26 CFR 601.204: Changes in accounting periods and in methods of accounting. (Also Part I, §§ 56, 61, 77, 118, 162, 163, 166, 167, 168, 171, 174, 179D, 194, 195, 197, 248, 263, 263A, 267, 280F, 404, 446, 447, 448, 451, 454, 455, 460, 461, 467, 471, 472, 475, 481, 585, 709, 807, 816, 832, 833, 846, 860A-860G, 861, 904, 953, 985, 1272, 1273, 1278, 1281, 1363, 1400I, 1400L, 1400N; 1.61-1, 1.61-4, 1.61-8, 1.77-1, 1.77-2, 1.118-2, 1.162-1, 1.162-3, 1.162-4, 1.162-11, 1.162-12, 1.166-1, 1.166-2, 1.166-4, 1.167(a)-2, 1.167(a)-3(b), 1.167(a)-4, 1.167(a)-7, 1.167(a)-8, 1.167(a)-11, 1.167(a)-14, 1.167(e)-1, 1.168(d)-1, 1.168(i)-1, 1.168(i)-4, 1.168(i)-6, 1.168(i)-7, 1.168(i)-8, 1.168(k)-1, 1.171-4, 1.174-1, 1.174-3, 1.174-4, 1.179-5, 1.194-1, 1.195-1, 1.197-2, 1.248-1, 1.263(a)-1, 1.263(a)-2, 1.263(a)-3, 1.263(a)-4, 1.263(a)-5, 1.263A-1, 1.263A-2, 1.263A-3, 1.263A-4, 1.263A-7, 1.267(a)-1, 1.280F-6, 1.404(b)-1T, 1.446-1, 1.446-1T, 1.446-2, 1.446-5, 1.446-6, 1.446-7, 1.448-1T, 1.448-2, 1.451-1, 1.451-3, 1.451-8, 1.454-1, 1.455-6, 1.460-4, 1.461-1, 1.461-4, 1.461-5, 1.467-1, 1.471-1, 1.471-2, 1.471-3, 1.471-4, 1.471-5, 1.471-8, 1.472-1, 1.472-2, 1.472-6, 1.472-8, 1.481-1, 1.481-4, 1.709-1, 1.709-2, 1.832-4, 1.832-5, 1.860A-6, 1.861-18, 1.985-5, 1.985-8, 1.1016-3, 1.1245-3, 1.1272-1, 1.1273-1, 1.1273-2, 1.1363-2, 1.1374-4, 1.1400L(b)-1.)

Rev. Proc. 2019-43

LIST OF AUTOMATIC CHANGES 7
SECTION 1. GROSS INCOME (§ 61) 7
.01 Up-front Payments for Network Upgrades received by Utilities 7
SECTION 2. COMMODITY CREDIT LOANS (§ 77) 8
.01 Treating amounts received as loans 8
SECTION 3. TRADE OR BUSINESS EXPENSES (§ 162) 8
.01 Advances made by a lawyer on behalf of clients 8
.02 ISO 9000 Costs 9
.03 Restaurant or tavern smallwares packages 10
.04 Timber grower fertilization costs 10
.05 Materials and supplies 10
.06 Repair and maintenance costs 10
.07 Wireline network asset maintenance allowance and units of property methods of accounting under Rev. Proc. 2011-27 11
.08 Wireless network asset maintenance allowance and units of property methods of accounting under Rev. Proc. 2011-28 11
.09 Method of accounting under Rev. Proc. 2011-43 for taxpayers in the business of transporting, delivering, or selling electricity 12
.10 Method of accounting under Rev. Proc. 2013-24 for taxpayers in the business of generating steam or electric power. 13
.11 Cable network asset capitalization methods of accounting under Rev. Proc. 2015-12 14
SECTION 4. BAD DEBTS (§ 166) 16
.01 Change from reserve method to specific charge-off method 16
.02 Conformity election by bank after previous election automatically revoked 16

SECTION 5. INTEREST EXPENSE (§ 163) AND AMORTIZABLE BOND PREMIUM (§ 171) 17
.01 Revocation of § 171(c) election 17
.02 Change to comply with § 163(e)(3) 19
SECTION 6. DEPRECIATION OR AMORTIZATION (§ 56(a)(1), 56(g)(4)(A), 167, 168, 197, 280F(a), 1400I, 1400L, or 1400N(d), OR FORMER § 168) 20
.01 Impermissible to permissible method of accounting for depreciation or amortization 20
.02 Permissible to permissible method of accounting for depreciation 37
.03 Sale, lease, or financing transactions 46
.04 Change in general asset account treatment due to a change in the use of MACRS property 47
.05 Change in method of accounting for depreciation due to a change in the use of MACRS property 49
.06 Depreciation of qualified non-personal use vans and light trucks 50
.07 Impermissible to permissible method of accounting for depreciation or amortization for disposed depreciable or amortizable property 52
.08 Tenant construction allowances 56
.09 Safe harbor method of accounting for determining the depreciation of certain tangible assets used by wireless telecommunications carriers under Rev. Proc. 2011-22 58
.10 Partial dispositions of tangible depreciable assets to which the IRS's adjustment pertains (§ 168; § 1.168(i)-8) 60
.11 Depreciation of leasehold improvements (§§ 167, 168, and 197; § 1.167(a)-4) 63
.12 Permissible to permissible method of accounting for depreciation of MACRS property (§ 168; §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8) 66
.13 Disposition of a building or structural component (§ 168; § 1.168(i)-8) 76
.14 Dispositions of tangible depreciable assets (other than a building or its structural components) (§ 168; § 1.168(i)-8) 88
.15 Dispositions of tangible depreciable assets in a general asset account (§ 168(i)(4); § 1.168(i)-1) 97
.16 Summary of certain changes in methods of accounting related to dispositions of MACRS property 104
.17 Depreciation of fiber optic transfer node and fiber optic cable used by a cable system operator (§§ 167 and 168) 107
.18 Late elections or revocation of elections under § 168(k)(5), (7), and (10) ..... **Error! Bookmark not defined.**
SECTION 7. RESEARCH AND EXPERIMENTAL EXPENDITURES (§ 174) 111
.01 Changes to a different method or different amortization period 111
SECTION 8. ELECTIVE EXPENSING PROVISIONS (§ 179D) 114
.01 Deduction for Energy Efficient Commercial Buildings (§ 179D) 114
SECTION 9. COMPUTER SOFTWARE EXPENDITURES (§§ 162, 167, and 197) 116
.01 Computer software expenditures 116
SECTION 10. START-UP EXPENDITURES AND ORGANIZATIONAL FEES (§§ 195, 248 AND 709) 117
.01 Start-up expenditures 117
.02 Organizational expenditures under § 248 118

.03 Organization fees under § 709 120
SECTION 11. CAPITAL EXPENDITURES (§ 263) 122
.01 Package design costs 122
.02 Line pack gas or cushion gas 123
.03 Removal costs 123
.04 Distributor commissions 125
.05 Intangibles 126
.06 Rotable spare parts safe harbor method. 127
.07 Repairable and reusable spare parts 127
.08 Tangible property 132
.09 Railroad track structure expenditures 140
.10 Remodel-refresh safe harbor method 141
SECTION 12. UNIFORM CAPITALIZATION (UNICAP) METHODS (§ 263A) 146
.01 Certain uniform capitalization (UNICAP) methods used by resellers and reseller-producers 147
.02 Certain uniform capitalization (UNICAP) methods used by producers and reseller-producers 158
.03 Impact fees 163
.04 Change to capitalizing environmental remediation costs under § 263A 163
.05 Change in allocating environmental remediation costs under § 263A 164
.06 Safe harbor methods under § 263A for certain dealerships of motor vehicles 165
.07 Change to not apply § 263A to one or more plants removed from the list of plants that have a preproductive period in excess of 2 years 167
.08 Change to a reasonable allocation method described in § 1.263A-1(f)(4) for self-constructed assets 168
.09 Real property acquired through foreclosure 169
.10 Sales-Based Royalties 170
.11 Treatment of Sales-Based Vendor Chargebacks under a Simplified Method 172
.12 U.S. ratio method 174
.13 Depletion 179
.14 Interest capitalization 181
.15 Change to not apply § 263A to replanting costs for lost or damaged citrus plants pursuant to § 263A(d)(2)(C) 182
.16 Small business taxpayer exception from requirement to capitalize costs under § 263A 183
.17 Recharacterizing costs under the simplified resale method, simplified production method, or the modified simplified production method 185
.18 Revocation of a historic absorption ratio election 188
SECTION 13. LOSSES, EXPENSES AND INTEREST WITH RESPECT TO TRANSACTIONS BETWEEN RELATED TAXPAYERS (§ 267) 190
.01 Change to comply with § 267 190
SECTION 14. DEFERRED COMPENSATION (§ 404) 191
.01 Deferred compensation 191
.02 Grace period contributions 193
SECTION 15. METHODS OF ACCOUNTING (§ 446) 193
.01 Change in overall method from the cash method to an accrual method 193
.02 Multi-year insurance policies for multi-year service warranty contracts 204

.03 Taxpayers changing to overall cash method 205
.04 Nonaccrual-experience method 208
.05 Interest accruals on short-term consumer loans—Rule of 78's method 211
.06 Film producer's treatment of certain creative property costs 212
.07 Deduction of incentive payments to health care providers 213
.08 Change by bank for uncollected interest 214
.09 Change from the cash method to an accrual method for specific items 216
.10 Multi-year service warranty contracts 218
.11 Overall cash method for specified transportation industry taxpayers 219
.12 Change to overall cash/hybrid method for certain banks 223
.13 Change to overall cash method for farmers 227
.14 Nonshareholder contributions to capital under § 118 228
.15 Debt issuance costs 230
.16 Transfers of interties under the safe harbor described in Notice 2016-36 (§ 118). 230
.17 Change to or from the net asset value (NAV) method. 232
.18 Small business taxpayer changing to overall cash method 235
SECTION 16. TAXABLE YEAR OF INCLUSION (§ 451) 238
.01 Accrual of interest on nonperforming loans 238
.02 Advance rentals 239
.03 State or local income or franchise tax refunds 240
.04 Capital Cost Reduction Payments 240
.05 Credit card annual fees 241
.06 Credit card late fees 242
.07 Advance payments 243
.08 Credit card cash advance fees 245
.09 Retainages 246
.10 Change in applicable financial statements (AFS) for purposes of applying certain revenue recognition methods of accounting. 247
.11 Changes in the timing of recognition of income due to the New Standards 253
.12 Changes in the timing of income recognition under § 451(b) or proposed § 1.451-3, and changes relating to advance payments under proposed § 1.451-8 258
SECTION 17. OBLIGATIONS ISSUED AT DISCOUNT (§ 454) 268
.01 Series E, EE or I U.S. savings bonds 268
SECTION 18. PREPAID SUBSCRIPTION INCOME (§ 455) 270
.01 Prepaid subscription income 270
SECTION 19. SPECIAL RULES FOR LONG-TERM CONTRACTS (§ 460) 271
.01 Small business taxpayer exceptions from requirement to account for certain long-term contracts under § 460 or to capitalize costs under § 263A for certain home construction contracts 271
SECTION 20. TAXABLE YEAR INCURRED (§ 461) 273
.01 Timing of incurring liabilities for employee compensation 273
(1) Self-insured employee medical benefits 273
(2) Bonuses 275
(3) Vacation pay, sick pay, and severance pay 276
.02 Timing of incurring liabilities for real property taxes, personal property taxes, state income taxes, and state franchise taxes 278

.03 Timing of incurring liabilities under a workers' compensation act, tort, breach of contract, or violation of law 280
.04 Timing of incurring certain liabilities for payroll taxes 282
.05 Cooperative advertising 284
.06 Timing of incurring certain liabilities for services or insurance 285
.07 Rebates and allowances 285
.08 Ratable accrual of real property taxes 286
.09 California Franchise Taxes 287
.10 Gift cards issued as a refund for returned goods 288
.11 Timing of incurring liabilities under the recurring item exception to the economic performance rules 289
.12 Economic performance safe harbor for ratable service contracts 289
SECTION 21. RENT (§ 467) 290
.01 Change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation 290
SECTION 22. INVENTORIES (§ 471) 291
.01 Cash discounts 291
.02 Estimating inventory "shrinkage" 293
.03 Small taxpayer exception from requirement to account for inventories under § 471 295
.04 Qualifying volume-related trade discounts 296
.05 Impermissible methods of identification and valuation of inventories 297
.06 Core Alternative Valuation Method 300
.07 Replacement cost for automobile dealers' parts inventory 301
.08 Replacement cost for heavy equipment dealers' parts inventory 301
.09 Rotable spare parts 302
.10 Advance Trade Discount Method 303
.11 Permissible methods of identification and valuation of inventories. 304
.12 Change in the official used vehicle guide utilized in valuing used vehicles 305
.13 Invoiced advertising association costs for new vehicle retail dealerships 306
.14 Rolling-average method of accounting for inventories 307
.15 Sales-Based Vendor Chargebacks 307
.16 Certain changes to the cost complement of the retail inventory method 308
.17 Certain changes within the retail inventory method 309
.18 Change from currently deducting inventories to permissible methods of identification and valuation of inventories. 310
.19 Small business taxpayer exception from requirement to account for inventories under § 471. 313
SECTION 23. LAST-IN, FIRST-OUT (LIFO) INVENTORIES (§ 472) 313
.01 Change from the LIFO inventory method 313
.02 Determining current-year cost under the LIFO inventory method 317
.03 Alternative LIFO inventory method for retail automobile dealers 318
.04 Used vehicle alternative LIFO method 320
.05 Determining the cost of used vehicles purchased or taken as a trade-in 323
.06 Change to the inventory price index computation (IPIC) method 324
.07 Changes within the inventory price index computation (IPIC) method 326
.08 Changes to the Vehicle-Pool Method 329

.09 Changes within the used vehicle alternative LIFO method 331
.10 Changes to dollar-value pools of manufacturers..... 331
SECTION 24. MARK-TO-MARKET ACCOUNTING METHOD (Including § 475)..... 333
.01 Commodities dealers, securities traders, and commodities traders electing to use the mark-to-market method of accounting under § 475(e) or (f) 333
.02 Taxpayers requesting to change their method of accounting from the mark-to-market method of accounting described in § 475 to a realization method 335
SECTION 25. BANK RESERVES FOR BAD DEBTS (§ 585) 339
.01 Changing from the § 585 reserve method to the § 166 specific charge-off method 339
SECTION 26. INSURANCE COMPANIES (§§ 807, 816, 832, 833)..... 343
.01 Safe harbor method of accounting for premium acquisition expenses..... 343
.02 Certain changes in method of accounting for organizations to which § 833 applies 345
.03 Change in qualification as life/nonlife insurance company under § 816..... 346
.04 Changes in basis of computing reserves under § 807(f)..... 347
SECTION 27. DISCOUNTED UNPAID LOSSES (§ 846)..... 352
.01 Composite method for discounting unpaid losses..... 352
SECTION 28. REAL ESTATE MORTGAGE INVESTMENT CONDUIT (REMIC) (§§ 860A-860G)..... 353
.01 REMIC Inducement Fees 353
SECTION 29. FUNCTIONAL CURRENCY (§ 985) 354
.01 Change in functional currency 354
SECTION 30. ORIGINAL ISSUE DISCOUNT (§§ 1272, 1273)..... 354
.01 De minimis original issue discount (OID) 354
.02 Proportional method of accounting for OID on a pool of credit card receivables 356
SECTION 31. MARKET DISCOUNT BONDS (§ 1278)..... 357
.01 Revocation of § 1278(b) election 357
SECTION 32. SHORT-TERM OBLIGATIONS (§ 1281) 359
.01 Interest income on short obligations 359
.02 Stated interest on short-term loans of cash method banks..... 360
EFFECTIVE DATE..... 361
EFFECT ON OTHER DOCUMENTS 364
PAPERWORK REDUCTION ACT..... 367
SIGNIFICANT CHANGES..... 368
DRAFTING INFORMATION..... 371
LIST OF AUTOMATIC CHANGES CONTACT LIST 372

This revenue procedure provides the List of Automatic Changes to which the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and by section 17.02(b) and (c) of Rev. Proc. 2016-1, 2016-1 I.R.B. 1, apply. The definitions in section 3 of Rev. Proc. 2015-13 apply to this revenue procedure.

LIST OF AUTOMATIC CHANGES

SECTION 1. GROSS INCOME (§ 61)

.01 Up-front Payments for Network Upgrades received by Utilities.

(1) Description of change. This change applies to a Utility that wants to change its method of accounting for Up-front Payments to the safe harbor method described in Rev. Proc. 2005-35, 2005-2 C.B. 76. In general, this change applies to a Utility that receives an Up-front Payment from a Generator to finance Network Upgrades to the Utility's Transmission System. For federal income tax purposes, if an Up-front Payment is made pursuant to an Interconnection Agreement that satisfies all of the conditions of section 5.02 of Rev. Proc. 2005-35, a Utility may treat that Up-front Payment as not being taxable income under § 61 when received (the safe harbor method). In addition, a Utility that uses the safe harbor method is not entitled to any deduction for its reimbursements of the Up-front Payment. To the extent that Federal Energy Regulatory Commission (FERC) interest is deductible, it must be properly allocated to the periods in which it accrues. A Utility using the safe harbor method must comply with all other applicable provisions of Rev. Proc. 2005-35. See Rev. Proc. 2005-35 for the definitions of certain terms for purposes of this change.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 1.01 is "91."

(3) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

SECTION 2. COMMODITY CREDIT LOANS (§ 77)

.01 Treating amounts received as loans.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for loans received from the Commodity Credit Corporation from including the loan amount in gross income for the taxable year in which each loan is received to treating each loan amount as a loan.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(3) Manner of making change. This change is made on a cut-off basis and applies only to loans received from the Commodity Credit Corporation on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 2.01 is "1."

(5) Contact information. For further information regarding a change under this section, contact William Ruane at (202) 317-4718 (not a toll-free call).

SECTION 3. TRADE OR BUSINESS EXPENSES (§ 162)

.01 Advances made by a lawyer on behalf of clients.

(1) Description of change. This change applies to a lawyer who advances money to pay for costs of litigation or for other expenses on behalf of clients, and who wants to change the method of accounting for such advances from treating them as deductible business expenses to treating them as loans to clients. This change applies to cases handled either on a non-contingent or a contingent fee basis. See Pelton & Gunther, P.C. v. Commissioner, T.C. Memo. 1999-339 (non-contingent fee); Canelo v. Commissioner, 53 T.C. 217 (1969), aff'd per curiam, 447 F.2d 484 (9th Cir. 1971) (contingent fee).

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.01 is "2."

(3) Contact information. For further information regarding a change under this section, contact Joanna Trebat or Alicia Lee-Won at (202) 317-7003 (not a toll-free call).

.02 ISO 9000 costs.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for costs incurred to obtain, maintain, and renew ISO 9000 certification to conform with Rev. Rul. 2000-4, 2000-1 C.B. 331, as modified by this revenue procedure.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.02 is "3."

(3) Contact information. For further information regarding a change under this section, contact Justin Grill at (202) 317-7003 (not a toll-free call).

.03 Restaurant or tavern smallwares packages.

(1) Description of change. This change applies to a taxpayer engaged in the trade or business of operating a restaurant or tavern (within the meaning of section 4.01 of Rev. Proc. 2002-12, 2002-1 C.B. 374) that wants to change its method of accounting for the costs of smallwares to the smallwares method described in Rev. Proc. 2002-12, as modified by this revenue procedure.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.03 is "4."

(3) Contact information. For further information regarding a change under this section, contact Renay France at (202) 317-7003 (not a toll-free call).

.04 Timber grower fertilization costs.

(1) Description of change. This change applies to a timber grower that wants to change its method of accounting to treat post-establishment fertilization costs of an established timber stand as ordinary and necessary business expenses deductible under § 162. See Rev. Rul. 2004-62, 2004-1 C.B. 1072, as modified by this revenue procedure.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.04 is "86."

(3) Contact information. For further information regarding a change under this section, contact Alexa Dubert at (202) 317-7003 (not a toll-free call).

.05 Materials and supplies. See section 11.08 of this revenue procedure.

.06 Repair and maintenance costs. See section 11.08 of this revenue procedure.

.07 Wireline network asset maintenance allowance and units of property methods of accounting under Rev. Proc. 2011-27.

(1) Description of change. This change applies to a wireline telecommunications carrier that is within the scope of Rev. Proc. 2011-27, 2011-18 I.R.B. 740, and wants to change its treatment of wireline network asset expenditures to use either (a) the wireline network asset maintenance allowance method of accounting, or (b) all or some of the units of property described in Rev. Proc. 2011-27.

(2) Section 481(a) adjustment. In general, a change to the wireline network asset maintenance allowance method of accounting or to use all or some of the units of property specified in Rev. Proc. 2011-27 requires an adjustment under § 481(a). The § 481(a) adjustment shall not include any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.07 is “158.”

(4) Contact information. For further information regarding a change under this section, contact Ian Heminsley at (202) 317-5100 (not a toll-free call).

.08 Wireless network asset maintenance allowance and units of property methods of accounting under Rev. Proc. 2011-28.

(1) Description of change. This change applies to a wireless telecommunications carrier that is within the scope of Rev. Proc. 2011-28, 2011-18 I.R.B. 743, and wants to change its treatment of wireless network asset expenditures to use either (a) the wireless network asset maintenance allowance method of accounting, or (b) all or some of the units of property described in Rev. Proc. 2011-28.

(2) Section 481(a) adjustment. In general, a change to the wireless network asset maintenance allowance method of accounting or to use all or some of the units of property specified in Rev. Proc. 2011-28 requires an adjustment under § 481(a). The § 481(a) adjustment does not include any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.08 is "159."

(4) Contact information. For further information regarding a change under this section, contact Sophia Wang at (202) 317-5100 (not a toll-free call).

.09 Method of accounting under Rev. Proc. 2011-43 for taxpayers in the business of transporting, delivering, or selling electricity.

(1) Description of change. This change applies to a taxpayer that is within the scope of Rev. Proc. 2011-43, 2011-37 I.R.B. 326, and wants to change its treatment of transmission and distribution property expenditures to use the method of accounting described in Rev. Proc. 2011-43.

(2) Section 481(a) adjustment. A taxpayer must take the entire net § 481(a) adjustment into account (whether positive or negative) in computing taxable income for the year of change. The § 481(a) adjustment does not include any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the election was made. For guidance regarding permissible § 481(a) calculation methodologies, see section 7.02 and Appendix A of Rev. Proc. 2011-43.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.09 is “160.”

(4) Contact information. For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-5100 (not a toll-free call).

.10 Method of accounting under Rev. Proc. 2013-24 for taxpayers in the business of generating steam or electric power.

(1) Description of change. This change applies to a taxpayer that is within the scope of Rev. Proc. 2013-24, 2013-22 I.R.B. 1142, and wants to change its treatment of generation property expenditures to use all or some of the unit of property definitions and the corresponding major component definitions described in Rev. Proc. 2013-24.

(2) Section 481(a) adjustment.

(a) A taxpayer must take the entire net § 481(a) adjustment into account (whether positive or negative) in computing taxable income for the year of change. For guidance regarding the use of extrapolation in computing a § 481(a) adjustment, see sections 6.02 and Appendix B of Rev. Proc. 2013-24.

(b) A taxpayer changing to this method of accounting must not include in the § 481(a) adjustment any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)–11(d)(2) for any taxable year in which the repair allowance election was made.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 3.10 is “182.”

(4) Contact information. For further information regarding a change under this section, contact Richard Gano at (202) 317-7011 (not a toll-free call).

.11 Cable network asset capitalization methods of accounting under Rev. Proc. 2015-12.

(1) Description of change. This change applies to a cable system operator that is within the scope of Rev. Proc. 2015-12, 2015-2 I.R.B. 266, and wants to make one or more of the of the following changes in method of accounting:

(a) Change its treatment of cable network asset expenditures to the cable network asset maintenance allowance method of accounting provided in section 5 of Rev. Proc. 2015-12;

(b) Change to use any of the unit of property definitions provided in section 6 of Rev. Proc. 2015-12;

(c) Change to use the specific identification method for installations and customer drop costs described in section 7.01(1) of Rev. Proc. 2015-12;

(d) Change to use the safe harbor allocation method for installations and customer drop costs described in section 7.01(2) of Rev. Proc. 2015-12; or

(e) Change to deduct the labor costs associated with installing customer premises equipment under section 7.02 of Rev. Proc. 2015-12.

(2) Concurrent automatic change. A taxpayer that wants to make both one or more changes in method of accounting pursuant to this section 3.11 and a change to a UNICAP method under section 12 of this revenue procedure for the same year of change should file a single Form 3115 that includes all of these changes and must enter the designated automatic accounting method change numbers for all of these changes

on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(3) Section 481(a) adjustment.

(a) In general, a change to one or more of the changes in method of accounting described in section 3.11(1) of this revenue procedure requires an adjustment under § 481(a). The § 481(a) adjustment shall not include any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2).

(b) Itemized listing on Form 3115. The taxpayer must include on Form 3115 (Rev. December 2018), Part IV, line 26, the total § 481(a) adjustment for all changes in methods of accounting being made. If the taxpayer is making more than one change in method of accounting under Rev. Proc. 2015-12, the taxpayer must include on an attachment to Form 3115:

(i) the information required by Part IV, line 26 for each change in method of accounting (including the amount of the § 481(a) adjustment for each change in method of accounting, which includes the portion of the § 481(a) adjustment attributable to UNICAP);

(ii) the information required by Part II, line 14 of Form 3115 that is associated with each change; and

(iii) the citation to the paragraph of Rev. Proc. 2015-12 that provides for each proposed method of accounting.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to a method of accounting provided in section 5 or 6 of Rev. Proc. 2015-12 is “208.” The designated

automatic accounting method change number for a change to a method of accounting provided in section 7 of Rev. Proc. 2015-12 is “209.”

(5) Contact information. For further information regarding a change under this section, contact Merrill Feldstein at (202) 317-5100 (not a toll-free call).

SECTION 4. BAD DEBTS (§ 166)

.01 Change from reserve method to specific charge-off method.

(1) Description of change. This change applies to a taxpayer (other than a bank as defined in § 585(a)(2)) that wants to change its method of accounting for bad debts from a reserve method (or other improper method) to a specific charge-off method that complies with § 166. For procedures applicable to banks, see § 585(c) and the regulations thereunder and section 25 of this revenue procedure.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 4.01 is “5.”

(3) Contact information. For further information regarding a change under this section, contact Renay France at (202) 317-7003 (not a toll-free call).

.02 Conformity election by bank after previous election automatically revoked.

(1) Description of change. This change applies to a bank that wants to change its method of accounting for bad debts by making the conformity election under § 1.166-2(d)(3)(iii)(C)(3).

(2) Applicability. This change only applies to a bank (as defined in § 1.166-2(d)(4)(i)) that:

(a) is subject to supervision by Federal authorities, or by state authorities maintaining substantially equivalent standards;

(b) has previously adopted or elected to change to the method of accounting for bad debts described in § 1.166-2(d)(3);

(c) has had that previous election automatically revoked under § 1.166-2(d)(3)(iv)(C);

(d) meets the express determination requirement of § 1.166-2(d)(3)(iii)(D) for the year of change; and

(e) now seeks the consent of the Commissioner to make an election under § 1.166-2(d)(3)(iii)(C)(3).

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 4.02 is "211."

(5) Contact information. For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945 (not a toll-free call).

SECTION 5. INTEREST EXPENSE (§163) AND AMORTIZABLE BOND PREMIUM (§ 171)

.01 Revocation of § 171(c) election.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for amortizable bond premium by revoking its § 171(c) election. Under § 171(c), a taxpayer that holds certain taxable bonds may elect to amortize any bond premium on the bonds in accordance with regulations prescribed by the Secretary. Sections 1.171-1 through 1.171-5 provide rules relating to the

amortization of bond premium by a taxpayer. Section 1.171-4 provides the procedures to make a § 171(c) election to amortize bond premium.

(2) Revocation of election. The revocation of a § 171(c) election applies to all taxable bonds that are held by the taxpayer on the first day of the first taxable year for which the revocation is effective (year of change), and to all taxable bonds that are subsequently acquired by the taxpayer.

(3) Manner of making change. This change is made using a cut-off basis and applies only to taxable bonds held on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

Under the cut-off basis, for taxable bonds held at the beginning of the year of change, the taxpayer may not amortize any remaining bond premium on the bonds. Because the cut-off basis is prescribed for this change, the basis of any bond, adjusted for amounts previously amortized during the period of the election, is not affected by the revocation.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 5.01 is “16.”

(5) Additional requirements. On a statement attached to the Form 3115, the taxpayer must provide:

(a) the reason(s) for revoking the election; and

(b) a description of the method by which, and the date on which, the taxpayer made the § 171(c) election that is proposed to be revoked.

(6) Audit protection. Any audit protection applicable to this change under section 8 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not preclude the

Commissioner from examining the method used by the taxpayer to determine the amount of amortizable bond premium under § 171(b) for a taxable year prior to the year of change.

(7) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

.02 Change to comply with § 163(e)(3).

(1) Description of change. This change applies to a taxpayer that wants to change its method or methods of accounting to comply with the requirements of § 163(e)(3), which defers certain deductions attributable to original issue discount debt instruments held by related foreign persons. Any portion of the original issue discount will not be allowable as a deduction to the U.S. person issuer until paid.

(2) Accelerated § 481(a) adjustment period in certain situations. In addition to the circumstances set forth in section 7.03(4) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the § 481 adjustment period provided in section 7.03 of Rev. Proc. 2015-13 will be accelerated for a U.S. person with a remaining balance of a § 481(a) adjustment that arose by reason of a change in method of accounting described in this section 5.02 if a debt instrument subject to the change is paid off, retired, or significantly modified within the meaning of § 1.1001-3 prior to the end of the § 481(a) adjustment period. The portion of the remaining § 481(a) adjustment attributable to the debt instrument must be taken into account in the taxable year the debt instrument is paid off, retired, or significantly modified within the meaning of § 1.1001-3.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 5.02 is “212.”

(4) Contact information. For further information regarding a change under this section, contact Michael Kaercher at (202) 317-6934 (not a toll-free call).

SECTION 6. DEPRECIATION OR AMORTIZATION (§ 56(a)(1), 56(g)(4)(A), 167, 168, 197, 280F(a), 1400I, 1400L, or 1400N(d), OR FORMER § 168)

.01 Impermissible to permissible method of accounting for depreciation or amortization.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from an impermissible to a permissible method of accounting for depreciation or amortization (depreciation) for any item of depreciable or amortizable property under the taxpayer's present or proposed method of accounting:

(i) for which the taxpayer used the impermissible method of accounting in at least two taxable years immediately preceding the year of change (but see section 6.01(1)(b) of this revenue procedure for property placed in service in the taxable year immediately preceding the year of change);

(ii) for which the taxpayer is making a change in method of accounting under § 1.446-1(e)(2)(ii)(d);

(iii) for which depreciation is determined under § 56(a)(1), § 56(g)(4)(A) (as in effect on the day before the date of enactment of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017) (the "Act")), § 167, §168, §197, §1400I, or §1400L(c), under § 168 prior to its amendment in 1986 (former § 168), or under any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)); and

(iv) that is owned by the taxpayer at the beginning of the year of change (but see section 6.07 of this revenue procedure for property disposed of before the year of change).

(b) Taxpayer has not adopted a method of accounting for the item of property. If a taxpayer does not satisfy section 6.01(1)(a)(i) of this revenue procedure for an item of depreciable or amortizable property because this item of property is placed in service by the taxpayer in the taxable year immediately preceding the year of change ("1-year depreciable property"), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year depreciable property by filing a Form 3115 for this change, provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment that is attributable to all property (including the 1-year depreciable property) subject to the Form 3115. Alternatively, the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for a 1-year depreciable property by filing an amended federal tax return for the property's placed-in-service year prior to the date the taxpayer files its federal tax return for the taxable year succeeding the placed-in-service year.

(c) Inapplicability. This change does not apply to:

(i) any property to which § 1016(a)(3) (regarding property held by a tax-exempt organization) applies;

(ii) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 6.01 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in

conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable);

(iii) any property for which a taxpayer is making a change in depreciation under § 1.446-1(e)(2)(ii)(d)(2)(vi) or (vii);

(iv) any property subject to § 167(g) regarding property depreciated under the income forecast method;

(v) any § 1250 property that a taxpayer is reclassifying to an asset class of Rev. Proc. 87-56, 1987-2 C.B. 674 (as clarified and modified by Rev. Proc. 88-22, 1988-1 C.B. 785), or Rev. Proc. 83-35, 1983-1 C.B. 745, as appropriate, that does not explicitly include § 1250 property (for example, asset class 57.0, Distributive Trades and Services);

(vi) any property for which a taxpayer is revoking a timely valid election, or making a late election, under § 167, § 168, § 179, §1400I, § 1400L(c), former § 168, § 13261(g)(2) or (3) of the Revenue Reconciliation Act of 1993 (1993 Act), 1993-3 C.B. 1, 128 (relating to amortizable § 197 intangibles), or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)). A taxpayer may request consent to revoke or make the election by submitting a request for a letter ruling under Rev. Proc. 2019-1, 2019-1 I.R.B. 1 (or successor). However, if a taxpayer is revoking or making an election under § 179, see § 179(c) and § 1.179-5. See § 1.446-1(e)(2)(ii)(d)(3)(iii);

(vii) any property for which depreciation is determined under § 56(g)(4)(A) (as in effect on the day before the date of enactment of the Act) or § 167 (other than under § 168, § 1400I, § 1400L(c), former § 168, or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l),

§ 1400L(b), or § 1400N(d))) and a taxpayer is changing the useful life of the property. A change in the useful life of property is corrected by adjustments in the applicable taxable year provided under § 1.446-1(e)(2)(ii)(d)(5)(iv). However, this section 6.01(1)(c)(vii) does not apply if the taxpayer is changing to or from a useful life, recovery period, or amortization period that is specifically assigned by the Code (for example, § 167(f)(1), § 168(c)), the regulations thereunder, or other guidance published in the Internal Revenue Bulletin and, therefore, this change is a change in method of accounting (unless section 6.01(1)(c)(xv) of this revenue procedure applies). See § 1.446-1(e)(2)(ii)(d)(3)(i);

(viii) any depreciable property for which the use changes in the hands of the same taxpayer. See § 1.446-1(e)(2)(ii)(d)(3)(ii);

(ix) any property for which depreciation is determined in accordance with § 1.167(a)-11 (regarding the Class Life Asset Depreciation Range System (ADR));

(x) any change in method of accounting involving a change from deducting the cost or other basis of any property as an expense to capitalizing and depreciating the cost or other basis, or vice versa (but see section 11.08 of this revenue procedure for making such a change in method of accounting under the final tangible property regulations);

(xi) any change in method of accounting involving a change from one permissible method of accounting for the property to another permissible method of accounting for the property. For example:

(A) a change from the straight-line method of depreciation to the income forecast method of depreciating for videocassettes. See Rev. Rul. 89-62, 1989-1 C.B. 78; or

(B) a change from charging the depreciation reserve with costs of removal and crediting the depreciation reserve with salvage proceeds to deducting costs of removal as an expense (provided the costs of removal are not required to be capitalized under any provision of the Code, such as § 263(a)) and including salvage proceeds in taxable income (see section 6.02 of this revenue procedure for making this change for property for which depreciation is determined under § 167);

(xii) any change in method of accounting involving both a change from treating the cost or other basis of the property as nondepreciable or nonamortizable property to treating the cost or other basis of the property as depreciable or amortizable property and the adoption of a method of accounting for depreciation requiring an election under § 167, § 168, §1400I, § 1400L(c), former § 168, § 13261(g)(2) or (3) of the 1993 Act, or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)) (for example, a change in the treatment of the space consumed in landfills placed in service in 2006 from nondepreciable to depreciable property (assuming section 6.01(1)(c)(xiii) of this revenue procedure does not apply) and the making of an election under §168(f)(1) to depreciate this property under the unit-of-production method of depreciation under § 167);

(xiii) any change in method of accounting for any item of income or deduction other than depreciation, even if the change results in a change in computing depreciation under § 1.446-1(e)(2)(ii)(d)(2)(i), (ii), (iii), (iv), (v), (vi), (vii), or (viii). For example, a change in method of accounting involving:

(A) a change in inventory costs (for example, when property is reclassified from inventory property to depreciable property, or vice versa) (but see

section 11.02 of this revenue procedure for making a change in method of accounting from inventory property to depreciable property for unrecoverable line pack gas or unrecoverable cushion gas, and section 11.06 of this revenue procedure for making a change in method of accounting from inventory property to depreciable property for rotable spare parts); or

(B) a change in the character of a transaction from sale to lease, or vice versa (but see section 6.03 of this revenue procedure for making this change);

(xiv) a change from determining depreciation under § 168 to determining depreciation under former § 168 for any property subject to the transition rules in § 203(b) or § 204(a) of the Tax Reform Act of 1986, 1986-3 (Vol. 1) C.B. 1, 60-80;

(xv) any change in the placed-in-service date of a depreciable or amortizable property. This change is corrected by adjustments in the applicable taxable year provided under § 1.446-1(e)(2)(ii)(d)(5)(v); or

(xvi) any property for which the taxpayer has claimed a federal income tax credit (e.g., the rehabilitation credit under § 47).

(2) Certain eligibility rules inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change. If during any of the five taxable years ending with the year of change, a taxpayer requested or made a change in method of accounting from expensing to capitalizing, or vice versa, the cost or other basis of an asset, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 is not applicable to a change under this section 6.01 for that same asset.

(3) Additional requirements. A taxpayer also must comply with the following:

(a) Permissible method of accounting for depreciation. A taxpayer must change to a permissible method of accounting for depreciation for the item of depreciable or amortizable property. The permissible method of accounting is the same method that determines the depreciation allowable for the item of property (as provided in section 6.01(7) of this revenue procedure).

(b) Statements required. A taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) must provide the following statements, if applicable, and attach them to the completed Form 3115:

(i) a detailed description of the present and proposed methods of accounting. A general description of these methods of accounting is unacceptable (for example, MACRS to MACRS, erroneous method to proper method, claiming less than the depreciation allowable to claiming the depreciation allowable);

(ii) to the extent not provided elsewhere on the Form 3115, a statement describing the taxpayer's business or income-producing activities. Also, if the taxpayer has more than one business or income-producing activity, a statement describing the taxpayer's business or income-producing activity in which the item of property at issue is primarily used by the taxpayer;

(iii) to the extent not provided elsewhere on the Form 3115, a statement of the facts and law supporting the proposed method of accounting, new classification of the item of property, and new asset class in, as appropriate, Rev. Proc. 87-56 or Rev. Proc. 83-35. If the taxpayer is the owner and lessor of the item of property at issue, the statement of the facts and law supporting the new asset class also must describe the business or income-producing activity in which that item of property is primarily used by the lessee;

(iv) to the extent not provided elsewhere on the Form 3115, a statement identifying the year in which the item of property was placed in service by the taxpayer;

(v) if any item of property is public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), as applicable, a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) a normalization method of accounting (within the meaning of former § 167(l)(3)(G), former § 168(e)(3)(B), or § 168(i)(9), as applicable) will be used for the public utility property subject to the Form 3115;

(B) as of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar reserve account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the Form 3115; and

(C) within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115;

(vi) if the taxpayer is changing the classification of an item of § 1250 property placed in service after August 19, 1996, to a retail motor fuels outlet under § 168(e)(3)(E)(iii), a statement containing the following representation: "For purposes of § 168(e)(3)(E)(iii) of the Internal Revenue Code, the taxpayer represents that (A) 50 percent or more of the gross revenue generated from the item of § 1250 property is from the sale of petroleum products (not including gross revenue from related services,

such as the labor cost of oil changes and gross revenue from the sale of nonpetroleum products such as tires and oil filters), (B) 50 percent or more of the floor space in the item of property is devoted to the sale of petroleum products (not including floor space devoted to related services, such as oil changes and floor space devoted to nonpetroleum products such as tires and oil filters), or (C) the item of § 1250 property is 1,400 square feet or less."; and

(vii) if the taxpayer is changing the classification of an item of property from § 1250 property to § 1245 property under § 168 or former § 168, a statement of the facts and law supporting the new § 1245 property classification, and a statement containing the following representation: "Each item of depreciable property that is the subject of the Form 3115 filed under section 6.01 of Rev. Proc. 2019-43 for the year of change beginning [Insert the date], and that is reclassified from [Insert, as appropriate: nonresidential real property, residential rental property, qualified leasehold improvement property, qualified restaurant property, qualified retail improvement property, qualified improvement property as defined in § 168(e)(6) (as amended by § 13204 of the Act), 19-year real property, 18-year real property, or 15-year real property] to an asset class of [Insert, as appropriate, either: Rev. Proc. 87-56, 1987-2 C.B. 674, or Rev. Proc. 83-35, 1983-1 C.B. 745] that does not explicitly include § 1250 property, is § 1245 property for depreciation purposes."

(4) Reduced filing requirement for qualified small taxpayers.

(a) In general. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16c, 17, and 19;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(b) Definition of qualified small taxpayer. A "qualified small taxpayer" is a taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to $10,000,000.

(5) Section 481(a) adjustment. Because the adjusted basis of the property is changed as a result of a method change made under this section 6.01 (see section 6.01(6) of this revenue procedure), items are duplicated or omitted. Accordingly, this change is made with a § 481(a) adjustment. This adjustment may result in either a negative § 481(a) adjustment (a decrease in taxable income) or a positive § 481(a) adjustment (an increase in taxable income) and may be a different amount for regular tax, alternative minimum tax, and adjusted current earnings purposes. This § 481(a) adjustment equals the difference between the total amount of depreciation taken into account in computing taxable income for the property under the taxpayer's present method of accounting (including the amount attributable to any property described in section 6.01(1)(b) of this revenue procedure that is included in the taxpayer's Form 3115), and the total amount of depreciation allowable for the property under the taxpayer's proposed method of accounting (as determined under section 6.01(7) of this revenue procedure, and including the amount attributable to any property described in section 6.01(1)(b) of this revenue procedure that is included in the taxpayer's Form 3115), for open and closed years prior to the year of change. However, the amount of

the § 481(a) adjustment must be adjusted to account for the proper amount of the depreciation allowable that is required to be capitalized under any provision of the Code (for example, § 263A) at the beginning of the year of change.

(6) Basis adjustment. As of the beginning of the year of change, the basis of depreciable property to which this section 6.01 applies must reflect the reductions required by § 1016(a)(2) for the depreciation allowable for the property (as determined under section 6.01(7) of this revenue procedure).

