

**Internal Revenue Service**

Department of the Treasury

Number: **200324046**  
Release Date: 6/13/2003  
Index Number: 41.01-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:07-PLR-149869-02

Date:

March 6, 2003

LEGEND

Taxpayer:

X:  
Y:  
Z:

a:  
b:  
c:  
d:

:

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.

Taxpayer, a member of a § 41(f)(1)(A) controlled group of corporations, is an accrual basis taxpayer using a fiscal year for tax purposes. Other members of the § 41(f)(1)(A) controlled group include foreign corporations X, Y, and Z.

For the taxable year ending on a, Taxpayer elected to determine its credit for increasing research activities (research credit) under the alternative incremental research credit rules of § 41(c)(4) for the taxable year ending on a and for all succeeding taxable years. For the taxable year ending on b, Taxpayer calculated its research credit under the rules of section

41(c)(4). Taxpayer did not claim the research credit for the taxable year ending on c. 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 its 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, 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 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 its 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) 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 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 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 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)