

**Internal Revenue Service**

Number: **200523005**  
Release Date: 6/10/2005  
Index Number: 41.01-00

Department of the Treasury  
Washington, DC 20224

Third Party Communication: None  
Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number:

In Re:

Refer Reply To:  
CC:PSI:B07  
PLR-130997-04

Date:  
March 01, 2005

Legend:

Corporation:

x:

y:

Dear :

We received your letter requesting permission for Corporation to revoke its election under § 41(c)(4) of the Internal Revenue Code. This letter responds to that request.

The facts and representations submitted are as follows:

Corporation is an accrual method taxpayer with a 52/53 week taxable year. Corporation is the parent of a § 41(f)(5) controlled group, all the domestic members of which are included on a single consolidated return. For the taxable year ending on x, Corporation elected to utilize the alternative incremental research credit (AIRC) rules of § 41(c)(4) to calculate its research credit. Before the due date of its return (including extensions) for the taxable year ending on y, Corporation submitted a request on behalf of itself and the members of its § 41(f)(5) controlled group to revoke its election to determine its research credit under the AIRC rules for qualified research expenses paid or incurred on or after the taxable year ending on y 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 submitted and representations made, we grant permission for Corporation and the members of its controlled group to revoke its election to determine its credit for increasing research activities under the AIRC rules of § 41(c)(4) for qualified research expenses paid or incurred during the taxable year ending on y. Corporation should compute its credit for increasing research activities for the taxable year ending on y and all succeeding taxable years using the general rule of § 41(a), provided that Corporation does not make a new election to determine its credit for increasing research activities under the AIRC 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 Corporation or any member of its 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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to Corporation. 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,

Leslie H. Finlow  
Chief, Branch 7  
(Passthroughs & Special Industries)

cc