(7) Meaning of depreciation allowable.

(a) In general. Section 6.01(7) of this revenue procedure provides the amount of the depreciation allowable determined under § 56(a)(1), § 56(g)(4)(A) (as in effect on the day before the date of enactment of the Act), § 167, § 168, § 197, §1400I, or § 1400L(c), or former § 168. This amount, however, may be limited by other provisions of the Code (for example, § 280F).

(b) Section 56(a)(1) property. The depreciation allowable for any taxable year for property for which depreciation is determined under § 56(a)(1) is determined by using the depreciation method, recovery period, and convention provided for under § 56(a)(1) that applies for the property's placed-in-service date.

(c) Section 56(g)(4)(A) property. The depreciation allowable for any taxable year for property for which depreciation is determined under § 56(g)(4)(A) (as in effect on the day before the date of enactment of the Act) is determined by using the depreciation method, recovery period or useful life, as applicable, and convention provided for under § 56(g)(4)(A) (as in effect on the day before the date of enactment of the Act) that applies for the property's placed-in-service date.

(d) Section 167 property. Generally, for any taxable year, the depreciation allowable for property for which depreciation is determined under § 167, is determined either:

(i) under the depreciation method adopted by the taxpayer for the property; or

(ii) if that depreciation method does not result in a reasonable allowance for depreciation or the taxpayer has not adopted a depreciation method for the property, under the straight-line depreciation method.

For determining the estimated useful life and salvage value of the property, see § 1.167(a)-1(b) and (c), respectively.

The depreciation allowable for any taxable year for property subject to § 167(f) (regarding certain property excluded from § 197) is determined by using the depreciation method and useful life prescribed in § 167(f). If computer software is depreciated under § 167(f)(1) and is qualified property (as defined in § 168(k)(2) as amended by the Act and § 1.168(k)-2), qualified property (as defined in § 168(k)(2) as in effect on the day before the date of enactment of the Act and § 1.168(k)-1), 50-percent bonus depreciation property (as defined in § 168(k)(4) (as in effect on the day before the date of enactment of the Economic Stimulus Act of 2008, Pub. L. No. 110-185, 122 Stat. 613 (February 13, 2008)) and § 1.168(k)-1), qualified disaster assistance property (as defined in § 168(n)(2) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018, Pub. L. No. 115-141, Division U, 132 Stat. 1211 (March 23, 2018)), qualified New York Liberty Zone (Liberty Zone) property (as defined in § 1400L(b)(2) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018) and § 1.1400L(b)-1), qualified Gulf Opportunity Zone

(GO Zone) property (as defined in § 1400N(d)(2) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018) and sections 2.02 and 2.03 of Notice 2006-77, 2006-2 C.B. 590, as clarified, modified, and amplified by Notice 2007-36, 2007-1 C.B. 1000), specified Gulf Opportunity Zone extension property (GO Zone extension property) (as defined in § 1400N(d)(6) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018) and section 4 of Notice 2007-36), or qualified Recovery Assistance (RA) property (as defined in sections 2.02 and 2.03 of Notice 2008-67, 2008-32 I.R.B. 307), the depreciation allowable for that computer software under § 167(f)(1) is also determined by taking into account the additional first year depreciation deduction provided by § 168(k), § 168(n) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), § 1400L(b) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or § 1400N(d) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or by § 15345(a)(1) and (d)(1) of the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, 122 Stat. 1651 (June 18, 2008), as applicable, unless the taxpayer made a timely valid election not to deduct any additional first year depreciation for the computer software.

(e) Section 168 property. The depreciation allowable for any taxable year for property for which depreciation is determined under § 168, is determined as follows:

(i) by using either:

(A) the general depreciation system in § 168(a); or

(B) the alternative depreciation system in § 168(g) if the property is required to be depreciated under the alternative depreciation system pursuant to

§ 168(g)(1) or other provisions of the Code (for example, property described in § 263A(e)(2)(A) or § 280F(b)(1)). Property required to be depreciated under the alternative depreciation system pursuant to § 168(g)(1) includes property in a class (as set out in § 168(e)) for which the taxpayer made a timely valid election under § 168(g)(7);

(ii) if the property is qualified property, 50-percent bonus depreciation property, qualified disaster assistance property, Liberty Zone property, GO Zone property, GO Zone extension property, or RA property, by also taking into account the additional first year depreciation deduction provided by § 168(k), § 168(n) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), § 1400L(b) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or § 1400N(d) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or by § 15345(a)(1) and (d)(1) of the Food, Conservation, and Energy Act of 2008, as applicable, unless the taxpayer made a timely valid election not to deduct the additional first year depreciation (or made a deemed election not to deduct the additional first year depreciation; for further guidance, see, for example, Rev. Proc. 2002-33, 2002-1 C.B. 963, Rev. Proc. 2003-50, 2003-2 C.B. 119, Notice 2006-77, Notice 2008-67, section 5 of Rev. Proc. 2011-26, 2011-16 I.R.B. 664, Rev. Proc. 2015-48, 2015-40 I.R.B. 469, or Rev. Proc. 2019-33, 2019-34 I.R.B. 662) for the class of property (as defined in § 1.168(k)-2(f)(1)(ii), § 1.168(k)-1(e)(2), § 1.1400L(b)-1(e)(2), or section 4.02 of Notice 2006-77, as applicable) in which that property is included;

(iii) if the property is qualified second generation biofuel plant property (as defined in § 168(l)(2) and (3)) or qualified cellulosic biofuel plant property

(as defined in former § 168(l)(2) and (3)), by also taking into account the additional first year depreciation deduction provided by § 168(l)(1), unless the taxpayer made a timely valid election not to deduct the additional first year depreciation for the property; and

(iv) if the property is qualified reuse and recycling property (as defined in § 168(m)(2)), by also taking into account the additional first year depreciation deduction provided by § 168(m)(1), unless the taxpayer made a timely valid election not to deduct the additional first year depreciation for the property.

(f) Section 197 property. The amortization allowable for any taxable year for an amortizable § 197 intangible (including any property for which a timely election under § 13261(g)(2) of the 1993 Act was made) is determined in accordance with § 1.197-2(f).

(g) Former § 168 property. The depreciation allowable for any taxable year for property subject to former § 168 is determined by using either:

(i) the accelerated method of cost recovery applicable to the property (for example, for 5-year property, the recovery method under former § 168(b)(1)); or

(ii) the straight-line method applicable to the property if the property is required to be depreciated under the straight-line method (for example, property described in former § 168(f)(2) or former § 280F(b)(2)) or if the taxpayer elected to determine the depreciation allowance under the optional straight-line percentage (for example, the straight-line method in former § 168(b)(3)).

(h) Qualified revitalization building. The depreciation allowable for any taxable year for any qualified revitalization building (as defined in § 1400I(b)(1) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of

2018)) for which the taxpayer has made a timely valid election under § 1400I(a) is determined as follows:

(i) if the taxpayer elected to deduct one-half of any qualified revitalization expenditures (as defined in § 1400I(b)(2) and as limited by § 1400I(c) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018)) chargeable to a capital account with respect to the qualified revitalization building for the taxable year in which the building is placed in service by the taxpayer, the depreciation allowable for the qualified revitalization building's placed-in-service year is equal to one-half of the qualified revitalization expenditures for the building and the depreciation allowable for the remaining depreciable basis of the qualified revitalization building for its placed-in-service year and subsequent taxable years is determined using the general depreciation system of § 168(a) or the alternative depreciation system of § 168(g), as applicable; or

(ii) if the taxpayer elected to amortize all of the qualified revitalization expenditures chargeable to a capital account with respect to the qualified revitalization building ratably over the 120-month period beginning with the month in which the building is placed in service, the depreciation allowable for the qualified revitalization expenditures is determined in accordance with this election and the depreciation allowable for the remaining depreciable basis of the qualified revitalization building is determined using the general depreciation system of § 168(a) or the alternative depreciation system of § 168(g), as applicable.

(i) Qualified New York Liberty Zone leasehold improvement property. The depreciation allowable for any taxable year for qualified New York Liberty Zone leasehold improvement property (as defined in § 1400L(c)(2) (as in effect on the day

before the date of enactment of the Tax Technical Corrections Act of 2018)) is determined by using the depreciation method and recovery period prescribed in § 1400L(c) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018) unless the taxpayer made a timely valid election under § 1400L(c)(5) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018) not to use that recovery period.

(8) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment. For example, a taxpayer files a single Form 3115 to change the depreciation methods, recovery periods, and/or conventions under § 168(a) resulting from the reclassification of two computers from nonresidential real property to 5-year property, one office desk from nonresidential real property to 7-year property, and two office desks from 5-year property to 7-year property. On that Form 3115, the taxpayer must provide either (i) a single net § 481(a) adjustment that covers all the changes resulting from all of these reclassifications, or (ii) a single negative § 481(a) adjustment that covers the changes resulting from the reclassifications of the two computers and one office desk from nonresidential real property to 5-year property and 7-year property,

respectively, and a single positive § 481(a) adjustment that covers the changes resulting from the reclassifications of the two office desks from 5-year property to 7-year property.

(b) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required by section 6.01(4)(a) of this revenue procedure for this change and the information required by the lines on Form 3115 applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(9) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.01 is "7."

(10) Contact information. For further information regarding a change under this section, contact James Liechty at (202) 317-7005 (not a toll-free call).

.02 Permissible to permissible method of accounting for depreciation.

(1) Description of change. This change applies to a taxpayer that wants to change from a permissible method of accounting for depreciation under § 56(g)(4)(A)(iv) (as in effect on the day before the date of enactment of the Act) or § 167 to another permissible method of accounting for depreciation under § 56(g)(4)(A)(iv) (as in effect on the day before the date of enactment of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017) (the "Act")) or § 167. Pursuant to § 1.167(a)-7(a) and (c), a taxpayer may account for depreciable property either by treating each individual asset as an account or by combining two or more assets in a single account and, for each account, depreciation allowances are computed separately.

(2) Applicability.

(a) In general. This change applies to any taxpayer wanting to make a change in method of accounting for depreciation specified in section 6.02(4) of this revenue procedure for the property in an account:

(i) for which the present and proposed methods of accounting for depreciation specified in section 6.02(4) of this revenue procedure are permissible methods for the property under § 56(g)(4)(A)(iv) (as in effect on the day before the date of enactment of the Act) or § 167; and

(ii) that is owned by the taxpayer at the beginning of the year of change.

(b) Inapplicability. This change does not apply to:

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 6.02 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in

conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable);

(ii) any property to which § 1016(a)(3) (regarding property held by a tax-exempt organization) applies;

(iii) any property described in § 167(f) (regarding certain property excluded from § 197);

(iv) any property subject to § 167(g) (regarding property depreciated under the income forecast method);

(v) any property for which depreciation is determined under § 56(a)(1), § 56(g)(4)(A)(i), (ii), (iii), or (v) (as in effect on the day before the date of enactment of the Act), § 168, § 1400I (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018, Pub. L. No. 115-141, Division U, 132 Stat. 1211 (March 23, 2018)), § 1400L(c) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), § 168 prior to its amendment in 1986 (former § 168), or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or § 1400N(d) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018));

(vi) any property that the taxpayer elected under § 168(f)(1) or former § 168(e)(2) to exclude from the application of, respectively, § 168 or former § 168;

(vii) any property for which depreciation is determined in accordance with § 1.167(a)-11 (ADR);

(viii) any depreciable property for which the taxpayer is changing the depreciation method pursuant to § 1.167(e)-1(b) (change from declining-balance method to straight-line method), § 1.167(e)-1(c) (certain changes for § 1245 property), or § 1.167(e)-1(d) (certain changes for § 1250 property). These changes must be made prospectively and are not permitted under the cited regulations for property for which the depreciation is determined under § 168, § 1400I (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), § 1400L(c) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), former § 168, or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018), or § 1400N(d) (as in effect on the day before the date of enactment of the Tax Technical Corrections Act of 2018)); or

(ix) any distributor commissions (as defined by section 2 of Rev. Proc. 2000-38, 2000-2 C.B. 310, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358) for which the taxpayer is changing the useful life under the distribution fee period method or the useful life method (both described in Rev. Proc. 2000-38). A change in this useful life is corrected by adjustments in the applicable taxable year provided under § 1.446-1(e)(2)(ii)(d)(5)(iv).

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(4) Changes covered. This section 6.02 only applies to the following changes in methods of accounting for depreciation:

(a) a change from the straight-line method to the sum-of-the-years-digits method, the sinking fund method, the unit-of-production method, or the declining-balance method using any proper percentage of the straight-line rate;

(b) a change from the declining-balance method using any percentage of the straight-line rate to the sum-of-the-years-digits method, the sinking fund method, or the declining-balance method using a different proper percentage of the straight-line rate;

(c) a change from the sum-of-the-years-digits method to the sinking fund method, the declining-balance method using any proper percentage of the straight-line rate, or the straight-line method;

(d) a change from the unit-of-production method to the straight-line method;

(e) a change from the sinking fund method to the straight-line method, the unit-of-production method, the sum-of-the-years-digits method, or the declining-balance method using any proper percentage of the straight-line rate;

(f) a change in the interest factor used in connection with a compound interest method or sinking fund method;

(g) a change in averaging convention as set forth in § 1.167(a)-10(b). However, as specifically provided in § 1.167(a)-10(b), in any taxable year in which an averaging convention substantially distorts the depreciation allowance for the taxable year, it may not be used (see Rev. Rul. 73-202, 1973-1 C.B. 81);

(h) a change from charging the depreciation reserve with costs of removal and crediting the depreciation reserve with salvage proceeds to deducting costs of removal as an expense and including salvage proceeds in taxable income as

set forth in § 1.167(a)-8(e)(2). See Rev. Rul. 74-455, 1974-2 C.B. 63. This section 6.02 applies to this change, however, only if:

(i) the change is applied to all items in the account for which the change is being made; and

(ii) the removal costs are not required to be capitalized under any provision of the Code (for example, § 263(a), 263A, or 280B);

(i) a change from crediting the depreciation reserve with the salvage proceeds realized on normal retirement sales to computing and recognizing gains and losses on the sales (see Rev. Rul. 70-165, 1970-1 C.B. 43);

(j) a change from crediting ordinary income (including the combination method of crediting the lesser of estimated salvage value or actual salvage proceeds to the depreciation reserve, with any excess of salvage proceeds over estimated salvage value credited to ordinary income) with the salvage proceeds realized on normal retirement sales, to computing and recognizing gains and losses on the sales (see Rev. Rul. 70-166, 1970-1 C.B. 44);

(k) a change from item accounting for specific assets to multiple asset accounting (pooling) for the same assets, or vice versa;

(l) a change from one type of multiple asset accounting (pooling) for specific assets to a different type of multiple asset accounting (pooling) for the same assets;

(m) a change from one method described in Rev. Proc. 2000-38 for amortizing distributor commissions (as defined by section 2 of Rev. Proc. 2000-38) to another method described in Rev. Proc. 2000-38 for amortizing distributor commissions; or

(n) a change from pooling to a single asset, or vice versa, for distributor commissions (as defined by section 2 of Rev. Proc. 2000-38) for which the taxpayer is using the distribution fee period method or the useful life method (both described in Rev. Proc. 2000-38).

(5) Additional requirements. A taxpayer also must comply with the following:

(a) Basis for depreciation. At the beginning of the year of change, the basis for depreciation of property to which this change applies is the adjusted basis of the property as provided in § 1011 at the end of the taxable year immediately preceding the year of change (determined under taxpayer's present method of accounting for depreciation). If applicable under the taxpayer's proposed method of accounting for depreciation, this adjusted basis is reduced by the estimated salvage value of the property (for example, a change to the straight-line method).

(b) Rate of depreciation. The rate of depreciation for property changed to:

(i) the straight-line or the sum-of-the-years-digits method of depreciation must be based on the remaining useful life of the property as of the beginning of the year of change; or

(ii) the declining-balance method of depreciation must be based on the useful life of the property measured from the placed-in-service date, and not the expected remaining life from the date the change becomes effective.

(c) Regulatory requirements. For changes in method of depreciation to the sum-of-the-years-digits or declining-balance method, the property must meet the requirements of § 1.167(b)-0 or 1.167(c)-1, as appropriate.

(d) Public utility property. If any item of property is public utility property within the meaning of former § 167(l)(3)(A), the taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) must attach to the Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) a normalization method of accounting within the meaning of former § 167(l)(3)(G) will be used for the public utility property subject to the Form 3115; and

(ii) within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115.

(6) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(e) Part IV, line 25; and

(f) Schedule E.

(7) Section 481(a) adjustment. Because the adjusted basis of the property is not changed as a result of a method change made under this section 6.02, no items are

being duplicated or omitted. Accordingly, a § 481(a) adjustment is neither required nor permitted.

(8) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets.

(b) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required by section 6.02(6) of this revenue procedure for this change and the information required by the lines on Form 3115 applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(9) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.02 is "8."

(10) Contact information. For further information regarding a change under this section, contact Bruce Chang at (202) 317-7005 (not a toll-free call).

.03 Sale, lease, or financing transactions.

(1) Description of change and scope.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting from:

(i) improperly treating property as sold by the taxpayer to properly treating property as leased or financed by the taxpayer;

(ii) improperly treating property as leased by the taxpayer to properly treating property as sold or financed by the taxpayer;

(iii) improperly treating property as financed by the taxpayer to properly treating property as sold or leased by the taxpayer;

(iv) improperly treating property as purchased by the taxpayer to properly treating property as leased by the taxpayer; and

(v) improperly treating property as leased by the taxpayer to properly treating property as purchased by the taxpayer.

(b) Inapplicability. This change does not apply to:

(i) a rent-to-own dealer that wants to change its method of accounting for rent-to-own contracts described in section 3 of Rev. Proc. 95-38, 1995-2 C.B. 397; or

(ii) a taxpayer that holds assets for sale or lease, if any asset so held is not the subject of a sale or lease transaction as of the beginning of the year of change.

(2) Manner of making the change. A taxpayer changing its method of accounting under this section 6.03 must submit a statement with the Form 3115 that

provides the name of the counterparty to the sale, lease, or financing transactions as of the beginning of the year of change.

(3) No ruling on the characterization of any transaction as a sale, lease, or financing transaction. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in this section 6.03 is not a determination by the Commissioner that the taxpayer has properly characterized any transaction as a sale, lease, or financing transaction and does not create any presumption that the proposed characterization of any transaction as a sale, lease, or financing transaction is permissible. The director will ascertain whether the taxpayer's characterization of any transaction as a sale, lease, or financing transaction is permissible.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.03 is "10."

(5) Contact information. For further information regarding a change under this section, contact Edward Schwartz at (202) 317-7006 (not a toll-free call).

.04 Change in general asset account treatment due to a change in the use of MACRS property.

(1) Description of change. This change applies to a taxpayer that wants to change the method of accounting for general asset account treatment of MACRS property (as defined in § 1.168(b)-1(a)(2)) to the method of accounting provided in § 1.168(i)-1(c)(2)(ii)(I) or § 1.168(i)-1(h)(2), which applies when there is a change in the use of MACRS property pursuant to § 1.168(i)-4(d).

(2) Manner of making change.

(a) The change is made on a modified cut-off basis (as defined in § 1.446-1(e)(2)(ii)(d)(5)(iii)) and, thus, the adjusted depreciable basis of the MACRS property as of the beginning of the year of change is recovered using the proposed method of accounting for general asset account treatment. Accordingly, a § 481(a) adjustment is neither permitted nor required. See § 1.168(i)-1(h)(2)(ii) and (iii) for more information regarding how to establish the general asset account when a change in the use of MACRS property occurs pursuant to § 1.168(i)-4(d).

(b) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(v) Part IV, line 25; and

(vi) Schedule E.

(3) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.04 is “87.”

(5) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

.05 Change in method of accounting for depreciation due to a change in the use of MACRS property.

(1) Description of change. This change applies to a taxpayer that wants to (a) change the method of accounting for depreciation of MACRS property (as defined in § 1.168(b)-1(a)(2)) to the method of accounting for depreciation provided in § 1.168(i)-4, which applies when there is a change in the use of MACRS property, or (b) revoke the election provided in § 1.168(i)-4(d)(3)(ii) to disregard a change in the use of MACRS property. See § 1.168(i)-4(g)(2).

(2) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(e) Part IV, all lines except line 25; and

(f) Schedule E.

(3) Section 481(a) adjustment. A taxpayer changing its method of accounting under this section 6.05 is required to calculate a § 481(a) adjustment as of the first day of the year of change as if the proposed method of accounting had always

been used by the taxpayer beginning with the taxable year in which the change in the use of the MACRS property occurred by the taxpayer.

(4) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.05 is “88.”

(6) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

.06 Depreciation of qualified non-personal use vans and light trucks.

(1) Description of change. This change applies to a taxpayer that wants to change the method of accounting for depreciation for certain vehicles in accordance with § 1.280F-6(f)(2)(iv). Section 1.280F-6(f)(2)(iv) applies to a truck or van that is a qualified nonpersonal use vehicle as defined under § 1.274-5T(k), was placed in service by the taxpayer before July 7, 2003, and was treated by the taxpayer as a passenger automobile under § 1.280F-6T as in effect prior to July 7, 2003. If the taxpayer files Form 3115, in accordance with § 1.280F-6(f)(2)(iv), the treatment of the truck or van will

be changed from property to which § 280F(a) applies to property to which § 280F(a) does not apply.

(2) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(e) Part IV, all lines except line 25; and

(f) Schedule E.

(3) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.06 is “89.”

(5) Contact information. For further information regarding a change under this section, contact Bernard Harvey at (202) 317-7005 (not a toll-free call).

.07 Impermissible to permissible method of accounting for depreciation or amortization for disposed depreciable or amortizable property.

(1) Description of change. This change applies to a taxpayer that wants to make the change in method of accounting for depreciation or amortization (depreciation) provided under section 3 of Rev. Proc. 2007-16, 2007-1 C.B. 358, for an item of depreciable or amortizable property that has been disposed of by the taxpayer. Section 3 of Rev. Proc. 2007-16 allows a taxpayer to make a change in method of accounting for depreciation for the disposed property if the taxpayer used an impermissible method of accounting for depreciation for the property under which the taxpayer did not take into account any depreciation allowance, or did take into account some depreciation but less than the depreciation allowable, in the year of change (as defined in section 6.07(4) of this revenue procedure) or any prior taxable year.

(2) Applicability.

(a) In general. Except as provided in section 6.07(2)(b) of this revenue procedure, this section 6.07 applies to a taxpayer that is changing from an impermissible method of accounting for depreciation to a permissible method of accounting for depreciation for any item of depreciable or amortizable property subject to §§ 167, 168, 197, 1400I, or 1400L(c), to former § 168, or to any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)):

(i) that has been disposed of by the taxpayer during the year of change (as defined in section 6.07(4) of this revenue procedure); and

(ii) for which the taxpayer did not take into account any depreciation allowance, or did take into account some depreciation but less than the depreciation allowable (hereinafter, both are referred to as “claimed less than the depreciation allowable”), in the year of change (as defined in section 6.07(4) of this revenue procedure) or any prior taxable year.

(b) Inapplicability. This section 6.07 does not apply to:

(i) any property to which § 1016(a)(3) (regarding property held by a tax-exempt organization) applies;

(ii) any property for which a taxpayer is revoking a timely valid depreciation election, or making a late depreciation election, under the Code or regulations thereunder, or under other guidance published in the Internal Revenue Bulletin (including under § 13261(g)(2) or (3) of the Revenue Reconciliation Act of 1993 (1993 Act), 1993-3 C.B. 1, 128 (relating to amortizable § 197 intangibles));

(iii) any property for which the taxpayer deducted the cost or other basis of the property as an expense; or

(iv) any property disposed of by the taxpayer in a transaction to which a nonrecognition section of the Code applies (for example, § 1031, transactions subject to § 168(i)(7)(B)). However, this section 6.07(2)(b)(iv) does not apply to property disposed of by the taxpayer in a § 1031 or § 1033 transaction if the taxpayer elects under § 1.168(i)-6(i) and (j) to treat the entire basis (that is, both the exchanged and excess basis (as defined in § 1.168(i)-6(b)(7) and (8), respectively) of the replacement MACRS property (as defined in § 1.168(i)-6(b)(1)) as property placed in service by the taxpayer at the time of replacement and treat the adjusted depreciable

basis of the relinquished MACRS property (as defined in § 1.168(i)-6(b)(2)) as being disposed of by the taxpayer at the time of disposition.

(3) Manner of making the change.

(a) Change made on an original return for the year of change. This change may be made on a taxpayer's timely filed (including any extension) original federal tax return for the year of change (as defined in section 6.07(4) of this revenue procedure), provided the taxpayer files the original Form 3115 in accordance with section 6.03(1)(a) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

(b) Change made on an amended return for the year of change. This change may also be made on an amended federal tax return for the year of change (as defined in section 6.07(4) of this revenue procedure), provided:

(i) the taxpayer files the original Form 3115 with the taxpayer's amended federal tax return for the year of change (as defined in section 6.07(4) of this revenue procedure) prior to the expiration of the period of limitation for assessment under § 6501(a) for the taxable year in which the item of depreciable or amortizable property was disposed of by the taxpayer; and

(ii) the taxpayer's amended federal tax return for the year of change (as defined in section 6.07(4) of this revenue procedure) includes the adjustments to taxable income and any collateral adjustments to taxable income or tax liability (for example, adjustments to the amount or character of the gain or loss of the disposed depreciable or amortizable property) resulting from the change in method of accounting for depreciation made by the taxpayer under this section 6.07.

(4) Year of change. The year of change for this change is the taxable year in which the item of depreciable or amortizable property was disposed of by the taxpayer.

(5) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to this change.

(6) Filing requirements.

(a) Notwithstanding section 6.03(1)(a) of Rev. Proc. 2015-13, a taxpayer making this change in accordance with section 6.07(3)(b) of this revenue procedure must attach the original Form 3115 to the taxpayer's timely filed amended federal tax return for the year of change and must file the required copy (with signature) of the Form 3115 with the IRS in Ogden, UT, no later than when the original Form 3115 is filed with the amended federal tax return for the year of change. If a taxpayer is making this change in accordance with section 6.07(3)(a) of this revenue procedure, the filing requirements in section 6.03(1)(a) of Rev. Proc. 2015-13 apply.

(b) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(7) Section 481(a) adjustment period. A taxpayer must take the entire § 481(a) adjustment into account in computing taxable income for the year of change.

(8) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets.

(9) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.07 is "107."

(10) Contact information. For further information regarding a change under this section, contact James Liechty at (202) 317-7005 (not a toll-free call).

.08 Tenant construction allowances.

(1) Description of change and scope.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting for tenant construction allowances:

(i) from improperly treating the taxpayer as having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes to properly treating the taxpayer as not having a depreciable interest in such property for federal income tax purposes; or

(ii) from improperly treating the taxpayer as not having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes to properly treating the taxpayer as having a depreciable interest in such property for federal income tax purposes.

(b) Inapplicability. This change does not apply to:

(i) any tenant construction allowance that qualifies under § 110;

(ii) any portion of a tenant construction allowance that is not expended on depreciable property; or

(iii) any amount expended for depreciable property in excess of the tenant construction allowance.

(2) Definition. For purposes of this section 6.08, the term "tenant construction allowance(s)" means any amount received by a lessee from a lessor to construct, acquire, or improve property for use by the lessee pursuant to a lease.

(3) Manner of making the change. A taxpayer changing its method of accounting under this section 6.08 must submit the following information:

(a) If a lessee is filing the Form 3115, the lessee must submit a statement with the Form 3115 that provides the amount of the tenant construction allowance received by the lessee, the amount of such tenant construction allowance expended by the lessee on property, and the name of the lessor that provided the tenant construction allowance.

(b) If a lessor is filing the Form 3115, the lessor must submit a statement with the Form 3115 that provides the amount of the tenant construction allowance provided to the lessee and the name of the lessee that received such tenant construction allowance.

(4) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change in accordance with section 6.08(3)(a) of this revenue procedure:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(e) Part IV, line 25; and

(f) Schedule E.

(5) No ruling on which party has the depreciable interest in the property subject to tenant construction allowances. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in this section 6.08 is not a determination by the Commissioner that the taxpayer has properly determined that the taxpayer has, or does not have, a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes and does not create any presumption that the proposed determination of which party has the depreciable interest in such property is permissible. The director will ascertain whether the taxpayer's determination of which party has the depreciable interest in the property subject to the tenant construction allowances is permissible.

(6) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.08 is "145."

(8) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

.09 Safe harbor method of accounting for determining the depreciation of certain tangible assets used by wireless telecommunications carriers under Rev. Proc. 2011-22.

(1) Description of change. This change applies to a taxpayer that is within the scope of Rev. Proc. 2011-22, 2011-18 I.R.B. 737, and wants to change to the recovery periods described in section 5 of Rev. Proc. 2011-22 and any collateral change to the depreciation methods for all, or some of, the assets listed in that section.

(2) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(e) Part IV, all lines except line 25; and

(f) Schedule E.

(3) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 6.09 is "157."

(5) Contact information. For further information regarding a change under this section, contact Charles Magee at (202) 317-7005 (not a toll-free call).

.10 Partial dispositions of tangible depreciable assets to which the IRS's adjustment pertains (§ 168; § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that is described in § 1.168(i)-8(d)(2)(iii) and, pursuant to § 1.168(i)-8(d)(2)(iii), that wants to make the partial disposition election specified in § 1.168(i)-8(d)(2)(i) to the disposition of a portion of an asset to which the IRS's adjustment (as described in § 1.168(i)-8(d)(2)(iii)) pertains.

(b) Inapplicability. This change does not apply to:

(i) Any asset of which the disposed portion was a part that is not owned by the taxpayer at the beginning of the year of change; or

(ii) Any partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is not made pursuant to § 1.168(i)-8(d)(2)(iii) (for example, this change does not apply to the partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iv)).

(2) Change in method of accounting. The IRS will treat the making of the late election specified in section 6.10(1) of this revenue procedure as a change in method of accounting.

(3) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change.

(4) Manner of making change.

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(b) A taxpayer (including a qualified small taxpayer) making this change must:

(i) Apply § 1.168(i)-8(h)(1) and (3) (accounting for asset disposed of);

(ii) If the asset (as determined under § 1.168(i)-8(c)(4)) of which the disposed portion is a part is properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56, 1987-2 C.B. 674, classify the replacement portion of such asset under the same asset class as the disposed portion of the asset in the taxable year in which the replacement portion is placed in service by the taxpayer;

(iii) If the taxpayer's present method of accounting is not in accord with § 1.168(i)-8(c)(4) (determination of asset disposed of), change to the appropriate asset as determined under § 1.168(i)-8(c)(4);

(iv) If the taxpayer continues to deduct depreciation for the disposed portion of the asset (as determined under § 1.168(i)-8(c)(4)) under the taxpayer's present method of accounting, change from depreciating such disposed portion to recognizing gain or loss for the disposed portion or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), attach a statement to its Form 3115 providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the Form 3115;

(B) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115; and

(C) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the Form 3115.

(5) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in

section 6.10(1) of this revenue procedure, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.10(1) of this revenue procedure in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.10(1) of this revenue procedure in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.10 is "198."

(7) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.11 Depreciation of leasehold improvements (§§ 167, 168, and 197; § 1.167(a)-4).

(1) Description of change. This change, as described in Rev. Proc. 2014-17, 2014-12 I.R.B. 661, applies to a taxpayer that wants to change its method of accounting to comply with § 1.167(a)-4 for leasehold improvements in which the taxpayer has a depreciable interest at the beginning of the year of change:

(a) From improperly depreciating the leasehold improvements to which § 168 applies over the term of the lease (including renewals, if applicable) to properly depreciating these improvements under § 168;

(b) From improperly amortizing leasehold improvements to which § 197 applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 197; or

(c) From improperly amortizing leasehold improvements to which § 167(f)(1) applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 167(f)(1).

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change.

(3) Manner of making change.

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(b) If any leasehold improvement is public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), a taxpayer (including a qualified small taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9) or former § 167(l)(3)(G)) will be used for the public utility property subject to the change;

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the change; and

(iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the change.

(4) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(b) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers

for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required by section 6.11(3)(a) of this revenue procedure for this change and the information required by the lines on Form 3115 applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to a method of accounting under this section 6.11 is "199."

(6) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.12 Permissible to permissible method of accounting for depreciation of MACRS property (§ 168; §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.12(3) of this revenue procedure for an asset:

(i) to which § 168 applies (MACRS property);

(ii) for which the present and proposed methods of accounting are permissible methods of accounting under § 1.168(i)-1, § 1.168(i)-7, or § 1.168(i)-8, as applicable; and

(iii) that is owned by the taxpayer at the beginning of the year of change.

(b) Inapplicability. This change does not apply to any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change.

(3) Changes covered. This section 6.12 only applies to the following changes in methods of accounting for depreciation of MACRS property:

(a) For the items of MACRS property not subject to a general asset account election under § 168(i)(4) and the regulations thereunder—

(i) a change from single asset accounts (or item accounts) for specific items of MACRS property to multiple asset accounts (or pools) for the same assets, or vice versa, in accordance with § 1.168(i)-7;

(ii) a change from grouping specific items of MACRS property in multiple asset accounts to a different grouping of the same assets in multiple asset accounts in accordance with § 1.168(i)-7(c);

(iii) a change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-8(g)(1) to the first-in, first-out (FIFO)

method of accounting under § 1.168(i)-8(g)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-8(g)(2)(ii);

(iv) a change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8(g)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-(g)(2)(ii) to the specific identification method under § 1.168(i)-8(g)(1);

(v) a change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8(g)(2)(i) to the modified FIFO method of accounting under § 1.168(i)-8(g)(2)(ii), or vice versa;

(vi) a change in the method of identifying which mass assets (as defined in § 1.168(i)-8(b)(3)) in multiple asset accounts or which portions of mass assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-8(g)(1) to a mortality dispersion table in accordance with § 1.168(i)-8(g)(2)(iii);

(vii) a change in the method of identifying which mass assets (as defined in § 1.168(i)-8(b)(3)) in multiple asset accounts or which portions of mass assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8(g)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-8(g)(2)(ii) to a mortality dispersion table in accordance with § 1.168(i)-8(g)(2)(iii);

(viii) a change in the method of identifying which mass assets (as defined in § 1.168(i)-8(b)(3)) in multiple asset accounts or which portions of mass assets have been disposed of by the taxpayer from a mortality dispersion table in

accordance with § 1.168(i)-8(g)(2)(iii) to the specific identification method under § 1.168(i)-8(g)(1), the FIFO method of accounting under § 1.168(i)-8(g)(2)(i), or the modified FIFO method of accounting under § 1.168(i)-8(g)(2)(ii);

(ix) if § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the asset disposed of, a change in the method of determining the unadjusted depreciable basis of all assets in the same multiple asset account from one reasonable method to another reasonable method; or

(x) if § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of all disposed portions of the asset from one reasonable method to another reasonable method; and

(b) For the items of MACRS property subject to a general asset account election under § 168(i)(4) and the regulations thereunder—

(i) a change from grouping specific items of MACRS property in general asset accounts to a different grouping of the same assets in general asset accounts in accordance with § 1.168(i)-1(c);

(ii) a change in the method of identifying which assets or which portions of assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-1(j)(2)(i)(A) to the FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(B) or the modified FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(C);

(iii) a change in the method of identifying which assets or which portions of assets have been disposed of by the taxpayer from the FIFO method of

accounting under § 1.168(i)-1(j)(2)(i)(B) or the modified FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(C) to the specific identification method under § 1.168(i)-1(j)(2)(i)(A);

(iv) a change in the method of identifying which assets or which portions of assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(B) to the modified FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(C), or vice versa;

(v) a change in the method of identifying which mass assets (as defined in § 1.168(i)-1(b)(6)) or which portions of mass assets that are in a separate general asset account in accordance with § 1.168-1(c)(2)(ii)(H), have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-1(j)(2)(i)(A) to a mortality dispersion table in accordance with § 1.168(i)-1(j)(2)(i)(D);

(vi) a change in the method of identifying which mass assets (as defined in § 1.168(i)-1(b)(6)) or which portions of mass assets that are in a separate general asset account in accordance with § 1.168-1(c)(2)(ii)(H), have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(B) or the modified FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(C) to a mortality dispersion table in accordance with § 1.168(i)-1(j)(2)(i)(D);

(vii) a change in the method of identifying which mass assets (as defined in § 1.168(i)-1(b)(6)), or which portions of mass assets that are in a separate general asset account in accordance with § 1.168-1(c)(2)(ii)(H), have been disposed of by the taxpayer from a mortality dispersion table in accordance with § 1.168(i)-1(j)(2)(i)(D) to the specific identification method under § 1.168(i)-1(j)(2)(i)(A), the FIFO

method of accounting under § 1.168(i)-1(j)(2)(i)(B), or the modified FIFO method of accounting under § 1.168(i)-1(j)(2)(i)(C); or

(viii) if § 1.168(i)-1(j)(3) applies (basis of a disposed asset or a disposed portion of an asset in a general asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset or the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of all assets in the same general asset account from one reasonable method to another reasonable method.

(4) Manner of making change.

(a) The changes in methods of accounting specified in section 6.12(3)(a)(i) and (ii) and section 6.12(3)(b)(i) of this revenue procedure are made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the proposed method of accounting.

(i) If the change specified in section 6.12(3)(a)(i) of this revenue procedure is a change to a single asset account, the new single asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the asset included in that single asset account.

(ii) If the change specified in section 6.12(3)(a)(i) or (ii) of this revenue procedure is a change to a multiple asset account (either a new one or a different grouping), the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change

for all assets included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account.

(iii) The change specified in section 6.12(3)(b)(i) of this revenue procedure requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The changes in methods of accounting specified in section 6.12(3)(a)(iii), (vi), (ix), and (x) and section 6.12(3)(b)(ii), (v), and (viii) of this revenue procedure are made using a cut-off method and apply to dispositions occurring on or after the beginning of the year of change.

(c) Even though the changes in methods of accounting specified in section 6.12(3)(a)(iv), (v), (vii), and (viii) and section 6.12(3)(b)(iii), (iv), (vi), and (vii) of this revenue procedure are changes from one permissible method of accounting to another permissible method of accounting, these changes are made with a § 481(a) adjustment. However, see section 6.12(4)(f) of this revenue procedure for an exception. For the changes in methods of accounting specified in section 6.12(3)(b)(iii), (iv), (vi),

and (vii) of this revenue procedure, the § 481(a) adjustment should be zero unless § 1.168(i)-1(e)(3) applies to the asset subject to the change.

(d) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.12(3)(a)(ix) and (x) and section 6.12(3)(b)(viii) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.12(3)(a)(ix) or (x) or section 6.12(3)(b)(viii) of this revenue procedure;

(vi) Part IV; and

(vii) Schedule E.

(e) If any asset subject to this change is public utility property within the meaning of § 168(i)(10), a taxpayer (including a qualified small taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the change;

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer’s regulatory books of

account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to a change in method of accounting specified in section 6.12(3)(a)(iv), (v), (vii), or (viii) or section 6.12(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure made for the public utility property subject to the change; and

(iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the change.

(f) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that changed its method of accounting under section 6.37(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of Rev. Proc. 2015-14 (which is now section 6.12(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of this revenue procedure) by following section 5 of Rev. Proc. 2015-20 is required to calculate a § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(5) No audit protection. A taxpayer calculating a § 481(a) adjustment under section 6.12(4)(f) of this revenue procedure that takes into account only dispositions in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for dispositions subject to a change under section 6.12(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of this revenue procedure in taxable years beginning before January 1, 2014. See section 5.03 of Rev. Proc. 2015-20.

(6) Concurrent change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.12(3)(a)(iv),

(v), (vii), or (viii) or section 6.12(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure, the single Form 3115 also should provide a single net § 481(a) adjustment for all such changes. If one or more changes specified in section 6.12(3)(a)(iv), (v), (vii), or (viii) or section 6.12(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.12(3)(a)(iv), (v), (vii), or (viii) or section 6.12(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.12(6)(b)(i)-(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

(i) A change under section 6.01 of this revenue procedure;

(ii) A change under section 6.13 of this revenue procedure;

(iii) A change under section 6.14 of this revenue procedure;

(iv) A change under section 6.15 of this revenue procedure; and

(v) A change under section 11.07(3)(c) of this revenue procedure.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to a method of accounting under this section 6.12 is "200."

(8) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.13 Disposition of a building or structural component (§ 168; § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.13(3) of this revenue procedure for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in § 1.168(i)-8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)-8(b)(2), 1.168(i)-8(c)(4)(ii)(A), (B), and (D), 1.168(i)-8(f), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from disposing of the building, the structural component, or the portion of the building (including its structural components) and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k).

(b) Inapplicability. This change does not apply to the following:

(i) Any asset (as determined under § 1.168(i)-8(c)(4)) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, under the taxpayer's proposed method of accounting;

(ii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.15 of this revenue procedure for making a change in method of accounting for dispositions of tangible depreciable assets subject to a general asset account election);

(iii) Any multiple buildings, condominium units, or cooperative units that are treated as a single building under the taxpayer's present method of accounting, or will be treated as a single building under the taxpayer's proposed method of accounting, pursuant to § 1.1250-1(a)(2)(ii);

(iv) Any disposition of a portion of an asset in a transaction described in the last sentence in § 1.168(i)-8(d)(1) for which the taxpayer did not make a partial disposition election in accordance with § 1.168(i)-8(d)(2)(ii), (iii), or (iv), as applicable (but see section 6.10 of this revenue procedure for making a partial disposition election pursuant to § 1.168(i)-8(d)(2)(iii)); or

(v) Any demolition of a structure to which § 280B and § 1.280B-1 apply.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change.

