

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Corp X =  
Corp Y =  
Year B =

Dear \_\_\_\_\_ :

This letter is in response to your request for approval under § 460 of the Internal Revenue Code and the Income Tax Regulations thereunder to revoke the election made on behalf of Corp Y to calculate look-back interest pursuant to the Simplified Marginal Impact Method (SMIM). The information submitted is summarized below.

Corp X is the parent of an affiliated group of corporations that includes Corp Y and files consolidated federal income tax returns on a calendar year. Corp Y uses the percentage-of-completion method (PCM) to account for long-term construction contracts that it enters into during the course of its business. Corp X made a voluntary election under § 1.460-6(d)(4)(ii)(B) to use the SMIM to calculate the look-back interest on the amount of tax liability deferred or accelerated as the result of overestimating or underestimating total contract costs or total contract price. Corp X has now filed a request on behalf of Corp Y for permission to revoke its election to calculate look-back interest under the SMIM. If consent is granted by the Commissioner to revoke the election, taxpayers will begin computing look-back using the "actual method" provided in § 1.460-6(c)(3) of the Income Tax Regulations.

Based on the facts and information submitted and the representations made, the request to revoke the election under § 1.460-6(d)(4)(ii)(B) to use the SMIM to calculate look-back interest is granted. Thus, Corp Y may begin computing its look-back interest using the actual method, rather than the SMIM, beginning in Year B. However, should Corp Y desire to re-elect the SMIM within the next six years, it must obtain the Commissioner's prior consent.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Christina M. Glendening  
Assistant to the Branch Chief, Branch 4  
Office of Associate Chief Counsel  
(Income Tax & Accounting)