any income tax return to which it is relevant.

The ruling contained in this letter is 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 ruling, it is subject to verification on examination.

Sincerely,

/s/
Brenda M. Stewart
Senior Counsel, Branch 7
(Passthroughs & Special Industries)