(3) Covered changes. This section 6.13 only applies to the following changes in methods of accounting for a building (including its structural components), condominium unit (including its structural components), cooperative unit (including its structural components), or an improvement or addition (including its structural components) thereto:

(a) For purposes of applying § 1.168(i)-8(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable;

(b) If the taxpayer makes the change specified in section 6.13(3)(a) of this revenue procedure, and if the taxpayer disposed of the asset as determined under section 6.13(3)(a) of this revenue procedure in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed asset, a change from depreciating the disposed asset to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed asset to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

(c) If the taxpayer makes the change specified in section 6.13(3)(a) of this revenue procedure, and if the taxpayer disposed of a portion of the asset as determined under section 6.13(3)(a) of this revenue procedure in a transaction described in the first sentence in § 1.168(i)-8(d)(1) in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

(d) If the taxpayer's present method of accounting for its buildings (including their structural components), condominium units (including their structural components), cooperative units (including their structural components), and improvements or additions (including its structural components) thereto that are

depreciated under § 168 is in accord with § 1.168(i)-8(c)(4)(ii)(A), (B), and (D), and if the taxpayer disposed of an asset as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable, in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed asset, a change from depreciating the disposed asset to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed asset to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

(e) If the taxpayer's present method of accounting for its buildings (including their structural components), condominium units (including their structural components), cooperative units (including their structural components), and improvements or additions (including its structural components) thereto that are depreciated under § 168 is in accord with § 1.168(i)-8(c)(4)(ii)(A), (B), and (D), and if the taxpayer disposed of a portion of an asset as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable, in a transaction described in the first sentence in § 1.168(i)-8(d)(1) in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

(f) A change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of from a method of accounting not specified in § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii) (for example, the last-in,

first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii), as applicable;

(g) If § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset, a change in the method of determining the unadjusted depreciable basis of the disposed asset from a method of not using the taxpayer's records to a method of using the taxpayer's records;

(h) If § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset, a change in the method of determining the unadjusted depreciable basis of all assets in the same multiple asset account from an unreasonable method (for example, discounting the cost of the replacement asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method;

(i) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from a method of not using the taxpayer's records to a method of using the taxpayer's records;

(j) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from an unreasonable method (for example, discounting the cost of the replacement portion of the asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method; or

(k) A change from recognizing gain or loss under § 1.168(i)-8T upon the disposition of an asset (as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable) included in a general asset account to recognizing gain or loss upon the disposition of the same asset under § 1.168(i)-8 if: (A) the taxpayer made the change specified in section 6.11 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880, section 6.34 of Rev. Proc. 2015-14, 2015-5 I.R.B. 450, or section 6.34 of the APPENDIX to Rev. Proc. 2011-14, 2011-4 I.R.B. 330, as clarified and modified by Rev. Proc. 2012-39, 2012-41 I.R.B. 470, Rev. Proc. 2014-17, 2014-12 I.R.B. 661, and Rev. Proc. 2014-54, 2014-41 I.R.B. 675 (revocation of a general asset account election); (B) the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of such asset; (C) the taxpayer's present method of accounting for such asset is in accord with § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable; and (D) the taxpayer recognized a gain or loss under § 1.168(i)-8T upon the disposition of such asset in a taxable year prior to the year of change.

(4) Examples. The following examples illustrate the covered changes specified in section 6.13(3) of this revenue procedure.

(a) Example 1. X, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, X constructed and placed in service an addition to this building. X depreciates the building, the addition, and their structural components under § 168. A change by X to treating the original building (including its structural components) as an asset and the addition to the building (including the structural components of such addition) as a separate asset for disposition purposes is a change described in section 6.13(3)(a) of this revenue procedure solely for purposes of § 1.168(i)-8(c)(4).

(b) Example 2. Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 1990. Y depreciates this building and its structural components under § 168. In 2000, a tornado damaged the roof and, as a result, Y replaced the entire roof of the building. Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under

§ 168 since 2000. Because the original roof was disposed of as a result of a casualty event described in § 165, a change by Y from depreciating the original roof to recognizing a loss upon its retirement is a covered change described in section 6.13(3)(e) of this revenue procedure solely for purposes of § 1.168(i)-8.

(c) Example 3. The facts are the same as in Example 2, except a tornado did not occur, but Y still replaced the entire roof of the building in 2000. Because the original roof was not disposed of as a result of any of the events described in the first sentence in § 1.168(i)-8(d)(1) that require a partial disposition, a partial disposition election must be made to change from depreciating the original roof to recognizing a loss upon its retirement. Pursuant to section 6.13(1)(b)(iv) of this revenue procedure, section 6.13 does not apply to the disposition of the original roof in 2000.

(5) Manner of making change.

(a) A taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making a change specified in section 6.13(3)(a) of this revenue procedure, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.13(3)(f) of this revenue procedure, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.13(3)(h) or (j) of this revenue procedure, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.13(3)(h) and (j) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.13(3)(h) or (j) of this revenue procedure;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(6) No ruling on asset. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 6.13(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8(c)(4) is permissible.

(7) Section 481(a) adjustment.

(a) A taxpayer changing its method of accounting under this section 6.13 may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(b) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that changed its method of accounting under section 6.38 of Rev. Proc. 2015-14 (which is now this section 6.13) by following section 5 of Rev. Proc. 2015-20 is required to calculate a section § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(8) Section 481(a) adjustment period.

(a) A taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change:

(i) If the taxpayer is making the change specified in section 6.13(3)(a) of this revenue procedure and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of the asset (or if applicable, a portion thereof) in a taxable year prior to the year of change;

(ii) If the taxpayer is making the change specified in section 6.13(3)(k) of this revenue procedure; or

(iii) If the taxpayer is a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56, 2015-49 I.R.B. 827, and that is within the scope of section 3 of Rev. Proc. 2015-56, and is making the change specified in section 5.02(5)(b) of Rev. Proc. 2015-56 on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor provided in section 5.02 of Rev. Proc. 2015-56.

(b) If section 6.13(8)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015-13 for the § 481(a) adjustment period.

(c) Example. (i) Y, a fiscal year taxpayer with a taxable year beginning December 1 and ending November 30, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building. Y replaced the entire roof in June 2010. On its federal tax return for the taxable year ended November 30, 2010, Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is $11,000, and Y claimed depreciation of $1,000 for such roof after its retirement (taking into account the applicable convention) and before the taxable year ended November 30, 2013 (2012 taxable year). Also the 12-month allowable depreciation deduction for the original roof is $500 for the 2012 taxable year, $500 for the taxable year ended November 30, 2014 (2013 taxable year), and $500 for the taxable year ended November 30, 2015 (2014 taxable year).
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(ii) In accordance with § 1.168(i)-8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended November 30, 2013, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is $10,000 (adjusted depreciable basis of $11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of $1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Y complies with § 1.168(i)-8 beginning with its taxable year ended November 30, 2016 (2015 taxable year). For Y's 2015 taxable year, the late partial disposition election under section 6.10 of Rev. Proc. 2016-29 does not apply. Y also decides not to file a private letter ruling requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations to make a partial disposition election for the original roof. In accordance with section 6.13(3)(a) of this revenue procedure, Y files a Form 3115 with its federal income tax return for the 2015 taxable year to change to treating the original building (including its original roof and other original structural components) as an asset and the replacement roof as a separate asset for disposition purposes. Because the late partial disposition election under section 6.10 of Rev. Proc. 2016-29 does not apply for Y's 2015 taxable year and Y did not receive a private letter ruling granting an extension of time under § 301.9100-3 to make a partial disposition election for the original roof, Y does not recognize the net loss of $10,000 upon the retirement of the original roof under § 1.168(i)-8 and Y will continue to depreciate the original roof. Thus, the net positive § 481(a) adjustment for this change is $8,500 (net loss of $10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of $1,500 for the original roof for the 2012, 2013, and 2014 taxable years) and is included in Y's taxable income for the 2015 taxable year.

(9) No audit protection. A taxpayer calculating a § 481(a) adjustment under section 6.13(7)(b) of this revenue procedure that takes into account only dispositions in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for dispositions subject to a change under this section 6.13 in taxable years beginning before January 1, 2014. See section 5.04 of Rev. Proc. 2015-20.

(10) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.13(10)(b)(i)-(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

(i) A change under section 6.01 of this revenue procedure;

(ii) A change under section 6.12 of this revenue procedure;

(iii) A change under section 6.14 of this revenue procedure; and

(iv) A change under section 6.15 of this revenue procedure.

(11) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.13 is "205."

(12) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.14 Dispositions of tangible depreciable assets (other than a building or its structural components) (§ 168; § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.14(3) of this revenue procedure for disposing of § 1245 property or a depreciable land improvement or disposing of a portion of § 1245 property or a depreciable land improvement to which the partial disposition rule in § 1.168(i)-8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)-8(c)(4)(i), 1.168(i)-8(c)(4)(ii)(C) and (D), 1.168(i)-8(f), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from disposing of the § 1245 property, the depreciable land improvement, or a portion of the § 1245 property or depreciable land improvement, and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k).

(b) Inapplicability. This change does not apply to the following:

(i) Any asset (as determined under § 1.168(i)-8(c)(4)) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, under the taxpayer's proposed method of accounting;

(ii) Any building (including its structural components), condominium unit (including its structural components), cooperative unit (including its structural components), or an improvement or addition (including its structural components) thereto (but see section 6.13 of this revenue procedure for making this change);

(iii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.15 of this revenue procedure for making a change for dispositions of tangible depreciable assets subject to a general asset account election); or

(iv) Any disposition of a portion of an asset in a transaction described in the last sentence in § 1.168(i)-8(d)(1) for which the taxpayer did not make a partial disposition election in accordance with § 1.168(i)-8(d)(2)(ii), (iii), or (iv), as applicable (but see section 6.10 of this revenue procedure for making a partial disposition election pursuant to § 1.168(i)-8(d)(2)(iii)).

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change.

(3) Covered changes. This section 6.14 only applies to the following changes in methods of accounting for a § 1245 property, a depreciable land improvement, or an improvement or addition thereto:

(a) For purposes of applying § 1.168(i)-8(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), as applicable;

(b) If the taxpayer makes the change specified in section 6.14(3)(a) of this revenue procedure, and if the taxpayer disposed of the asset as determined under

section 6.14(3)(a) of this revenue procedure in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) If the taxpayer makes the change specified in section 6.14(3)(a) of this revenue procedure, and if the taxpayer disposed of a portion of the asset as determined under section 6.14(3)(a) of this revenue procedure in a transaction described in the first sentence in § 1.168(i)-8(d)(1) in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition;

(d) If the taxpayer's present method of accounting for its § 1245 property, depreciable land improvements, or improvements or additions thereto is in accord with § 1.168(i)-8(c)(4)(i) or (ii), as applicable, and if the taxpayer disposed of an asset as determined under § 1.168(i)-8(c)(4)(i) or (ii), as applicable, in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for this disposed asset, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(e) If the taxpayer's present method of accounting for its § 1245 property, depreciable land improvements, or improvements or additions thereto is in accord with § 1.168(i)-8(c)(4)(i) or (ii), as applicable, and if the taxpayer disposed of a portion of an asset as determined under § 1.168(i)-8(c)(4)(i) or (ii), as applicable, in a transaction described in the first sentence in § 1.168(i)-8(d)(1) in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for

such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition;

(f) A change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of from a method of accounting not specified in § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii), as applicable;

(g) If § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset, a change in the method of determining the unadjusted depreciable basis of the disposed asset from a method of not using the taxpayer's records to a method of using the taxpayer's records;

(h) If § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset, a change in the method of determining the unadjusted depreciable basis of all assets in the same multiple asset account from an unreasonable method (for example, discounting the cost of the replacement asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method;

(i) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from a method of not using the taxpayer's records to a method of using the taxpayer's records;

(j) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from an unreasonable method (for example, discounting the cost of the replacement portion of the asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method; or

(k) A change from recognizing gain or loss under § 1.168(i)-8T upon the disposition of a section 1245 property, depreciable land improvement, or improvement or addition thereto included in a general asset account to recognizing gain or loss upon the disposition of the same asset under § 1.168(i)-8 if: (A) the taxpayer made the change specified in section 6.11 of Rev. Proc. 2016-29, section 6.34 of Rev. Proc. 2015-14, or section 6.34 of the APPENDIX to Rev. Proc. 2011-14 (revocation of a general asset account election); (B) the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of such asset; (C) the taxpayer's present method of accounting for such asset is in accord with § 1.168(i)-8(c)(4)(i) or (ii), as applicable; and (D) the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of such asset in a taxable year prior to the year of change.

(4) Manner of making change.

(a) A taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making a change specified in section 6.14(3)(a) of this revenue procedure, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.14(3)(f) of this revenue procedure, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.14(3)(h) or (j) of this revenue procedure, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to

any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.14(3)(h) and (j) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.14(3)(h) or (j) of this revenue procedure;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(5) No ruling on asset. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 6.14(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8(c)(4) is permissible.

(6) Section 481(a) adjustment.

(a) A taxpayer changing its method of accounting under section 6.14 of the revenue procedure may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(b) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that changed its method of accounting under section 6.39 of Rev. Proc. 2015-14 (which is now this section 6.14) by following section 5 of Rev. Proc. 2015-20 is required to calculate a section § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(7) Section 481(a) adjustment period.

(a) A taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change:

(i) If the taxpayer is making the change specified in section 6.14(3)(a) of this revenue procedure and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of the § 1245 property, depreciable land improvement, or improvement or addition thereto (or if applicable, a portion of such asset) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.14(3)(k) of this revenue procedure.

(b) If section 6.14(7)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015-13 for the § 481(a) adjustment period.

(8) No audit protection. A taxpayer calculating a § 481(a) adjustment under section 6.14(6)(b) of this revenue procedure that takes into account only dispositions in

taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for dispositions subject to a change under this section 6.14 in taxable years beginning before January 1, 2014. See section 5.05 of Rev. Proc. 2015-20.

(9) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.14(9)(b)(i)-(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

(i) A change under section 6.01 of this revenue procedure;

(ii) A change under section 6.12 of this revenue procedure;

(iii) A change under section 6.13 of this revenue procedure; and

(iv) A change under section 6.15 of this revenue procedure.

(10) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.14 is "206."

(11) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.15 Dispositions of tangible depreciable assets in a general asset account (§ 168(i)(4); § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.15(3) of this revenue procedure for disposing of an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder. These specified changes are consistent with §§ 1.168(i)-1(e)(1), 1.168(i)-1(e)(2)(viii), and 1.168(i)-1(j), as applicable. This change also may affect the determination of gain or loss from disposing of the asset and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k).

(b) Inapplicability. This change does not apply to the following:

(i) Any asset (as determined under § 1.168(i)-1(e)(2)(viii)) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, proposed method of accounting; or

(ii) Any asset not subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see sections 6.13 and 6.14 of this revenue procedure for making a change for dispositions of tangible depreciable assets not subject to a general asset account election).

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change.

(3) Covered changes. This section 6.15 only applies to the following changes in methods of accounting for an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder:

(a) For purposes of applying § 1.168(i)-1(e)(2)(viii) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-1(e)(2)(viii)(A) or (B), as applicable;

(b) A change in the method of identifying which assets or which portions of assets have been disposed of from a method of accounting not specified in § 1.168(i)-1(j)(2)(i)(A), (B), (C), or (D) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-1(j)(2)(i)(A), (B), (C), or (D), as applicable;

(c) If § 1.168(i)-1(j)(3) applies (basis of disposed asset or disposed portion of an asset) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset or the disposed portion of an asset, as applicable, a change in the method of determining the unadjusted depreciable basis of the disposed asset or the disposed portion of an asset, as applicable, from a method of not using the taxpayer's records to a method of using the taxpayer's records; or

(d) If § 1.168(i)-1(j)(3) applies (basis of disposed asset or disposed portion of an asset) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset or the disposed portion of an asset, as applicable, a change in the method of determining the unadjusted depreciable basis of all assets in the same general asset account from an unreasonable method (for example, discounting the cost of the replacement asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method.

(4) Manner of making change.

(a) A taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making the change specified in section 6.15(3)(a) of this revenue procedure, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.15(3)(b) of this revenue procedure, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.15(3)(d) of this revenue procedure, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.15(3)(a) and (d) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.15(3)(a) or (d) of this revenue procedure;

(v) Part IV, all lines except line 25; and

(vi) Schedule E.

(5) No ruling on asset. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 6.15(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-1(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-1(e)(2)(viii). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-1(e)(2)(viii) is permissible.

(6) Section 481(a) adjustment period.

(a) A taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change:

(i) If the taxpayer makes the change specified in section 6.15(3)(a) of this revenue procedure and if the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, on the disposition of a portion of the asset in a taxable year prior to the year of change; or

(iii) If the taxpayer is a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56, 2015-49 I.R.B. 827, and that is within the scope of section 3 of Rev. Proc. 2015-56, and is making the change specified in section 5.02(5)(b) of Rev. Proc. 2015-56 on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor provided in section 5.02 of Rev. Proc. 2015-56.

(b) If section 6.15(6)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015-13 for the § 481(a) adjustment period.

(c) Example. (i) X, a fiscal year taxpayer with a taxable year beginning December 1 and ending November 30, acquired and placed in service a building and its structural components in 2000. X depreciates this building and its structural components under § 168. The roof is a structural component of the building. X replaced the entire roof in June 2010. On its federal tax return for the taxable year ended November 30, 2010, X did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. X also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is $11,000, and X claimed depreciation of $1,000 for such roof after its retirement (taking into account the applicable convention) and before the taxable year ended November 30, 2013 (2012 taxable year). Also the 12-month allowable depreciation deduction for the original roof is $500 for the 2012 taxable year, $500 for the taxable year ended November 30, 2014 (2013 taxable year), and $500 for the taxable year ended November 30, 2015 (2014 taxable year).

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, X filed with its federal tax return for the taxable year ended November 30, 2013, a Form 3115 to: (1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, X removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of $10,000 (adjusted depreciable basis of $11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of $1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) X complies with § 1.168(i)-1 beginning with its taxable year ended November 30, 2016 (2015 taxable year). In accordance with section 6.15(3)(a) of this revenue procedure, X files a Form 3115 with its federal income tax return for the 2015 taxable year to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. As a result, X must include the original roof that X retired in 2010 in the general asset account. Thus, the net positive § 481(a) adjustment for this change is $8,500 (net loss of $10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of $1,500 for the original roof for the 2012, 2013, and 2014 taxable years) and is included in X's taxable income for the 2015 taxable year.

(7) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.15(7)(b)(i)-(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

(i) A change under section 6.01 of this revenue procedure;

(ii) A change under section 6.12 of this revenue procedure;

(iii) A change under section 6.13 of this revenue procedure; and

(iv) A change under section 6.14 of this revenue procedure.

(8) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.15 is "207."

(9) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.16 Summary of certain changes in methods of accounting related to dispositions of MACRS property.

(1) Final regulations. The following chart summarizes the changes in methods of accounting under § 1.167(a)-4, § 1.168(i)-1, § 1.168(i)-7, and § 1.168(i)-8 that a taxpayer may make under this revenue procedure.

FINAL REGULATION SECTION	SECTION # in REV. PROC. 2019-43	DESIGNATED CHANGE NUMBER (DCN)
§ 1.167(a)-4, Depreciation of leasehold improvements	6.11	199
General Asset Accounts*:*		
a. § 1.168(i)-1(c), Change in grouping assets	6.12	200
b. § 1.168(i)-1(e)(2)(viii), Change in determining asset disposed of	6.15	207
c. § 1.168(i)-1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from one method to another method specified in § 1.168(i)-1(j)(2)	6.12	200
d. § 1.168(i)-1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from a method not specified in § 1.168(i)-1(j)(2) to a method specified in § 1.168(i)-1(j)(2)	6.15	207
e. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or	6.12	200

disposed portion of asset		
f. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from not using to using the taxpayer's records when it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.15	207
g. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.15	207
Single Asset Accounts or Multiple Asset Accounts for MACRS Property*:*		
a. § 1.168(i)-7, Change from single asset accounts to multiple asset accounts, or vice versa	6.12	200
b. § 1.168(i)-7(c), Change in grouping assets in multiple asset accounts	6.12	200
Dispositions of MACRS Property (not in a general asset account):		
a. § 1.168(i)-8(c)(4), Change in determining asset disposed of	6.13 (Building or structural component) 6.14 (Property other than a building or structural component)	205 206

b. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.12	200
c. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from not using to using the taxpayer's records when it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.13 (Building or structural component) 6.14 (Property other than a building or structural component)	205 206
d. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.13 (Building or structural component) 6.14 (Property other than a building or structural component)	205 206
e. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from one method to another	6.12	200

method specified in § 1.168(i)-8(g)(1) or (2)		
f. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from a method not specified in § 1.168(i)-8(g)(1) or (2) to a method specified in § 1.168(i)-8(g)(1) or (2)	6.13 (Building or structural component) 6.14 (Property other than a building or structural component)	205 206
g. § 1.168(i)-8(h)(1), Change from depreciating a disposed asset or disposed portion of an asset to recognizing gain or loss upon disposition when a taxpayer continues to depreciate the asset or portion that the taxpayer disposed of prior to the year of change	6.13 (Building or structural component) 6.14 (Property other than a building or structural component)	205 206
h. § 1.168(i)-8(d)(2)(iii), Partial disposition election for the disposition of a portion of an asset to which the IRS's adjustment pertains	6.10	198

.17 Depreciation of fiber optic transfer node and fiber optic cable used by a cable system operator (§§ 167 and 168).

(1) Description of change.

(a) Applicability. This change applies to a cable system operator that is within the scope of Rev. Proc. 2015-12, 2015-2 I.R.B. 266, and wants to change to the safe harbor method of accounting provided in section 8.03 of Rev. Proc. 2015-12 for determining depreciation under §§ 167 and 168 of a fiber optic transfer node and trunk line consisting of fiber optic cable used in a cable distribution network providing one-way and two-way communication services. The safe harbor method provided by section 8.03 of Rev. Proc. 2015-12 determines the asset for purposes of §§ 167 and 168.

(b) Inapplicability. This change does not apply to the following:

(i) any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting; or

(ii) any property that is not owned by the taxpayer at the beginning of the year of change.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13 does not apply to a taxpayer that makes this change.

(3) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure, as applicable, for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.17 is “210.”

(5) Contact information. For further information regarding a change under this section, contact Charles Magee at (202) 317-7005 (not a toll-free call).

.18 Late elections or revocation of elections under § 168(k)(5), (7), and (10).

(1) Description of Change.

(a) Applicability. This change applies to a taxpayer within the scope of Rev. Proc. 2019-33, 2019-34 I.R.B. 662, that wants to make a late election, or to revoke an election, provided in sections 4, 5, and 6 of Rev. Proc. 2019-33 under § 168(k)(5), (7), or (10).

(b) Inapplicability. The IRS will treat the making of a late election, or the revocation of an election, provided in sections 4, 5, and 6 of Rev. Proc. 2019-33 under § 168(k)(5), (7), and (10) as a change in method of accounting with a § 481(a) adjustment only for the taxable years specified in section 6.18(2) of this revenue procedure. This treatment does not apply to a taxpayer that makes these late elections or revocations before or after the time specified in section 6.18(2) of this revenue procedure, and any such late election or revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(2) Time for making the change. The change under this section 6.18 must be made for the taxpayer’s first, second, or third taxable year succeeding the taxpayer’s taxable year beginning in 2016 and ending on or after September 28, 2017 (2016 taxable year) or beginning in 2017 and ending on or after September 28, 2017 (2017 taxable year).

(3) Certain eligibility rules inapplicable. The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change for the taxpayer's 2016 taxable year or 2017 taxable year.

(4) Concurrent automatic change.

(a) A taxpayer making this change for more than one specified plant under section 4 of Rev. Proc. 2019-33 for the same year of change should file a single Form 3115 for all such specified plants. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A taxpayer making this change for more than one class of property under section 5 of Rev. Proc. 2019-33 for the same year of change should file a single Form 3115 for all such classes of property. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(c) A taxpayer making this change for all qualified property under section 6 of Rev. Proc. 2019-33 should provide a single net § 481(a) adjustment for all assets that are qualified property.

(d) A taxpayer making a late election, or revoking an election, under more than one section of Rev. Proc. 2019-33 (for example, under sections 4 and 6 of Rev. Proc. 2019-33) for the same year of change should file a single Form 3115 for all such changes. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.18 is "241."

(6) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

SECTION 7. RESEARCH AND EXPERIMENTAL EXPENDITURES (§ 174)

.01 Changes to a different method or different amortization period.

(1) Description of change.

(a) This change applies to a taxpayer that wants to change the treatment of expenditures that qualify as research and experimental expenditures under § 174.

(b) Section 174 and the regulations thereunder provide the specific rules for changing a method of accounting under § 174 for research and experimental expenditures. Under § 174, a taxpayer may treat research and experimental expenditures that are paid or incurred by the taxpayer during the taxable year in connection with the taxpayer's trade or business as expenses under § 174(a) or as deferred expenses amortizable ratably over a period of not less than 60 months under § 174(b). Pursuant to § 1.174-1, research and experimental expenditures that are not treated as expenses or deferred expenses under § 174 must be treated as a charge to capital account. Further, § 1.174-1 provides that the expenditures to which § 174 applies may relate either to a general research program or to a particular project. Finally, §§ 1.174-3(a) and 1.174-4(a)(5) provide that in no event will a taxpayer be permitted to apply one method as to part of the expenditures relative to a particular project and apply a different method to the balance of the expenditures relating to the same project for the same taxable year.

(c) If a taxpayer has not treated research and experimental expenditures as expenses under § 174(a), § 174(a)(2)(B) and § 1.174-3(b)(2) provide that the taxpayer may, with consent, adopt the expense method at any time.

(d) If a taxpayer has treated research and experimental expenditures as expenses under § 174(a), § 174(a)(3) and § 1.174-3(b)(3) provide that the taxpayer may, with consent, change to a different method of treating research and experimental expenditures.

(e) If a taxpayer has treated research and experimental expenditures as deferred expenses under § 174(b), § 174(b)(2) and § 1.174-4(b)(2) provide that the taxpayer may, with consent, change to a different method of treating research or experimental expenditures or to a different period of amortization for deferred expenses.

(2) Applicability.

(a) In general. This change applies to any taxpayer that is changing:

(i) from treating research and experimental expenditures for a particular project or projects as expenses under § 174(a) to treating such expenditures as deferred expenses under § 174(b), or vice versa;

(ii) to a different period of amortization for research and experimental expenditures for a particular project or projects that are being treated as deferred expenses under § 174(b);

(iii) from treating research and experimental expenditures for a particular project or projects as expenses under § 174(a) or deferred expenses under § 174(b) to treating such expenditures as a charge to capital account, or vice versa; or

(iv) from treating research and experimental expenditures under any provision of the Code other than § 174 to treating such expenditures under § 174 and the regulations thereunder.

(b) Inapplicability. This change does not apply to:

(i) a change in the treatment of computer software costs under Rev. Proc. 2000-50, 2000-2 C.B. 601, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358 (but see section 9 of this revenue procedure for making that change); or

(ii) a change in the treatment of Year 2000 costs under Rev. Proc. 97-50, 1997-2 C.B. 525.

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, is not applicable to this change.

(4) Manner of making change.

(a) This change is made on a cut-off basis and applies to all research and experimental expenditures paid or incurred for a particular project or projects on or after the beginning of the year of change. See § 174(b)(2), and §§ 1.174-3(a), 1.174-3(b)(2), and 1.174-4(a)(5) for more information regarding a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) The requirement under §§ 1.174-3(b)(2), 1.174-3(b)(3), and 1.174-4(b)(2) to file an application (that is, a Form 3115) no later than the end of the first taxable year in which the different method or different amortization period is to be used is waived for this change. However, see section 6.03 of Rev. Proc. 2015-13 for filing requirements applicable to a change under this section 7.01.

(c) The consent granted under section 9 of Rev. Proc. 2015-13 satisfies the consent required under §§ 174(a)(2)(B), 174(a)(3), and 174(b)(2), and §§ 1.174-3(b)(2), 1.174-3(b)(3), and 1.174-4(b)(2).

(5) Additional requirement. A taxpayer must attach to its Form 3115 a written statement providing:

(a) the information required in § 1.174-3(b)(2) if the taxpayer is changing to treating research and experimental expenditures as expenses under § 174(a);

(b) the information required in § 1.174-3(b)(3) if the taxpayer is changing from treating research and experimental expenditures as expenses under § 174(a); or

(c) the information required in § 1.174-4(b)(2) if the taxpayer is changing from treating research and experimental expenditures as deferred expenses under § 174(b) or is changing to a different period of amortization for research and experimental expenditures being treated as deferred expenses under § 174(b).

(6) No audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change. See section 8.02(2) of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 7.01 is "17."

(8) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

SECTION 8. ELECTIVE EXPENSING PROVISIONS (§ 179D)

.01 Deduction for Energy Efficient Commercial Buildings (§ 179D).

(1) Description of change. This change, as described in Rev. Proc. 2012-39, 2012-41 I.R.B. 470, applies to a taxpayer that wants to change its method of accounting to deduct under § 179D amounts paid or incurred for the installation of energy efficient commercial building property, as defined in § 179D(c)(1). The deduction for energy efficient commercial building property is subject to the limits of § 179D(b) and must be claimed in the taxable year in which the property is placed in service. The basis of the

energy efficient commercial building property is reduced by the amount of the § 179D deduction taken and the remaining basis of the energy efficient commercial building property is depreciated over its recovery period.

(2) Applicability. This change applies to a taxpayer that places in service property for which a deduction is allowed under § 179D(a).

(3) Inapplicability. This change does not apply to a designer to whom the owner of a government building allocates the § 179D deduction.

(4) Manner of making change. A taxpayer making this change must attach to its Form 3115 (the original, the copy filed at Ogden, UT, and any additional copies) a statement with a detailed description of the tax treatment of the property under the taxpayer's present and proposed methods of accounting.

(5) Certification requirement. In addition to the statement required by section 8.01(4) of this revenue procedure, a taxpayer making this change must attach to its Form 3115 a certification as required by section 4 of Notice 2006-52, 2006-1 C.B. 1175, or section 5 of Notice 2008-40, 2008-1 C.B. 725, to demonstrate that the energy efficient commercial building property has achieved the reduction in energy and power costs or in lighting power density necessary to qualify for the § 179D deduction.

(6) No ruling on qualification. The consent granted under section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for a change provided in this section 8.01 is not a determination by the Commissioner that the taxpayer qualifies for a deduction under section 179D. The director will ascertain whether the taxpayer qualifies for a deduction under section 179D (including a review of the required certifications). See section 12 of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 8.01 is "152."

(8) Contact information. For further information regarding a change under this section, contact Jennifer Bernardini at (202) 317-6853 (not a toll-free call).

SECTION 9. COMPUTER SOFTWARE EXPENDITURES (§§ 162, 167, and 197)

.01 Computer software expenditures.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for the costs of computer software to a method described in Rev. Proc. 2000-50, 2000-2 C.B. 601, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358. Section 5 of Rev. Proc. 2000-50 describes the methods applicable to the costs of developing computer software. Section 6 of Rev. Proc. 2000-50 describes the method applicable to the costs of acquired computer software. Section 7 of Rev. Proc. 2000-50 describes the method applicable to leased or licensed computer software.

(2) Scope. This change applies to all costs of computer software as defined in section 2 of Rev. Proc. 2000-50. However, this change does not apply to any computer software that is subject to amortization as an "amortizable section 197 intangible" as defined in § 197(c) and the regulations thereunder, or to costs that a taxpayer has treated as research and experimentation expenditures under § 174.

(3) Statement required. If a taxpayer is changing to the method described in section 5.01(2) of Rev. Proc. 2000-50, the taxpayer must attach to its Form 3115 a statement providing the information required in section 8.02(2) of Rev. Proc. 2000-50.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 9.01 is "18."

(5) Contact information. For further information regarding a change under this section, contact Bruce Chang at (202) 317-7005 (not a toll-free call).

SECTION 10. START-UP EXPENDITURES AND ORGANIZATIONAL FEES (§§ 195, 248, AND 709)

.01 Start-up expenditures.

(1) Description of change and scope.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting under § 195 to change:

(i) the characterization of an item as a start-up expenditure;

(ii) the determination of the taxable year in which the taxpayer begins the active trade or business to which the start-up expenditures relate; or

(iii) the amortization period of a start-up expenditure to 180 months.

(b) Inapplicability. This change does not apply to:

(i) start-up expenditures paid or incurred before October 23, 2004; or

(ii) start-up expenditures paid or incurred after October 22, 2004, and before August 17, 2011, if the period of limitations on assessment of tax for the taxable year the election under § 1.195-1(b) is deemed made has expired.

(2) No rulings.

(a) Characterization of item. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.01(1)(a)(i) of this revenue procedure is not a determination by the Commissioner that the taxpayer has properly

characterized an item as a start-up expenditure and does not create any presumption that the proposed characterization of an item as a start-up expenditure is permissible under § 195(c)(1). The director will ascertain whether the taxpayer's characterization of an item as a start-up expenditure is permissible.

(b) When active trade or business begins. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.01(1)(a)(ii) of this revenue procedure is not a determination by the Commissioner that the taxpayer has properly determined the taxable year in which the taxpayer begins the active trade or business to which the start-up expenditures relate and does not create any presumption that the proposed taxable year in which the taxpayer begins the active trade or business to which the start-up expenditures relate is permissible under § 195(c)(2). The director will ascertain whether the taxpayer's determination of the taxable year in which the taxpayer begins the active trade or business to which the start-up expenditures relate is permissible.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to a method of accounting under this section 10.01 is "223."

(4) Contact information. For further information regarding a change under this section, contact Elizabeth Binder at (202) 317-7005 (not a toll-free call).

.02 Organizational expenditures under § 248.

(1) Description of change and scope.

(a) Applicability. This change applies to a corporation that wants to change its method of accounting under § 248 to change:

(i) the characterization of an item as an organizational expenditure;

(ii) the determination of the taxable year in which the corporation begins business to which the organizational expenditures relate; or

(iii) the amortization period of an organizational expenditure to 180 months.

(b) Inapplicability. This change does not apply to:

(i) organizational expenditures paid or incurred before October 23, 2004; or

(ii) organizational expenditures paid or incurred after October 22, 2004, and before August 17, 2011, if the period of limitations on assessment of tax for the taxable year the election under § 1.248-1(c) is deemed made has expired.

(2) No rulings.

(a) Characterization of items. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.02(1)(a)(i) of this revenue procedure is not a determination by the Commissioner that the corporation has properly characterized an item as an organizational expenditure and does not create any presumption that the proposed characterization of an item as an organizational expenditure is permissible under § 248(b) and § 1.248-1(b). The director will ascertain whether the corporation's characterization of an item as an organizational expenditure is permissible.

(b) When the corporation begins business. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.02(1)(a)(ii) of this revenue procedure is not a determination by the Commissioner that the corporation has properly determined the taxable year in which the corporation begins business to which the organizational expenditures relate and does not create any presumption that the

proposed taxable year in which the corporation begins business to which the organizational expenditures relate is permissible under §1.248-1(d). The director will ascertain whether the corporation's determination of the taxable year in which the corporation begins business to which the organizational expenditures relate is permissible.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 10.02 is "228."

(4) Contact information. For further information regarding a change under this section, contact Sharon Horn at (202) 317-7003 (not a toll-free call).

.03 Organization fees under § 709.

(1) Description of change and scope.

(a) Applicability. This change applies to a partnership that wants to change its method of accounting under § 709 to change:

(i) the characterization of an item as an organizational expense;

(ii) the determination of the taxable year in which the partnership begins business to which the organizational expenses relate; or

(iii) the amortization period of an organizational expense to 180 months.

(b) Inapplicability. This change does not apply to:

(i) organizational expenses paid or incurred before October 23, 2004; or

(ii) organizational expenses paid or incurred after October 22, 2004, and before August 17, 2011, if the period of limitations on assessment of tax for the taxable year the election under § 1.709-1(b) is deemed made has expired.

(2) No rulings.

(a) Characterization of items. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.03(1)(a)(i) of this revenue procedure is not a determination by the Commissioner that the partnership has properly characterized an item as an organizational expense and does not create any presumption that the proposed characterization of an item as an organizational expense is permissible under § 709(b)(3). The director will ascertain whether the partnership's characterization of an item as an organizational expense is permissible.

(b) When the partnership begins business. The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.03(1)(a)(ii) of this revenue procedure is not a determination by the Commissioner that the partnership has properly determined the taxable year in which the partnership begins business to which the organizational expenses relate and does not create any presumption that the proposed taxable year in which the partnership begins business to which the organizational expenses relate is permissible under §1.709-2(c). The director will ascertain whether the partnership's determination of the taxable year in which the partnership begins business to which the organizational expenses relate is permissible.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 10.03 is "229."

(4) Contact information. For further information regarding a change under this section, contact Meghan Howard at (202) 317-5055 (not a toll-free call).

SECTION 11. CAPITAL EXPENDITURES (§ 263)

.01 Package design costs.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting for package design costs that are within the scope of Rev. Proc. 97-35, 1997-2 C.B. 448, as modified by Rev. Proc. 98-39, 1998-1 C.B. 1320, to one of the three alternative methods of accounting for package design costs described in section 5 of Rev. Proc. 97-35, which are: (i) the capitalization method, (ii) the design-by-design capitalization and 60-month amortization method, and (iii) the pool-of-cost capitalization and 48-month amortization method.

(b) Inapplicability. This change does not apply to a taxpayer that wants to change to the capitalization method for costs of developing or modifying any package design that has an ascertainable useful life.

(2) Additional requirements. If a taxpayer is changing its method of accounting for package design costs to the capitalization method or the design-by-design capitalization and 60-month amortization method, the taxpayer must attach a statement to its timely filed Form 3115. The statement must provide a description of each package design, the date on which each was placed in service, and the cost basis of each (as determined under sections 5.01(2) or 5.02(2) of Rev. Proc. 97-35).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.01 is “19.”

(4) Contact information. For further information regarding a change under this section, contact Alexa Dubert at (202) 317-7003 (not a toll-free call).

.02 Line pack gas or cushion gas.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for line pack gas or cushion gas to a method consistent with the holding in Rev. Rul. 97-54, 1997-2 C.B. 23. Rev. Rul. 97-54 holds that the cost of line pack gas or cushion gas is a capital expenditure under § 263, the cost of recoverable line pack gas or recoverable cushion gas is not depreciable, and the cost of unrecoverable line pack gas or unrecoverable cushion gas is depreciable under §§ 167 and 168.

(2) Additional requirements. A taxpayer that changes its method of accounting for unrecoverable line pack gas or unrecoverable cushion gas under this section 11.02 must change to a permissible method of accounting for depreciation for the cost of that gas as part of this change.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.02 is “20.”

(4) Contact information. For further information regarding a change under this section, contact Douglas Kim at (202) 317-7003 (not a toll-free call).

.03 Removal costs.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting for certain costs in the retirement and removal of a depreciable asset to conform with Rev. Rul. 2000-7, 2000-1 C.B. 712, as modified by this revenue

procedure, or for removal costs in disposal of a depreciable asset, including a partial disposition, as described under § 1.263(a)-3(g)(2)(i).

(b) Inapplicability. This change does not apply to a taxpayer that wants to change its method of accounting for removal costs in the disposal of a component of a unit of property where the disposal of the component is not a disposition for federal tax purposes. To make that change, see section 11.08 of this revenue procedure.

(c) Manner of making change. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) Part II, all lines except lines 13, 15, 16, 17, and 19, if the change is not to depreciating property;

(v) Part II, all lines except lines 13, 15b, 16, 17, and 19, if the change is to depreciating property;

(vi) Part IV, lines 26 and 27; and

(vii) Schedule E, if applicable.

(2) Additional requirements.

(a) Except for assets for which depreciation is determined in accordance with § 1.167(a)-11 (ADR), the taxpayer's proposed method of treating removal costs for assets accounted for in a multiple asset account must be consistent with the taxpayer's method of treating salvage proceeds. See Rev. Rul. 74-455, 1974-2 C.B. 63. (See

section 6.02 of this revenue procedure for changing a taxpayer's present method of treating salvage proceeds.)

(b) If this change involves assets that are public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), the taxpayer must comply with the terms and conditions in section 6.01(3)(b)(v) of this revenue procedure.

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.03 is "21."

(5) Contact information. For further information regarding a change under this section, contact Douglas Kim at (202) 317-7003 (not a toll-free call).

.04 Distributor commissions.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from currently deducting distributor commissions (as defined by section 2 of Rev. Proc. 2000-38, 2002-2 C.B. 310, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358) to a method of capitalizing and amortizing distributor commissions using the distribution fee period method, the 5-year method, or the useful life method (all described in Rev. Proc. 2000-38).

(b) Inapplicability. This change does not apply to an amortizable section 197 intangible (including any property for which a timely election under § 13261(g)(2) of the Revenue Reconciliation Act of 1993, 1993-3 C.B. 1, 128, was made).

(2) Manner of making change. This change is made on a cut-off basis and applies only to distributor commissions paid or incurred on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.04 is "47."

(4) Contact information. For further information regarding a change under this section, contact Alexa Dubert at (202) 317-7003 (not a toll-free call).

.05 Intangibles.

(1) Description of change. This change applies to a taxpayer that wants to change its treatment of an item to a method of accounting permitted by §§ 1.263(a)-4, 1.263(a)-5, and 1.167(a)-3(b). See Rev. Proc. 2006-12, 2006-1 C.B. 310, as modified by Rev. Proc. 2006-37, 2006-2 C.B. 499, for the specific requirements, information, and documentation required for this change.

(2) Section 481(a) adjustment. In computing the § 481(a) adjustment for this change, the taxpayer takes into account only amounts paid or incurred in taxable years ending on or after January 24, 2002. See section 5 of Rev. Proc. 2006-12 for detailed rules for computing the § 481(a) adjustment and reporting it on Form 3115.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.05 is "78."

(4) Contact information. For further information regarding a change under this section, contact Joanna Trebat or Alicia Lee-Won at (202) 317-7003 (not a toll-free call).

.06 Rotable spare parts safe harbor method.

(1) Description of change. This change applies to a taxpayer that maintains a pool or pools of rotable spare parts that are primarily used to repair customer-owned (or customer-leased) equipment under warranty or maintenance agreements, and wants to change its method of accounting for the rotable spare parts to the safe harbor method of accounting provided in Rev. Proc. 2007-48, 2007-2 C.B. 110. The taxpayer must meet the requirements in section 4.01 of Rev. Proc. 2007-48 to use this safe harbor method of accounting.

(2) Change from safe harbor method. A taxpayer that is required to change its method of accounting from the safe harbor method under section 5.06 of Rev. Proc. 2007-48, must make the change under section 21.09 of this revenue procedure.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.06 is “109.”

(4) Contact information. For further information regarding a change under this section, contact Stephen Rothandler at (202) 317-7003 (not a toll-free call).

.07 Repairable and reusable spare parts.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting to treat repairable and reusable spare parts as depreciable property to conform with the holdings in Rev. Rul. 69-200, 1969-1 C.B. 60, and Rev. Rul. 69-201, 1969-1 C.B. 60. This change applies to repairable and reusable spare parts that: are owned by the taxpayer at the beginning of the year of change; are used to repair equipment owned by the taxpayer; are acquired by the taxpayer for a specific

type of equipment at the time that the related equipment is acquired; usually have the same useful life as the related equipment; and have been placed in service by the taxpayer after 1986. A taxpayer making a change in method of accounting under this section 11.07 may treat its repairable and reusable spare parts as tangible property for which depreciation is allowable at the time that the related equipment is placed in service by the taxpayer. The method of computing depreciation for the repairable and reusable spare parts is the same method of computing depreciation for the related equipment.

