

**Internal Revenue Service**

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:DOM:P&SI:Br.7-PLR-119712-99

Date:

April 13, 2000

Legend

Taxpayer:

x:

y:

z:

Dear

We received a letter from your authorized representative 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 under the alternate incremental research credit rules of § 41(c)(4). On y, Taxpayer submitted a request to revoke its election to determine its credit for increasing research activities under the alternate incremental research credit rules of § 41(c)(4) for qualified research expenses paid or incurred on or after the tax year ending on z.

For tax years beginning after June 30, 1996, taxpayers may elect to determine their research credit under the alternate incremental research credit rules of § 41(c)(4).

PLR-119712-99

For tax years beginning after June 30, 1996 and before July 1, 1999, the alternate 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 on the facts submitted and representations made, we grant permission for Taxpayer to revoke its 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 tax year that ended on z. Taxpayer should compute its credit for increasing research expenses for the tax year that ended 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 credit for increasing research activities under the alternative incremental research credit rules of § 41(c)(4). Taxpayer should attach a copy of this letter to its amended tax return for the tax year that ended on z, and file that amended return and the attached letter with the applicable Service Center within 60 days from the date of this letter.

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.

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. If there is a change in material fact or law (local or federal) before the transactions considered in this ruling take effect, the ruling will have no force or effect.

PLR-119712-99

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. Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See section 12.04 of Rev. Proc. 2000-1, 2000-1 I.R.B. 4, 46. However, when the criteria in section 12.05 of Rev. Proc. 2000-1 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

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.

Sincerely,

Christine E. Ellison

Christine E. Ellison  
Chief, Branch 7  
Assistant Chief Counsel (Passthroughs and  
Special Industries)

Enclosures (2)