

**§ 1.167(e)–1 Change in method.**

(a) [The text of the proposed amendment to § 1.167(e)–1(a) is the same as the text of § 1.167(e)–1T(a) published elsewhere in this issue of the **Federal Register**].

\* \* \* \* \*

(e) *Effective date.* This section applies on or after December 30, 2003. For the applicability of regulations before December 30, 2003, see § 1.167(e)–1 in effect prior to December 30, 2003 (§ 1.167(e)–1 as contained in 26 CFR part 1 edition revised as of April 1, 2003).

**Par. 3.** Section 1.446–1 is amended by revising paragraphs (e)(2)(ii)(a), (e)(2)(ii)(b), (e)(2)(ii)(d), (e)(2)(iii), and (e)(4) to read as follows:

**§ 1.446–1 General rule for methods of accounting.**

\* \* \* \* \*

(e) \* \* \*

(2) \* \* \*

(ii)(a) and (b) [The text of the proposed amendment to § 1.446–1(e)(2)(ii)(a) and (b) is the same as the text of § 1.446–1T(e)(2)(ii)(a) and (b) published elsewhere in this issue of the **Federal Register**].

\* \* \* \* \*

(d) [The text of this paragraph (e)(2)(ii)(d) is the same as the text of § 1.446–1T(e)(2)(ii)(d) published elsewhere in this issue of the **Federal Register**].

(iii) [The text of the proposed amendment to § 1.446–1(e)(2)(iii) is the same as the text of § 1.446–1T(e)(2)(iii) published elsewhere in this issue of the **Federal Register**].

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(4) *Effective date*—(i) *In general.* Except as provided in paragraphs (e)(3)(iii) and (e)(4)(ii) of this section, paragraph (e) of this section applies on or after December 30, 2003. For the applicability of regulations before December 30, 2003, see § 1.446–1(e) in effect prior to December 30, 2003 (§ 1.446–1(e) as contained in 26 CFR part 1 edition revised as of April 1, 2003).

(ii) *Changes involving depreciable or amortizable assets.* With respect to paragraph (e)(2)(ii)(d) of this section, paragraph (e)(2)(iii) *Examples 9* through 17 of this section, the addition of the language “certain changes in computing depreciation or amortization (see paragraph (e)(2)(ii)(d) of this section)” to the last sentence of paragraph (e)(2)(ii)(a) of this section, and the removal of all language regarding useful life and the sentence “On the other hand, a correction to require depreciation in lieu of a deduction for

the cost of a class of depreciable assets which had been consistently treated as an expense in the year of purchase involves the question of the proper timing of an item, and is to be treated as a change in method of accounting” from paragraph (e)(2)(ii)(b) of this section—

(A) For any change in depreciation or amortization that is a change in method of accounting, this section applies to such a change in method of accounting made for taxable years ending on or after December 30, 2003; and

(B) For any change in depreciation or amortization that is not a change in method of accounting, this section applies to such a change made for taxable years ending on or after December 30, 2003.

**Par. 4.** Section 1.1016–3 is amended by revising paragraphs (h) and (j) to read as follows:

**§ 1.1016–3 Exhaustion, wear and tear, obsolescence, amortization, and depletion for periods since February 28, 1913.**

\* \* \* \* \*

(h) [The text of the proposed amendment to § 1.1016–3(h) is the same as the text of § 1.1016–3T(h) published elsewhere in this issue of the **Federal Register**].

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(j) *Effective date*—(1) *In general.* Except as provided in paragraph (j)(2) of this section, this section applies on or after December 30, 2003. For the applicability of regulations before December 30, 2003, see § 1.1016–3 in effect prior to December 30, 2003 (§ 1.1016–3 as contained in 26 CFR part 1 edition revised as of April 1, 2003).

(2) *Depreciation or amortization changes.* Paragraph (h) of this section applies to a change in depreciation or amortization for property subject to section 167, 168, 197, 1400I, 1400L(b), or 1400L(c), or former section 168 for taxable years ending on or after December 30, 2003.

**Mark E. Matthews,**

*Deputy Commissioner for Services and Enforcement.*

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**DEPARTMENT OF THE TREASURY****Internal Revenue Service****26 CFR Part 1**

[REG–153656–03]

RIN 1545–BC70

**Credit for Increasing Research Activities**

**AGENCY:** Internal Revenue Service (IRS), Treasury.

**ACTION:** Advance notice of proposed rulemaking.

**SUMMARY:** This document invites comments from the public regarding certain rules and standards relating to internal-use software under section 41(d)(4)(E) of the Internal Revenue Code. All materials submitted will be available for public inspection and copying. This document also addresses the effective date for final rules relating to internal-use software.

**DATES:** Comments are requested on or before March 2, 2004.

**ADDRESSES:** Send written comments to: Internal Revenue Service, Attn: CC:PA:LPD:PR [REG–153656–03], room 5203, POB 7604, Ben Franklin Station, Washington, DC 20044. In the alternative, taxpayers may submit comments in writing, by hand delivery to CC:PA:LPD:PR [REG–153656–03], Courier's Desk, Internal Revenue Service, 1111 Constitution Ave., NW., Washington, DC, or electronically, via the IRS Internet site at: <http://www.irs.gov/regs>.

**FOR FURTHER INFORMATION CONTACT:** Nicole R. Cimino at (202) 622–3120 (not a toll-free number).

**SUPPLEMENTARY INFORMATION:****Introduction**

On December 31, 2003, the Treasury Department and the IRS issued final regulations (TD 9104) for the credit for increasing research activities under section 41 (research credit). TD 9104 provides rules relating to the definition of *qualified research* under section 41(d) but does not finalize rules relating to internal-use software under section 41(d)(4)(E). This advance notice of proposed rulemaking (ANPRM) invites comments from the public regarding the proposed regulations issued in 2001 relating to internal-use software under section 41(d)(4)(E). Although the Treasury Department and the IRS welcome comments on all aspects of those proposed regulations, the Treasury Department and the IRS specifically request comments concerning the definition of internal-use