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-161854-04
Date: May 25, 2005

LEGEND:

Corporation	=
x	=
y	=
z	=

Dear :

This letter responds to your letter, dated December 17, 2004, requesting a ruling under § 41 of the Internal Revenue Code.

The represented facts are as follows:

Corporation is an accrual method taxpayer that utilizes an x taxable year. Corporation is the common parent of a § 41(f) controlled group. For the taxable year ending on y, Corporation elected, on behalf of itself and the members of its § 41(f) controlled group, to utilize the alternative incremental research credit ("AIRC") rules under § 41(c)(4) to calculate its credit for increasing research activities ("research credit"). Corporation and its § 41(f) controlled group have continued to use the AIRC. Before the due date for its return (including extensions) for the taxable year ending on z, Corporation submitted a request to revoke its election to determine its research credit under the AIRC rules of § 41(c)(4) for qualified research expenses paid or incurred on or after the taxable year ending on z and all subsequent taxable 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 and representations made, we conclude that Corporation and its § 41(f) controlled group may calculate the research credit for the taxable year ending

on z, and all succeeding years, under the standard method of § 41(a), without regard to § 41(c)(4), provided that Corporation does not make an election to determine its research credit under the AIRC rules of § 41(c)(4) in a later year.

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 § 41(f) controlled group, treated as qualified research expenses.

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.

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

Sincerely,

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

cc: