Internal Revenue Service

Department of the Treasury

Washington, DC 20224

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:PSI:Br.7-PLR-135124-01

Date:
November 29, 2001

Legend

Taxpayer:

x:

y:

z:

Dear

We received your letter requesting permission for Taxpayer to revoke its election to compute its credit for increasing research activities (research credit) under the alternative incremental research credit rules of § 41(c)(4) of the Internal Revenue Code. This letter is in response to that request.

For the taxable year ending on x, Taxpayer elected to determine its research credit under the alternative incremental research credit rules of § 41(c)(4). On y, 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 during the taxable year ending on z.

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 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 z. Taxpayer should compute its research credit for the taxable year ending 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 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. 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.

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.

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 ruling contained in this letter is 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.

Sincerely,
Leslie H. Finlow
Chief, Branch 7
Associate Chief Counsel (Passthroughs and Special Industries)

Enclosure (1)