(b) Inapplicability. This change does not apply to:

(i) A taxpayer that is currently capitalizing and depreciating the cost of its repairable and reusable spare parts, or that is currently capitalizing the cost of its repairable and reusable spare parts and treating these parts as nondepreciable property (but see section 6.01 of this revenue procedure for making a change from an impermissible to a permissible method of accounting for depreciation);

(ii) A taxpayer that is using an impermissible method of accounting for depreciation for the related equipment for which the repairable and reusable spare parts are acquired, unless the taxpayer concurrently changes its method to use a permissible method of accounting for depreciation under section 6 of this revenue procedure;

(iii) A repairable and reusable spare part that meets the definition of rotable spare parts, temporary spare parts, or standby emergency spare parts in § 1.162-3(c)(2) or (3), for which the cost was paid or incurred by the taxpayer in a taxable year beginning on or after January 1, 2014 (or in a taxable year beginning on or after January 1, 2012, if the taxpayer chooses to apply § 1.162-3 to amounts paid or

incurred in those taxable years), and for which the taxpayer did not make the election under § 1.162-3(d) to capitalize and depreciate such repairable and reusable spare part; or

(iv) a taxpayer that chooses to apply § 1.162-3T to a repairable and reusable spare part that meets the definition of rotable spare parts or temporary spare parts in § 1.162-3T(c)(2), for which the cost was paid or incurred by the taxpayer in a taxable year beginning on or after January 1, 2012, and before January 1, 2014, and for which the taxpayer did not make the election under § 1.162-3T(d) to capitalize and depreciate such repairable and reusable spare part.

(2) Additional requirements.

(a) To change a method of accounting under this section 11.07, a taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this revenue procedure) must complete Schedule E of Form 3115 for the repairable and reusable spare parts and also attach the following information to the completed Form 3115:

(i) A description of the repairable and reusable spare parts;

(ii) A list of related equipment for which the repairable and reusable spare parts are acquired; and

(iii) A complete description of the method of computing depreciation (for example, depreciation method, recovery period, convention, and applicable asset class under Rev. Proc. 87-56, 1987-2 C.B. 674, as clarified and modified by Rev. Proc. 88-22, 1988-1 C.B. 785) that the taxpayer uses for the related equipment for which the repairable and reusable spare parts are acquired.

(b) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19; and

(v) Part IV, all lines except line 25.

(3) Concurrent automatic change.

(a) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes. For example, a qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, must include on the single Form 3115 the information required by section 11.07(2)(b) of this revenue procedure and the information required by the lines on Form 3115, applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(b) A taxpayer making both this change and a change to a permissible method of accounting for depreciation for repairable and reusable spare parts, or for the related equipment for which the repairable and reusable spare parts are acquired, under section 6 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115.

(c) A taxpayer making this change also may establish pools for the repairable and reusable spare parts or may identify disposed repairable and reusable spare parts in accordance with section 6.12 of this revenue procedure. A taxpayer making both this change and the change under section 6.12 of this revenue procedure for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.07 is “121”.

(5) Contact information. For further information regarding a change under this section, contact Stephen Rothandler at (202) 317-7003 (not a toll-free call).

.08 Tangible property.

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to a taxpayer that wants to make a change to a method of accounting specified in section 11.08(2) of this revenue procedure and permitted under:

(i) Section 1.162-3, § 1.162-4, § 1.263(a)-1, § 1.263(a)-2, or § 1.263(a)-3 (the final tangible property regulations) for taxable years beginning on or after January 1, 2012; or

(ii) Section 1.446-1(e)(2)(ii)(d)(2) if the property for which the taxpayer is otherwise changing its method of accounting under this section is depreciable under either the present or the proposed method of accounting.

(b) Inapplicability. This change does not apply to:

(i) A taxpayer that wants to change its method of accounting for dispositions of depreciable property, including a change in the asset disposed of (but see sections 6.10, 6.13, 6.14, and 6.15 of this revenue procedure);

(ii) Amounts paid or incurred for certain materials and supplies that the taxpayer has elected to capitalize and depreciate under § 1.162-3(d);

(iii) Amounts paid or incurred to which the taxpayer has elected to apply the de minimis safe harbor under § 1.263(a)-1(f);

(iv) Amounts paid or incurred for employee compensation or overhead that the taxpayer has elected to capitalize under § 1.263(a)-2(f)(2)(iv)(B);

(v) Amounts paid or incurred to which the taxpayer has elected to apply the safe harbor for small taxpayers under § 1.263(a)-3(h);

(vi) Amounts paid or incurred for repair and maintenance costs that the taxpayer has elected to capitalize under § 1.263(a)-3(n);

(vii) Amounts paid or incurred to facilitate the acquisition or disposition of assets that constitute a trade or business (but see section 10.05 of this revenue procedure); or

(viii) Amounts paid or incurred for repair and maintenance costs that the taxpayer is changing from capitalizing to deducting and for which the taxpayer has (A) claimed a federal income tax credit, (B) elected to apply § 168(k)(4) (as in effect on the day before the date of enactment of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017) (the "Act")), or (C) received a payment for specified energy property in lieu of tax credits under section 1603 of the American Recovery and Reinvestment Tax Act of 2009, Div. B of Pub. L. No. 111-5, 123 Stat. 115 (February 17, 2009), as amended by section 707 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, 124 Stat. 3296 (December 17, 2010).

(2) Covered changes. This section 11.08 only applies to the following changes in methods of accounting:

(a) A change to deducting amounts paid or incurred to acquire or produce non-incidental materials and supplies in the taxable year in which they are first used in the taxpayer's operations or consumed in the taxpayer's operations in accordance with §§ 1.162-3(a)(1) and 1.162-3(c)(1);

(b) A change to deducting amounts to acquire or produce incidental materials and supplies in the taxable year in which paid or incurred in accordance with §§ 1.162-3(a)(2) and 1.162-3(c)(1);

(c) A change to deducting amounts paid or incurred to acquire or produce non-incidental rotable and temporary spare parts in the taxable year which the taxpayer disposes of the parts in accordance with §§ 1.162-3(a)(3) and 1.162-3(c)(2);

(d) A change to the optional method of accounting for rotable and temporary spare parts in accordance with § 1.162-3(e);

(e) A change to deducting amounts paid or incurred for repair and maintenance in accordance with § 1.162-4, including a change, if any, in identifying the unit of property under § 1.263(a)-3(e) or, in the case of a building, identifying the building structure or building systems under § 1.263(a)-3(e)(2) for purposes of making the change to deducting the amounts;

(f) A change to capitalizing amounts paid or incurred for improvements to tangible property in accordance with § 1.263(a)-3 and, if depreciable, to depreciating such property under § 167 or § 168, including a change, if any, in identifying the unit of property under § 1.263(a)-3(e) or, in the case of a building, identifying the building structure or building systems under § 1.263(a)-3(e)(2) for purposes of making the change to capitalizing the amounts;

(g) A change by a dealer in property to deduct amounts paid or incurred for commissions and other costs that facilitate the sale of property in accordance with § 1.263(a)-1(e)(2);

(h) A change by a non-dealer in property to capitalizing amounts paid or incurred for commissions and other costs that facilitate the sale of property in accordance with § 1.263(a)-1(e);

(i) A change to capitalizing amounts paid or incurred to acquire or produce property in accordance with § 1.263(a)-2, and if depreciable, to depreciating such property under § 167 or § 168;

(j) A change to deducting amounts paid or incurred in the process of investigating or otherwise pursuing the acquisition of real property if the amounts meet the requirements of § 1.263(a)-2(f)(2)(iii); and

(k) A change to the optional regulatory accounting method in accordance with § 1.263(a)-3(m) to determine whether amounts paid or incurred to repair, maintain, or improve tangible property are treated as deductible expenses or capital expenditures.

(3) Manner of making change.

(a) Form 3115. In addition to the other information required on line 14 of Form 3115, the taxpayer must include the following:

(i) The citation to the paragraph of the final tangible property regulations that provides for the proposed method, or methods, of accounting to which the taxpayer is changing (for example, § 1.162-3(a), § 1.263(a)-3(i), § 1.263(a)-3(k)); and

(ii) If the taxpayer is changing any unit(s) of property under § 1.263(a)-3(e) or, in the case of a building, is changing the identification of any building structure(s) or building system(s) under § 1.263-3(e)(2) for purposes of determining whether amounts are deducted as repair and maintenance costs under section § 1.162-4 or capitalized as improvement costs under § 1.263(a)-3, the taxpayer must include a

detailed description of the unit(s) of property, building structure(s), or buildings system(s) used under its present method of accounting and a detailed description of the unit(s) of property, building structure(s), and building system(s) under its proposed method of accounting, together with a citation to the paragraph of the final tangible property regulations under which the unit of property is permitted.

(iii) A taxpayer changing its method of accounting under this section 11.08 to capitalizing amounts paid or incurred and to depreciating such property under § 167 or § 168, as applicable, must complete Schedule E of Form 3115.

(b) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) Part II, all lines except lines 13, 15, 16, 17, and 19, if the change is to not depreciating property;

(v) Part II, all lines except line 13, line 15b, 16, 17, and 19, if the change is to depreciating property;

(vi) Part IV, lines 26 and 27; and

(vii) Schedule E, if applicable.

(4) Concurrent automatic change.

(a) A taxpayer making two or more changes in method of accounting pursuant to this section 11.08 should file a single Form 3115 for all of these changes

and must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on the Form 3115.

(b) A taxpayer making both one or more changes in method of accounting pursuant to this section 11.08 and a change to a UNICAP method under section 12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 that includes all of these changes and must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, must include on the single Form 3115 the information required by section 11.08(3)(b) of this revenue procedure for this change and the information required by the lines on Form 3115, applicable to the UNICAP method change, including Part II lines 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(5) Section 481(a) adjustment.

(a) In general. Except as provided in section 11.08(5)(b) of this revenue procedure, a taxpayer changing to a method of accounting provided in this section 11.08 must apply § 481(a) and take into account any applicable § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015-13.

(b) Limited adjustment for certain changes.

(i) Final tangible property regulations. A taxpayer changing to a

method of accounting under § 1.162-3 (except § 1.162-3(e)), § 1.263(a)-2(f)(2)(iii), § 1.263(a)-2(f)(3)(ii), § 1.263(a)-3(m), § 1.263A-1(e)(2)(i)(A), and § 1.263A-1(e)(3)(ii)(E) is required to calculate a § 481(a) adjustment as of the first day of the taxpayer's taxable year of change that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014. Optionally, a taxpayer may take into account amounts paid or incurred in taxable years beginning on or after January 1, 2012.

(ii) Small business exception. A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that changed its method of accounting under section 10.11(3)(a) of Rev. Proc. 2015-14 (which is now section 11.08(2) of this revenue procedure) by following section 5 of Rev. Proc. 2015-20 is required to calculate a § 481(a) adjustment as of the first day of the year of change that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014.

(c) Itemized listing on Form 3115. A taxpayer changing to a method of accounting provided in this section 11.08 must include on Form 3115 (Rev. December 2018), Part IV, line 26, the total § 481(a) adjustment for each change in method of accounting being made. If the taxpayer is making more than one change in method of accounting under the final tangible property regulations, the taxpayer (including a qualified small taxpayer) must include on an attachment to Form 3115:

(i) The information required by Part IV, line 26 of Form 3115 (Rev. December 2018) for each change in method of accounting (including the amount of the § 481(a) adjustment for each change in method of accounting, which includes the portion of the § 481(a) adjustment attributable to UNICAP);

(ii) The information required by Part II, line 14 of Form 3115 (Rev. December 2018) for each change; and

(iii) The citation to the paragraph of the final tangible property regulations that provides for each proposed method of accounting.

(d) Repair allowance property. A taxpayer changing to a method of accounting provided by § 1.263(a)-3 under this section 11.08 must not include in the § 481(a) adjustment any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the repair allowance election was made.

(e) Statistical Sampling. Except for any change in accounting method for which a taxpayer is required to compute a § 481(a) adjustment under section 11.08(5)(b) of this revenue procedure, a taxpayer changing its method of accounting under this section 11.08 may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(6) No audit protection. A taxpayer calculating a § 481(a) adjustment under section 11.08(5)(b)(ii) of this revenue procedure that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for amounts subject to a change under this section 11.08 that are paid or incurred in taxable years beginning before January 1, 2014. See section 5.02 of Rev. Proc. 2015-20.

(7) Designated automatic accounting method change number. See the following table for the designated automatic accounting method change numbers (DCN) for the changes in method of accounting under this section 11.08.

(a) Changes under the final tangible property regulations.

Description of Change	DCN	Citation
A change to deducting amounts paid or incurred for repair and maintenance or a change to capitalizing amounts paid or incurred for improvements to tangible property and, if depreciable, to depreciating such property under § 167 or § 168. Includes a change, if any, in the method of identifying the unit of property, or in the case of a building, identifying the building structure or building systems for the purpose of making this change.	184	§§ 1.162-4, 1.263(a)-3
Change to the regulatory accounting method.	185	§ 1.263(a)-3(m)
Change to deducting non-incidental materials and supplies when used or consumed.	186	§§ 1.162-3(a)(1), (c)(1)
Change to deducting incidental materials and supplies when paid or incurred.	187	§§ 1.162-3(a)(2), (c)(1)
Change to deducting non-incidental rotable and temporary spare parts when disposed of.	188	§ 1.162-3(a)(3), (c)(2)
Change to the optional method for rotable and temporary spare parts.	189	§ 1.162-3(e)
Change by a dealer in property to deduct commissions and other costs that facilitate the sale of property.	190	§ 1.263(a)-1(e)(2)
Change by a non-dealer in property to capitalizing commissions and other costs that facilitate the sale of property.	191	§ 1.263(a)-1(e)(1)
Change to capitalizing acquisition or production costs and, if depreciable, to depreciating such property under § 167 or § 168.	192	§ 1.263(a)-2
Change to deducting certain costs for investigating or pursuing the acquisition of real property (whether and which).	193	§ 1.263(a)-2(f)(2)(iii)

(8) Contact information. For further information regarding a change under this section, contact Douglas Kim at (202) 317-7003 (not a toll-free call).

.09 Railroad track structure expenditures.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for railroad track structures to:

(a) the safe harbor method provided in Rev. Proc. 2002-65, 2002-2 C.B. 700; or

(b) the safe harbor method provided in Rev. Proc. 2001-46, 2001-2 C.B. 263.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 11.09 is "213."

(3) Contact information. For further information regarding a change under this section, contact Douglas Kim at (202) 317-7003 (not a toll-free call).

.10 Remodel-refresh safe harbor method.

(1) Description of change.

(a) Applicability. This change applies to a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56, 2015-49 I.R.B. 827, and within the scope of Rev. Proc. 2015-56 that wants to change to the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015-56 for its qualified costs, including the making of a late general asset account election as provided under section 5.02(6)(d) of Rev. Proc. 2015-56.

(b) Inapplicability. This change does not apply to the following:

(i) The revocation of a partial disposition election that is made pursuant to section 5.02(4)(b)(ii)(B) of Rev. Proc. 2015-56;

(ii) A change in determination of the asset disposed of described in section 5.02(5) of Rev. Proc. 2015-56 (which is made under section 6.13(3)(a) or 6.15(3)(a) of this revenue procedure, as applicable). See section 11.10(5)(b) of this revenue procedure for making the change under section 6.13(3)(a) or 6.15(3)(a) of this revenue

procedure as a concurrent change;

(iii) The making of a late general asset account election not provided under section 5.02(6)(d) of Rev. Proc. 2015-56;

(iv) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building (partial disposition election made in a prior year and the qualified taxpayer did not revoke such election within the time and in the manner provided in section 5.02(4)(b)(ii) of Rev. Proc. 2015-56), any qualified costs paid for that qualified building prior to the year of change for a Form 3115 filed to make the change to the remodel-refresh safe harbor method of accounting under this section 11.10; or

(v) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (recognized gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012, for disposition of a component of a qualified building) and the qualified taxpayer did not make the required change in method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168-8(c)(4), as applicable, on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor and takes the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change, any qualified costs paid for that qualified building prior to the first taxable year that the qualified taxpayer or the IRS makes the change specified in section 6.13(3)(a) or 6.15(3)(a) of this revenue procedure, as applicable, for that qualified building and takes into account the entire amount of the § 481(a) adjustment in computing taxable income for the year of change.

(2) No audit protection. If section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (and, in the case of section 5.02(5)(b), the qualified taxpayer does not make the required change on or before the first taxable year that the

qualified taxpayer uses the remodel-refresh safe harbor), the qualified taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change for that qualified building. See section 8.02(2) of Rev. Proc. 2015-13.

(3) Manner of making change.

(a) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, may complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) Part II, all lines except lines 5, 13, 15, 16, 17, and 19;

(v) Part IV, lines 25, 26, and 27;

(vi) Schedule E; and

(vii) If applicable, the election statement described in section 11.10(3)(b)(ii).

(b) Late general asset account election.

(i) In general. If under section 5.02(6)(d) of Rev. Proc. 2015-56 the qualified taxpayer is required to make a late general asset account election, the late general asset account election change is made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting. The late general asset account election change requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases

as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(ii) Election statement. The qualified taxpayer (including a qualified small taxpayer) must attach to its Form 3115 a statement providing that the qualified taxpayer agrees to the following additional terms and conditions:

(A) The qualified taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 to the assets that are subject to the election specified in section 5.02(6)(d) of Rev. Proc. 2015-56; and

(B) Except as provided in § 1.168(i)-1(c)(1)(iii)(A), (e)(3), (g), or (h), the election made by the qualified taxpayer under section 5.02(6)(d) of Rev. Proc. 2015-56 is irrevocable and will be binding on the qualified taxpayer for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

(c) Cut-off method required for certain changes.

(i) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building, the change to the remodel-refresh safe harbor method of accounting for that qualified building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to the remodel-refresh safe harbor method of accounting.

(ii) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building and the qualified taxpayer does not change its present method of accounting to be in

accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4), as applicable, on or before the first taxable year that the qualified taxpayer used the remodel-refresh safe harbor and take the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change, the change to the remodel-refresh safe harbor method of accounting for that qualified building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to comply with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4), as applicable. See section 6.13(3)(a) and section 6.15(3)(a) of this revenue procedure, as applicable.

(4) Section 481(a) adjustment.

(a) In general. A qualified taxpayer changing its method of accounting under this section 11.10 must apply § 481(a) and take into account any applicable § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015-13. However, a § 481(a) adjustment is neither required nor permitted for the late general asset account election under section 5.02(6)(d) of Rev. Proc. 2015-56 or, if section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building, and an improvement to a qualified building (and, in the case of section 5.02(5)(b) of Rev. Proc. 2015-56, the qualified taxpayer did not make the required change on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor), for the change to the remodel-refresh safe harbor method of accounting for that qualified building and an improvement to that qualified building.

(b) Repair allowance property. A qualified taxpayer changing to the method of accounting provided under this section 11.10 must not include in the § 481(a)

adjustment any amount attributable to property for which the qualified taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the repair allowance election was made.

(c) Statistical sampling. A qualified taxpayer changing its method of accounting under this section 11.10 may use statistical sampling in determining the § 481(a) adjustment only by following the sampling procedures provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(5) Concurrent automatic change.

(a) A qualified taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A qualified taxpayer making this change, a change under section 6.13(3)(a) of this revenue procedure, and any change listed in section 6.12(3)(b) or section 6.15 of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 11.10 is “222.”

(7) Contact information. For further information regarding a change under this section, contact Merrill Feldstein at (202) 317-5100 (not a toll-free call).

SECTION 12. UNIFORM CAPITALIZATION (UNICAP) METHODS (§ 263A)

.01 Certain uniform capitalization (UNICAP) methods used by resellers and reseller-producers.

(1) Description of change.

(a) Applicability. This change applies to:

(i) a small reseller of personal property that wants to change from a permissible UNICAP method to a permissible non-UNICAP inventory capitalization method in any taxable year that it qualifies as a small reseller;

(ii) a formerly small reseller that wants to change from a permissible non-UNICAP inventory capitalization method to a permissible UNICAP method in the first taxable year that it does not qualify as a small reseller;

(iii) a reseller-producer that wants to change from a permissible UNICAP method for both its production and resale activities to a permissible simplified resale method described in § 1.263A-3(d)(3) in any taxable year that it qualifies to use a simplified resale method for both its production and resale activities under § 1.263A-3(a)(4) (resellers with de minimis production activities);

(iv) a reseller-producer that wants to change from a permissible simplified resale method described in § 1.263A-3(d)(3) for both its production and resale activities to a permissible UNICAP method for both its production and resale activities in the first taxable year that it does not qualify to use a simplified resale method for both its production and resale activities under § 1.263A-3(a)(4);

(v) a reseller that wants to change its permissible UNICAP method to include a special reseller cost allocation rule;

(vi) a reseller or reseller-producer that wants to change to a UNICAP method (or methods) specifically described in the regulations and includes any

necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method in any taxable year, other than the first taxable year, that it does not qualify as a small reseller; or

(vii) a reseller or reseller-producer that wants to change from not capitalizing a cost subject to § 263A to capitalizing that cost under a UNICAP method (or methods) specifically described in the regulations that the reseller or reseller-producer is already using.

(b) Inapplicability.

(i) Self constructed assets. This change does not apply to a taxpayer that wants to use either the simplified service cost method, the simplified production method, or the modified simplified production method for self-constructed assets under §§ 1.263A-1(h)(2)(i)(D), 1.263A-2(b)(2)(i)(D), and 1.263A-2(c)(2), respectively.

(ii) Historic absorption ratio.

(A) In general. This change does not apply to a taxpayer that (1) wants to make a historic absorption ratio election with the simplified production method, the modified simplified production method, or the simplified resale method under §§ 1.263A-2(b)(4), 1.263A-2(c)(4), or 1.263A-3(d)(4), respectively; (2) wants to revoke an election to use a historic absorption ratio with the simplified production method, the modified simplified production method, or the simplified resale method (see §§ 1.263A-2(b)(4)(iii)(B), 1.263A-2(c)(4), or 1.263A-3(d)(4)(iii)(B), respectively); or (3) uses a historic absorption ratio election with the simplified production method, the modified simplified production method, or the simplified resale method and wants to change to a different method for determining the additional section 263A costs that must

be capitalized to ending inventories or other eligible property on hand at the end of the taxable year (that is, to a different simplified method or a facts-and-circumstances method). However, this change applies to a small reseller that wants to change from the simplified resale method with a historic absorption ratio election to a permissible non-UNICAP inventory capitalization method under section 12.01(1)(a)(i) of this revenue procedure.

(B) Transition rule. Notwithstanding the inapplicability rule in section 12.01(1)(b)(ii)(A) of this revenue procedure, for the taxpayer's first, second, or third taxable year ending on or after November 20, 2018, this change applies to:

(1) a reseller or reseller-producer that is using a historic absorption ratio election with the simplified resale method that wants to change to the simplified production method without a historic absorption ratio election, the modified simplified production method without a historic absorption ratio election, a specific identification method under § 1.263A-1(f)(2), or a burden rate or standard cost method under § 1.263A-1(f)(3); or

(2) a reseller or reseller-producer that is using a historic absorption ratio election with the simplified production method that wants to change to the simplified resale method without a historic absorption ratio election, the modified simplified production method without a historic absorption ratio election, a specific identification method under § 1.263A-1(f)(2), or a burden rate or standard cost method under § 1.263A-1(f)(3).

(iii) Interest capitalization. This change does not apply to a change in method of accounting for interest capitalization (but see section 12.14 of this revenue procedure).

(iv) Recharacterizing costs under the simplified resale method, simplified production method, or modified simplified production method. This change does not include a change to recharacterize section 471 costs, as defined in § 1.263A-1(d)(2), as additional section 263A costs, as defined in § 1.263A-1 (d) (3) (or vice versa) for a taxpayer that uses or is changing to the simplified resale method, the simplified production method, or the modified simplified production method. See section 12.17 of this revenue procedure for certain changes to recharacterize section 471 costs as additional section 263A costs (or vice versa).

(v) Certain change with limited applicability. A small reseller, as defined in section 12.01(3)(b) of this revenue procedure, is not permitted to make a change in method of accounting described in section 12.01(1)(a)(i) of this revenue procedure for a taxable year beginning after December 31, 2017. See, however, section 12.16 of this revenue procedure for making a change in method of accounting not to apply § 263A, and section 22.19 of this revenue procedure for making a change in method of accounting for inventories, for taxable years beginning after December 31, 2017.

(2) Eligibility rules.

(a) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the changes described in section 12.01(1)(a)(i) and (ii) of this revenue procedure.

(b) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to the changes described in section 12.01(1)(a)(iii)-(vii) of this revenue procedure for the taxpayer's first, second, or third taxable year ending on or after November 20, 2018.

(3) Definitions.

(a) “Reseller” means a taxpayer that acquires real or personal property described in § 1221(a)(1) for resale.

(b) “Small reseller” means a reseller whose average annual gross receipts for the three immediately preceding taxable years (or fewer, if the taxpayer has not been in existence for the three preceding taxable years) do not exceed $10,000,000. See § 263A(b)(2)(B).

(c) “Formerly small reseller” means a reseller that no longer qualifies as a small reseller.

(d) “Producer” means a taxpayer that produces real or tangible personal property.

(e) “Reseller-producer” means a taxpayer that is both a producer and a reseller.

(f) “Permissible UNICAP method” means a method of capitalizing costs that is permissible under § 263A.

(g) "A UNICAP method specifically described in the regulations" does not include any other reasonable allocation method within the meaning of § 1.263A-1(f)(4). However, a "UNICAP method specifically described in the regulations" includes:

(i) the 90-10 de minimis rule to allocate a mixed service department's costs to resale activities (§ 1.263A-1(g)(4)(ii));

(ii) the 1/3 - 2/3 rule to allocate labor costs of personnel to purchasing activities (§ 1.263A-3(c)(3)(ii)(A));

(iii) the 90-10 de minimis rule to allocate a dual-function storage facility's costs to property acquired for resale (§ 1.263A-3 (c)(5)(iii)(C));

(iv) the specific identification method (§ 1.263A-1(f)(2));

(v) the burden rate method (§ 1.263A-1(f)(3)(i));

(vi) the standard cost method (§ 1.263A-1(f)(3)(ii));

(vii) the direct reallocation method (§ 1.263A-1(g)(4)(iii)(A));

(viii) the step-allocation method (§ 1.263A-1(g)(4)(iii)(B));

(ix) the simplified service cost method (§ 1.263A-1(h)) (with either a labor-based allocation ratio or a production cost allocation ratio);

(x) the simplified resale method without a historic absorption ratio election (§ 1.263A-3(d));

(xi) the alternative method to determine amounts of section 471 costs by using a taxpayer's financial statement (§ 1.263A-1(d)(2)(iii));

(xii) the method to determine amounts of section 471 costs by using the amounts incurred in the taxable year for federal income tax purposes (§ 1.263A-1(d)(2)(i));

(xiii) the safe harbor method for certain variances and under- or over-applied burdens (§ 1.263A-1(d)(2)(v));

(xiv) the removal of one or more costs from section 471 costs as required in § 1.263A-1(d)(2)(vi);

(xv) the removal of one or more costs from section 471 costs using negative adjustments to additional section 263A costs as permitted in § 1.263A-1(d)(3)(ii)(B);

(xvi) the de minimis rule for certain direct labor costs (§ 1.263A-1(d)(2)(iv)(B));

(xvii) the de minimis rule for certain direct material costs (§ 1.263A-1(d)(2)(iv)(C));

(xviii) the simplified production method without a historic absorption ratio election (§ 1.263A-2(b));

(xix) the modified simplified production method without a historic absorption ratio election (§ 1.263A-2(c));

(xx) the direct material costs or pre-production labor costs allocation methods for capitalizable mixed service costs under the modified simplified production method (§ 1.263A-2(c)(3)(iii)(B)); and

(xxi) the 90-10 de minimis rule to allocate capitalizable mixed service costs under the modified simplified production method (§ 1.263A-2(c)(3)(iii)(C)).

(h) "Special reseller cost allocation rule" means the 90-10 de minimis rule to allocate a mixed service department's costs to property acquired for resale (§ 1.263A-1(g)(4)(ii)), the 1/3 – 2/3 rule to allocate labor costs of personnel to purchasing activities (§ 1.263A-3(c)(3)(ii)(A)), and the 90-10 de minimis rule to allocate a dual-function storage facility's costs to property acquired for resale (§ 1.263A-3(c)(5)(iii)(C)).

(i) "Permissible non-UNICAP inventory capitalization method" means a method of capitalizing inventory costs that is permissible under § 471.

(4) Section 481(a) adjustment period. Beginning with the year of change, a taxpayer changing its method of accounting for costs pursuant to section 12.01(1)(a)(i), 12.01(1)(a)(iii), or 12.01(1)(a)(iv) of this revenue procedure generally must take any applicable net positive § 481(a) adjustment for such change into account ratably over the same number of taxable years, not to exceed four, that the taxpayer used its former

method of accounting. A taxpayer changing its method of accounting for costs pursuant to section 12.01(1)(a)(ii), 12.01(1)(a)(v), or 12.01(1)(a)(vi) of this revenue procedure must take any applicable net positive § 481(a) adjustment for such change into account as provided in section 7.03 of Rev. Proc. 2015-13.

(5) Multiple changes. A taxpayer making both this change and another change in method of accounting for the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(6) Under examination – certain audit protection exception temporarily inapplicable. For a taxpayer's first, second, or third taxable year ending on or after November 20, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under this section 12.01. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.01 is "22."

(8) Example. The following example illustrates the principles of this section 12.01 for small resellers and formerly small resellers.

Assume X, a corporate reseller of personal property, incorporated January 2, 2005, adopted a taxable year ending December 31. In determining whether X is a small reseller, as provided in section 12.01(3)(b) of this revenue procedure, X calculates its average annual gross receipts for the three taxable years (or fewer, if applicable) immediately preceding the taxable year being analyzed. For each of the taxable years 2005 through 2014, X calculates the corresponding average annual gross receipts for the three immediately preceding taxable years (or fewer, if applicable). The results are shown in the table below:

Current Taxable Year	Average Annual Gross Receipts for the Three Taxable Years Immediately Preceding the Current Taxable Year
2005	$ 0
2006	5,000,000
2007	6,000,000
2008	7,000,000
2009	11,000,000
2010	11,000,000
2011	9,000,000
2012	8,000,000
2013	11,000,000
2014	12,000,000

Furthermore, X which adopted the dollar-value LIFO inventory method, has the following LIFO inventory balances determined without considering the effects of the UNICAP method:

	Beginning	Ending
2009	$1,000,000	$1,100,000
2010	1,100,000	1,200,000
2011	1,200,000	1,300,000
2012	1,300,000	1,400,000
2013	1,400,000	1,500,000
2014	1,500,000	1,600,000

X was required by § 263A to change to the UNICAP method for 2009 because its average annual gross receipts for the three taxable years immediately preceding 2009 were $11,000,000, which exceeded the $10,000,000 ceiling permitted by the small reseller exception. Assume that X was required to capitalize $80,000 of "additional § 263A costs" to the cost of its 2009 beginning inventory because of this change in inventory method. In addition, X was required to include one-fourth of the § 481(a) adjustment when computing taxable income for each of the four taxable years beginning with 2009. Thus, X was required to include a $20,000 positive § 481(a) adjustment in its 2009 taxable income.

X elected to use the simplified resale method without an historic absorption ratio election under § 1.263A-3(d)(3) for determining the amount of additional § 263A costs to be capitalized to each LIFO layer. Assume that X was required to add $10,000 of additional § 263A costs to the cost of its 2009 ending inventory because of the $100,000 increment for 2009.

X's 2009 Ending Inventory:

Beginning Inventory (Without UNICAP costs)	$1,000,000

2009 Increment	100,000
Additional § 263A Costs in Beginning Inventory	80,000
Additional § 263A Costs in 2009 Increment	10,000
Total 2009 Ending Inventory	$1,190,000

X's Unamortized 2009 § 481(a) Adjustment:

2009 § 481(a) Adjustment	$80,000
Amount included in 2009 Taxable Income	<20,000>
Unamortized 2009 § 481(a) Adjustment—12/31/09	$60,000

Because X failed to satisfy the small reseller exception for 2010, X was required to continue using the UNICAP method for its inventory costs. Furthermore, X was required to include $20,000 of the unamortized 2009 positive § 481(a) adjustment in 2010 taxable income. Assume that X was required to add $10,000 of additional § 263A costs to the cost of its 2010 ending inventory because of the $100,000 increment for 2010.

X's 2010 Ending Inventory:

Beginning Inventory (With UNICAP costs)	$1,190,000
2010 Increment	100,000
Additional § 263A Costs in 2010 Increment	10,000
Total 2010 Ending Inventory	$1,300,000

X's Unamortized 2009 § 481(a) Adjustment:

Unamortized 2009 § 481(a) Adjustment—12/31/09	$60,000
Amount Included in 2010 Taxable Income	<20,000>
Unamortized 2009 § 481(a) Adjustment—12/31/10	$40,000

Because X satisfied the small reseller exception for 2011, X may change voluntarily from the UNICAP method to a permissible non-UNICAP inventory capitalization method (such a change for a current taxable year is provided in section 12.01 of this revenue procedure). To reflect the removal of the additional § 263A costs from the cost of its 2011 beginning inventory, X must compute a corresponding § 481(a) adjustment, which is a negative $100,000 ($1,200,000 - $1,300,000). The entire amount of this negative § 481(a) adjustment is included in the computation of X's taxable income for 2011. In addition, X must include $20,000 of the unamortized 2009 § 481(a) adjustment in 2011 taxable income.

X's 2011 Ending Inventory:

Beginning Inventory (With UNICAP costs)	$1,300,000
2011 Increment	100,000
2011 § 481(a) Adjustment <Negative>	<100,000>
Total 2011 Ending Inventory	$1,300,000

X's Unamortized 2009 § 481(a) Adjustment:

Unamortized 2009 § 481(a) Adjustment—12/31/10	$40,000
Amount included in 2011 Taxable Income	<20,000>
Unamortized 2009 § 481(a) Adjustment—12/31/11	$20,000

X's Unamortized 2011 § 481(a) Adjustment:

2011 § 481(a) Adjustment <Negative>	$<100,000>
Amount included in 2011 Taxable Income	100,000
Unamortized 2011 § 481(a) Adjustment—12/31/11	$ 0

X also satisfies the small reseller exception for 2012 and, therefore, is not required to return to the UNICAP method for 2012. X, however, must include $20,000 of the unamortized 2009 positive § 481(a) adjustment in its 2012 taxable income.

X's 2012 Ending Inventory:

Beginning Inventory (Without UNICAP costs)	$1,300,000
2012 Increment	100,000
Total 2012 Ending Inventory	$1,400,000

X's Unamortized 2009 § 481(a) Adjustment:

Unamortized 2009 § 481(a) Adjustment—12/31/11	$20,000
Amount in 2012 Taxable Income	<20,000>
Unamortized 2009 § 481(a) Adjustment—12/31/12	$ 0

In 2013, X fails to satisfy the small reseller exception and, therefore, must return to the UNICAP method (such a change for a current taxable year is provided in section 12.01 of this revenue procedure). X changes to the simplified resale method without a historic absorption ratio election under § 1.263A-3(d)(3). Assume that X must capitalize $120,000 of additional § 263A costs to the cost of its 2013 beginning inventory because of this change in inventory method. Because X used a non-UNICAP method for two taxable years prior to 2013, the § 481 spread period for the positive §481(a) adjustment is two years. Therefore, X must include one-half of the § 481(a) adjustment ($60,000) when computing taxable income for 2013 and 2014. Assume that X must add $10,000 of additional § 263A costs to the cost of its 2013 ending inventory because of the $100,000 increment for 2013.

X's 2013 Ending Inventory:

Beginning Inventory (Without UNICAP costs)	$1,400,000
2013 Increment	100,000
Additional § 263A costs in Beginning Inventory	120,000
Additional § 263A costs in 2013 Increment	10,000

Total 2013 Ending Inventory	$1,630,000

X's Unamortized 2013 § 481(a) Adjustment:

2013 § 481 Adjustment	$ 120,000
Amount included in 2013 Taxable Income	<60,000>
Unamortized 2013 § 481(a) Adjustment—12/31/13	$ 60,000

Because X fails to satisfy the small reseller exception for 2014, X must continue using the UNICAP method for its inventory costs. Furthermore, X is required to include $60,000 of the unamortized 2013 positive § 481(a) adjustment in 2014 taxable income. Assume that X is required to add $10,000 of additional § 263A costs to the cost of its 2014 ending inventory because of the $100,000 increment for 2014.

X's 2014 Ending Inventory:

Beginning Inventory (With UNICAP costs)	$1,630,000
2014 Increment	100,000
Additional § 263A Costs in 2014 Increment	10,000
Total 2014 Ending Inventory	$1,740,000

X's Unamortized 2013 § 481(a) Adjustment:

Unamortized 2013 § 481(a) Adjustment—12/31/13	$ 60,000
Amount included in 2014 Taxable Income	<60,000>
Unamortized 2013 § 481(a) Adjustment—12/31/14	$ 0

(8) Contact information. For further information regarding a change under this section, contact Kari Fisher at (202) 317-7007 (not a toll-free call).

.02 Certain uniform capitalization (UNICAP) methods used by producers and reseller-producers.

(1) Description of change.

(a) Applicability. This change applies to a producer (as defined in section 12.01(3)(d) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(e) of this revenue procedure) that wants to change to a UNICAP method (or methods) specifically described in the regulations, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using

the proposed method. This change also includes a change from not capitalizing a cost subject to § 263A to capitalizing that cost for a producer or a reseller-producer under a UNICAP method (or methods) specifically described in the regulations that the producer or reseller-producer is already using.

(b) Inapplicability.

(i) Self-constructed assets. This change does not apply to a taxpayer that wants to use either the simplified service cost method, the simplified production method, or the modified simplified production method for self-constructed assets under §§ 1.263A-1(h)(2)(i)(D), 1.263A-2(b)(2)(i)(D), and 1.263A-2(c)(2), respectively.

(ii) Historic absorption ratio.

(A) In general. This change does not apply to a taxpayer that (1) wants to make a historic absorption ratio election with the simplified production method or the modified simplified production method under §§ 1.263A-2(b)(4) or 1.263A-2(c)(4), respectively; (2) wants to revoke an election to use a historic absorption ratio with the simplified production method or the modified simplified production method (see §§ 1.263A-2(b)(4)(iii)(B) or 1.263A-2(c)(4), respectively); or (3) uses a historic absorption ratio election with the simplified production method or the modified simplified production method and wants to change to a different method for determining the additional section 263A costs that must be capitalized to ending inventories or other eligible property on hand at the end of the taxable year (that is, to a different simplified method or a facts-and-circumstances method).

(B) Transition rule. Notwithstanding the inapplicability rule in section 12.02(1)(b)(ii)(A) of this revenue procedure, for the taxpayer's first, second, or

third taxable year ending on or after November 20, 2018, this change applies to a taxpayer that is using the simplified production method with a historic absorption ratio election that wants to change to the modified simplified production method without a historic absorption ratio election, a specific identification method under § 1.263A-1(f)(2), or a burden rate or standard cost method under § 1.263A-1(f)(3).

(iii) Interest capitalization. This change does not apply to a change in method of accounting for interest capitalization (but see section 12.14 of this revenue procedure).

(iv) Recharacterizing costs under the simplified production method or modified simplified production method. This change does not include a change to recharacterize section 471 costs, as defined in § 1.263A-1(d)(2), as additional section 263A costs, as defined in § 1.263A-1(d)(3), (or vice versa) for a taxpayer that uses or is changing to the simplified production method or the modified simplified production method. See section 12.17 of this revenue procedure for certain changes to recharacterize section 471 costs as additional section 263A costs (or vice versa).

(v) Reseller-producer using the simplified resale method. This change does not apply to a reseller-producer that uses or is changing to the simplified resale method under § 1.263A-3 (d) (but see section 12.01(1) of this revenue procedure for certain changes that may be made by a reseller-producer).

(2) Definition. A "UNICAP method specifically described in the regulations" does not include the simplified resale method under § 1.263A-3(d)(4) or any other reasonable allocation method within the meaning of § 1.263A-1(f)(4). However, a "UNICAP method specifically described in the regulations" includes:

(a) the 90-10 de minimis rule to allocate a mixed service department's costs to production or resale activities (§ 1.263A-1(g)(4)(ii));

(b) the 1/3 - 2/3 rule to allocate labor costs of personnel to purchasing activities (§ 1.263A-3(c)(3)(ii)(A));

(c) the 90-10 de minimis rule to allocate a dual-function storage facility's costs to property acquired for resale (§ 1.263A-3(c)(5)(iii)(C));

(d) the specific identification method (§ 1.263A-1(f)(2));

(e) the burden rate method (§ 1.263A-1(f)(3)(i));

(f) the standard cost method (§ 1.263A-1(f)(3)(ii));

(g) the direct reallocation method (§ 1.263A-1(g)(4)(iii)(A));

(h) the step-allocation method (§ 1.263A-1(g)(4)(iii)(B));

(i) the simplified service cost method (§ 1.263A-1(h)) (with either a labor-based allocation ratio or a production cost allocation ratio);

(j) the simplified production method without a historic absorption ratio election (§ 1.263A-2(b));

(k) the alternative method to determine amounts of section 471 costs by using a taxpayer's financial statement (§ 1.263A-1(d)(2)(iii));

(l) the method to determine amounts of section 471 costs by using the amounts incurred in the taxable year for federal income tax purposes (§ 1.263A-1(d)(2)(i));

(m) the safe harbor method for certain variances and under- or over-applied burdens (§ 1.263A-1(d)(2)(v));

(n) the removal of one or more costs from section 471 costs as required in § 1.263A-1(d)(2)(vi);

(o) the removal of one or more costs from section 471 costs using negative adjustments to additional section 263A costs as permitted in § 1.263A-1(d)(3)(ii)(B);

(p) the de minimis rule for certain direct labor costs (§ 1.263A-1(d)(2)(iv)(B));

(q) the de minimis rule for certain direct material costs (§ 1.263A-1(d)(2)(iv)(C));

(r) the modified simplified production method without a historic absorption ratio election (§ 1.263A-2(c)(3));

(s) the direct material costs or pre-production labor costs allocation methods for capitalizable mixed service costs under the modified simplified production method (§ 1.263A-2(c)(3)(iii)(B)); and

(t) the 90-10 de minimis rule to allocate capitalizable mixed service costs under the modified simplified production method (§ 1.263A-2(c)(3)(iii)(C)).

