

Internal Revenue Service
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1. Guidance on Applying Section 199 to Typical Software Transactions

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property is to be further transferred to unrelated persons. This exception adequately accommodates common software distribution th

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b. The Fundamental Nature of Computer Software Transactions:

The discussion above chronicles the different methods by which computer

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c. Application of Federal Income Tax Principles:

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As an alternative to or in conjunction with the above test, an analysis of software development expenditures might be appropriate. One characteristic of a software company is the continued heavy investment in software development. Any company that has significant expenditures on software research and development clearly is in the software business. Thus, if doubts remain wh

