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[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9786]

RIN 1545-BC70

Credit for Increasing Research Activities; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final regulations (TD 9786) that were published in the **Federal Register** on Tuesday, October 4, 2016 (81 FR 68299). The final regulations provided guidance regarding the application of the credit for increasing research activities.

DATES: This correction is effective **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]** and is applicable on or after October 4, 2016.

FOR FURTHER INFORMATION CONTACT: Martha Garcia or Jennifer Records of the Office of Associate Chief Counsel (Passthroughs and Special Industries) at (202) 317-6853 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

**Background**

The final regulations (TD 9786) that are the subject of this correction are under section 41 of the Internal Revenue Code.

## Need for Correction

As published, the final regulations (TD 9786) contain errors that may prove to be misleading and are in need of clarification.

## List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

## Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

### PART 1 - INCOME TAXES

**Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 \* \* \*

**Par. 2.** Section 1.41-4(c)(6)(viii) is amended by:

- a. Revising the fifth sentence of Example 14 paragraph (ii).
- b. Revising the fifth sentence of Example 17 paragraph (i).

The revisions read as follows:

§ 1.41-4 Qualified research for expenditures paid or incurred in taxable years ending on or after

December 31, 2003.

\* \* \* \* \*

(c) \* \* \*

(6) \* \* \*

(viii) \* \* \*

Example 14. \* \* \*

(ii) \* \* \* If X's research activities related to the development or improvement of Subset B constitute qualified research under section 41(d), without regard to section 41(d)(4)(E), and the allocable expenditures are qualified research expenditures under section 41(b), X may include \$6,250 (25% x \$25,000) of the software research expenditures of Subset B in computing the amount of X's credit, pursuant to paragraph (c)(6)(vi)(C) of this section.

\* \* \* \* \*

Example 17. \* \* \*

(i) \* \* \* The ability to use the idle employees' computers would save X significant costs because X would not have to buy new hardware to expand the computing power. \* \* \*

\* \* \* \* \*

Martin V. Franks,  
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