(3) Multiple changes. A taxpayer making both this change and another change in method of accounting in the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(4) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the changes described in this section 12.02 for the taxpayer's first, second, or third taxable year ending on or after November 20, 2018.

(5) Under examination – certain audit protection exception temporarily inapplicable. For a taxpayer’s first, second, or third taxable year ending on or after November 20, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13

does not apply to a change in method of accounting made under this section 12.02. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.02 is "23."

(7) Contact information. For further information regarding a change under this section, contact Kari Fisher at (202) 317-7007 (not a toll-free call).

.03 Impact fees.

(1) Description of change. This change applies to a taxpayer that incurs impact fees as defined in Rev. Rul. 2002-9, 2002-1 C.B. 614, in connection with the construction of a new residential rental building that wants to capitalize the costs to the building under §§ 263(a) and 263A. See Rev. Rul. 2002-9 for further information.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.03 is "25."

(3) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.04 Change to capitalizing environmental remediation costs under § 263A.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for environmental remediation costs from a method that does not comply with the holding in Rev. Rul. 2004-18, 2004-1 C.B. 509, to capitalizing them to inventory under § 263A.

(2) Concurrent automatic changes. A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.04 is "77."

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.05 Change in allocating environmental remediation costs under § 263A.

(1) Description of change. This change applies to a taxpayer that capitalizes environmental remediation costs to inventory under § 263A, but allocates these costs to inventory using a method of accounting that does not comply with the holding in Rev. Rul. 2005-42, 2005-2 C.B. 67, and wants to change to allocating these costs to inventory produced during the taxable year in which the costs are incurred under § 263A. See Rev. Rul. 2005-42 for further information.

(2) Concurrent automatic changes. A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section

6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.05 is "92."

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.06 Safe harbor methods under § 263A for certain dealerships of motor vehicles.

(1) Description of change. This change applies to a motor vehicle dealership, as defined in section 4 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811, that is within the scope of section 3 of Rev. Proc. 2010-44 and wants to change its method of accounting to (1) treat its sales facility as a retail sales facility or (2) be treated as a reseller without production activities, as described in section 5 of Rev. Proc. 2010-44. A motor vehicle dealership that wants to make an automatic change in method of accounting to use one or both safe harbor methods described in section 5 of Rev. Proc. 2010-44 may make any corresponding changes in the identification of costs subject to § 263A that will be accounted for using the proposed method (for example, to remove internal profit from inventory costs) or to no longer include negative amounts as additional § 263A costs in the numerator of the simplified resale method formula or the simplified production method formula. However, except as provided in the preceding sentence, a change under this section does not include a change for purposes of recharacterizing "§ 471 costs" as "additional § 263A costs" (or vice versa) under the simplified resale method or the simplified production method.

(2) Concurrent automatic changes. A motor vehicle dealership making an automatic change to one or both safe harbor methods described in section 5 of Rev. Proc. 2010-44 and another automatic change under § 263A for the same taxable year may file one Form 3115 to make both changes, provided the dealership enters the designated automatic change numbers for all such changes in Part I on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Multiple adjustments. In the event that a motor vehicle dealership is taking into account a § 481(a) adjustment from another accounting method change in addition to the § 481(a) adjustment required by a change to a safe harbor method described in section 5 of Rev. Proc. 2010-44, the § 481(a) adjustments must be taken into account separately. For example, a motor vehicle dealership that changed to comply with § 263A in 2009 and was required to take its § 481(a) adjustment into account over four years must continue to take into account that adjustment over the remainder of that four year § 481(a) adjustment period even though the dealership changed to a safe harbor method described in section 5 of Rev. Proc. 2010-44 in 2010 and has an additional § 481(a) adjustment required by that change.

(4) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to treat certain sales facilities as retail sales facilities as described in section 5.01 of Rev. Proc. 2010-44 is “150.” The designated automatic accounting method change number for a change to be treated as a reseller without production activities as described in section 5.02 of Rev. Proc. 2010-44 is “151.”

(5) Contact information. For further information regarding a change under this section, contact Kari Fisher at (202) 317-7007 (not a toll-free call).

.07 Change to not apply § 263A to one or more plants removed from the list of plants that have a preproductive period in excess of 2 years.

(1) Description of change. This change, as described in Rev. Proc. 2013-20, 2013-14 I.R.B. 744, applies to a taxpayer that is not a corporation, partnership, or tax shelter required to use an accrual method of accounting under § 447 or § 448(a)(3), and either (a) wants to not apply § 263A, pursuant to § 263A(d)(1) and § 1.263A-4(a)(2), to the production of one or more plants that the IRS and the Treasury Department have removed from the list of plants that have a nationwide weighted average preproductive period in excess of 2 years, or (b) properly elected, pursuant to § 263A(d)(3) and § 1.263A-4(d), to not apply § 263A to the production of a plant or plants that have been removed from the list of plants that have a nationwide weighted average preproductive period in excess of 2 years, and wishes to revoke its § 263A(d)(3) election with respect to those plants. See Notice 2013-18, 2013-14 I.R.B. 742, or its successor.

(2) Audit protection. If a taxpayer currently does not apply § 263A to its blackberry, raspberry, or papaya plants in a manner that complies with the requirements of § 263A(d)(1) and § 1.263A-4(a)(2), the IRS will not raise such method of accounting for a taxable year that ends on or before February 15, 2013. Also, if the use of such a method of accounting by a taxpayer is an issue under consideration (within the meaning of section 3.08 of Rev. Proc. 2015-13) for taxable years in examination, before an Appeals office, or before the U.S. Tax Court in a taxable year that ends on or before February 15, 2013, the IRS will not further pursue that issue.

(3) Manner of making change. A change under this section 12.07 is made with any necessary adjustments under § 481(a). For example, the revocation of an election under § 263A(d)(3) results in a § 481(a) adjustment that must take into account the change in depreciation from the alternative depreciation system to the general depreciation system included within such revocation.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.07 is "181."

(5) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

.08 Change to a reasonable allocation method described in § 1.263A-1(f)(4) for self-constructed assets.

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to a producer (as defined in section 12.01(3)(d) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(e) of this revenue procedure) that wants to change to a reasonable allocation method within the meaning of § 1.263A-1(f)(4), other than the methods specifically described in § 1.263A-1(f)(2) or (3), for self-constructed assets produced during the taxable year, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method. This section 12.08 also includes a change from not capitalizing a cost subject to § 263A to capitalizing that cost for a producer or reseller-producer under a reasonable allocation method within the meaning of § 1.263A-1(f)(4) that the producer or reseller-producer is already using for self-constructed assets, other

than the methods specifically described in § 1.263A-1(f)(2) or (3). See section 12.02 of this revenue procedure for a producer or reseller-producer that wants to change to a method described in § 1.263A-1(f)(2) or (3).

(b) Inapplicability. This change does not apply to an allocation method based on the number of units produced or an allocation method that does not allocate costs to the units of property produced. This change does not apply to a change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin. For example, this change does not apply to a change described in section 12.01 or 12.02 of this revenue procedure.

(2) No ruling on reasonableness of method. The consent granted in section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for this change is not a determination by the Commissioner that the taxpayer is using a reasonable allocation method for costs subject to § 263A and does not create any presumption that the proposed allocation method is permissible. The director will ascertain whether the taxpayer's allocation method is reasonable within the meaning of § 1.263A-1(f)(4).

(3) Multiple changes. A taxpayer making both this change and another change in method of accounting under section 11.08 of this revenue procedure for the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.08 is "194."

(5) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.09 Real property acquired through foreclosure.

(1) Applicability. This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to a taxpayer that capitalizes costs under § 263A(b)(2) and § 1.263A-3(a)(1) to real property acquired through foreclosure, or similar transaction, where the taxpayer wants to change its method of accounting to an otherwise permissible method of accounting under which the acquisition and holding costs for real property acquired through foreclosure, or similar transaction, are not capitalized under § 263A(b)(2) and § 1.263A-3(a)(1). To qualify for this change in method of accounting, a taxpayer must:

(a) originate, or acquire and hold for investment, loans that are secured by real property; and

(b) acquire the real property that secures the loans at a foreclosure sale, by deed in lieu of foreclosure, or in another similar transaction.

(2) Inapplicability. This change does not apply to costs capitalized under § 263A(b)(1) and § 1.263A-2(a)(1) by the taxpayer to the acquired real property as a result of production activities.

(3) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change under this section 12.09 is “195.”

(4) Contact information. For further information regarding a change under this section, contact Roy Hirschhorn at (202) 317-7007 (not a toll-free call).

.10 Sales-Based Royalties.

(1) Description of change. This change, as described in Rev. Proc. 2014-33, 2014-22 I.R.B. 1060, applies to a taxpayer that wants to change its method of

accounting for sales-based royalties (as described in § 1.263A-1(e)(3)(ii)(U)(2)) that are properly allocable to inventory property:

(a) From not capitalizing sales-based royalties to capitalizing these costs and allocating them entirely to cost of goods sold under a taxpayer's method of accounting;

(b) From not capitalizing sales-based royalties to capitalizing these costs and allocating them to inventory property under a taxpayer's method of accounting;

(c) From capitalizing sales-based royalties and allocating these costs to inventory property to allocating them entirely to cost of goods sold; or

(d) From capitalizing sales-based royalties and allocating these costs entirely to cost of goods sold to allocating them to inventory property.

(2) Limitations.

(a) A taxpayer may not make a change in method of accounting under this section 12.10 if the taxpayer wants to change to capitalizing sales-based royalties and allocating them to inventory property using another reasonable allocation method within the meaning of § 1.263A-1(f)(4).

(b) A taxpayer making the changes described in section 12.10(1)(a) or 12.10(1)(c) of this revenue procedure that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove sales-based royalties allocated to cost of goods sold from the formulas used to allocate additional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(c) A taxpayer making a change in method of accounting under this section 12.10 that uses a simplified method with an historic absorption ratio election

(see §§ 1.263A-2(b)(4) and 1.263A-3(d)(4)) and currently includes, or is changing its method to include, sales-based royalties in any part of its historic absorption ratio must revise its previous and current historic absorption ratios. To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer's § 481(a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory.

(3) Concurrent automatic changes. A taxpayer making a change under this section 12.10 and one or more automatic changes in method of accounting under § 263A for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A–7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in method of accounting under this section 12.10 is "201."

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.11 Treatment of Sales-Based Vendor Chargebacks under a Simplified Method.

(1) Description of change. This change, as described in Rev. Proc. 2014-33, 2014-22 I.R.B. 1060, applies to a taxpayer that wants to change its method of

accounting to no longer include cost adjustments for sales-based vendor chargebacks described in § 1.471-3(e)(1) in the formulas used to allocate additional § 263A costs to ending inventory under a simplified method.

(2) Limitations.

(a) A taxpayer making this change that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove sales-based vendor chargebacks from the formulas used to allocate additional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(b) A taxpayer making a change in method of accounting under this section 12.11 that uses a simplified method with an historic absorption ratio election (see §§ 1.263A-2(b)(4) and 1.263A-3(d)(4)) and currently includes sales-based vendor chargebacks in any part of its historic absorption ratio must revise its previous and current historic absorption ratio(s). To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer's § 481(a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory.

(3) Concurrent automatic changes. A taxpayer making both this change and one or more automatic changes under § 263A, or both this change and the change described in section 21.15 of this revenue procedure for the same taxable year of change may file a single Form 3115 for both changes, provided the taxpayer enters the

designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in method of accounting under this section 12.11 is "202".

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.12 U.S. ratio method.

(1) Change to the U.S. ratio method.

(a) Description of change. This change applies to a foreign person, as defined in Notice 88-104, 1988-2 C.B. 443, as modified by Notice 89-67, 1989-1 C.B. 723, that is required to capitalize costs under § 263A and wants to change its method of accounting to the U.S. ratio method, as described in Notice 88-104.

(b) Manner of making change. A taxpayer requesting a change on behalf of a foreign person under section 12.12(1) of this revenue procedure must attach a statement to the Form 3115 providing the following information:

(i) Foreign person requirement. A representation that the foreign person is a qualified business unit (QBU), as defined in § 1.989(a)-1(b), of a foreign person, or the foreign branch of a U.S. person that constitutes a separate QBU, within the meaning of Notice 88-104. If the taxpayer is requesting a change in method of accounting on behalf of multiple foreign persons, please provide a representation that each foreign person is a QBU, as defined in § 1.989(a)-1(b), of a foreign person or the

foreign branch of a U.S. person that constitutes a separate QBU, within the meaning of Notice 88-104;

(ii) Description of trade or business. The name and employer identification number (if applicable) for each foreign person and an explanation of each trade or business, as defined in § 1.446-1(d), for which a request to change to the U.S. ratio method is being made under this section 12.12(1);

(iii) Applicable U.S. trade or business requirement. The identity of the "applicable U.S. trade or business," as defined in Notice 88-104, that the foreign person wishes to use and an explanation of how this U.S. trade or business is "the same as, or most similar to" the trade or business conducted by the foreign person. If the taxpayer is requesting a change in method of accounting for multiple foreign persons, the taxpayer must identify the "applicable U.S. trade or business" for each foreign person, and explain how the respective U.S. trade or business is "the same as, or most similar to" the trade or business conducted by the foreign person; and

(iv) Relationship requirement. An explanation of how the "applicable U.S. trade or business" identified in section 12.12(1)(b)(iii) of this revenue procedure is a trade or business conducted in the United States by a "related person," as defined in Notice 88-104, with respect to the foreign person requesting a change under this section. If the taxpayer is requesting a change in method of accounting for multiple foreign persons, the taxpayer must explain how the "applicable U.S. trade or business" identified in section 12.12(1)(b)(iii) of this revenue procedure is a trade or business conducted in the United States by a "related person" for purposes of Notice 88-104 for each foreign person requesting a change in method of accounting. Use §§ 267(b) or 707(b), as applicable, to explain the relationship.

(c) Additional requirements.

(i) A foreign person must continue to use the U.S. ratio of the applicable U.S. trade or business identified in section 12.12(1)(b)(iii) of this revenue procedure unless consent of the Commissioner is obtained to use the U.S. ratio of a different applicable U.S. trade or business under § 446(e) (see section 12.12(2) of this revenue procedure);

(ii) In the case of a controlled foreign corporation, the controlling U.S. shareholder, or in the case of a foreign branch of a U.S. person, the U.S. person, must maintain records of the U.S. ratio used by each foreign person to calculate the additional § 263A costs capitalized to property produced and property acquired for resale for the year of change and for subsequent taxable years for each foreign person requesting a change in method of accounting under this section 12.12. In the case of a controlled foreign partnership, the U.S. partner must maintain records of the U.S. ratio used by each foreign person to calculate the additional § 263A costs capitalized to property produced and property acquired for resale for the year of change and for subsequent taxable years for each foreign person requesting a change in method of accounting under this section 12.12.

(iii) The § 481(a) adjustment is computed in the manner provided in Notice 88-104;

(iv) The U.S. ratio is determined, and the ratio is applied to the costs of property produced or property acquired for resale incurred by the foreign person, in accordance with Notice 88-104; and

(v) If any foreign person is unable to obtain a U.S. ratio from the applicable U.S. trade or business identified in section 12.12(2)(b)(iii) of this revenue

procedure, or is otherwise no longer eligible to use the U.S. ratio method, the foreign person is no longer permitted to use the U.S. ratio method. However, the foreign person is not ineligible to use the U.S. ratio method if the foreign person is able to obtain a U.S. ratio from a different applicable U.S. trade or business, and changes the applicable U.S. trade or business pursuant to section 12.12(2) of this revenue procedure or under the non-automatic change procedures of this revenue procedure, as applicable. If a foreign person is no longer eligible to use the U.S. ratio method, it is required to change its method of accounting to a method that complies with §§ 263A and 471 using either the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and sections 12.01, 12.02, or 12.08, as applicable, of this revenue procedure or the non-automatic change procedures of Rev. Proc. 2015-13.

(2) Change within U.S. ratio method. This change applies to a foreign person currently using the U.S. ratio method that wants to use the U.S. ratio of a different applicable U.S. trade or business for purposes of applying the U.S. ratio method as described in section 12.12(2)(a) or 12.12(2)(b) of this revenue procedure.

(a) Required change in the applicable U.S. trade or business.

(i) In general. A foreign person is permitted to change its method of accounting under this section 12.12(2)(a) to use the U.S. ratio of a different applicable U.S. trade or business, as defined in Notice 88-104, if the foreign person is no longer able to obtain the U.S. ratio from the applicable U.S. trade or business previously identified and if: (A) the U.S. person or related person in which the applicable U.S. trade or business is conducted terminates its existence; (B) the foreign person is no longer related, within the meaning of § 267(b) or § 707(b), to the U.S. person or related person

in which the applicable U.S. trade or business is conducted; or (C) the U.S. person or related person ceases to conduct the applicable U.S. trade or business.

(ii) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to the change described in section 12.12(2)(a) of this revenue procedure.

(iii) Manner of making change. A foreign person making a change in method of accounting under this section 12.12(2)(a) must make the change in accordance with the requirement set forth in section 12.12(2)(c) of this revenue procedure.

(b) Other changes in the applicable U.S. trade or business.

(i) In general. If the foreign person cannot make the change in method of accounting described in section 12.12(2)(a) of this revenue procedure, or there is more than one U.S. trade or business that can reasonably be considered the "same as, or most similar to" the foreign person's trade or business, the foreign person is permitted to change its method of accounting under this section 12.12(2)(b) to use the U.S. ratio of a different applicable U.S. trade or business.

(ii) Manner of making change. A foreign person making a change in method of accounting under this section 12.12(2)(b) must make the change in accordance with the requirement set forth in section 12.12(2)(c) of this revenue procedure.

(c) Short Form 3115 in lieu of a Form 3115. In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and pursuant to section 6.02(2) of Rev. Proc. 2015-13, a short Form 3115 is authorized for a

change described in section 12.12(2)(a) or 12.12(2)(b) of this revenue procedure. The short Form 3115 (Rev. December 2018) must include the following information:

(i) the identification section of page 1 (above Part I);

(ii) the signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) the information required under section 12.12(1)(b) of this revenue procedure; and

(v) a statement that the change in method of accounting is made under section 12.12(2)(a) or 12.12(2)(b) of Rev. Proc. 2019-43, as applicable.

(3) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change under this section 12.12 is "214."

(4) Contact information. For further information regarding a change under this section, contact Evan Hewitt at (202) 317-7007 (not a toll-free call).

.13 Depletion.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for depletion to treat these amounts as an indirect cost that is only properly allocable to property that has been sold (that is, for purposes of determining gain or loss on the sale of the property) under § 1.263A-1(e)(3)(ii)(J).

(2) Limitation.

(a) A taxpayer making this change in method of accounting that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove depletion allocated to cost of goods sold

from the formulas used to allocate additional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(b) A taxpayer making this change in method of accounting that uses a simplified method with an historic absorption ratio election (see §§ 1.263A-2(b)(4) and 1.263A-3(d)(4)) and currently includes depletion in any part of its historic absorption ratio must revise its previous and current historic absorption ratios. To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer's § 481(a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(4) Concurrent automatic changes. A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line on that Form 3115 and complies with the ordering rules of § 1.263A–7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 12.13 is "215."

(6) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.14 Interest capitalization.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for interest from not capitalizing any interest, capitalizing interest in accordance with its method of accounting for financial reporting purposes, or applying an improper method of capitalizing interest under §§ 1.263A-8 through 14, with respect to the production of designated property, to capitalizing interest with respect to the production of designated property in accordance with §§ 1.263A-8 through 14.

(2) Manner of making change. A taxpayer requesting a change under this section 12.14 must attach a statement to the Form 3115 with the following information:

(a) Representations as to the following:

(i) The taxpayer's method is in accordance with the avoided cost method under § 1.263A-9; and

(ii) The taxpayer will comply with § 1.263A-14 and Notice 88-89, 1988-2 C.B. 422, should the taxpayer incur average excess expenditures allocable to related persons; and

(b) Details with respect to the taxpayer’s sub-methods of accounting for determining capitalizable interest in accordance with §§ 1.263A-8 through 14 (for example, whether the taxpayer elects to not trace debt under § 1.263A-9(d); the computation period(s) used under the new method; and whether the taxpayer will suspend the capitalization of interest for units of property for which production has ceased for at least 120 consecutive days as determined under § 1.263A-12(g)).

(3) Concurrent automatic changes. A taxpayer making a change under this section 12.14 and one or more automatic changes in method of accounting under § 263A for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A-7 (b) (2). See section 6.03 (1) (b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 12.14 is "224."

(5) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.15 Change to not apply § 263A to replanting costs for lost or damaged citrus plants pursuant to § 263A(d)(2)(C).

(1) Description of change.

(a) In general. This change, as described in Rev. Proc. 2018-35, 2018-28 I.R.B. 204, applies to a taxpayer, other than the owner described in § 263A(d)(2)(A), that: (i) paid or incurred replanting costs of citrus plants after the loss or damage of citrus plants by reason of freezing temperatures, disease, drought, pests, or casualty, as described in § 263A(d)(2)(A); (ii) paid or incurred the replanting costs after December 22, 2017, and on or before December 22, 2027; (iii) satisfies the ownership test provided in section 12.15(1)(b) of this revenue procedure; and (iv) wants to change its method of accounting from applying § 263A to citrus plant replanting costs to not applying § 263A to those costs, pursuant to § 263A(d)(2)(C).

(b) Ownership test. The taxpayer satisfies the ownership test if either: (i) the owner described in § 263A(d)(2)(A) has an equity interest of not less than 50 percent in the replanted citrus plants at all times during the taxable year in which the taxpayer paid or incurred amounts for replanting costs, and the taxpayer holds any part of the remaining equity interest; or (ii) the taxpayer acquired the entirety of the equity interest of the owner described in § 263A(d)(2)(A) in the land on which the lost or damaged citrus plants were located at the time of the loss or damage, and the replanting is on such land.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(3) Section 481(a) adjustment. A taxpayer making a change under this section 12.15 calculates a § 481(a) adjustment by taking into account only amounts paid or incurred after December 22, 2017, and on or before December 22, 2027.

(4) Multiple changes. A taxpayer making both this change and another change in method of accounting in the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.15 is "232."

(6) Contact information. For further information regarding a change under this section, contact Megan McLaughlin at (202) 317-7007 (not a toll-free call).

.16 Small business taxpayer exception from requirement to capitalize costs under § 263A.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 15.18(5)(a) of this revenue procedure, that capitalizes costs under § 263A and wants to change to a method of accounting that no longer capitalizes costs under § 263A, including to self-constructed assets, pursuant to § 263A(i).

(2) Applicability. This change is effective for taxable years beginning after December 31, 2017.

(3) Inapplicability. This change does not apply to a small business taxpayer, as defined in section 15.18(5)(a) of this revenue procedure, that chooses to no longer capitalize costs under § 263A for home construction contracts, as defined in § 460(e)(1)(A) (but see section 19.01 of this revenue procedure).

(4) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for the taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(5) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except line 16; and

(e) Part IV, all lines except line 25.

(6) Concurrent automatic changes. A taxpayer making a change under this section 12.16 and a change under sections 15.18 and/or 22.19 of this revenue

procedure for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic accounting method change numbers for the changes on the appropriate line of Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.16 is "234."

(8) Contact information. For further information regarding a change under this section, contact Anna Gleysteen at (202) 317-7007 (not a toll-free call).

.17 Recharacterizing costs under the simplified resale method, simplified production method, or the modified simplified production method.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that uses or is changing to the simplified production method, the modified simplified production method, or the simplified resale method under §§ 1.263A-2(b), 1.263A-2(c), and 1.263A-3(d), respectively, and that wants to recharacterize a section 471 cost, as defined in § 1.263A-1(d)(2), as an additional section 263A cost, as defined in § 1.263A-1(d)(3), or vice versa, in accordance with the characterization requirements of § 1.263A-1(d)(2) and (d)(3). For example, this change applies to a taxpayer using the modified simplified production method that treats a direct cost of property produced or property acquired for resale as an additional section 263A cost and that wants to change to characterize the direct cost as a section 471 cost, as required by § 1.263A-1(d)(2)(ii).

(b) Inapplicability. This change does not apply to a change in method of accounting that is described in another section of this revenue procedure or in other

guidance published in the IRB. For example, this change does not apply to a taxpayer that wants to make a change described in section 12.01 or 12.02 of this revenue procedure, such as a change to use the methods described in § 1.263A-1(d)(2)(iv), (v), or (vi), § 1.263A-2(b), § 1.263A-2(c), or § 1.263A-3(d).

(2) Restatement of financial statement. A taxpayer's restatement of its financial statement does not invalidate the taxpayer's method of accounting or change its determination of section 471 costs in earlier taxable years.

(3) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for the taxpayer's first, second, or third taxable year ending on or after November 20, 2018.

(4) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 13, 15b, 16c, and 19;

(e) Part IV, all lines except line 25; and

(f) Schedule D, all Parts except Part I.

(5) Limitation. If a taxpayer making this change in method of accounting uses a historic absorption ratio election under §§ 1.263A-2(b)(4), 1.263A-2(c)(4), or 1.263A-3(d)(4)), and the change in the characterization of cost(s) under this section 12.17 affects any part of the taxpayer's historic absorption ratio, the taxpayer must revise its previous and current historic absorption ratios. To revise its historic

absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the section 471 costs and additional section 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer's § 481 (a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory.

(6) Concurrent automatic changes. A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line of that Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) Under examination – certain audit protection exception temporarily inapplicable. For a taxpayer's first, second, or third taxable year ending on or after November 20, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under this section 12.17. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(8) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.17 is "237."

(9) Contact information. For further information regarding a change under this section, contact Evan Hewitt at (202) 317-7007 (not a toll-free number).

.18 Revocation of a historic absorption ratio election.

(1) Description of change. This change applies to a taxpayer that uses the simplified resale method with a historic absorption ratio election that wants to revoke its historic absorption ratio election and change to the simplified resale method without a historic absorption ratio. This change also applies to a taxpayer that uses the simplified production method with a historic absorption ratio election that wants to revoke its historic absorption ratio election and change to the simplified production method without a historic absorption ratio. This change applies to a revocation of the simplified resale method with a historic absorption ratio election or the simplified production method with a historic absorption ratio election regardless of whether the year of change is during the taxpayer's qualifying period.

(2) Limited applicability. This change is the exclusive procedure for a taxpayer on the simplified production method with a historic absorption ratio election or the simplified resale method with a historic absorption ratio election that wants to revoke its historic absorption election under the transition rules of §§ 1.263A-2(b)(4)(v)(B) and 1.263A-3(d)(4)(v)(B). This change is applicable only for the taxpayer's first, second, or third taxable year ending on or after November 20, 2018. A taxpayer that complies with the requirements of this section 12.18 will be deemed to have obtained the consent of the Commissioner to make a revocation of its historic absorption ratio election under § 446 (e).

(3) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for the taxpayer's first, second or third taxable year ending on or after November 20, 2018.

(4) Manner of making change.

(a) Cut-off basis. This change is made on a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) Audit protection.

(i) No audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change if the taxpayer's revocation of a historic absorption ratio election is during a qualifying period or extended qualifying period. See section 8.02(2) of Rev. Proc. 2015-13.

(ii) Under examination – certain audit protection exception temporarily inapplicable. For a taxpayer's first, second, or third taxable year ending on or after November 20, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a taxpayer's revocation of its historic absorption ratio election as described in this section 12.18 if such revocation is not during a qualifying period or extended qualifying period. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(5) Concurrent automatic changes. A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line of that Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03 (1) (b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.18 is "238."

(7) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free number).

SECTION 13. LOSSES, EXPENSES AND INTEREST WITH RESPECT TO TRANSACTIONS BETWEEN RELATED TAXPAYERS (§ 267)

.01 Change to comply with § 267.

(1) Description of change. This change applies to a taxpayer that wants to change its method or methods of accounting to comply with the requirements of § 267, which disallows or defers certain deductions attributable to transactions between related taxpayers. However, this change does not apply to a change for original issue discount (OID), including stated interest that is OID because it is not qualified stated interest (as defined in § 1.1273-1(c)). See section 5.02 of this revenue procedure for a change to comply with § 163(e)(3) for OID on an obligation held by a related foreign person.

(2) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(e) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change to comply with § 267(a)(3).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 13.01 is “26.”

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call). For further

information regarding a change to comply with § 267(a)(3), contact Michael Kaercher at (202) 317-6934 (not a toll-free call).

SECTION 14. DEFERRED COMPENSATION (§ 404)

.01 Deferred compensation.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat bonuses or vacation pay as follows (see § 404(a)(5) and § 1.404(b)-1T, Q&A 2):

(a) Applicability.

(i) Bonuses.

(A) Bonuses not subject to capitalization under § 263A. If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the bonus is otherwise deductible, but the bonus is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the bonus as deductible in the taxable year of the employer in which or with which ends the taxable year of the employee in which the bonus is includible in the gross income of the employee; or

(B) Bonuses that are subject to capitalization under § 263A. If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the bonus is otherwise deductible (without regard to § 263A), but the bonus is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the bonus as capitalizable (within the meaning of § 1.263A-1(c)(3)) in the taxable year of the employer in which or

with which ends the taxable year of the employee in which the bonus is includible in the gross income of the employee.

(ii) Vacation pay.

(A) Vacation pay not subject to capitalization under § 263A. If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay vacation pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the vacation pay is otherwise deductible but the vacation pay is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the vacation pay as deductible in the taxable year of the employer in which the vacation pay is paid to the employee; or

(B) Vacation pay that is subject to capitalization under § 263A. If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay vacation pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the vacation pay is otherwise deductible (without regard to § 263A), but the vacation pay is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the vacation pay as capitalizable (within the meaning of § 1.263A-1(c)(3)) in the taxable year of the employer in which the vacation pay is paid to the employee.

(b) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 14.01 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change

to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 14.01 is "28."

(3) Contact information. For further information regarding a change under this section, contact Thomas Scholz at (202) 317-5600 (not a toll-free call).

.02 Grace period contributions.

(1) Description of change. This change applies to a taxpayer that wants to cease deducting contributions made during the § 404(a)(6) grace period to a qualified cash or deferred arrangement within the meaning of § 401(k) or to a defined contribution plan as matching contributions with the meaning of § 401(m) when the contributions are attributable to compensation earned by plan participants after the end of a taxable year as required by Rev. Rul. 2002-46, 2002-2 C.B. 117, as modified by Rev. Rul. 2002-73, 2002-2 C.B. 805.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 14.02 is "29."

(3) Contact information. For further information regarding a change under this section, contact John Ricotta at 202-317-4102 or Joyce Kahn at 202-317-4148 (not toll-free calls).

SECTION 15. METHODS OF ACCOUNTING (§ 446)

.01 Change in overall method from the cash method to an accrual method.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its overall method of accounting from the cash receipts and disbursements method (cash method) (as defined in section 15.01(2)(a) of this revenue procedure) to an accrual method (as defined in section 15.01(2)(b) of this revenue procedure). A change under this section 15.01 applies to (1) a taxpayer required to make this change by § 448, any other section of the Code or regulations, or in other guidance published in the Internal Revenue Bulletin (IRB), as well as (2) a taxpayer that wants to make this change but is not required to do so by § 448, any other section of the Code or regulations, or in other guidance published in the IRB. A taxpayer changing to an overall accrual method because it is prohibited from using the overall cash method under § 448 may use this section 15.01 regardless of whether the year of change is the first taxable year that the taxpayer is required by § 448 to change from the cash method ("the first § 448 year"), or is a taxable year other than the taxpayer's first § 448 year.

Additionally, a taxpayer qualifies to change its overall method of accounting from the cash method to an accrual method using this section 15.01 even if the taxpayer is also making one or more of the following changes in method of accounting for the same year of change:

(i) adopting the recurring item exception (as defined in section 15.01(2)(c) of this revenue procedure) for one or more types of recurring items (see § 1.461-5(d));

(ii) adopting or changing to a permissible inventory method of accounting and is either adopting this inventory method or qualifies to change to this inventory method using the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and a section of this revenue procedure, or the change can be made

automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38, 1990-1 C.B. 57 (regarding when a taxpayer may adopt a method of accounting));

(iii) adopting or changing to a permissible § 263A method of accounting and is either adopting this § 263A method or qualifies to change to this § 263A method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38 (regarding when a taxpayer may adopt a method of accounting)); or

(iv) adopting or changing to any other special method of accounting (as defined in section 15.01(2)(d) of this revenue procedure) and is either adopting this special method or qualifies to change to this special method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38 (regarding when a taxpayer may adopt a method of accounting));

Also, a taxpayer qualifies to use this section 15.01 when that taxpayer, in the taxable year immediately preceding the year of change, has used a permissible inventory method for that year, and, if that taxpayer was subject to § 263A for that year, has also used a permissible § 263A method for that year, and the method(s) continue to be used for the year of change.

Lastly, a taxpayer with an applicable financial statement (AFS) qualifies to use this section 15.01 for a taxable year beginning after December 31, 2017, to comply with § 451(b)(1)(A), and, if applicable, § 451(b)(4). However, a taxpayer that wants to make a

change for the recognition of income for federal income tax purposes to a method under the New Standards, as defined in section 16.11(1) of this revenue procedure, for allocating transaction price to performance obligations for the same year of change must use section 16.11 of this revenue procedure to make the change for purposes of complying with § 451(b)(4).

(b) Inapplicability. This change does not apply to:

(i) a taxpayer that is making a change from a hybrid method of accounting (as defined in section 15.01(2)(e) of this revenue procedure);

(ii) a taxpayer that is changing its method of accounting for one or more items of income or expense, but not its overall method of accounting. See section 15.09 of this revenue procedure for a description of accounting method changes from the cash method to an accrual method for specific items that are to be made using the automatic change procedures of Rev. Proc. 2015-13 and that section 15.09;

(iii) a taxpayer that is required by the Code, regulations, or other guidance published in the IRB to use a special method (for example, an inventory method, a § 263A method, or a long-term contract method) in the year of change and fails to adopt or change to that method;

(iv) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 457A(d)(3) that is attributable to services performed before January 1, 2009;

(v) a taxpayer that is engaged in two or more trades or businesses, unless that taxpayer makes this change for each trade or business so that the identical accrual method is used for each trade or business beginning with the year of change;

(vi) a taxpayer that is required by § 447 to change to an accrual method when the year of change is the first taxable year that taxpayer is required by § 447 to change to that method;

(vii) a cooperative organization described in §§ 501(c)(12), 521, or 1381;

(viii) an individual taxpayer, except for activities conducted as a sole proprietorship; or

(ix) a taxpayer with an AFS that wants to make a change for the recognition of income for federal income tax purposes to a method under the New Standards, as defined in section 16.11(1) of this revenue procedure, for allocating transaction price to performance obligations for the same year of change that it wants to change to an accrual method.

(2) Definitions.

(a) Cash method of accounting is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1). For purposes of this section 15.01, the cash method also includes the overall cash method with inventoriable items treated as either inventory or as non-incidental materials and supplies under § 1.162-3 as permitted by Rev. Proc. 2001-10, 2001-1 C.B. 272, as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, or Rev. Proc. 2002-28, 2002-1 C.B. 815, as modified by Rev. Proc. 2011-14.

(b) Accrual method of accounting is a method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(ii), 1.451-1(a), and 1.461-1(a)(2). For a taxable year beginning after December 31, 2017, a taxpayer with an AFS treats the all events test with respect

to an item of income, or portion of an item of income, as met no later than when the item, or portion of that item, is taken into account as revenue in its AFS.

(c) Recurring item exception is the method described in § 461(h)(3) and § 1.461-5.

(d) Special method of accounting within the meaning of this section 15.01 is a method of accounting, other than the cash method, expressly permitted or required by the Code, regulations, or in other guidance published in the IRB that deviates from the tax accrual accounting rules of §§ 446, 451 and 461 and the regulations thereunder. For example, the installment method of accounting under § 453, the mark-to-market method under § 475, a long-term contract method, and the deferral method of Rev. Proc. 2004-34, 2004-1 C.B. 991, as clarified and modified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, are special methods of accounting. In contrast, application of the all-events test under a specific set of facts is not a special method of accounting. See, for example, Rev. Rul. 69-314, 1969-1 C.B. 139 (concerning the treatment of retainages).

(e) Hybrid method of accounting is a combination of the cash and accrual methods under which one or more items of income or expense are reported on the cash method and one or more items of income or expense are reported on an accrual method. For purposes of this section 15.01, a hybrid method of accounting includes, for example, a taxpayer that uses an accrual method with respect to purchases and sales of inventories and uses the cash method in computing all other items of income and expense.

(3) Manner of making change.

(a) Section 481(a) adjustment.

(i) In general. A taxpayer changing its method of accounting under this section 15.01 must compute a § 481(a) adjustment. This adjustment must reflect the account receivables, account payables, inventory, and any other item determined to be necessary in order to prevent items from being duplicated or omitted. However, the adjustment does not include any item of income accrued but not received that was worthless or partially worthless (within the meaning of § 166(a)) on the last day of the year immediately prior to the year of change.

(ii) Temporary rule for certain S corporation revocations. The rules in this section 15.01(3)(a)(ii) apply to an eligible terminated S corporation, as defined in § 481(d)(2), that changes to an overall accrual method of accounting in the C corporation's first taxable year after its revocation of its election under § 1362(a), and such revocation occurs during the two-year period beginning on December 22, 2017.

(A) Required spread period. Pursuant to § 481(d)(1), an eligible terminated S corporation required to change to an overall accrual method as a result of a revocation of its S corporation election that changes its method of accounting under this section 15.01 in the C corporation's first taxable year after such revocation, takes into account the resulting positive or negative adjustment required by § 481(a)(2) ratably during the six-year period beginning with the year of change.

(B) Optional six-year spread period. An eligible terminated S corporation that is permitted to continue to use the overall cash method after the revocation of its S corporation election, and that changes to an overall accrual method under this section 15.01 in the C corporation's first taxable year after such revocation, may take into account the resulting positive or negative adjustment required by

§ 481(a)(2) ratably during the six-year period beginning with the year of change instead of using the adjustment periods provided in section 7.03(1) of Rev. Proc. 2015-13. An eligible terminated S corporation that wants to use this six-year spread period must indicate in the statement required by Line 26 of Form 3115 (Rev. December 2018) that it is making the change in method of accounting with the spread period permitted under this section 15.01(3)(a)(ii)(B) on its timely filed Form 3115.

(b) Certain eligibility rules inapplicable.

(i) Prior change eligibility rule inapplicable. Any prior change to the overall cash method that the taxpayer implemented using the provisions of Rev. Proc. 2001-10, as modified by Rev. Proc. 2011-14, or Rev. Proc. 2002-28, as modified by Rev. Proc. 2011-14, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

(ii) Certain eligibility rule temporarily inapplicable. For a taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A), and, if applicable, § 451(b)(4) under this section 15.01, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for the taxpayer's first, second, or third taxable year ending beginning after December 31, 2017.

(c) Adoption of recurring item exception. The taxpayer must attach to its Form 3115 a statement describing the types of liabilities for which the recurring item exception will be used.

(d) Concurrent automatic change to a special method.

(i) Generally only one Form 3115 required. Except as provided in section 15.01(3)(d)(ii) of this revenue procedure, a taxpayer that is changing from the

overall cash method to an overall accrual method under this section 15.01 and changing to a special method, as permitted under section 15.01(1)(a)(ii), (iii), or (iv) of this revenue procedure, must timely file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line of that Form 3115. For example, a taxpayer making both a change from the overall cash method to an overall accrual method under this section 15.01 and an automatic change to the deferral method for advance payments under Rev. Proc. 2004-34 (see section 16.07 of this revenue procedure) must timely file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(ii) Two Forms 3115 required when a concurrent change is being implemented under section 32.01 of this revenue procedure for short-term obligations. When a taxpayer subject to § 1281 is changing its method of accounting for interest income on short-term obligations as part of the change to an overall accrual method under this section 15.01, that taxpayer must request the change for the interest income under section 32.01 of this revenue procedure. The taxpayer must timely file individual Forms 3115 for each change requested. This section 15.01 will govern the change to an overall accrual method.

(e) Concurrent change in accounting method not permitted to be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB. A taxpayer that does not qualify to change from the

overall cash method to an overall accrual method under this section 15.01 because that taxpayer is concurrently changing to a method of accounting that may not be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB, must timely request both changes using the non-automatic change procedures in Rev. Proc. 2015-13. See Rev. Proc. 2019-1, 2019-1 I.R.B. 1 (or successor), for more information on whether one Form 3115 is required to implement the changes, and for information on the appropriate user fee.

(f) Concurrent automatic changes for a taxpayer with an AFS that complies with § 451(b). A taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A) under this section 15.01 that also wants to make a change under this section 15.01 to comply with § 451(b)(4) must file a single Form 3115. The taxpayer must separately state the § 481(a) adjustment for each change and may not net these § 481(a) adjustments. A taxpayer must make the change for § 451(b)(4) before making the change for § 451(b)(1)(A). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(g) Concurrent change in the timing of recognition of income due to the New Standards. A taxpayer that wants to make a change under this section 15.01 and a change under section 16.11 of this revenue procedure for the same year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change number for both changes on the appropriate line of Form 3115. A taxpayer that makes both changes is required to make the change under section 16.11 of this revenue procedure before making the change under this section 15.01.

(4) Change made in the first § 448 year.

(a) In general. If the year of change is the first § 448 year for a taxpayer and such taxpayer qualifies to make the change from the cash method under the provisions of §§ 1.448-1(g) and (h) as well as this section 15.01, the taxpayer may choose to make the change using this section 15.01. However, the taxpayer must still comply with the requirements and provisions of §§ 1.448-1(g) and (h) in addition to the requirements and provisions of this section 15.01. For example, if the taxpayer is a hospital, defined in § 1.448-1(g)(2)(ii)(B), and the taxpayer chooses to make its change from the cash method for the first § 448 year using this section 15.01, the applicable § 481(a) adjustment period is provided by § 1.448-1(g)(2)(ii). If a taxpayer chooses not to implement its change from the cash method using this section 15.01, the taxpayer must make the change under the provisions of §§ 1.448-1(g) and (h).

(b) Certain eligibility rules inapplicable.

