

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **202320001**

Release Date: 5/19/2023

Index Number: 9100.02-03

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B06
PLR-116102-22

Date:
February 16, 2023

LEGEND

Taxpayer =

a =

Tax Year =

Dear :

This letter responds to a letter dated August 19, 2022, and subsequent correspondence, submitted by Taxpayer requesting an extension of time under §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to make an election under § 59(e) of the Internal Revenue Code (Code) and § 1.59-1(b)(1) of the Income Tax Regulations to deduct ratably over a 10-year period Taxpayer's research and experimental (R&E) expenditures described in § 174(a) incurred in Tax Year. This letter is being issued electronically in accordance with Rev. Proc. 2022-1, 2022-1 I.R.B. 1. A paper copy will not be mailed to Taxpayer.

FACTS

Taxpayer represents that the facts are as follows:

Taxpayer files a federal income tax return on a calendar year basis using the accrual method of accounting.

Taxpayer intended to make an election under § 59(e) and § 1.59-1(b)(1) to deduct ratably over a 10-year period its R&E expenditures. On its federal income tax return for Tax Year, Taxpayer capitalized and amortized its R&E expenditures in the amount of \$a incurred during that year under § 59(e). Taxpayer has made representations explaining why the statement required to make the election under § 59(e) and § 1.59-1(b)(1) was not timely filed.

Taxpayer represents that, in requesting an extension of time to make a § 59(e) election for Tax Year, it has acted reasonably and in good faith and, further, there is no prejudice to the interests of the government.

RULING REQUESTED

Taxpayer requests an extension of time under §§ 301.9100-1 and 301.9100-3 to make an election under § 59(e) to capitalize and amortize Taxpayer's R&E expenditures incurred during its Tax Year.

LAW AND ANALYSIS

Section 59(e)(1) allows a taxpayer, in general, to deduct ratably over the 10-year period any qualified expenditure to which an election under § 59(e) applies, beginning with the taxable year in which such expenditure was made.

Section 59(e)(2)(B) includes in the definition of "qualified expenditure" any amount which, but for an election under § 59(e), would have been allowable as a deduction for the taxable year in which paid or incurred under § 174(a) (relating to R&E expenditures).

Section 59(e)(3) specifically prohibits the deduction of the qualified expenditures under any other section of the Code if the option under § 59(e) is elected.

Section 59(e)(4)(A) provides that an election under § 59(e)(1) may be made with respect to any portion of any qualified expenditure.

Section 59(e)(4)(B) provides that an election made under § 59(e) may be revoked only with the consent of the Secretary.

Section 1.59-1(b)(1) provides that an election under § 59(e) shall only be made by attaching a statement to the taxpayer's income tax return (or amended return) for the taxable year in which the amortization of the qualified expenditures subject to the § 59(e) election begins. The statement must be filed no later than the date prescribed by law for filing the taxpayer's original income tax return (including any extensions of time) for the taxable year in which the amortization of the qualified expenditures subject to the § 59(e) election begins. Additionally, the statement must include the taxpayer's name, address, and taxpayer identification number, and the type and amount of

qualified expenditures identified in § 59(e)(2) that the taxpayer elects to deduct ratably over the applicable period described in § 59(e)(1).

Section 1.59-1(b)(2) provides, in part, that a taxpayer may make an election under § 59(e) with respect to any portion of any qualified expenditure paid or incurred by the taxpayer in the taxable year to which the election applies. An election under § 59(e) must be for a specific dollar amount and the amount subject to an election under § 59(e) may not be made by reference to a formula.

Under § 301.9100-1(c), the Commissioner may grant a reasonable extension of time to make a regulatory election, or a statutory election (but no more than six months except in the case of a taxpayer who is abroad), under all subtitles of the Code except subtitles E, G, H, and I.

Section 301.9100-1(b) provides that the term “regulatory election” includes an election the due date of which is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 provide the standards used to determine whether to grant an extension of time to make a regulatory election. Section 301.9100-1(a).

Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides rules for requesting extensions of time for regulatory elections that do not meet the requirements of § 301.9100-2.

The Commissioner will grant requests for relief under § 301.9100-3 when the taxpayer provides the evidence (including affidavits described in § 301.9100-3(e)) to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith, and the grant of relief will not prejudice the interests of the government. Section 301.9100-3(a).

CONCLUSION

Based solely on the information submitted and representations made, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. Accordingly, the Commissioner grants Taxpayer an extension of time of 120 days from the date of this letter to make an election under § 59(e) and § 1.59-1(b)(1) to deduct ratably over a 10-year period its R&E expenditures incurred for Tax Year. The § 59(e) election must comply with the manner-of-election requirements of § 1.59-1(b)(1).

In making the election for Tax Year, Taxpayer must attach a copy of this letter ruling to its amended federal income tax return. Alternatively, if Taxpayer files its amended federal income tax return electronically, it may satisfy this requirement by attaching a statement to its amended return that provides the date and

