

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:PSI:07-PLR-143913-01

Date:

March 05, 2002

Re:

Legend:

Taxpayer:

x:

y:

Dear _____ :

We received letters from Taxpayer's authorized representative requesting a ruling that Taxpayer may amend its federal income tax returns for the x and y taxable years to claim the credit for increasing research activities under § 41 of the Internal Revenue Code (Code) and elect the alternative incremental credit for increasing research activities (AIC) under § 41(c)(4) for the x taxable year. This letter responds to that request.

FACTS:

The represented facts are as follows. Taxpayer is a calendar year taxpayer. Prior to taxable year x, Taxpayer calculated its credit for increasing research activities using the general rule under § 41(a). At the time Taxpayer filed its x and y tax returns, Taxpayer determined that it was not entitled to any credit for increasing research activities under either the general rule or the AIC. Accordingly, Taxpayer did not include a Form 6765, "Credit for Increasing Research Activities", with its x and y tax returns. Subsequent to filing its x and y tax returns, Taxpayer determined that it was entitled to credits for increasing research activities under the AIC for taxable years x and y.

LAW AND ANALYSIS:

Section 41(c)(4)(A) provides that for taxable years beginning after June 30, 1996, a taxpayer may elect to determine its research credit under the AIC. Section 1.41-1(a), Income Tax Regulations. Section 41(c)(4)(B) provides that an 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.

CONCLUSION:

Given the particular facts and circumstances of this case, Taxpayer may amend its x and y tax returns within the time permitted by § 6511 of the Code and may include within its x amended tax return an election to use the AIC on Form 6765.

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) 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 your authorized representative. 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
Associate Chief Counsel
(Passthroughs & Special Industries)