(i) Prior change eligibility rule inapplicable. For a taxpayer making a change from the cash method in the first § 448 year, any prior change to the overall cash method is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

(ii) Certain eligibility rule temporarily inapplicable. For a taxpayer with an AFS that changes to an overall accrual method that complies with § 451(b)(1)(A), and, if applicable, § 451(b)(4) under this section, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to this change for the taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(5) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 15.01 is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting

under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4). This section 15.01(5) does not apply to a taxpayer with an AFS that is making a change to comply with the proposed regulations under § 1.451-3.

(6) Designated automatic accounting method change number.

(a) Change made in the first § 448 year. The designated automatic accounting method change number for a change from the cash method in the first § 448 year is "123." Entering designated automatic accounting method change number "123" on the appropriate line on the Form 3115 fulfills the requirement of § 1.448-1(h)(2)(i) to type or print "Automatic Change to Accrual Method – Section 448" at the top of page 1 of the Form 3115.

(b) All other changes from the cash method to an overall accrual method. The designated automatic accounting method change number for all other changes from the cash method under this section 15.01 is "122."

(7) Contact information. For further information regarding a change under this section, contact Evan Hewitt at (202) 317-7007 (not a toll-free call).

.02 Multi-year insurance policies for multi-year service warranty contracts.

(1) Description of change.

(a) Applicability. This change applies to a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that wants to change its method of accounting for insurance costs paid or incurred to insure its risks under multi-year service warranty contracts to the method described in section 15.02(2) of this

revenue procedure. Multi-year service warranty contracts to which this change applies include only those separately priced contracts sold by a manufacturer, wholesaler, or retailer also selling the motor vehicles or other durable consumer goods underlying the contracts (to the ultimate customer or to an intermediary). The classification of goods as "durable consumer goods" for purposes of this change depends on the common usage of the goods, rather than the purchaser's actual intended use of the goods.

(b) Inapplicability. This change does not apply to a taxpayer that covers its risks under its multi-year service warranty contracts through arrangements not constituting insurance.

(2) Description of method. If a taxpayer purchases a multi-year service warranty insurance policy (in connection with its sale of multi-year service warranty contracts to customers) by paying a lump-sum premium in advance, the taxpayer must capitalize the amount paid or incurred and may only obtain deductions for that amount by prorating (or amortizing) it over the life of the insurance policy (whether the cash method or an accrual method of accounting is used to account for service warranty transactions).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.02 is "31."

(4) Contact information. For further information regarding a change under this section, contact Adam Kobler at (202) 317-7011 (not a toll-free call).

.03 Taxpayers changing to overall cash method.

(1) Description of change.

(a) Applicability. This change applies to either:

(i) a “qualifying taxpayer” that qualifies to make the change to the overall cash receipts and disbursements (cash) method under Rev. Proc. 2001-10, 2001-1 C.B. 272, (other than a taxpayer described in § 448(a)(3) or a bank described in section 14.12(2)(a) of this revenue procedure) with “average annual gross receipts” (as defined in section 5.01 of Rev. Proc. 2001-10) of $1,000,000 or less that wants to change to the overall cash method of accounting as provided in Rev. Proc. 2001-10, as modified by Announcement 2004-16, 2004-1 C.B. 668 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011-14, 2011-4 I.R.B. 330 (removing § 6.02(1)(a) of Rev. Proc. 2001-10); or

(ii) a “qualifying small business taxpayer” that qualifies to make a change to the overall cash receipts and disbursements (cash) method under Rev. Proc. 2002-28, 2002-1 C.B. 815, (other than a taxpayer prohibited from using the cash method under § 448 or a bank described in section 15.12(2)(a) of this revenue procedure) with “average annual gross receipts” (as defined in section 5.02 of Rev. Proc. 2002-28) of $10,000,000 or less that wants to change the overall method of accounting for an “eligible trade or business” (as defined in section 4.01 of Rev. Proc. 2002-28) to the overall cash method of accounting as provided in Rev. Proc. 2002-28, as modified by Announcement 2004-16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011-14 (removing § 7.02(1)(a) of Rev. Proc. 2002-28).

(b) Inapplicability. This change does not apply for any taxable year beginning after December 31, 2017. See, however, section 15.18 of this revenue procedure for making a change in method of accounting to the overall cash method for taxable years beginning after December 31, 2017.

(2) Manner of making change. See either Rev. Proc. 2001-10 or Rev. Proc. 2002-28 for additional guidance on the computation of the § 481(a) adjustment and the completion of the Form 3115.

(3) Concurrent automatic change to treat inventoriable items as nonincidental materials and supplies under Rev. Proc. 2001-10 or Rev. Proc. 2002-28. A taxpayer making both a change to the overall cash method under this section 15.03 and a change to treat inventoriable items as materials and supplies that are not incidental pursuant to § 1.162-3 under section 22.03 of this revenue procedure for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Banks changing to overall cash/hybrid method. This change does not apply to a bank described in section 15.12(2)(a) of this revenue procedure. However, such a bank may be eligible to change to the overall cash/hybrid method under section 15.12 of this revenue procedure if it meets the requirements of that section.

(5) Farming businesses changing to overall cash method. A farming business may be eligible to make this change under section 15.03(1)(a) of this revenue procedure. However, a farming business is not eligible to make this change under section 15.03(1)(b) of this revenue procedure. A farming business that is not eligible under this section 15.03 may still be eligible to change to the overall cash method under section 15.13 of this revenue procedure if it meets the requirements of that section.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section

15.03(1)(a) of this revenue procedure is "32." The designated automatic accounting method change number for a change under section 15.03(1)(b) of this revenue procedure is "33."

(7) Contact information. For further information regarding a change under this section, contact Evan Hewitt at (202) 317-7007 (not a toll-free call).

.04 Nonaccrual-experience method.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make one or more of the changes in method of accounting to, from, or within a nonaccrual-experience (NAE) method of accounting that are described in sections 3.01(1) through (5) of Rev. Proc. 2006-56, 2006-2 C.B. 1169, as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, and as modified and amplified by Rev. Proc. 2011-46, 2011-42 I.R.B. 518.

(b) Inapplicability. This change does not apply to a taxpayer within the scope of sections 3.01(6) through 3.01(8) of Rev. Proc. 2006-56, as modified and amplified by Rev. Proc. 2011-46.

(2) Manner of making the change.

(a) Changes made with a § 481(a) adjustment. A change in method of accounting described in section 3.01(1), (2), (3), or (5) of Rev. Proc. 2006-56, as modified and amplified by Rev. Proc. 2011-46, is made with a § 481(a) adjustment.

(b) Changes made on a cut-off basis.

(i) In general. A change described in section 3.01(4) of Rev. Proc. 2006-56 is made on a cut-off basis and the new applicable period applies only to the taxpayer's NAE calculation of its uncollectible amount for the year of change and for subsequent years. Moreover, a change described in sections 5.02 and 5.03 of Rev.

Proc. 2011-46 is made on a cut-off basis and the proposed method applies only to accounts receivable earned on or after the first day of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required for a change described in section 3.01(4) of Rev. Proc. 2006-56 or in section 5.02 or 5.03 of Rev. Proc. 2011-46.

(ii) Special filing rules for changes made under section 5.02 and 5.03 of Rev. Proc. 2011-46, as modified by this revenue procedure.

(A) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a change in method of accounting made under section 5.02 or 5.03 of Rev. Proc. 2011-46, as modified by this revenue procedure.

(B) Filing rules. In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, the statement in lieu of a Form 3115 that is permitted under section 5.02 or 5.03 of Rev. Proc. 2011-46 and this section 15.04 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. See section 5.02 or 5.03 of Rev. Proc. 2011-46, as applicable, for what information is required to be provided on the statement.

(3) Concurrent change to overall accrual method and a NAE method of accounting. A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and an automatic change to an overall accrual method under section 15.01 of this revenue procedure (whether or not it is the taxpayer's first § 448 year), must file a single Form 3115 for both changes. The

taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to a NAE method, and must enter the automatic accounting method change numbers for both changes on Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and a required change to an overall accrual method under § 448 (the taxpayer's first § 448 year), and is either not eligible to make the change to an overall accrual method under section 15.01 of this revenue procedure or chooses to make the change to an overall accrual method using the procedures of § 1.448-1(h)(2), must make both changes (change to, from, or within a NAE method and change to an overall accrual method) on a single Form 3115. The taxpayer must follow the automatic change procedures of Rev. Proc. 2015-13 and this section 15.04 for the NAE change, and the procedures of § 1.448-1(h)(2) for the change to an overall accrual method (except that entering the designated automatic accounting method change number "34" on the Form 3115 fulfills the requirement of § 1.448-1(h)(2) to type or print "Automatic Change to Accrual – Section 448" at the top of page 1 of the Form 3115). The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to the NAE method and must enter the designated automatic accounting method change numbers for both changes on Form 3115.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to, from, or within a NAE method of accounting under this section 15.04 is "35."

(5) Contact information. For further information regarding a change under this section, contact Roy Hirschhorn at (202) 317-7007 (not a toll-free call).

.05 Interest accruals on short-term consumer loans—Rule of 78's method.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting from the Rule of 78's method to the constant yield method for stated interest (including stated interest that is original issue discount) on short-term consumer loans described in Rev. Proc. 83-40, 1983-1 C.B. 774, which was obsoleted by Rev. Proc. 97-37, 1997-2 C.B. 455.

(2) Background.

(a) A short-term consumer loan is described in Rev. Proc. 83-40, provided:

(i) the loan is a self-amortizing loan that requires level payments, at regular intervals at least annually, over a period not in excess of five years (with no balloon payment at the end of the loan term); and

(ii) the loan agreement between the borrower and the lender provides that interest is earned, or upon the prepayment of the loan interest is treated as earned, in accordance with the Rule of 78's method.

(b) In general, the Rule of 78's method allocates interest over the term of a loan based, in part, on the sum of the periods' digits for the term of the loan. See Rev. Rul. 83-84, 1983-1 C.B. 97, for a description of the Rule of 78's method.

(c) In general, the constant yield method allocates interest and original issue discount over the term of a loan based on a constant yield. See § 1.1272-1(b) for a description of the constant yield method. The Rule of 78's method generally front-loads interest as compared to the constant yield method.

(d) Rev. Proc. 83-40 was obsoleted because, under §§ 1.446-2 and 1.1272-1 (which were effective for debt instruments issued on or after April 4, 1994), taxpayers generally must account for stated interest and original issue discount on a debt instrument (loan) by using a constant yield method. As a result, the Rule of 78's method is no longer an acceptable method of accounting for federal income tax purposes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.05 is "71."

(4) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

.06 Film producer's treatment of certain creative property costs.

(1) Description of change. This change applies to a taxpayer that wants to change the method of accounting for creative property costs to the safe harbor method provided by section 5 of Rev. Proc. 2004-36, 2004-1 C.B. 1063. This safe harbor method of accounting applies to a taxpayer engaged in the trade of business of film production and to creative property costs (as defined in section 2.01 of Rev. Proc. 2004-36) properly written off by the taxpayer under The American Institute of Certified Public Accountants Statement of Position (SOP) 00-2, "Accounting for Producers or Distributors of Film."

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.06 is "85."

(3) Contact information. For further information regarding a change under this section, contact Bernard Harvey at (202) 317-7005 (not a toll-free call).

.07 Deduction of incentive payments to health care providers.

(1) Description of change. This change applies to a taxpayer that wants to change to the method of accounting for provider incentive payments under which those payments are included in discounted unpaid losses without regard to § 404, as provided in Rev. Proc. 2004-41, 2004-2 C.B. 90. A payment by a taxpayer to a health care provider is a "provider incentive payment," and thus eligible for this treatment, if (a) the taxpayer is taxable as an insurance company under Part II of subchapter L; (b) the payment is made pursuant to a written agreement the purpose of which is to encourage participating health care providers to provide quality health care to the taxpayer's subscribers in a cost-efficient manner; (c) the taxpayer's liability for the payment is dependent on the attainment of one or more preestablished goals during a performance period consisting of not more than 12 consecutive months; (d) the terms of the arrangement pursuant to which the payment is made are established unilaterally by the taxpayer, and are not negotiated with the health care providers; (e) the taxpayer normally makes payments to health care providers under the arrangement within 12 months after the close of the performance period; (f) deferring the receipt of income by the health care provider or otherwise providing a tax benefit to the provider is not a principal purpose of the arrangement; (g) the taxpayer records a liability for the payment on its annual statement filed for state regulatory purposes, and includes this liability in the determination of discounted unpaid losses under § 846; and (h) the health care provider is not an employee, and is not providing health care as an agent, of the taxpayer. See Rev. Proc. 2004-41.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.07 is “90.”

(3) Contact information. For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.08 Change by bank for uncollected interest.

(1) Description of change. This change applies to a “bank” as defined in § 1.166-2(d)(4)(i) that: (a) uses an overall accrual method of accounting to determine its taxable income for federal income tax purposes; (b) is subject to supervision by Federal authorities, or by state authorities maintaining substantially equivalent standards; (c) has uncollected interest other than interest described in § 1.446-2(a)(2); and (d) has six or more years of collection experience. Under the safe harbor method of accounting provided by section 4 of Rev. Proc. 2007-33, 2007-1 C.B. 1289, a bank determines for each taxable year the amount of uncollected interest (other than interest described in § 1.446-2(a)(2)) for which it is considered to have a reasonable expectancy of payment by multiplying: (a) the total accrued (determined under § 1.446-2) but uncollected interest for the year, by (b) the bank’s “recovery percentage” (determined under section 4.02 of Rev. Proc. 2007-33) for that year. Solely for purposes of this safe harbor, the bank is not considered to have a reasonable expectancy of payment for the excess, if any, of the accrued but uncollected interest over the expected collection amount determined using the bank’s recovery percentage. The bank includes in gross income the portion of accrued but uncollected interest for which it has a reasonable expectancy of payment. The bank excludes from income the portion of accrued but uncollected interest for which it has no reasonable expectancy of payment.

(2) Recovery percentage. Subject to the limitations and conditions in Rev. Proc. 2007-33, sections 4.02(2), (3), and (4), a bank determines its recovery percentage for each taxable year by dividing: (a) total payments that the bank received on loans (including principal and interest) during the 5 taxable years immediately preceding the taxable year, by (b) total amounts that were due and payable to the bank on loans during the same 5 taxable years. The recovery percentage cannot exceed 100 percent and must be calculated to at least four decimal places. The data used in the recovery percentage must take into account acquisitions and dispositions. If a bank acquires the major portion of a trade or business of another person (predecessor) or the major portion of a separate unit of a trade or business of a predecessor, then in applying Rev. Proc. 2007-33 for any taxable year ending on or after the acquisition, the data from preceding taxable years of the predecessor attributable to the portion of the trade or business acquired, if available, must be used in determining the bank's recovery percentage. If a bank disposes of a major portion of a trade or business or the major portion of a separate unit of a trade or business, and the bank furnished the acquiring person the information necessary for the computations required by Rev. Proc. 2007-33, then in applying the revenue procedure for any taxable year ending on or after the disposition, the data from preceding taxable years attributable to the disposed portion of the trade or business may not be used in determining the bank's recovery percentage.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.08 is "108."

(4) Contact information. For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945 (not a toll-free call).

.09 Change from the cash method to an accrual method for specific items.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that uses an overall accrual method of accounting but has identified a specific item or items of income or expense (or both) that are being accounted for on the cash method of accounting. This change does not apply to a taxpayer that is changing its overall method of accounting from cash to accrual. Such a taxpayer may be eligible to change to an overall accrual method using section 15.01 of this revenue procedure.

(b) Inapplicability. This change does not apply to:

(i) a taxpayer that will not have all items of income and expense on an accrual method subsequent to the change under this section 15.09;

(ii) a cooperative organization described in § 501(c)(12), 521, or 1381;

(iii) an individual taxpayer, except for activities conducted as a sole proprietorship;

(iv) a taxpayer engaged in two or more trades or businesses, unless the taxpayer makes this change so that the identical accrual method is used for each such trade or business beginning with the year of change;

(v) a change in method of accounting for any payment liability described in § 1.461-4(g);

(vi) a change in the method of accounting for interest that is not taken into account under § 1.446-2;

(vii) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 457A(d)(3) that is attributable to services performed before January 1, 2009; and

(viii) any change that is specifically provided in another section of this revenue procedure.

(2) Definitions.

(a) "Cash method of accounting" is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(b) "Accrual method of accounting" is the method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(ii), 1.451-1(a), and 1.461-1(a)(2).

(3) Additional requirements. To change a method of accounting under this section 15.09, a taxpayer must attach to its completed Form 3115 a full and complete description of each specific item for which the change in method of accounting is being made and how the accrual method of accounting applies to each item, and list the § 481(a) adjustment, if any, for each item associated with the change. The change is fully and completely described if each income and expense item is described with specificity and how the all-events test (and the economic performance requirement, if applicable) applies to each item is described under the facts and circumstances of the taxpayer's trade or business. For example, a taxpayer that merely states that it is changing its accounting method for advertising expenses from the cash method to an accrual method, recites the regulations under § 1.461-1(a)(2), and enters the associated § 481(a) adjustment has failed to describe fully and completely the specific item for which the change in method of accounting is being made. In contrast, a taxpayer that states that it is changing its method of accounting for print advertising expenses from

the cash method of accounting to an accrual method of accounting, describes all of the relevant facts related to the print advertising expenses, and explains how the all-events test applies to those facts and when economic performance occurs has fully and completely described the item and the change. See section 6.03 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for additional filing requirements.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.09 is "124."

(5) Contact information. For further information regarding a change under this section, contact Douglas Kim at (202) 317-7003 (not a toll-free call).

.10 Multi-year service warranty contracts.

(1) Description of change.

(a) Applicability. This change applies to a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that uses an overall accrual method of accounting, and wants to change to the service warranty income method described in section 5 of Rev. Proc. 97-38, 1997-2 C.B. 479. Under the service warranty income method, a qualifying taxpayer may, in certain specified and limited circumstances, include a portion of an advance payment related to the sale of a multi-year service warranty contract in gross income generally over the life of the service warranty obligation.

(b) Inapplicability. This change does not apply to a taxpayer not within the scope of Rev. Proc. 97-38.

(2) Manner of making change and designated automatic accounting method change number.

(a) This change is made on a cut-off basis and applies only to qualified advance payments for multi-year service warranty contracts on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and pursuant to section 6.02(2) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, a short Form 3115 is authorized for this change. The short Form must include the following information:

(i) the identification section of page 1 (above Part I);

(ii) the signature section at the bottom of page 1;

(iii) Part I, line 1(a); and

(iv) the information required under section 6.03 of Rev. Proc. 97-38, except that the statement under section 6.03(2) (that the taxpayer agrees to all of the terms and conditions of the revenue procedure) also should refer to Rev. Proc. 2015-13.

(3) Additional requirement. A taxpayer changing to the service warranty income method of accounting under this section 15.10 must satisfy the annual reporting requirement set forth in section 6.04 of Rev. Proc. 97-38.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.10 is “125.”

(5) Contact information. For further information regarding a change under this section, contact David Christensen at (202) 317-7011 (not a toll-free call).

.11 Overall cash method for specified transportation industry taxpayers.

(1) Description of change. This change applies to a "specified transportation industry taxpayer" with "average annual gross receipts" of more than $10,000,000 and not in excess of $50,000,000 that wants to change to the overall cash receipts and disbursement (cash) method.

(2) Definitions. For purposes of this section 15.11 the following definitions apply:

(a) Specified transportation industry taxpayer. A specified transportation industry taxpayer is a taxpayer that satisfies the following criteria for the year of change:

(i) The taxpayer reasonably identifies its "business" (as defined in section 15.11(2)(b) below) as being described in one of the following NAICS subsector codes (first three digits of the six-digit NAICS codes):

(A) Air Transportation, Rail Transportation, Water Transportation, Truck Transportation, Transit and Ground Passenger Transportation, or Scenic and Sightseeing Transportation, within the meaning of NAICS subsector codes 481-485 and 487; or

(B) Support Activities for Transportation within the meaning of NAICS subsector code 488.

(ii) The taxpayer is not prohibited from using the overall cash method under § 448.

(b) Business. A taxpayer may use any reasonable method of applying the relevant facts and circumstances to determine its business. A business may consist of several activities, which may or may not be related. For example, a taxpayer engaged in transportation activities may provide various services such as transporting air cargo and then subsequently trucking the cargo throughout a metropolitan area to

warehouses and wholesale/retail stores. However, each activity within a taxpayer's business must individually satisfy the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. For example, a sightseeing bus operator that sells box lunches in connection with its tours is not a "specified transportation industry taxpayer" because one of the two activities of its business (food sales) does not satisfy the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. While the sightseeing transportation activity satisfies the description of the NAICS subsector code in section 15.11(2)(a)(i)(A) of this revenue procedure, the food sales activity does not satisfy the description of any NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure, and thus, the taxpayer's business fails to meet the criteria of section 15.11(2)(a)(i). Similarly, a train operator who operates a dining car where meals are served is not a "specified transportation industry taxpayer" because one of the two activities of its business (food service) does not satisfy the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. While the rail transportation activity satisfies the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) of this revenue procedure, the food service activity does not satisfy the description of any NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure, and thus, the taxpayer's business fails to meet the criteria of section 15.11(2)(a)(i).

(c) Average annual gross receipts. A taxpayer has average annual gross receipts of more than $10,000,000 and not in excess of $50,000,000 if, for each prior taxable year ending on or after December 31, 2006, the taxpayer's average annual gross receipts for the three prior taxable-year period ending with the applicable prior taxable year are more than $10,000,000 and do not exceed $50,000,000. If a taxpayer

has not been in existence for three prior taxable years, the taxpayer must determine its average annual gross receipts for the number of years (including short taxable years) that the taxpayer has been in existence. See § 448(c)(3)(A).

(d) Gross receipts. Gross receipts is defined consistent with § 1.448-1T(f)(2)(iv). Thus, gross receipts for a taxable year equal all receipts that must be recognized under the method of accounting actually used by the taxpayer for that taxable year for federal income tax purposes. See also § 448(c)(3)(C).

(e) Aggregation of gross receipts. For purposes of computing gross receipts under section 15.11(2)(d) of this revenue procedure, all taxpayers treated as a single employer under § 52(a) or (b) or § 414(m) or (o) (or that would be treated as a single employer under these sections if the taxpayers had employees) will be treated as a single taxpayer. However, when transactions occur between taxpayers that are treated as a single taxpayer by the previous sentence, gross receipts arising from these transactions will not be treated as gross receipts for purposes of the average annual gross receipts limitation. See § 448(c)(2) and § 1.448-1T(f)(2)(ii).

(f) Treatment of short taxable year. In the case of a short taxable year, a taxpayer's gross receipts must be annualized by multiplying the gross receipts for the short taxable year by 12 and then dividing the result by the number of months in the short taxable year. See § 448(c)(3)(B) and § 1.448-1T(f)(2)(iii).

(g) Treatment of predecessors. Any reference to a taxpayer in this section 15.11 includes a reference to any predecessor of that taxpayer. See § 448(c)(3)(D).

(h) Cash method. The "cash method" is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.11 is "126."

(4) Example. Taxpayer X is an LLC and taxed for federal income tax purposes as a partnership. Taxpayer X does not have any C corporations as partners and Taxpayer X is not a tax shelter within the meaning of § 448(d)(3). Taxpayer X's business consists of short-haul trucking among various cities within State Y, which satisfies the description of the NAICS subsector code 484. Taxpayer X determines that its 3-year average annual gross receipts for each prior taxable year ending on or after December 31, 2006, have been more than $10,000,000 and not in excess of $50,000,000. Taxpayer X qualifies to change to the overall cash method using this section 15.11.

(5) Contact information. For further information regarding a change under this section, contact Evan Hewitt at (202) 317-7007 (not a toll-free call).

.12 Change to overall cash/hybrid method for certain banks.

(1) Description of change.

(a) Applicability. This change applies to a bank described in section 15.12(2)(a) of this revenue procedure that wants to change to an overall cash/hybrid method described in section 15.12(2)(b) of this revenue procedure.

(b) Inapplicability. A bank's change to an overall cash/hybrid method under this section 15.12 does not include any change in the accounting treatment of an item for which the bank uses a special method (as described in section 15.12(2)(b) of this revenue procedure) before the change, or is required to use a special method, or will use a special method after the change. A bank may not change the accounting treatment of such an item under this section 15.12. Any change in the accounting treatment of such an item must be made under an applicable section of this revenue procedure, under the non-automatic change procedures of Rev. Proc. 2015-13, 2015-5

I.R.B. 419, or under another guidance published in the Internal Revenue Bulletin, as appropriate.

(2) Definitions. The following definitions apply for purposes of this section 15.12.

(a) Bank. A bank is described in this section 15.12(2)(a) if the bank:

(i) is a bank as defined in § 581;

(ii) is an S corporation as defined in § 1361(a)(1), or a qualified subchapter S subsidiary as defined in § 1361(b)(3)(B); and

(iii) has average annual gross receipts (computed as described in section 15.12(5) of this revenue procedure) not in excess of $50,000,000.

(b) Overall cash/hybrid method. An overall cash/hybrid method is the use of a combination of accounting methods under which some items of income or expense are reported on the cash receipts and disbursements method (cash method) and other items of income or expense are reported on methods permitted or required for the accounting treatment of special items (special methods).

(i) Cash method. The cash method is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(ii) Special methods. A few of the special methods typically used by banks include those provided for the accounting treatment of the following items: securities held by a dealer in securities as defined in § 475(c)(1) (the mark-to-market method of § 475); securities held by a dealer in securities as defined in § 1.471-5 (inventories maintained under § 471 and § 1.446-1(c)(2)(i)); hedging transactions (§ 1.446-4); contracts to which § 1256 applies (§ 1256); original issue discount on debt instruments (§§ 163(e) and 1271-1275); interest income (including acquisition discount

and original issue discount) on short-term obligations (§§ 1281-1283); and stripped debt instruments (§ 1286). For example, a bank that regularly purchases or originates mortgages in the ordinary course of its business and engages in more than negligible sales of those mortgages generally is a dealer in securities under § 475(c)(1) and § 1.475(c)-1(c) and thus must use the mark-to-market method of § 475 for mortgages and any other securities (as defined in § 475(c)(2)) held by the bank.

(3) Additional condition of change. To change to an overall cash/hybrid method under this section 15.12, a bank must comply with the following additional condition. In addition to complying with the terms and conditions set forth in section 7 of Rev. Proc. 2015-13, the bank must keep its books and records for the year of change and for subsequent taxable years on an overall cash/hybrid method allowed by this section 15.12. This condition is considered satisfied if the bank reconciles the results obtained under the method used in keeping its books and records and those obtained under the method used for federal income tax purposes pursuant to this section 15.12 and the bank maintains sufficient records to support such reconciliation. See also § 1.446-1(a)(4).

(4) Additional filing requirement. To change to an overall cash/hybrid method under this section 15.12, a bank must include with its completed Form 3115 a description of each specific item of the bank's income or expense that is affected by the change under this section 15.12 and, for each such item, identify the following: the method of accounting under which the bank reports that item for federal income tax purposes immediately before the change; and the amount of the § 481(a) adjustment associated with changing that item to the cash method under this section 15.12.

(5) Computation of average annual gross receipts. For purposes of section 15.12(2)(a)(iii) of this revenue procedure, a bank's average annual gross receipts are computed as described in this section 15.12(5).

(a) Average annual gross receipts. A bank has average annual gross receipts not in excess of $50,000,000 if, for each prior taxable year ending on or after December 31, 2006, the bank's average annual gross receipts for the three prior taxable-year period ending with the applicable prior taxable year do not exceed $50,000,000. If a bank has not been in existence for three prior taxable years, the bank must determine its average annual gross receipts for the number of years (including short taxable years) that the bank has been in existence. See § 448(c)(3)(A).

(b) Gross receipts. Gross receipts is defined consistent with § 1.448-1T(f)(2)(iv). Thus, gross receipts for a taxable year equal all receipts that must be recognized under the method of accounting actually used by the bank for that taxable year for federal income tax purposes. See also § 448(c)(3)(C).

(c) Aggregation of gross receipts. For purposes of computing gross receipts under section 15.12(5)(b) of this revenue procedure, all taxpayers treated as a single employer under § 52(a) or (b) or § 414(m) or (o) (or that would be treated as a single employer under these sections if the taxpayers had employees) will be treated as a single taxpayer (that is, a single bank). However, when transactions occur between taxpayers that are treated as a single taxpayer by the previous sentence, gross receipts arising from these transactions will not be treated as gross receipts for purposes of the average annual gross receipts limitation. See § 448(c)(2) and § 1.448-1T(f)(2)(ii).

(d) Treatment of short taxable year. In the case of a short taxable year, a bank's gross receipts must be annualized by multiplying the gross receipts for the

short taxable year by 12 and then dividing the result by the number of months in the short taxable year. See § 448(c)(3)(B) and § 1.448-1T(f)(2)(iii).

(e) Treatment of predecessors. Any reference to a bank or taxpayer in section 15.12(5) of this revenue procedure includes a reference to any predecessor of that bank or taxpayer. See § 448(c)(3)(D).

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.12 is "127."

(7) Contact information. For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945 (not a toll-free call).

.13 Change to overall cash method for farmers.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer engaged in the trade or business of farming that wants to change to the overall cash receipts and disbursement (cash) method. If a taxpayer is engaged in more than one trade or business, this change applies only to the taxpayer's trade or business of farming.

(b) Inapplicability. This change does not apply to a taxpayer that is required to use an accrual method pursuant to § 447, or prohibited from using the cash method by § 448.

(2) Definitions.

(a) Cash method of accounting is the method defined by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1). See also §§ 1.61-4 and 1.162-12 for specific rules relating to farmers.

(b) The trade or business of farming is a farming business as defined by § 263A(e)(4) and the regulations thereunder.

(3) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(4) Manner of making change. Generally, a taxpayer changing its method of accounting under this section 15.13 must compute a § 481(a) adjustment. However, if the taxpayer is changing from the crop method, that portion of the change is made using a cut-off basis under which expenses reported on the crop method and not deducted prior to the year of change are deducted in the year the related crop is sold.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.13 is "128."

(6) Contact information. For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.14 Nonshareholder contributions to capital under § 118.

(1) Description of change.

(a) Water and sewerage disposal utilities under § 118(c) (as in effect on the day before the date of enactment of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017) ("former § 118(c)")).

(i) This change applies to a regulated public utility described in former § 118(c) that wants to change its method of accounting for payments received from customers as customer connection fees, which are not contributions to the capital

of the regulated public utility within the meaning of former § 118(c), from excluding the payments from gross income as nontaxable contributions to capital under § 118 to including the payments in gross income under § 61. See Rev. Rul. 2008-30, 2008-1 C.B. 1156.

(ii) This change applies to a regulated public utility described in former § 118(c) that wants to change its method of accounting for payments or property received that are contributions in aid of construction under former § 118(c) and § 1.118-2 and that meet the requirements of former § 118(c)(1)(B) and (c)(1)(C) from including the payments or the fair market value of the property in gross income under § 61 to excluding the payments or the fair market value of the property from income as nontaxable contributions to capital under § 118(a).

(b) Other payments or property received. This change applies to a taxpayer that wants to change its method of accounting for payments or property received (other than the payments received by a public utility described in former § 118(c) that are addressed in section 15.14(1)(a)(i) of this revenue procedure) that do not constitute contributions to the capital of the taxpayer within the meaning of § 118 and the regulations thereunder, from excluding the payments or the fair market value of the property from gross income as nontaxable contributions to capital under § 118 to including the payments or the fair market value of the property in gross income under § 61.

(2) Inapplicability. The change described in section 15.14(1)(a)(ii) of this revenue procedure does not apply to contributions made after December 22, 2017, the date of enactment of Public Law 115-97.

(3) Additional requirement. A taxpayer that is making a change described in section 15.14(1)(a)(i) or (1)(b) of this revenue procedure must complete Schedule E of Form 3115 for the depreciable property to which the change relates (as well as all other relevant portions of the Form 3115).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.14 is "129."

(5) Contact information. For further information regarding a change under this section, contact David H. McDonnell at (202) 317-4137 (not a toll-free call).

.15 Debt issuance costs.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for capitalized debt issuance costs to comply with § 1.446-5, which provides rules for allocating the costs over the term of the debt. This change also applies to a taxpayer that wants to change its method of accounting for capitalized debt issuance costs from one permissible method to another permissible method under the last sentence in § 1.446-5(b)(2) if the total original issue discount determined for purposes of § 1.446-5 is de minimis.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.15 is "148."

(3) Contact information. For further information regarding a change under this section, contact Charles W. Culmer at (202) 317-6945 (not a toll-free call).

.16 Transfers of interties under the safe harbor described in Notice 2016-36 (§ 118).

(1) Description of change.

(a) Safe harbor applicable. This change, as described in Notice 2016-36, 2016-25 I.R.B. 1029, applies to a utility that wants to change to the safe harbor method of accounting provided in section III.C of Notice 2016-36 for the treatment under § 118 of a transfer of an intertie, including a dual-use intertie, by a generator to a utility. Under this safe harbor method of accounting, such a transfer will not be treated as gross income under § 118(a) or a contribution in aid of construction (CIAC) under § 118(b) if all of the conditions specified in section III.C of Notice 2016-36 are met.

(b) Safe harbor terminates. This change, as described in Notice 2016-36, applies to a utility that is using the safe harbor method of accounting provided in section III.C of Notice 2016-36 and is required to terminate that safe harbor method of accounting because of the occurrence of an event specified in section IV of Notice 2016-36. The occurrence of such event will require the utility to recognize income as a consequence of the transfer of an intertie, including a dual-use intertie, to the utility by a generator.

(2) Definitions. For purposes of this section 15.16, the terms "utility," "intertie," "dual-use intertie," and "generator" are defined in section III.B of Notice 2016-36.

(3) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to a utility making a change under this section 15.16.

(4) Manner of making change.

(a) The change in method of accounting under section 15.16(1)(a) of this revenue procedure is made with a § 481 (a) adjustment.

(b) The change in method of accounting under section 15.16(1)(b) of this revenue procedure is made using a cut-off method and applies to a transfer of an intertie, including a dual-use intertie, by a generator to a utility made on or after the beginning of the taxable year in which the safe harbor method of accounting terminates.

(5) Concurrent automatic change. A utility making a change under this section 15.16 for more than one transfer of an intertie, including a dual-use intertie, for the same year of change should file a single Form 3115 for all such transfers. The single Form 3115 must provide a single net § 481(a) adjustment for all changes under section 15.16(1)(a) of this revenue procedure.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the methods of accounting under this section 15.16 is "226."

(7) Contact information. For further information regarding a change under this section, contact Barbara Campbell at (202) 317-4137 (not a toll-free call).

.17 Change to or from the net asset value (NAV) method.

(1) Description of change. This change, as described in Rev. Proc. 2016-39, 2016-30 I.R.B. 164, applies to a taxpayer that holds shares in a money market fund (MMF) as defined in § 1.446-7(b)(4) (giving effect to § 1.446-7(c)(5), under which MMF holdings in different accounts are treated as different MMFs) and that wants to change its method of accounting for gain or loss on the shares from a realization method to the NAV method described in § 1.446-7 or from the NAV method to a realization method.

(2) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(c), (d), and (f) of Rev. Proc. 2015-13 do not apply to this change.

(3) Definitions.

(a) "Rule 2a-7" means Rule 2a-7 (17 CFR 270.2a-7) under the Investment Company Act of 1940.

(b) "Floating-NAV MMF" means an MMF that is required to value its assets using market factors and to round its price per share to the nearest basis point (the fourth decimal place, in the case of a fund with a $1.0000 share price) under Rule 2a-7.

(c) "Stable-NAV MMF" means an MMF that is not a floating-NAV MMF.

(4) Manner of making change.

(a) A change to or from the NAV method is made on a cut-off basis. See § 1.446-7(c)(8). Accordingly, a § 481(a) adjustment is neither permitted nor required. A taxpayer making a change to or from the NAV method for shares in an MMF applies the new method only to the computation of gain or loss on the shares beginning with the year of change. Under § 1.446-7(b)(7)(ii), a taxpayer changing to the NAV method takes a starting basis (as defined in § 1.446-7(b)(7)) in those shares for the year of change equal to the aggregate adjusted basis of the taxpayer's shares in the MMF at the end of the immediately preceding taxable year. A taxpayer changing from the NAV method to a realization method for shares in an MMF must adjust the basis in the shares beginning on the first day of the year of change to account for gain or loss previously recognized under the NAV method. Accordingly, the taxpayer generally takes a basis in each MMF share at the beginning of the year of change equal to the fair market value of that share under § 1.446-7(b)(3) used in computing the ending value (as defined in § 1.446-7(b)(2)) of the shares in that MMF for the final computation period (as defined in § 1.446-7(b)(1)) of the taxable year prior to the year of change.

(b) Short Form 3115 in lieu of a Form 3115. In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and, pursuant to section 6.02(2) of Rev. Proc. 2015-13, a short Form 3115 is authorized for a taxpayer changing from a realization method to the NAV method, or changing from the NAV method to a realization method, for shares in an MMF. Unless the change meets the requirements of section 15.17(4)(c) of this revenue procedure, the taxpayer must file a short Form 3115 that includes the following information:

(i) the identification section of page 1 (above Part I);

(ii) the signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) a statement specifying whether the taxpayer is changing from a realization method to the NAV method or from the NAV method to a realization method; and

(v) a statement specifying the MMF or MMFs to which the change applies, if the change does not apply to all MMFs in which the taxpayer holds shares (and, to the extent applicable, whether the change applies only to shares of the MMF or MMFs held in a particular account).

(c) No Form 3115 Required. In accordance with § 1.446-1(e)(3)(ii), a taxpayer changing to the NAV method for shares in a stable-NAV MMF may change to the NAV method on a federal tax return without filing a Form 3115 if the following requirements are satisfied:

(i) the taxpayer has not used the NAV method for shares in the MMF for any taxable year prior to the year of change; and

(ii) prior to the year of change, either

(A) the taxpayer's basis in each share of the MMF has been at all times equal to the MMF's target share price, or

(B) the taxpayer has not realized any gain or loss with respect to shares in the MMF.

(5) Multiple changes. A taxpayer making multiple changes under this section 15.17 for the same year of change on a short Form 3115 should file a single short Form 3115. The short Form 3115 will be treated as applying to all shares that the taxpayer holds in any MMF unless the taxpayer specifies the MMFs to which the change applies. If the taxpayer specifies an MMF, the short Form 3115 will be treated as applying to all shares in that MMF held in any account by the taxpayer, unless the short Form 3115 specifies the accounts to which the change applies.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.17 is "227."

(7) Contact Information. For further information regarding a change under this section, contact Grace Cho at (202) 317-6945 (not a toll-free call).

.18 Small business taxpayer changing to overall cash method.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 15.18(5)(a) of this revenue procedure, that wants to change its overall method of accounting from an overall accrual method of accounting to the overall cash method of accounting for a trade or business, and is otherwise not prohibited from using the overall cash method or required to use another overall method of accounting. A small business taxpayer may be required to use a method of accounting (other than the cash method) for one or more items of income or expense

under certain provisions of the Code or regulations, including, for example §§ 475 and 1272.

(2) Applicability. This section 15.18 is effective for taxable years beginning after December 31, 2017.

(3) Inapplicability. This change does not apply to the following:

(a) Banks changing to overall cash/hybrid method. This change does not apply to a bank described in section 15.12(2)(a) of this revenue procedure. However, such a bank may be eligible to change to the overall cash/hybrid method under section 15.12 of this revenue procedure if it meets the requirements of that section.

(b) Farmers changing to overall cash method. This change does not apply to a farming business changing to the overall cash method. See, however, section 15.13 of this revenue procedure.

(4) Special rules for open accounts receivables. Notwithstanding § 1001 and the accompanying regulations, a small business taxpayer that uses the overall cash method for a trade or business includes amounts attributable to open accounts receivable, as defined in section 15.18(5)(c) of this revenue procedure, in income as the amounts are actually or constructively received on the receivables.

(5) Definitions.

(a) Small business taxpayer. A small business taxpayer is a taxpayer, other than a tax shelter (as defined in § 448(d)(3)), that meets the § 448(c) gross receipts test.

(b) Section 448(c) gross receipts test. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of $25,000,000 or less (adjusted for inflation).

(c) Open accounts receivable. For purposes of this section 15.18, an open accounts receivable is any receivable that is due in full in 120 days or less and that is not subject to § 475.

(6) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(7) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except line 16;

(e) Part IV, all lines except line 25; and

(f) Schedule A, Part I, all lines except lines 3 and 4.

(8) Concurrent automatic changes. A taxpayer making a change to the overall cash method under this section 15.18 and a change under sections 12.16 and/or 22.19 of this revenue procedure for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic accounting method change numbers for the changes on the appropriate line of Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(9) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 15.18 is "233."

(10) Contact information. For further information regarding a change under this section, contact Anna Gleysteen at (202) 317-7007 (not a toll-free call).

SECTION 16. TAXABLE YEAR OF INCLUSION (§ 451)

.01 Accrual of interest on nonperforming loans.

(1) Description of change.

(a) This change applies to a taxpayer using an overall accrual method of accounting that is a bank as defined in § 581 (or whose primary business is making or managing loans) and wants to change its method of accounting to comply with § 451 and § 1.451-1(a) for qualified stated interest (as defined in § 1.1273-1(c)) on nonperforming loans.

(b) Section 1.451-1(a) requires income to be accrued when all the events have occurred that fix the right to receive the income and the amount thereof can be determined with reasonable accuracy. A taxpayer may not stop accruing qualified stated interest on a nonperforming loan for federal income tax purposes merely because payments on the loan are overdue by a certain length of time, such as 90 days, even if a federal, state, or other regulatory authority having jurisdiction over the taxpayer permits or requires that the overdue interest not be accrued for regulatory purposes.

(c) Under § 451 and § 1.451-1(a), a taxpayer must continue accruing qualified stated interest on any nonperforming loan until either (i) the loan is worthless under § 166 and charged off as a bad debt, or (ii) the interest is determined to be

uncollectible. In order for interest to be determined uncollectible, the taxpayer must substantiate, taking into account all the facts and circumstances, that it has no reasonable expectation of payment of the interest. This substantiation requirement is applied on a loan by loan basis.

(d) A taxpayer that changes its method of accounting under this section 16.01 must do so for all of its loans.

(2) Section 481(a) adjustment. In general, the § 481(a) adjustment for a method change under this section 16.01 represents the amount of qualified stated interest on the taxpayer's nonperforming loans outstanding as of the beginning of the year of change that should have been accrued under § 451 and § 1.451-1(a) and was not accrued. Interest for which the taxpayer, as of the beginning of the year of change, has no reasonable expectation of payment is not taken into account in determining the amount of the § 481(a) adjustment.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.01 is "36."

