

his records are inadequate to permit a determination of the amount paid or incurred during the portion of the year ending after December 31, 1969, and the amount paid or incurred on or before such date, the exploration expenditures as to which the records are inadequate paid or incurred with respect to the mine or property during the taxable year shall be allocated to each part of the year (that is, the part before January 1, 1970, and the part occurring after December 31, 1969) in the same ratio which the number of days in each such part year bears to the number of days in the entire taxable year.

[T.D. 7192, 37 FR 12941, June 30, 1972]

§ 1.615-9 Notification under Tax Reform Act of 1969.

(a) *In general.* An election under section 615(e) with respect to exploration expenditures paid or incurred prior to January 1, 1970, shall be treated as an election under section 617(a) with respect to exploration expenditures paid or incurred after December 31, 1969.

(b) *Exception.* Paragraph (a) of this section shall not apply to an election under section 615(e) if the taxpayer files the notice described in paragraph (c) of this section or the taxpayer revokes his election under section 615(e) before the date prescribed for the filing of notice under paragraph (c)(2) of this section.

(c) *Filing of notice—(1) In general.* The notice not to have a section 615(e) election treated as a section 617(a) election shall be made in a statement filed with the Director of the Internal Revenue service center with whom the taxpayer's income tax return is required to be filed. If the election is made within the time period prescribed for filing an income tax return (including extensions thereof) for the first taxable year during which the taxpayer pays or incurs, after December 31, 1969, expenditures which would be deductible by the taxpayer under section 617(a) if he made a valid election to deduct exploration expenditures under such section, the statement shall be attached to the taxpayer's income tax return for such year. If the statement is filed after the time prescribed for filing such return but before the expiration of the period (described in paragraph (e) of this sec-

tion) for filing the notice, the statement must be signed by the taxpayer or his authorized representative. The statement shall be filed even though the taxpayer charges to capital account all such expenditures paid or incurred by him after December 31, 1969. If the taxpayer desires, he may file this statement by attaching it to his return for a taxable year prior to the first taxable year in which he pays or incurs after December 31, 1969, expenditures which would be deductible by him under section 617(a) if at such time he had in effect a valid election under such section.

(2) *Information to be furnished.* The notice shall clearly state that the taxpayer elects not to have his section 615(e) election treated as an election under section 617(a). The notice shall state the first taxable year for which the section 615(e) election was effective and with whom and where the election was filed.

(d) *Effect of notification.* A taxpayer who has filed notice pursuant to this section may make an election under section 617(a) with respect to exploration expenditures paid or incurred after December 31, 1969, without revoking either his section 615(e) election or his notice under this section.

(e) *Time for filing notice.* A taxpayer may not file the notice described in paragraph (c)(1) of this section after the expiration of the 3-year period beginning with the date prescribed by section 6072 or other provision of law for filing the taxpayer's income tax return for the first taxable year in which the taxpayer pays or incurs after December 31, 1969, expenditures which would be deductible by him if he made the election under section 617(a). This 3-year period shall be determined without regard to any extension of time for filing the taxpayer's income tax return.

[T.D. 7192, 37 FR 12941, June 30, 1972]

§ 1.616-1 Development expenditures.

(a) *General rule.* Section 616 prescribes rules for treating expenditures paid or incurred during the taxable year by the taxpayer for the development of a mine or other natural deposit (other than an oil or gas well).