(4) Contact information. For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945 (not a toll-free call).

.02 Advance rentals.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for advance rentals (other than advance rentals subject to § 467 and the regulations thereunder) to include such advance rentals in gross income in the taxable year received. See § 1.61-8(b).

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.02 is "37."

(3) Contact information. For further information regarding a change under this section, contact Daniel Cassano at (202) 317-7011 (not a toll-free call).

.03 State or local income or franchise tax refunds.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that receives a state or local income or franchise tax refund and wants to accrue the refund in the taxable year the taxpayer receives payment or notice that the claim has been approved, whichever is earlier, as provided in Rev. Rul. 2003-3, 2003-1 C.B. 252.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.03 is "38."

(3) Contact information. For further information regarding a change under this section, contact Daniel Cassano at (202) 317-7011 (not a toll-free call).

.04 Capital Cost Reduction Payments.

(1) Description of change. This change applies to a taxpayer that purchases motor vehicles subject to leases and assumes the associated leases from the vehicles' dealers and wants to use the safe harbor method of accounting for capital cost reduction (CCR) payments specified in Rev. Proc. 2002-36, 2002-1 C.B. 993.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.04 is "39."

(3) Contact information. For further information regarding a change under this section, contact Bill Ruane at (202) 317-4718 (not a toll-free call).

.05 Credit card annual fees.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for credit card annual fees as described in Rev. Rul. 2004-52, 2004-1 C.B. 973, either to a method that satisfies the all events test in accordance with Rev. Rul. 2004-52 or to the Ratable Inclusion Method for Credit Card Annual Fees that is described in section 4 of Rev. Proc. 2004-32, 2004-1 C.B. 988. Rev. Rul. 2004-52 holds that credit card annual fees are not interest for federal income tax purposes and that such fees are includible in income by the card issuer when the all events test under § 451 is satisfied. Rev. Proc. 2004-32 provides additional guidance for taxpayers seeking to change their methods of accounting for such fees, including guidance with respect to the Ratable Inclusion Method for Credit Card Annual Fees. However, a taxpayer may make either change under this revenue procedure only if the taxpayer uses an overall accrual method of accounting for federal income tax purposes and issues credit cards to, and receives annual fees from, cardholders under agreements that allow each cardholder to use a credit card to access a revolving line of credit to make purchases of goods and services and, if so authorized, to obtain cash advances.

(2) Manner of making change. In completing its Form 3115 to make this change, a taxpayer must identify the specific method to which the taxpayer is changing.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.05 to a method that satisfies the all events test in accordance with Rev. Rul.

2004-52 is “80.” The designated automatic accounting method change number for a change under this section 16.05 to the Ratable Inclusion Method for Credit Card Annual Fees is “81.”

(4) Contact information. For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.06 Credit card late fees.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for credit card late fees to a method that treats these fees as interest income that creates or increases the amount of original issue discount (OID) on the pool of credit card loans to which the fees relate. This change is available only to a taxpayer that issues credit cards allowing cardholders to access a revolving line of credit established by the taxpayer and that, for federal income tax purposes, does not treat the credit card purchase transactions of its cardholders as creating either debt that is given in consideration for the sale or exchange of property (within the meaning of § 1274) or debt that is deferred payment for property (within the meaning of § 483). See Rev. Proc. 2004-33, 2004-1 C.B. 989, for additional guidance relating to this change.

(2) Additional requirements. A taxpayer making this change must be able to demonstrate both of the following:

(a) the amount of any credit card late fee charged to each cardholder by the taxpayer is separately stated on the cardholder’s account when that fee is imposed; and

(b) under the applicable credit card agreement governing each cardholder’s use of the credit card, no amount identified as a credit card late fee is

charged for property or for specific services performed by the taxpayer for the benefit of the cardholder.

(3) Audit protection. Any audit protection provided in connection with this change is not a determination by the Commissioner that the taxpayer is properly accounting for any OID income on that pool of credit card loans. Thus, for example, the IRS is not precluded from pursuing the issue of whether a taxpayer is properly accounting for its OID income (including any OID income attributable to credit card late fees) on its pool of credit card loans in accordance with § 1272(a)(6).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.06 is "82."

(5) Contact information. For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.07 Advance payments.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using or changing to an overall accrual method of accounting that receives advance payments, as defined in Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, and wants to change to either the full inclusion or deferral method, as described in Rev. Proc. 2004-34, other than a taxpayer changing to a method described in section 16.10 of this revenue procedure. See also Notice 2018-35, 2018-18 I.R.B. 520, and Announcement 2004-48, 2004-1 C.B. 998.

(b) Inapplicability. This change does not apply to a taxpayer that wants to use the Deferral Method for payments described in section 5.02(4)(a) of Rev. Proc. 2004-34 (other than allocable payments described in section 5.02(4)(c) of Rev. Proc. 2004-34) or for payments for which a method under section 5.02(3)(b)(i) or (iii) of Rev. Proc. 2004-34 applies. The taxpayer must request any such change in method of accounting using the non-automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419. See section 8.03 of Rev. Proc. 2004-34.

(2) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer that changes to a method of accounting provided under section 16.07(1)(a) of this revenue procedure for the taxpayer's first or second taxable year ending on or after May 9, 2018.

(3) Concurrent automatic change to an overall accrual method. A taxpayer making both a change to its method of accounting for advance payments under this section 16.07 and a change to an overall accrual method under section 15.01 of this revenue procedure for the same year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 16.07(1)(a) of this revenue procedure to use the full-inclusion method is "83." The designated automatic accounting method change number for a change under section 16.07(1)(a) of this revenue procedure to use the deferral method is "84."

(5) Contact information. For further information regarding a change under this section, contact Peter E. Ford or Jo Lynn Ricks at (202) 317-7003 (not a toll-free call).

.08 Credit card cash advance fees.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for credit card cash advance fees to a method that treats these fees as creating or increasing original issue discount (OID) on a pool of credit card loans that includes the cash advances that give rise to the fees. This change is available only to a taxpayer that issues credit cards allowing cardholders to access a revolving line of credit established by the taxpayer both to make credit card purchase transactions and to obtain cash advances and that, for federal income tax purposes, does not treat the credit card purchase transactions of its cardholders as creating debt that is given in consideration for the sale or exchange of property. See Rev. Proc. 2005-47, 2005-2 C.B. 269, for additional guidance relating to this change.

(2) Other requirements. A taxpayer making this change must be able to demonstrate both of the following:

(a) the amount of any credit card cash advance fee charged to a cardholder by the taxpayer is separately stated on the cardholder's account when that fee is imposed; and

(b) under the credit card agreement with the cardholder, no amount identified as a credit card cash advance fee is charged for property or for specific services performed by the taxpayer for the benefit of the cardholder.

(3) Audit protection. Any audit protection applicable to this change under section 8 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, is not a determination by the Commissioner that the taxpayer is properly accounting for any OID income on that pool

of credit card loans. Thus, for example, the IRS is not precluded from pursuing the issue of whether, under § 1272(a)(6), a taxpayer is correctly accounting for its OID income (including any OID income attributable to credit card cash advance fees) on its pool of credit card loans.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 16.08 is "94."

(5) Contact information. For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.09 Retainages.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for treating retainages to a method consistent with the holding in Rev. Rul. 69-314, 1969-1 C.B. 139. A taxpayer changing its method of accounting for retainages under this section 16.09 must treat all retainages, that is both receivables and payables, in the same manner.

(b) Inapplicability. This change does not apply to retainages (receivables and payables) for long-term contracts that must be accounted for under the percentage-of-completion method (PCM) under § 460. Nor does this change apply to long-term contracts otherwise accounted for under the PCM or long-term contracts accounted for under exempt percentage-of-completion method or the completed contract method. For the treatment of retainages under such methods, see Treas. Reg. §§ 1.460-4(b)(4)(i)(A) and 1.460-4(d)(3).

(2) Manner of making change.

(a) Except as provided in section 16.09(2)(b) of this revenue procedure, a taxpayer changing its method of accounting under this section 16.09 must take into account a § 481(a) adjustment.

(b) For retainages received and paid in connection with long term contracts that are exempt construction contracts (as defined in § 1.460-3(b)(1)) accounted for using the taxpayer's overall accrual method of accounting, this change is made on a cut-off basis and applies only to long-term contracts entered into on or after the beginning of the year of change. See § 1.460-1(c)(2) for a description of when a contract is treated as "entered into." Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.09 for retainages not received under long-term contracts is "130." The designated automatic method change number for a change under this section 16.09 for retainages received under long-term contracts is "217." A taxpayer making a change under this section 16.09 that has both types of retainages must file a single Form 3115 and enter both change numbers on the appropriate line on Form 3115.

(4) Contact information. For further information regarding a change under this section, contact Peter Cohn at (202) 317-7011 (not a toll-free call).

.10 Change in applicable financial statements (AFS) for purposes of applying certain revenue recognition methods of accounting.

(1) Description of change.

(a) Applicability.

(i) This change applies to a taxpayer that: (A) receives advance payments, as defined in Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, (B) uses the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 for including those advance payments in gross income in accordance with its applicable financial statement (AFS), (C) changes the manner in which it recognizes advance payments in revenues in its AFS, and (D) wants to change its method of accounting to use its proposed method of recognizing advance payments in revenues in its AFS for determining the extent to which advance payments are included in gross income under Rev. Proc. 2004-34. See also Notice 2018-35, 2018-18 I.R.B. 520.

(ii) This change applies to a taxpayer that: (A) receives advance payments, as defined in proposed § 1.451-8(b)(1); (B) uses the deferral method described in proposed § 1.451-8(c); (C) changes the manner in which it recognizes advance payments in revenues in its AFS; and (D) wants to change its method of accounting to use its proposed method of recognizing advance payments in revenues in its AFS for determining the extent to which advance payments are included in income under proposed § 1.451-8(c).

(iii) This change applies to a taxpayer that: (A) includes amounts in income in accordance with § 451(b); (B) changes the manner in which the item, or portion thereof, is taken into account in revenue in its AFS; and (C) wants to change its method of accounting to use the proposed method of taking into account the item, or portion thereof, in revenue in its AFS for purposes of § 451(b), including, if applicable, allocation of the transaction price to performance obligations under § 451(b)(4).

(iv) This change applies to a taxpayer that: (A) includes amounts in income in accordance with proposed § 1.451-3; (B) changes the manner in which the item, or portion thereof, is taken into account as revenue in its AFS; and (C) wants to change its method of accounting to use the proposed method of taking into account the item, or portion thereof, in revenue in its AFS for purposes of proposed § 1.451-3, including for purposes of allocating transaction price to performance obligations under proposed § 1.451-3(g).

(b) Inapplicability.

(i) Changes relating to Rev. Proc. 2004-34. This change does not apply to:

(A) a taxpayer that uses a present method of accounting for advance payments that is not the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34. For example, this change does not apply to a taxpayer that uses the full inclusion method under section 5.01 of Rev. Proc. 2004-34; or

(B) a taxpayer that wants to change its method for allocating payments under section 5.02(4) of Rev. Proc. 2004-34.

(ii) Changes relating to § 451(b), proposed § 1.451-3, or proposed § 1.451-8. This change does not apply to:

(A) a taxpayer whose present method of accounting does not use its AFS for purposes of § 451(b), proposed § 1.451-3, or proposed § 1.451-8;

(B) a change in the manner in which the taxpayer identifies contracts or determines the transaction price, including the inclusion and exclusion of variable consideration in the transaction price, under the New Standards, as defined in section 16.11(1) of this revenue procedure;

(C) any change in method of accounting that qualifies under another automatic change described in the List of Automatic Changes provided in this revenue procedure (or any successor); or

(D) with respect to a change described in section 16.10(1)(a)(ii) of this revenue procedure, a taxpayer whose present method is not the deferral method under proposed § 1.451-8(c). For example, this change does not apply to a taxpayer that uses the full inclusion method under § 451(c) or the non-AFS deferral method under proposed § 1.451-8(d).

(c) Restatements. A taxpayer's restatement of its AFS for financial accounting presentation does not affect the propriety of the taxpayer's method of accounting for revenue recognized in the prior taxable year(s). For example, if the taxpayer uses the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 for including advance payments in gross income in accordance with its AFS (even if the AFS for that taxable year is later restated), the taxpayer satisfies the requirement of section 16.10(1)(a)(i)(B) of this revenue procedure and may change its method of accounting under this section 16.10 if it is otherwise eligible.

(2) Manner of making change and designated automatic accounting method change number.

(a) Cut-off basis for certain changes. A change made under section 16.10(1)(a)(i) or (ii) of this revenue procedure is made on a cut-off basis and applies to items of income received by the taxpayer on or after the beginning of the year of change. Any advance payments received prior to the year of change are accounted for under the taxpayer's former method of accounting (that is, according to its former AFS), and any advance payments received in the year of change and in subsequent taxable

years are accounted for under the taxpayer's new method of accounting. A taxpayer that makes a change in allocation for purposes of § 451(c)(4)(D) must allocate any payment allocations prior to the year of change using the taxpayer's former method of accounting. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 16.10 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015-13. However, the requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. The statement attached to the taxpayer's return for the year of change must include the following information:

(i) the designated automatic accounting change number for this change, which is "153;"

(ii) the taxpayer's name and employer identification (or social security number in the case of an individual) for each applicant as would be provided had a Form 3115 been required;

(iii) the year of change (both the beginning and ending dates);

(iv) for each applicant, identify the type of applicable financial statement used by the taxpayer, as defined in applicable guidance. See, as applicable, section 4.06 of Rev. Proc. 2004-34, § 451(b)(3), proposed § 1.451-8(b)(2), or proposed § 1.451-3(c)(1);

(v) a detailed and complete description of each type of item affected by the change in revenue recognition and the line number (or schedule) where the affected item is reflected on the federal tax return for the year of change, and if applicable, the section 481(a) adjustment for each change; and

(vi) a detailed description of the basis used for revenue recognition (that is, the method the taxpayer uses in its applicable financial statement or how the taxpayer determines amounts earned, as applicable) both before and after the change in the revenue recognition policy for the applicable financial statement.

(c) Concurrent automatic change. A taxpayer may make more than one change under this section 16.10 on the same statement in lieu of a Form 3115 for the same year of change. The taxpayer must provide all of the information required for each change.

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) Rev. Proc. 2015-13 does not apply to this change.

(4) No audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change. See section 8.02(2) of Rev. Proc. 2015-13.

(5) Special rule – advance payments under Rev. Proc. 2004-34.

(a) Background. Under § 446(e), a taxpayer that changes its book method of accounting must secure the Commissioner's consent before applying its new book method of accounting for tax purposes. See also § 1.446-1(e)(2)(i). Accordingly, a taxpayer that previously elected to defer advance payments under Rev. Proc. 2004-34 is required to obtain consent under § 446(e) if the taxpayer subsequently changes its book method for the deferred advance payments and wants to use its new AFS in

determining the extent to which advance payments are included in gross income under Rev. Proc. 2004-34. The IRS recognizes that some taxpayers took the position that consent under § 446(e) was not required in these circumstances and changed their method of accounting without properly obtaining consent. The safe harbor described below in section 16.10(5)(b) of this revenue procedure is provided to reduce controversy in this area.

(b) Safe harbor. If before January 10, 2011, a taxpayer: (i) received advance payments, as defined in Rev. Proc. 2004-34; (ii) used the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 for including those advance payments in gross income in accordance with its AFS; (iii) changed the manner in which advance payments are recognized in revenues in its AFS; and (iv) used its new AFS method with respect to a timely filed original federal income tax return in determining the amount of advance payments included in gross income under the deferral method of Rev. Proc. 2004-34 without securing the consent of the Commissioner to that change in accordance with § 446(e) and § 1.446-1(e)(2)(i), the IRS will not assert that the taxpayer's present method of accounting for advance payments is not a proper deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 solely on the ground that the taxpayer failed to obtain the consent of the Commissioner for that change.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.10 is "153."

(7) Contact information. For further information regarding a change under this section, contact Justin Grill or Peter E. Ford at (202) 317-7003 (not a toll-free call).

.11 Changes in the timing of recognition of income due to the New Standards.

(1) Description of change. On May 28, 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) jointly announced new financial accounting standards for revenue recognition entitled "Revenue from Contracts with Customers (Topic 606)" (New Standards). See FASB Update No. 2014-09, and IASB International Financial Reporting Standard (IFRS) 15. Under the New Standards, a taxpayer generally recognizes revenue for financial accounting purposes when the taxpayer satisfies a performance obligation by transferring a promised good or service to a customer, as described in the New Standards.

(2) Applicability. This change applies to a taxpayer that wants to change its method of accounting for the recognition of income for federal income tax purposes to a method under the New Standards for: (a) identifying performance obligations, (b) allocating transaction price to performance obligations, and/or (c) considering performance obligations satisfied. A taxpayer may request a change under this section 16.11 only if the taxpayer's new method of accounting is otherwise permissible for federal income tax purposes and the change in method of accounting is made for the taxable year in which the taxpayer adopts the New Standards for financial accounting purposes. The taxpayer's allocation of transaction price to performance obligations to comply with the New Standards under this section 16.11 is deemed to be an allocation based on objective criteria. See section 5.02(4)(c) of Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330.

(3) Inapplicability. This change does not apply to:

(a) a change in the manner in which the taxpayer identifies contracts or determines the transaction price, including the inclusion and exclusion of variable consideration in the transaction price, under the New Standards;

(b) a change in method of accounting for recognizing income that is made in a year that is different from the year that the taxpayer adopts the New Standards;

(c) a change in method of accounting that does not comply with § 451 or other guidance;

(d) any change in method of accounting that qualifies under another automatic change described in the List of Automatic Changes provided in this revenue procedure (or any successor), even if it is described in section 16.11(2) of this revenue procedure, and otherwise satisfies the requirements of paragraphs 5.01(1)(a)-(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419 (or any successor). The taxpayer must request such change(s) in method of accounting by applying the automatic change procedures in section 6 of Rev. Proc. 2015-13 (or any successor) and the respective section of Rev. Proc. 2019-43 (or any successor); or

(e) any change in the method of accounting for income from a long-term contract, as defined in § 460(f), unless the long-term contract is excepted from required use of the percentage-of-completion method by § 460(e)(1).

(4) Time for making change. The change under this section 16.11 may only be made for a taxable year ending on or before May 10, 2021.

(5) Manner of making change.

(a) Cut-off basis or § 481(a) adjustment. A taxpayer making a change under this section 16.11 may implement the change with either a § 481(a) adjustment

as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13, or on a cut-off basis. If the taxpayer implements the change on a cut-off basis, (i) the taxpayer must allocate any payment allocations prior to the year of change using the taxpayer's former method of accounting, (ii) all changes made under this section 16.11 must be implemented using a cut-off basis, and (iii) a § 481(a) adjustment is neither permitted nor required. Notwithstanding anything to the contrary in this section 16.11(5)(a), if a taxpayer is a member of a consolidated group (within the meaning of § 1.1502-1 (h)), then the member must implement all changes with respect to its intercompany transactions (within the meaning of § 1.1502-13 (b)(1)(i)) under this section 16.11 on a cut-off basis and can apply the first two sentences of this section 16.11(5)(a) to all other transactions. See § 1.1502-17(b)(2); section 7.02 of Rev. Proc. 2015-13.

(b) Reduced filing requirement. A taxpayer making a change under this section 16.11 is required to complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13,16c, and 19; and

(v) Part IV, all lines. For a taxpayer making a change under this section 16.11 using a § 481(a) adjustment, the statement required for Line 26 of Form 3115 should list a description of each change, the § 481(a) adjustment for each change (or a statement that the change is being made on a cut-off basis) and, if applicable, a description of where the item's § 481(a) adjustment is reflected on the federal income tax return (line number (or schedule)).

In addition, the requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived.

(6) Under examination – certain audit protection exceptions temporarily inapplicable. For a taxpayer's first, second, or third taxable year beginning after December 31, 2017, section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under section 16.11(2) of this revenue procedure if the method of accounting to be used complies with the proposed regulations under § 1.451-3 and/or § 1.451-8. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(7) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxable year ending on or before May 10, 2021.

(8) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 16.11 is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting and does not create any presumption that the allocation method is a permissible method of accounting under any provision of the Code. Further, the consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 16.11 is not a determination that the amount of income included in taxable income using an allocation method described in the New Standards is correct. The director will ascertain whether the new method of accounting is a permissible method of accounting and whether the allocation method is permissible under the Code (for example, a method that is permitted under § 451).

(9) Concurrent automatic change. A taxpayer that wants to make one or more changes in method of accounting under this section 16.11 may file a single Form 3115 that includes all of the changes, must separately state the § 481(a) adjustment for each change made under this section, and may not net the § 481(a) adjustments with § 481(a) adjustments from other changes.

(10) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 16.11 is "231."

(11) Contact information. For further information regarding a change under this section, contact Peter E. Ford or Jo Lynn Ricks at (202) 317-7003 (not a toll free call).

.12 Changes in the timing of income recognition under § 451(b) or proposed § 1.451-3, and changes relating to advance payments under proposed § 1.451-8.

(1) Description of change. This change applies to an accrual method taxpayer with an applicable financial statement (AFS) that wants to make certain changes in method of accounting described in section 16.12(2)(a) of this revenue procedure for taxable years beginning after December 31, 2017, or, in the case of a specified credit card fee (as defined in proposed § 1.451-3(i)(2)), for taxable years beginning after December 31, 2018. This change also applies to a taxpayer without an AFS that wants to make certain changes in method of accounting described in section 16.12(2)(b) of this revenue procedure for a taxable year beginning after December 31, 2017. For purposes of this section 16.12, the term AFS is defined under § 451(b)(3), or for a taxpayer making a change to apply proposed § 1.451-3 or proposed § 1.451-8, the term AFS is defined in proposed § 1.451-3(c)(1).

(2) Applicability.

(a) Taxpayer with an AFS. This change applies to a taxpayer with an AFS that:

(i) wants to change to a method of accounting that treats an item of gross income, or portion thereof, as meeting the all events test no later than when such item, or portion thereof, is taken into account as revenue in its AFS under § 451(b)(1)(A);

(ii) is not adopting the New Standards (as defined in section 16.11(1) of this revenue procedure) for the year of change, and wants to allocate the transaction price to performance obligations under § 451(b)(4);

(iii) wants to change to a method of accounting that complies with the proposed regulations under § 1.451-3 (including a change for a specified credit card fee under proposed §§ 1.451-3(i) and 1.1275-2(l)); or

(iv) wants to change to a method of accounting that complies with the proposed regulations under § 1.451-8(c).

(b) Taxpayer without an AFS. This change applies to a taxpayer that does not have an AFS and that wants to change to a method of accounting that complies with the proposed regulations under § 1.451-8(d).

(3) Inapplicability. This change does not apply to:

(a) a taxpayer that wants to make a change for federal income tax purposes to a method that adopts the New Standards, as provided in section 16.11 of this revenue procedure (for example, a change to comply with § 451(b)(4), proposed § 1.451-3(g), or proposed § 1.451-8(c)(6));

(b) a taxpayer that wants to make a change in method of accounting to a method described in § 451(b)(2);

(c) a taxpayer without an AFS that wants to change to defer income based on earned income under proposed § 1.451-8(d)(4)(ii) determined using the following: (i) a statistical basis if adequate data are available to the taxpayer; or (ii) the use of any other basis that in the opinion of the Commissioner results in a clear reflection of income; or

(d) a taxpayer that wants to make a change in method of accounting for specified fees (as defined in proposed § 1.451-3(i)(2)) other than specified credit card fees.

(4) Manner of making change.

(a) Short Form 3115. A taxpayer making a change under this section 16.12 is required to complete only the following information on Form 3115 (Rev. December 2018):

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I;

(iv) Part II, all lines except lines 13,16c, and 19; and

(v) Part IV, all lines. For a taxpayer making a change under this section 16.12, the statement required for Line 26 of Form 3115 should list the § 481(a) adjustment(s), and a description of where the § 481(a) adjustment is reflected on the federal income tax return (line number or schedule).

In addition, the requirement to file the duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, is waived.

(b) Special rules relating to § 481(a) adjustment or cut-off basis.

(i) Section 481(a) adjustment period for changes relating to specified credit card fees. In the case of income from a specified credit card fee, the § 481(a) adjustment period for any qualified change in method of accounting described in this section 16.12(4)(b)(i) is six taxable years (year of change and next five taxable years). For purposes of the preceding sentence, a qualified change in method of accounting is a change in method of accounting for income from a specified credit card fee to a method that is required by § 451(b), as added by section 13221 of the Tax Cuts and Jobs Act (TCJA), Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), for such income, but only for the taxpayer's first taxable year beginning after December 31, 2018. Section 16.12(4)(b)(ii) of this revenue procedure may not be used for a change relating to specified credit card fees.

(ii) Cut-off basis or § 481(a) adjustment.

(A) Cut-off basis or § 481(a) adjustment for changes made under section 16.12(2)(a)(i) or (iii) of this revenue procedure. Except as otherwise provided in this section 16.12(4)(b)(ii), a taxpayer making a change described in section 16.12(2)(a)(i) or (iii) of this revenue procedure may implement the change with either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or on a cut-off basis provided the taxpayer is also making a concurrent method change under section 16.11 of this revenue procedure. See section 16.12(8)(b) of this revenue procedure for information on making this concurrent change. A taxpayer described in section 16.12(4)(c)(i)(B) of this revenue procedure that uses the streamlined procedures provided in section 16.12(4)(c) of this revenue procedure may not make a change in method of accounting on a cut-off basis. If the taxpayer makes a concurrent change

under section 16.11 of this revenue procedure and implements the change under this section 16.12(4)(b)(ii) of this revenue procedure on a cut-off basis, (1) the change applies to contracts entered into on or after the beginning of the year of change, (2) all changes made under section 16.12(2)(a)(i) or (iii) of this revenue procedure must be implemented using a cut-off basis, and (3) a § 481(a) adjustment is neither permitted nor required. Notwithstanding anything to the contrary in this section 16.12(4)(b)(ii)(A), if a taxpayer is a member of a consolidated group (within the meaning of § 1.1502–1(h)), then the member must implement all changes under this section 16.12 with respect to its intercompany transactions (within the meaning of § 1.1502–13(b)(1)(i)) under this section 16.12(4)(b)(ii) on a cut-off basis.

(B) Cut-off basis or § 481(a) adjustment for changes to use proposed § 1.451-8(c). Except as otherwise provided in this section 16.12(4)(b)(ii), a taxpayer making a change described in section 16.12(2)(a)(iv) of this revenue procedure may implement the change with either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or on a cut-off basis. A taxpayer described in section 16.12(4)(c)(i)(B) of this revenue procedure that uses the streamlined procedures provided in section 16.12(4)(c) of this revenue procedure may not make a change in method of accounting on a cut-off basis. If the taxpayer implements the change on a cut-off basis, (1) the change applies to contracts entered into on or after the beginning of the year of change, (2) all changes made under this section 16.12 to adopt proposed § 1.451-8(c) must be implemented using a cut-off basis, and (3) a § 481(a) adjustment is neither permitted nor required. Notwithstanding anything to the contrary in this section 16.12(4)(b)(ii)(B), if a taxpayer is a member of a consolidated group (within the meaning of § 1.1502–1(h)), then the member must

implement all changes to adopt proposed § 1.451-8(c) with respect to its intercompany transactions (within the meaning of § 1.1502–13(b)(1)(i)) under this section 16.12(4)(b)(ii)(B) on a cut-off basis.

(c) Streamlined method change procedures for certain taxpayers.

(i) Applicability. The procedures described in this section 16.12(4)(c) may be used by a taxpayer to make a change in method of accounting described in section 16.12(2)(a)(i) or (ii) of this revenue procedure in the taxpayer's first taxable year beginning after December 31, 2017. The procedures described in this section 16.12(4)(c) may also be used by a taxpayer to make a change in method of accounting described in section 16.12(2)(a)(iii), 16.12(2)(a)(iv), or 16.12(2)(b) of this revenue procedure in the taxpayer's first or second taxable year beginning after December 31, 2017. A taxpayer is permitted to use the streamlined method change procedures in this section 16.12(4)(c) if the taxpayer meets one of the following requirements:

(A) the taxpayer, other than a tax shelter (as defined in § 448(d)(3)), meets the § 448(c) gross receipts test (a "small business taxpayer"). The taxpayer meets the § 448(c) gross receipts test if the taxpayer has average annual gross receipts for the three prior taxable years of $25,000,000 or less (adjusted for inflation); or

(B) the taxpayer is making one or more changes under section 16.12(2) of this revenue procedure, and the § 481(a) adjustment required by each of the changes is zero. A taxpayer making more than one change in method of accounting under section 16.12(2) of this revenue procedure is not permitted to net the § 481(a) adjustments to determine if the taxpayer meets the requirements to use the

streamlined method change procedures. See section 16.12(8)(a) of this revenue procedure for more information on making a permitted concurrent change.

(ii) Inapplicability. In addition to the inapplicability rules provided in section 16.12(3) of this revenue procedure, a taxpayer may not use these streamlined method change procedures if the taxpayer wants to make a concurrent automatic change described in section 16.12(8)(b) of this revenue procedure.

(iii) No Form 3115 required. In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived for a taxpayer making a change in method of accounting under this section 16.12 using the streamlined method change procedures. Thus, a taxpayer using the streamlined method change procedures is not required to file a Form 3115 and is not required to attach a separate statement when making a change under this section 16.12.

(5) Certain eligibility rules inapplicable.

(a) In general. Except as otherwise provided in this section 16.12(5), the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a change under this section 16.12 for a taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(b) Changes related to specified credit card fees. For a change related to income from a specified credit card fee, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer’s first, second, or third taxable year beginning after December 31, 2018.

(c) Changes made under the streamlined method change procedures. For a change made using the streamlined procedures of section 16.12(4)(c) of this revenue procedure for a change in method of accounting described in section

16.12(2)(a)(i) or (ii) of this revenue procedure, the eligibility rule in section 5.01(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first taxable year beginning after December 31, 2017. For a change made using the streamlined procedures of section 16.12(4)(c) of this revenue procedure for a change in method of accounting described in section 16.12(2)(a)(iii), 16.12(2)(a)(iv), or 16.12(2)(b) of this revenue procedure, the eligibility rule in section 5.01(f) of Rev. Proc. 2015-13 does not apply to this change for the taxpayer's first or second taxable year beginning after December 31, 2017.

(6) Audit protection.

(a) Streamlined procedures. A taxpayer making a change in method of accounting under this section 16.12 using the streamlined method change procedures provided in section 16.12(4)(c) of this revenue procedure does not receive audit protection under section 8.01 of Rev. Proc. 2015-13.

(b) Taxpayers under examination.

(i) In general – certain audit protection exception temporarily inapplicable. Except as otherwise provided in this section 16.12(6)(b), for a taxpayer's first, second, or third taxable year beginning after December 31, 2017, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under section 16.12(2)(a)(iii) or (iv) of this revenue procedure. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13. This paragraph applies to a taxpayer under examination that does not use the streamlined procedures described in section 16.12(4)(c) of this revenue procedure.

(ii) Changes related to specified credit card fees. For a change related to income from a specified credit card fee, for a taxpayer's first, second, or third taxable year beginning after December 31, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a taxpayer that makes a change in method of accounting described in section 16.12(2)(a)(iii) of this revenue procedure. However, for a taxpayer's second or third taxable year beginning after December 31, 2018, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 7.03(3)(b) of Rev. Proc. 2015-13.

(7) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 16.12 for a change in method of accounting described in section 16.12(2)(a)(i) or (ii) of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4).

(8) Concurrent automatic changes.

(a) In general. A taxpayer that wants to make one or more concurrent changes in method of accounting under this section 16.12 may file a single Form 3115 that includes all of the changes, must separately state the § 481(a) adjustment for each change, if applicable, and may not net the § 481(a) adjustment for a change with the § 481(a) adjustment from another change. However, a taxpayer that makes a

concurrent change in method of accounting to allocate transaction price to performance obligations under section 16.12(2)(a)(ii), (iii), or (iv) of this revenue procedure is required to make the allocation change before a change to a method under § 451(b)(1)(A), the AFS income inclusion rule in proposed § 1.451-3, or the deferral method described in proposed § 1.451-8(c), as applicable. For example, a taxpayer that makes a change under both section 16.12(2)(a)(i) and (2)(a)(ii) of this revenue procedure is required to implement the change under section 16.12(2)(a)(ii) of this revenue procedure before making the change under section 16.12(2)(a)(i) of this revenue procedure.

(b) Concurrent change in the timing of recognition of income due to the New Standards. Except as provided in section 16.12(4)(c)(i) of this revenue procedure, a taxpayer that wants to make a change under section 16.12(2)(a)(i), (iii), or (iv) of this revenue procedure and a change under section 16.11 of this revenue procedure for the same year of change may file a single Form 3115 for both changes and enter the designated automatic accounting method change number for both changes on the appropriate line of Form 3115. A taxpayer that makes both changes is required to make the change under section 16.11 of this revenue procedure before making the change under this section 16.12(2)(a)(i), (iii), or (iv), as applicable.

(9) Designated automatic accounting method change number. The designated automatic method change number for a change under section 16.12(2)(a)(i) or (ii) of this revenue procedure is “239.” The designated automatic method change number for a change under section 16.12(2)(a)(iii), (iv), or 16.12(2)(b) of this revenue procedure (that is, a change to comply with the proposed regulations under § 1.451-3 or § 1.451-8) is “242.”

(10) Contact information. For further information regarding a change under this section, contact Peter E. Ford or Jo Lynn Ricks at (202) 317-7003 (not a toll-free call). For further information regarding a change under this section for OID, contact Charles W. Culmer at (202) 317-4528 (not a toll-free call).

SECTION 17. OBLIGATIONS ISSUED AT DISCOUNT (§ 454)

.01 Series E, EE or I U.S. savings bonds.

(1) Description of change. This change applies to a taxpayer that uses the overall cash receipts and disbursements (cash) method of accounting and that wants to change its method of accounting for interest income on Series E, EE, or I U.S. savings bonds. However, this change only applies to a taxpayer that previously made an election under § 454 to report as interest income the increase in redemption price on a bond occurring in a taxable year, and that now wants to report this income in the taxable year in which the bond is redeemed, disposed of, or finally matures, whichever is earliest.

(2) Manner of making change and designated automatic accounting method change number.

(a) This change is made on a cut-off basis and is effective for any increase in redemption price occurring after the beginning of the year of change for all Series E, EE and I U.S. savings bonds held by the taxpayer on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07

of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 17.01 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. The statement must include the following information:

(i) the designated automatic accounting method change number for this change, which is "131";

(ii) the taxpayer's name and employer identification number or social security number, as applicable;

(iii) the year of change (both the beginning and ending dates);

(iv) the Series E, EE or I U.S. savings bonds for which this change in accounting method is requested;

(v) a statement that the taxpayer will report all interest on any U.S. savings bonds acquired during or after the year of change when the interest is realized upon disposition, redemption, or final maturity, whichever is earliest; and

(vi) a statement that the taxpayer will report all interest on the U.S. savings bonds acquired before the year of change when the interest is realized upon disposition, redemption, or final maturity, whichever is earliest, with the exception of any interest income previously reported in prior taxable years.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 17.01 is "131."

(4) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

SECTION 18. PREPAID SUBSCRIPTION INCOME (§ 455)

.01 Prepaid subscription income.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for prepaid subscription income to the method described in § 455 and the regulations thereunder, including an eligible taxpayer that wants to make the "within 12 months" election under § 1.455-2.

(2) Manner of making change and designated automatic accounting method change number.

(a) This change is made on a cut-off basis and applies only to prepaid subscription income received on or after the beginning of the year of change. The taxpayer must continue to account for prepaid subscription income received prior to the year of change under the taxpayer's present method of accounting. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement in § 1.455-6 to file a statement requesting consent is satisfied by filing a short Form 3115 for a change under this section 18.01. The short Form 3115 must include the following information:

(i) the identification section of page 1 (above Part I);

(ii) the signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) the information described in § 1.455-6(a), as required by § 1.455-6(b); and

(v) if the taxpayer wants to make a "within 12 months" election under § 1.455-6(c), the information described in section § 1.455-6(c)(2).

(c) The consent granted in section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, satisfies the consent required under § 455(c)(3) and § 1.455-6(b).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 18.01 is "132."

(4) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

SECTION 19. SPECIAL RULES FOR LONG-TERM CONTRACTS (§ 460)

.01 Small business taxpayer exceptions from requirement to account for certain long-term contracts under § 460 or to capitalize costs under § 263A for certain home construction contracts.

(1) Description of Change. This change applies to a taxpayer that, beginning in the year of change, qualifies as a small business taxpayer, as defined in section 15.18(5)(a) of this revenue procedure, and (a) wants to change its method of accounting for exempt long-term construction contracts described in § 460(e)(1)(B) from the percentage-of-completion method of accounting described in § 1.460-4(b) to an exempt contract method of accounting described in § 1.460-4 (c), or (b) chooses to stop capitalizing costs under § 263A for home construction contracts defined in § 460(e)(1)(A).

(2) Applicability. This change applies to exempt long-term contracts described in § 460(e)(1) that are entered into after December 31, 2017, in taxable years ending after December 31, 2017.

(3) Inapplicability. A taxpayer can use a method of accounting for its exempt long-term contracts that is different from the method used for contracts that are not

exempt. Thus, a taxpayer must use the percentage-of-completion method of accounting for nonresidential long-term construction contracts entered into in the first taxable year that the taxpayer fails the § 448(c) gross receipts test, but must continue to use its exempt contract method of accounting for its existing exempt long-term construction contracts. Similarly, in the taxable year that a taxpayer first meets the § 448(c) gross receipts test, the taxpayer can use a permissible exempt contract method of accounting for long-term construction contracts it expects to complete within two years. Rev. Rul. 92-28, 1992-1 C.B. 153. Accordingly, only a taxpayer who previously adopted the percentage-of-completion method of accounting for exempt long-term construction contracts and wants to change to another permissible exempt contract method of accounting is required to request consent to change under this section 19.01. Similarly, a taxpayer that meets the § 448(c) gross receipts test and enters into a home construction contract that it expects to complete within two years requires consent to change its method of accounting to not capitalize costs under § 263A only if the taxpayer has previously applied § 263A to home construction contracts exempt from the capitalization requirement under § 460(e)(1).

(4) Manner of making change. This change is made on a cut-off basis and applies only to long-term construction contracts entered into after December 31, 2017, in taxable years ending after December 31, 2017. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(5) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for a taxpayer's first, second, or third taxable year ending after December 31, 2017.

(6) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except line 16;

(e) Part IV, line 25; and

(f) Schedule D, Part I.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 19.01 is "236."

(8) Contact information. For further information regarding changes under this section, contact Innessa Glazman at (202) 317-7006 (not a toll-free call).

SECTION 20. TAXABLE YEAR INCURRED (§ 461)

In general. Applicable provisions of the Code, regulations and other guidance published in the Internal Revenue Bulletin may prescribe the manner in which a taxpayer takes into account a liability that has been incurred. For example, for a taxpayer with inventories and subject to § 263A, the taxpayer must include direct and indirect costs in inventory costs, which may be recovered through cost of goods sold. See § 1.263A-1(e)(2)(i)(B). A taxpayer may not rely on any provision in this section 20 to take a current year deduction if another applicable provision requires the taxpayer to take the liability into account in a year other than the year incurred.

.01 Timing of incurring liabilities for employee compensation.

(1) Self-insured employee medical benefits.

(a) Description of change.

(i) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for self-insured liabilities (including any amounts not covered by insurance, such as a "deductible" amount under an insurance policy) relating to employee medical expenses (including liabilities resulting from medical services provided to retirees and to employees who have filed claims under a workers' compensation act) that are not paid from a welfare benefit fund within the meaning of § 419(e) to a method as follows:

(A) If the taxpayer has a liability to pay an employee for medical expenses incurred by the employee, the taxpayer will treat the liability as incurred in the taxable year in which the employee files the claim with the employer. See United States v. General Dynamics Corp., 481 U.S. 239 (1987), 1987-2 C.B. 134.

(B) If the taxpayer has a liability to pay a 3rd party for medical services provided to its employees, the taxpayer will treat the liability as incurred in the taxable year in which the services are provided.

(ii) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.01(1) if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(b) Concurrent automatic change. A taxpayer making both this change and a change to a UNICAP method described in section 20.01(1)(a)(ii) of this revenue

procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(c) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.01(1) is "42."

(2) Bonuses.

(a) Description of change.

(i) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat bonuses as incurred in the taxable year in which all events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)). Specifically, a taxpayer may change its method of accounting under this section 20.01(2) to one of the following methods:

(A) If all the events that establish the fact of the liability to pay a bonus have occurred by the end of the taxable year in which the related services are provided, and the bonus is received by the employee no later than the 15th day of the 3rd calendar month after the end of the taxable year in which the related services are provided, the taxpayer will treat the bonus liability as incurred in that taxable year. See Rev. Rul. 55-446, 1955-2 C.B. 531, as modified by Rev. Rul. 61-127, 1961-2 C.B. 36.

(B) If all the events that establish the fact of the liability to pay a bonus occur in the taxable year subsequent to the taxable year in which the related services are provided, the taxpayer will treat the bonus liability as incurred in such subsequent taxable year.

(ii) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.01(2) if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(b) Concurrent automatic change. A taxpayer making both this change and a change to a UNICAP method described in section 20.01(2)(a)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.01(2) is “133.”

(3) Vacation pay, sick pay, and severance pay.

(a) Description of change.

(i) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat vacation pay, sick pay, and severance pay as incurred in the taxable year in which all events have occurred that establish the fact of the liability to pay vacation pay, sick pay, and severance pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)). Specifically, a taxpayer may change its method of accounting under this section 20.01(3) to one of the following methods:

(A) If all the events that establish the fact of the liability to pay vacation pay, sick pay, and severance pay have occurred by the end of the taxable year in which the related services are provided, the vacation pay, sick pay, and severance pay vests in the taxable year the related services are provided, and the vacation pay, sick pay, and severance pay is received by the employee no later than the 15th day of the 3rd calendar month after the end of the taxable year in which the related services are provided, the taxpayer will treat the vacation pay, sick pay, and severance pay liability as incurred in the taxable year in which the related services are provided.

(B) If all the events that establish the fact of the liability to pay vacation pay, sick pay, and severance pay occur in the taxable year subsequent to the taxable year in which the related services are provided, the taxpayer will treat the vacation pay, sick pay, and severance pay liability as incurred in such subsequent taxable year.

(ii) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.01(3) if the taxpayer is not capitalizing these costs, unless the taxpayer

concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(b) Concurrent automatic change. A taxpayer making both this change and a change to a UNICAP method described in section 20.01(3)(a)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.01(3) is "134."

(4) Contact information. For further information regarding a change under this section, contact Alicia Lee-Won or Joanna Trebat at (202) 317-7003 (not a toll-free call).

.02 Timing of incurring liabilities for real property taxes, personal property taxes, state income taxes, and state franchise taxes.

(1) Background. A taxpayer using an overall accrual method of accounting generally incurs a liability in the taxable year that all the events have occurred that establish the fact of the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance has occurred with respect to the liability. See § 1.446-1(c)(1)(ii). Under § 1.461-4(g)(6), if the liability of the taxpayer is

to pay a tax, economic performance occurs as the tax is paid to the government authority that imposed the tax.

(2) Description of change.

(a) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to:

(i) treat liabilities (for which the all events test of § 461(h)(4) is otherwise met) for real property taxes, personal property taxes, state income taxes, or state franchise taxes as incurred in the taxable year in which the taxes are paid, under § 461 and § 1.461-4(g)(6);

(ii) account for real property taxes, personal property taxes, state income taxes, or state franchise taxes under the recurring item exception method under § 461(h)(3) and § 1.461-5(b)(1); or

(iii) revoke an election under § 461(c) (ratable accrual election).

(b) Inapplicability. This change does not apply to:

(i) a taxpayer's liability for a tax subject to the limitation on acceleration of accrual of taxes under § 461(d); or

(ii) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.02 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(3) Concurrent automatic change. A taxpayer making both this change and a change to a UNICAP method described in section 20.02(2)(b)(ii) of this revenue

procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.02 is "43."

(5) Contact information. For further information regarding a change under this section, contact Christine Merson at (202) 317-5100 (not a toll-free call).

.03 Timing of incurring liabilities under a workers' compensation act, tort, breach of contract, or violation of law.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for self-insured liabilities (including any amounts not covered by insurance, such as a "deductible" amount under an insurance policy) arising under any workers' compensation act or out of any tort, breach of contract, or violation of law, to treating the liability for the workers' compensation, tort, breach of contract, or violation of law as being incurred in the taxable year in which all the events have occurred that establish the fact of the liability, the amount of the liability can be determined with reasonable accuracy, and payment is made to the person to which the liability is owed. See § 461 and § 1.461-4(g)(1) and (2). If the taxpayer has self-insured liabilities resulting from

medical services provided to employees who have filed claims under a workers compensation act, the taxpayer may change its method of accounting for those liabilities under section 20.01(1) of this revenue procedure (if the taxpayer is otherwise eligible).

(b) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.03 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) Concurrent automatic change. A taxpayer making both this change and change to either a method provided in section 20.01(1) of this revenue procedure for self-insured employee medical expenses or a UNICAP method described in section 20.03(1)(b) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115, in which case the taxpayer must enter the designated automatic accounting method change numbers for each change on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.03 is “44.”

(4) Contact information. For further information regarding a change under this section, contact Christine Merson at (202) 317-5100 (not a toll-free call).

.04 Timing of incurring certain liabilities for payroll taxes.

(1) Description of change.

(a) Applicability. This change applies to:

(i) an employer using an overall accrual method of accounting that wants to change its method of accounting for:

(A) FICA and FUTA taxes to a method consistent with the holding in Rev. Rul. 96-51, 1996-2 C.B. 36. Rev. Rul. 96-51 permits an accrual method employer to take into account in Year 1, under the all events test of § 461, its otherwise deductible FICA and FUTA taxes imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met; and

(B) state unemployment taxes and, in the event the taxpayer is an employer within the meaning of the Railroad Retirement Tax Act (RRTA) (see § 3231(a)), RRTA taxes to a method under which the taxpayer may take into account in Year 1 its otherwise deductible state unemployment taxes and railroad retirement taxes (if applicable) imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met (including the requirement that, as of the end of the taxable year, all events have occurred that establish the fact of the liability and the amount of the liability can be determined with reasonable accuracy, see § 1.461-5(b));

(ii) an accrual method employer that utilizes a method of accounting for FICA and FUTA taxes that is consistent with the holding in Rev. Rul. 96-51 and wants to change its method of accounting for state unemployment taxes and, in the event the employer is an employer within the meaning of RRTA (see § 3231(a)), RRTA

taxes to a method under which the taxpayer may take into account in Year 1 its otherwise deductible state unemployment taxes and railroad retirement taxes (if applicable) imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met (including the requirement that, as of the end of the taxable year, all events have occurred that establish the fact of the liability and the amount of the liability can be determined with reasonable accuracy, see § 1.461-5(b)); or

(iii) a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for FICA and FUTA taxes to the safe harbor method provided in Rev. Proc. 2008-25, 2008-1 C.B. 686. Rev. Proc. 2008-25 provides that for purposes of the recurring item exception, a taxpayer will be treated as satisfying the requirement in § 1.461-5(b)(1)(i) for its payroll tax liability in the same taxable year in which all events have occurred that establish the fact of the related compensation liability and the amount of the related compensation liability can be determined with reasonable accuracy.

(b) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 20.04 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) Recurring item exception. A taxpayer that previously has not changed to or adopted the recurring item exception for FICA taxes, FUTA taxes, state

unemployment taxes, and RRTA taxes (if applicable) must change to the recurring item exception method for FICA taxes, FUTA taxes, state unemployment taxes, and RRTA taxes (if applicable) as specified in § 461(h)(3) as part of this change.

(3) Concurrent automatic change. A taxpayer making both this change and a change to a UNICAP method described in section 20.04(1)(b) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 20.04(1)(a)(i) or (ii) of this revenue procedure is "45." The designated automatic accounting method change number for a change under section 20.04(1)(a)(iii) of this revenue procedure is "113."

(5) Contact information. For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.05 Cooperative advertising.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for cooperative advertising costs to a method consistent with the holding in Rev. Rul. 98-39, 1998-2 C.B. 198. Rev. Rul. 98-39 generally provides that, under the all events test of § 461, an accrual method manufacturer's liability to pay a retailer for cooperative advertising services is incurred in the year in which the services are performed,

provided the manufacturer is able to reasonably estimate this liability, and even though the retailer does not submit the required claim form until the following year.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.05 is "46."

(3) Contact information. For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.06 Timing of incurring certain liabilities for services or insurance.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that is currently treating the mere execution of a contract for services or insurance as establishing the fact of the liability under § 461 and wants to change from that method of accounting for liabilities for services or insurance to comply with Rev. Rul. 2007-3, 2007-1 C.B. 350, that is, all the events needed to establish the fact of the liability occur when (a) the event fixing the liability, whether that be the required performance or other event occurs or (b) payment is due, whichever happens earliest.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.06 is "106."

(3) Contact information. For further information regarding a change under this section, contact Sharon Horn at (202) 317-7003 (not a toll-free call).

.07 Rebates and allowances.

(1) Description of change.

(a) Applicability. This change applies to taxpayer using an overall accrual method of accounting that wants to change its method of accounting for treating its liability for rebates and allowances to the recurring item exception method under § 461(h)(3) and § 1.461-5.

(b) Inapplicability. This change does not apply to a taxpayer's liability to pay a refund.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.07 is "135."

(3) Contact information. For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.08 Ratable accrual of real property taxes.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for real property taxes to the method described in § 461(c) and § 1.461-1(c)(1) (ratable accrual election). This change applies to real property taxes that relate to a definite period of time. This change does not apply to a taxpayer's first taxable year in which the taxpayer incurs real property taxes, in which case the change is made using the provisions of § 1.461-1(c)(3)(i).

(2) Manner of making change and designated automatic accounting method change number.

(a) This change is made on a cut-off basis and applies only to real property taxes accrued on or after the beginning of the year of change. Any real property taxes accrued prior to the year of change are accounted for under the

taxpayer's former method of accounting. See § 1.461-1(c)(6), *Examples (2) – (5)*. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement in § 1.461-1(c)(3)(ii) for requesting consent is satisfied by filing a short Form 3115 for this change. The taxpayer's short Form 3115 must include all of the following information:

(i) the identification section of page 1 (above Part I);

(ii) the signature section at the bottom of page 1;

(iii) Part I, line 1(a); and

(iv) the information described in § 1.461-1(c)(3)(ii)(a) through (f).

(c) The consent granted under section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, satisfies the consent required under § 461(c)(2)(B) and § 1.461-1(c)(3)(ii).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.08 is "149."

(4) Contact information. For further information regarding a change under this section, contact Daniel Cassano at (202) 317-7011 (not a toll-free call).

.09 California Franchise Taxes.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for California franchise taxes to a method consistent with the holding in Rev. Rul. 2003-90, 2003-2 C.B. 353. Rev. Rul. 2003-90 provides that for taxable years beginning on or after January 1, 2000, a taxpayer that uses an accrual method of accounting incurs a liability for California franchise tax for federal income tax purposes in the taxable year

following the taxable year in which the California franchise tax is incurred under the Cal. Rev. & Tax Code, as amended.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.09 is "154."

(3) Contact information. For further information regarding a change under this section, contact Sharon Horn at (202) 317-7003 (not a toll-free call).

.10 Gift cards issued as a refund for returned goods.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using an overall accrual method of accounting that sells goods at retail and that wants to change its method of accounting for gift cards (as defined by section 4.02 of Rev. Proc. 2011-17, 2011-5 I.R.B. 441) issued as a refund for returned goods to treat the transaction as (1) the payment of a cash refund in the amount of the gift card, and (2) the sale of a gift card in the amount of the gift card.

(b) Treatment of proceeds of the deemed sale. A taxpayer must treat the proceeds of the deemed sale of a gift card in accordance with the method of accounting it otherwise employs for sales of gift cards.

(2) Concurrent automatic change. A taxpayer making both this change and an automatic change to the deferral method for advance payments under Rev. Proc. 2004-34 (see section 16.07 of this revenue procedure) for the same taxable year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line

on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.10 is "156."

(4) Contact information. For further information regarding a change under this section, contact Alicia Lee-Won at (202) 317-7003 (not a toll-free call).

.11 Timing of incurring liabilities under the recurring item exception to the economic performance rules.

(1) Description of change. This change applies to a taxpayer using an overall accrual method of accounting that wants to conform to any of the holdings in Rev. Rul. 2012-1, 2012-2 I.R.B. 255, which clarifies the treatment of certain liabilities under the recurring item exception to the economic performance requirement under § 461(h)(3) by addressing the application of the "not material" and "better matching" requirements, and distinguishes contracts for the provision of services from insurance and warranty contracts.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 20.11 is "161."

(3) Contact information. For further information regarding a change under this section, contact Justin Grill at (202) 317-7003 (not a toll-free call).

.12 Economic performance safe harbor for ratable service contracts.

(1) Description of change. This change applies to an accrual method taxpayer that wants to change its treatment of Ratable Service Contracts to conform to the safe harbor method provided by Rev. Proc. 2015-39, 2015-33 I.R.B. 195.

(2) Certain eligibility rules temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer that wants to make a change under this section 20.12 for the taxpayer's first, second, or third taxable year ending on or after July 30, 2015.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in methods of accounting under this section 20.12 is “220.”

(4) Contact information. For further information regarding a change under this section, contact David Christensen or Peter E. Ford at (202) 317-7003 (not a toll-free call).

SECTION 21. RENT (§ 467)

.01 Change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that:

(i) is a party to § 467 rental agreements (within the meaning of § 1.467-1(c)(1) for rental agreements entered into after May 18, 1999, and § 467(d) for all other agreements); and

(ii) except as provided in section 21.01(1)(b)(ii) of this revenue procedure, wants to change its method of accounting for its fixed rent (as defined in § 1.467-1(d)(2)) to the rent allocation method provided in § 1.467-1(d)(2)(iii).

(b) Inapplicability. This change does not apply to:

(i) rental agreements for which taxpayers are required to use the constant rental accrual method described in § 1.467-(3)(a) or the proportional rental accrual method described in § 1.467-(2)(a) for their fixed rent; and

(ii) rental agreements that provide a specific allocation of fixed rent as described in § 1.467-1(c)(2)(ii)(A)(2) that allocate rent to periods other than when such rents are payable.

(2) Additional requirements. The taxpayer must attach to its Form 3115 a copy of one of its § 467 rental agreements to be covered by this automatic change (or at least the pages of the agreement relating to the manner in which rent is allocated).

(3) Audit protection limited. Any audit protection under section 8 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for any § 467 rental agreement determined by the Commissioner to be a disqualified leaseback or long-term agreement described in § 1.467-(3)(b).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 21.01 is “136.”

(5) Contact information. For further information regarding a change under this section, contact William Ruane at (202) 317-4718 (not a toll-free call).

SECTION 22. INVENTORIES (§ 471)

.01 Cash discounts.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for cash discounts (that is, discounts granted for timely payment) when they approximate a fair interest rate, from a method of consistently

including the price of the goods before discount in the cost of the goods and including in gross income any discounts taken (the "gross invoice method"), to a method of reducing the cost of the goods by the cash discounts and deducting as an expense any discounts not taken (the "net invoice method"), or vice versa. See Rev. Rul. 73-65, 1973-1 C.B. 216.

(2) Computation of § 481(a) adjustment for changes to net invoice method. In the case of a taxpayer changing from the gross invoice method to the net invoice method, a negative § 481(a) adjustment is required to prevent duplications arising from the fact that the gross invoice method reported income upon timely payment for some or all of the goods that remain in inventory, and a positive § 481(a) adjustment is required to prevent omissions arising from the fact that the gross invoice method included the invoice price, unadjusted for the cash discounts, of some or all goods in cost of goods sold and the discount will be earned by payment in a subsequent taxable year. The net § 481(a) adjustment is computed by deducting the "Applicable Discount" at the beginning of the year of change from the "Available Discount" at the beginning of the year of change. The Available Discount is equal to the difference between the accounts payable balance under the gross invoice method and the net invoice method. The Applicable Discount is equal to the difference between the beginning inventory value under the gross invoice method and the net invoice method.

Example. Taxpayer's accounts payable balance at the beginning of the year of change was $1,000 under the gross invoice method and $980 under the net invoice method. Taxpayer's inventory value was $3,000 under the gross invoice method and $2,955 under the net invoice method. The Available Discount is $20 ($1,000 - $980) and the Applicable Discount is $45 ($3,000 - $2,955). Thus, Taxpayer's net § 481(a) adjustment is a negative $25 ($20 - $45).

(3) Computation of § 481(a) adjustment for changes to gross invoice method. In the case of a taxpayer changing from the net invoice method to the gross invoice method, a positive § 481(a) adjustment is required to prevent omissions arising from the fact that the net invoice method did not report income upon timely payment for some or all of the goods that remain in inventory, and a negative § 481(a) adjustment is required to prevent duplications arising from the fact that the net invoice method included the invoice price, adjusted for the cash discounts, of some or all goods in cost of goods sold and the discount will be earned by payment in a subsequent taxable year. The net § 481(a) adjustment can be computed by deducting the "Available Discount" at the beginning of the year of change from the "Applicable Discount" at the beginning of the year of change. The Available Discount is equal to the difference between the accounts payable balance under the gross invoice method and the net invoice method. The Applicable Discount is equal to the difference between the beginning inventory value under the gross invoice method and the net invoice method.

Example. Taxpayer's accounts payable balance at the beginning of the year of change was $980 under the net invoice method and $1,000 under the gross invoice method. Taxpayer's inventory value was $2,955 under the net invoice method and $3,000 under the gross invoice method. The Applicable Discount is $45 ($3,000 - $2,955) and the Available Discount is $20 ($1,000 - $980). Thus, Taxpayer's net § 481(a) adjustment is a positive $25 ($45 - $20).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.01 is "48."

(5) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.02 Estimating inventory "shrinkage".

(1) Description of change. This change applies to a taxpayer that wants to change to a method of accounting for estimating inventory shrinkage in computing ending inventory, using:

(a) the "retail safe harbor method" described in section 4 of Rev. Proc. 98-29, 1998-1 C.B. 857, as modified by this revenue procedure; or

(b) a method other than the retail safe harbor method, provided (i) the taxpayer's present method of accounting does not estimate inventory shrinkage, and (ii) the taxpayer's proposed method of accounting (that estimates inventory shrinkage) clearly reflects income under § 446(b).

(2) Additional requirements. If the taxpayer wants to change to a method of accounting for inventory shrinkage other than the retail safe harbor method, the taxpayer must attach to its Form 3115 a statement setting forth a detailed description of all aspects of the proposed method of estimating inventory shrinkage (including, for last-in, first-out (LIFO) taxpayers, the method of determining inventory shrinkage for, or allocating inventory shrinkage to, each LIFO pool). The director or national office subsequently may review whether the proposed method clearly reflects the taxpayer's income under § 446(b), notwithstanding any provision of Rev. Proc. 2015-13, 2015-5 I.R.B. 419 (or successor). If the director or the national office determines that the proposed method of accounting does not clearly reflect the taxpayer's income, the taxpayer will be treated as having made a change in method of accounting without obtaining the consent of the Commissioner as required by § 446(e). See sections 2.01(3) and 2.03 of Rev. Proc. 2015-13.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.02 is "49."

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.03 Small taxpayer exception from requirement to account for inventories under § 471.

(1) Description of change.

(a) Applicability. This change applies to either a taxpayer (other than a taxpayer described § 448(a)(3)) with "average annual gross receipts" (as defined in section 5.01 of Rev. Proc. 2001-10, as modified by Announcement 2004-16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011-14 (removing § 6.02(1)(a) of Rev. Proc. 2001-10)) of $1,000,000 or less or a qualifying taxpayer (other than a taxpayer described in § 448) with "average annual gross receipts" (as defined in section 5.02 of Rev. Proc. 2002-28, as modified by Announcement 2004-16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011-14 (removing § 7.02(1)(a) of Rev. Proc. 2002-28)) of $10,000,000 or less that wants to change from a method of accounting for inventoriable items (including, if applicable, from the method of capitalizing costs under § 263A) to the method described in Rev. Proc. 2001-10 and Rev. Proc. 2002-28, for treating inventoriable items in the same manner as materials and supplies that are not incidental under § 1.162-3.

(b) Inapplicability. This change does not apply for taxable years beginning after December 31, 2017. See, however, section 22.19 of this revenue

procedure for making a change in method of accounting for inventories for taxable years beginning after December 31, 2017.

(2) Manner of making change. See Rev. Proc. 2001-10 or Rev. Proc. 2002-28 (as applicable) for additional guidance on the computation of the § 481(a) adjustment and the completion of the Form 3115.

(3) Concurrent automatic change to the overall cash method under Rev. Proc. 2001-10 or Rev. Proc. 2002-28. A taxpayer making both this change and a change to the overall cash method under Rev. Proc. 2001-10 or Rev. Proc. 2002-28 (see section 15.03 of this revenue procedure) for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.03 for the small taxpayer ($1,000,000) inventory exception contained in Rev. Proc. 2001-10 is “50.” The designated automatic accounting method change number for a change under this section 22.03 for the small taxpayer ($10,000,000) inventory exception contained in Rev. Proc. 2002-28 is “51.”

(5) Contact information. For further information regarding a change under this section, contact Anna Gleysteen at (202) 317-7007 (not a toll-free call).

.04 Qualifying volume-related trade discounts.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting to treat qualifying volume-related trade discounts as a

reduction in the cost of merchandise purchased at the time the discount is recognized in accordance with § 1.471-3(b). A "qualifying volume-related trade discount" means a discount satisfying the following criteria:

(a) the taxpayer receives or earns the discount based solely upon the purchase of a particular volume of the merchandise to which the discount relates;

(b) the taxpayer is neither obligated nor expected to perform or provide any services in exchange for the discount; and

(c) the discount is not a reimbursement of any expenditure incurred or to be incurred by the taxpayer.

(2) Section 481(a) adjustment. The net § 481(a) adjustment attributable to the change is computed in a manner similar to the computation of a net § 481(a) adjustment in the case of a change to the net invoice method of accounting for cash discounts. See section 22.01(2) of this revenue procedure.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.04 is "53."

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.05 Impermissible methods of identification and valuation of inventories.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from an impermissible method of identifying or valuing inventories to a permissible method of identifying or valuing inventories. For example, a taxpayer:

(i) using last-in, first-out (LIFO) as its inventory-identification method may change its inventory-valuation method from below cost to cost;

(ii) using an impermissible method of accounting described in §§ 1.471-2(f)(1) through (5) may change to a permissible method of accounting that corrects the impermissible method described in §§ 1.471-2(f)(1) through (5);

(iii) using a method that is not in accordance with § 1.471-2(c) may change to a permissible method of valuing "subnormal goods" under § 1.471-2(c);

(iv) changing from a gross profit method. For this purpose, a gross profit method is a method in which the taxpayer estimates the cost of goods sold by reducing its gross sales by a percentage "mark-up" from cost. The estimated cost of goods sold is subtracted from the sum of the beginning inventory and purchases and the result is used as the ending inventory; or

(v) changing from a method of determining market that is not in accordance with § 1.471-4. For this purpose, an example of a method of determining market that is not in accordance with § 1.471-4 is where a taxpayer, under ordinary circumstances, determines the market value of purchased merchandise using judgment factors, and not using the prevailing current bid price on the inventory date for the particular merchandise in the volume in which it is usually purchased by the taxpayer.

(b) Inapplicability. This change does not apply to:

(i) any change for real property or improvements to the real property because real property is not inventoriable property under § 1.471-1;

(ii) a taxpayer who meets the definition of a "dealer in securities" under both § 1.471-5 and § 475 because such dealer is required to account for

securities, as defined in § 475, under § 475 and may not use the rules described in § 1.471-5 for those securities;

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure);

(iv) any change to a method of allocating costs to inventory under § 471 or any change to a method under § 263A (but see sections 12.01 and 12.02 of this revenue procedure); or

(v) a taxpayer that is currently deducting inventories (but see section 22.18 of this revenue procedure).

(c) Permissible method defined. For purposes of this change, a permissible method is an inventory method of identification or valuation, or both, specifically permitted by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court. However, an otherwise permissible inventory method is not permissible under this section 22.05 for a specific taxpayer if that taxpayer is prohibited from using that method or if that taxpayer is required to use a different method.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.05 is “54.”

(3) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.06 Core Alternative Valuation Method.

(1) Description of change.

(a) Applicability. This change applies to a remanufacturer and rebuilder of motor vehicle parts and a reseller of remanufactured and rebuilt motor vehicle parts that use the cost or market, whichever is lower (LCM), inventory valuation method to value their inventory of cores held for remanufacturing or sale and wants to use the Core Alternative Valuation (CAV) method specified in Rev. Proc. 2003-20, 2003-1 C.B. 445.

(b) Inapplicability. This change does not apply to a taxpayer that values its inventory of cores at cost (including a taxpayer using the LIFO inventory method) unless the taxpayer concurrently changes (under section 6.02 of Rev. Proc. 2003-20) from cost to the LCM method for its cores (including labor and overhead related to the cores in raw materials, work-in-process, and finished goods).

(2) Concurrent automatic change. A taxpayer making both this change and (i) a change from the cost method to the LCM method under section 22.11 of this revenue procedure, or (ii) a change from the LIFO inventory method to a permitted method for identification under (and as determined and defined in) section 23.01(1)(b) of this revenue procedure for the same year of change, should file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.06 is "55."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.07 Replacement cost for automobile dealers' parts inventory.

(1) Description of change. This change applies to a taxpayer that is engaged in the trade or business of selling vehicle parts at retail, that is authorized under an agreement with one or more vehicle manufacturers or distributors to sell new automobiles or new light, medium, or heavy-duty trucks, and that wants to use the replacement cost method described in section 4 of Rev. Proc. 2002-17, 2002-1 C.B. 676, as modified by Rev. Proc. 2006-14, 2006-1 C.B. 350, for its vehicle parts inventory. See Rev. Proc. 2002-17 for further information regarding this change.

(2) Manner of making change. This change is made on a cut-off basis and applies only to the computation of ending inventories on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.07 is "63."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.08 Replacement cost for heavy equipment dealers' parts inventory.

(1) Description of change. This change applies to a heavy equipment dealer that is engaged in the trade or business of selling heavy equipment parts at retail, that is

authorized under an agreement with one or more heavy equipment manufacturers or distributors to sell new heavy equipment, and that wants to use the replacement cost method described in section 4 of Rev. Proc. 2006-14, 2006-1 C.B. 350, for its heavy equipment parts inventory.

(2) Manner of making the change. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Concurrent automatic change. A taxpayer making both this change and another automatic change in method of accounting under § 263A (see section 12 of this revenue procedure) for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.08 is "96."

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.09 Rotable spare parts.

(1) Description of change. This change applies to a taxpayer that is using the safe harbor method of accounting to treat its rotable spare parts as depreciable assets in accordance with Rev. Proc. 2007-48, 2007-2 C.B. 110, as modified by this revenue procedure, and wants to change its method of accounting to treat its rotable spare parts as inventoriable items. This change also applies to a taxpayer who is

treating its rotable spare parts as depreciable assets in a manner similar to the safe harbor method described in Rev. Proc. 2007-48, and wants to change its method of accounting to treat its rotable spare parts as inventoriable items. A taxpayer changing its method of accounting for rotable spare parts under this section 22.09, must use a proper inventory method to identify and value its rotable spare parts.

(2) Eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer that is required to make the change in method of accounting pursuant to section 5.06 of Rev. Proc. 2007-48.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.09 is "110."

(4) Contact information. For further information regarding a change under this section, contact Stephen Rothandler at (202) 317-7003 (not a toll-free call).

.10 Advance Trade Discount Method.

(1) Description of change. This change applies to a taxpayer that wants to use the Advance Trade Discount Method described in Rev. Proc. 2007-53, 2007-2 C.B. 233.

(2) Applicability. This change in method of accounting applies to a taxpayer using an overall accrual method of accounting that is required to use an inventory method of accounting, that maintains inventories as provided in § 471 and the regulations thereunder, and that receives advance trade discounts as defined in section 4.03 of Rev. Proc. 2007-53.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.10 is "111."

(4) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.11 Permissible methods of identification and valuation of inventories.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from one permissible method of identifying or valuing inventories to another permissible method of identifying or valuing inventories. For example, a taxpayer using the first-in, first-out (FIFO) method as its inventory-identification method may change its inventory-valuation method from cost to cost or market, whichever is lower (LCM), or a taxpayer valuing "subnormal" goods at cost may change its valuation method to another permissible method of valuing "subnormal goods" under § 1.471-2(c).

(b) Inapplicability. This change does not apply to:

(i) any change for real property or improvements to the real property because real property is not inventoriable property under § 1.471-1:

(ii) a taxpayer who meets the definition of a "dealer in securities" under both § 1.471-5 and § 475 because such dealer is required to account for securities, as defined in § 475, under § 475 and may not use the rules described in § 1.471-5 for those securities;

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change

does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure); or

(iv) any change to a method of allocating costs to inventory under § 471 or any change to a method under § 263A (but see sections 12.01 and 12.02 of this revenue procedure).

(c) Permissible method defined. For purposes of this change, a permissible method is an inventory method of identification or valuation, or both, specifically permitted for inventories by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court. However, an otherwise permissible inventory method is not permissible under this section 22.11 for a specific taxpayer if that taxpayer is prohibited from using that method or if that taxpayer is required to use a different method.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.11 is "137."

(3) Contact information. For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.12 Change in the official used vehicle guide utilized in valuing used vehicles.

(1) Description of change. Used vehicles taken in trade as part payment on the sale of vehicles by a dealer may be valued for inventory purposes at valuations comparable to those listed in an official used vehicle guide as the average wholesale prices for comparable vehicles. See Rev. Rul. 67-107, 1967-1 C.B. 115. This change applies to:

(a) a taxpayer that wants to change from not using an official used vehicle guide to using an official used vehicle guide for valuing used vehicles; or

(b) a taxpayer that wants to change to a different official used vehicle guide for valuing used vehicles.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.12 is "138."

(3) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.13 Invoiced advertising association costs for new vehicle retail dealerships.

(1) Description of change. This change applies to a taxpayer that is engaged in the trade or business of retail sales of new automobiles or new light-duty trucks ("dealership") that wants to discontinue capitalizing certain advertising costs as acquisition costs under § 1.471-3(b). The change applies to advertising costs that meet the following criteria: (a) the dealership must pay this advertising fee when acquiring vehicles from the manufacturer; (b) the advertising costs are separately coded and included in the manufacturer's invoice cost of the new vehicle; (c) the advertising cost is a flat fee per vehicle or a fixed percentage of the invoice price; and (d) the fees collected by the manufacturer are paid to local advertising associations that promote and advertise the manufacturer's products in the dealership's market area. Under the proposed method, the dealership will exclude advertising costs that meet the above criteria from the cost of new vehicles and deduct the advertising costs under § 162 as the advertising services are provided to the dealership. See § 1.461-4(d)(2)(i).

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.13 is "139."

(3) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.14 Rolling-average method of accounting for inventories.

(1) Description of change. This change applies to a taxpayer that uses a rolling-average method to value inventories for financial accounting purposes and wants to use the same rolling-average method to value inventories for federal income tax purposes in accordance with Rev. Proc. 2008-43, 2008-30 C.B. 186, as modified by Rev. Proc. 2008-52, 2008-2 C.B. 587 (see section 13).

(2) Manner of making change. This change is made on a cut-off basis and is applied only to the computation of ending inventories after the beginning of the year of change. However, if the taxpayer's books and records contain sufficient information to compute a § 481(a) adjustment, the taxpayer may choose to implement the change with a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.14 is "114."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.15 Sales-Based Vendor Chargebacks.

(1) Description of change. This change, as described in Rev. Proc. 2014-33, 2014-22 I.R.B. 1060, applies to a taxpayer that wants to change its method of accounting to treat sales-based vendor chargebacks as a reduction in cost of goods sold in accordance with § 1.471-3(e)(1).

(2) Concurrent automatic changes. A taxpayer making both this change and the change described in section 12.11 of this revenue procedure for the same taxable year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line on the Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in methods of accounting under this section 22.15 is "203."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.16 Certain changes to the cost complement of the retail inventory method.

(1) Description of change. This change, as described in Rev. Proc. 2014-48, 2014-36 I.R.B. 527, applies to a taxpayer using the retail inventory method that wants to make one of the following changes:

(a) From adjusting to not adjusting the numerator of the cost complement by the amount of an allowance, discount, or price rebate that is required under § 1.471-3(e) to reduce only cost of goods sold;

(b) From adjusting to not adjusting the denominator of the cost complement for temporary markups and markdowns;

(c) In the case of a retail LCM taxpayer, to computing the cost complement using a method described in § 1.471-8(b)(3), including changes from a method described in § 1.471-8(b)(3) to another method described in § 1.471-8(b)(3); or

(d) In the case of a retail cost taxpayer, from not adjusting to adjusting the denominator of the cost complement for permanent markups and markdowns.

(2) Effective date. This section 22.16 is effective for taxable years beginning after December 31, 2014.

(3) Multiple changes. A taxpayer making multiple changes under this section 22.16 for the same year of change should file a single Form 3115.

(4) Manner of making change. A taxpayer making a change under this section 22.16 for its first or second taxable year beginning after December 31, 2014, may use either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or implement the change on a cut-off basis. If the taxpayer uses a cut-off basis, the change applies only to the computation of ending inventories after the beginning of the year of change, and a § 481(a) adjustment is neither permitted nor required if a change is made on a cut-off basis.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in methods of accounting under this section 22.16 is “204.”

(6) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.17 Certain changes within the retail inventory method .

(1) Description of change. This change applies to a taxpayer using the retail inventory method that wants to change from including to not including temporary markups and markdowns in determining the retail selling prices of goods on hand at the end of the taxable year.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in methods of accounting under this section 22.17 is “225.”

(3) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.18 Change from currently deducting inventories to permissible methods of identification and valuation of inventories.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from currently deducting inventories to a permissible method of identifying and valuing inventories. For example, a taxpayer currently deducting inventories may change to using the first-in, first-out (FIFO) method as its inventory-identification method and cost or market, whichever is lower (LCM), as its inventory-valuation method.

(b) Inapplicability. This change does not apply to:

(i) any change for real property or improvements to the real property because real property is not inventoriable property under § 1.471-1;

(ii) a taxpayer who meets the definition of a “dealer in securities” under both § 1.471-5 and § 475 because such dealer is required to account for securities, as defined in § 475, under § 475 and may not use the rules described in § 1.471-5 for those securities;

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure); or

(iv) any change to a method of allocating costs to inventory under § 471 or any change to a method under § 263A (but see sections 12.01 and 12.02 of this revenue procedure).

(c) Permissible method defined. For purposes of this change, a permissible method is an inventory method of identification or valuation, or both, specifically permitted for inventories by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court. However, an otherwise permissible inventory method is not permissible under this section 22.18 for a specific taxpayer if that taxpayer is prohibited from using that method or if that taxpayer is required to use a different method.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for changes in methods of accounting under this section 22.18 is “230.”

(3) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.19 Small business taxpayer exception from requirement to account for inventories under § 471.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 15.18(5)(a) of this revenue procedure, that wants to change its § 471 method of accounting for inventory items to one of the following:

(a) treating inventory as non-incidental materials and supplies under § 1.162-3; or

(b) conforming to the taxpayer's method of accounting reflected in its applicable financial statements, as defined in § 451(b)(3), with respect to the taxable year, or if the taxpayer does not have an applicable financial statement for the taxable year, the books and records of the taxpayer prepared in accordance with the taxpayer's accounting procedures.

(2) Applicability. This change is effective for taxable years beginning after December 31, 2017.

(3) Certain eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2017.

(4) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except line 16; and

(e) Part IV, all lines except line 25.

(5) No ruling on method of accounting used.

The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 22.19(1)(b) of this revenue procedure is not a determination by the Commissioner that the proposed inventory method of accounting is permissible, and does not create any presumption that the proposed method is a permissible method of accounting under a provision of the Code. The director will ascertain whether the proposed method is permissible under the Code.

(6) Concurrent automatic changes. A taxpayer making a change under this section 22.19 and a change under sections 15.18 and/or 12.16 of this revenue procedure for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic accounting method change numbers for the changes on the appropriate line of Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.19 is "235."

(8) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

SECTION 23. LAST-IN, FIRST-OUT (LIFO) INVENTORIES (§ 472)

.01 Change from the LIFO inventory method.

(1) Description of change.

(a) In general. This change applies to a taxpayer that wants to:

(i) change from the LIFO inventory method for all its LIFO inventory or for the entire content of one or more dollar-value pools; and

(ii) change to a permitted method or methods as determined in section 23.01(1)(b) of this revenue procedure.

(b) Method to be used.

(i) Determining the permitted method to be used. A taxpayer may change to one or more non-LIFO inventory methods for the LIFO inventories that are the subject of this accounting method change, but only if the selected non-LIFO method is a permitted method for the inventory goods to which it will be applied. For example, a heavy equipment dealer may change to the specific identification method for new heavy equipment inventories and the replacement cost method, as described in Rev. Proc. 2006-14, 2006-1 C.B. 350, for heavy equipment parts inventories.

(ii) Permitted method defined. For purposes of this section 23.01, an inventory method (identification or valuation, or both) is a permitted method if it is specifically permitted for the inventory goods by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court and if the taxpayer is neither prohibited from using that method nor required to use a different inventory method for those inventory goods.

(iii) Determining permitted method. Whether an inventory method is a permitted method is determined without regard to the types and amounts of costs capitalized under the taxpayer's method of computing inventory cost. See § 263A and the regulations thereunder, which govern the types and amounts of costs required to be included in inventory cost for taxpayers subject to those provisions.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply for the first taxable year that the taxpayer does not or will not comply with the requirements of § 472(e)(2)

because the taxpayer has applied or will apply International Financial Reporting Standards in its financial statements or because the taxpayer has been acquired by an entity that has not or will not use the LIFO method in its financial statements.

(3) Limitation on LIFO election. The taxpayer may not re-elect the LIFO inventory method for a period of at least five taxable years beginning with the year of change unless, based on a showing of unusual and compelling circumstances, consent is specifically granted by the Commissioner to change the method of accounting at an earlier time. A taxpayer that wants to re-elect the LIFO inventory method within a period of five taxable years (beginning with the year of change) must file a Form 3115 in accordance with the non-automatic change procedures in Rev. Proc. 2015-13. A taxpayer that wants to re-elect the LIFO inventory method after a period of five taxable years (beginning with the year of change) does not file a Form 3115 using the non-automatic change procedures in Rev. Proc. 2015-13, but, rather, must file a Form 970, Application To Use LIFO Inventory Method, in accordance with § 1.472-3.

(4) Effect of subchapter S election by corporation. See section 7.03(4)(b) and (c) of Rev. Proc. 2015-13.

(5) Additional requirements. The taxpayer must complete the following statements and attach them to its Form 3115. If the taxpayer will use different methods for different inventory goods to which the change applies, the taxpayer must complete the statements for each of those different types of inventory goods.

(a) "The proposed method of identifying [Insert description of inventory goods] is the [Insert method, as appropriate; that is, specific identification; FIFO; retail; etc.] method."

(b) "The proposed method of valuing [Insert description of inventory goods] is [Insert method, as appropriate; that is, cost; LCM; etc.]."

(6) Pool split and partial termination. If a taxpayer must remove goods from a LIFO inventory pool because those goods are not within the scope of that pool (for example, removing resale goods from a manufacturing pool), and if the taxpayer wants to change from the LIFO inventory method for those removed goods, the taxpayer may split the pool pursuant to section 23.10 of this revenue procedure and then may change from the LIFO method pursuant to this section 23.01. See section 23.10(2) of this revenue procedure. The taxpayer must file a separate Form 3115 for each such change.

(7) Section 481(a) adjustment required.

(a) General rule. A taxpayer changing from a LIFO inventory method must compute a § 481(a) adjustment for the year of change. See section 7.02 of Rev. Proc. 2015-13.

(b) Special rule for changes that would otherwise be implemented on a cut-off basis. If a taxpayer is changing from the LIFO inventory method to a method of accounting that is implemented on a cut-off basis under another section of this revenue procedure (see, for example, sections 22.07, 22.08, and 22.14 of this revenue procedure), the taxpayer's § 481(a) adjustment is "the LIFO recapture amount" as defined in § 312(n)(4)(B) and (C). A taxpayer computing the § 481(a) adjustment under this special rule must then compute its ending inventory value for the year of change using the proposed method (that is, treat the deemed change from the first-in, first-out (FIFO) method to the proposed method on a cut-off basis).

(8) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.01 is "56."

(9) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.02 Determining current-year cost under the LIFO inventory method.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using the LIFO inventory method that wants to change its method of determining current-year cost to:

(i) the actual cost of the goods most recently purchased or produced (most-recent-acquisitions method);

(ii) the actual cost of the goods purchased or produced during the taxable year in the order of acquisition (earliest-acquisitions method);

(iii) the average unit cost equal to the aggregate actual cost of all the goods purchased or produced throughout the taxable year divided by the total number of units so purchased or produced. See § 1.472-8(e)(2)(ii);

(iv) the specific identification method; or

(v) a rolling-average method if the taxpayer uses that rolling-average method in accordance with Rev. Proc. 2008-43, 2008-30 I.R.B. 186, as modified by Rev. Proc. 2008-52, 2008-36 I.R.B. 587 (see section 13).

(b) Inapplicability. This change does not apply to a taxpayer using the lower of cost or market method to determine current-year cost. A taxpayer using the lower of cost or market method that valued inventory below cost may not change to a proper cost valuation under this section 23.02.

(2) Manner of making change. This change is made using a cut-off basis and applies only to the computations of current-year cost after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Concurrent change to a rolling-average method. A taxpayer making both a change to a rolling-average method of determining current-year cost for its LIFO inventory under this section 23.02 and a change to a rolling-average method of accounting for non-LIFO inventories under Rev. Proc. 2008-43 (see section 22.14 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.02 is "57."

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.03 Alternative LIFO inventory method for retail automobile dealers.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer engaged in the trade or business of retail sales of new automobiles or new light-duty trucks ("automobile dealer") that wants to change to the "Alternative LIFO method" described in section 4 of Rev. Proc. 97-36, 1997-2 C.B. 450, as modified by Rev. Proc. 2008-23, 2008-1 C.B. 664, for its LIFO inventories of new automobiles and new light-duty trucks. Light-duty

trucks are trucks with a gross vehicle weight of 14,000 pounds or less, which also are referred to as class 1, 2, or 3 trucks.

(b) Inapplicability. This change does not apply to an automobile dealer that uses the inventory price index computation (IPIC) method for goods other than new automobiles, new light-duty trucks, parts and accessories, used automobiles, and used trucks.

(2) Manner of making change.

(a) Cut-off basis. This change is made using a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. See section 5.03(6) of Rev. Proc. 97-36 for more information regarding a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) Concurrent change from IPIC method. An automobile dealer using the IPIC method that also has parts and accessories, used automobiles, or used light-duty trucks (other goods) inventory may incorporate a change, using a cut-off basis, from IPIC to another acceptable LIFO method for those other goods into this change. When changing from IPIC to a dollar-value LIFO method for its other goods, the automobile dealer must establish separate inventory pools for new automobiles and new light-duty trucks, unless the automobile dealer also concurrently changes to the Vehicle-Pool Method (see section 23.08 of this revenue procedure). Further, the automobile dealer must establish a separate inventory pool for the parts and accessories. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(c) Additional requirements. An automobile dealer also must comply with the following:

(i) the conditions in section 5.03 of Rev. Proc. 97-36; and

(ii) for an automobile dealer changing from the IPIC method under this section 23.03, the automobile dealer also must attach to its Form 3115 a schedule setting forth the classes of goods for which the automobile dealer has elected to use the LIFO method and the accounting method changes being made under this section 23.03 for each class of goods.

(3) Concurrent change to the Vehicle-Pool Method. A taxpayer making both a change to the Alternative LIFO Method under this section 23.03 and a change to the Vehicle-Pool Method under Rev. Proc. 2008-23 (see section 23.08 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.03 is "58."

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.04 Used vehicle alternative LIFO method.

(1) Description of change. This change applies to a taxpayer that sells used automobiles and used light-duty trucks ("used vehicle dealers") that wants to change to the "Used Vehicle Alternative LIFO Method" as described in Rev. Proc. 2001-23, 2001-1 C.B. 784, as modified by Announcement 2004-16, 2004-1 C.B. 668, and Rev. Proc. 2008-23, 2008-1 C.B. 664.

(2) Additional requirements. A taxpayer making this change must comply with the additional conditions set forth in section 5.04 of Rev. Proc. 2001-23.

(3) Manner of making change.

(a) Cut-off basis. This change is made on a cut-off basis, which requires that the value of the taxpayer's used automobile and used light-duty truck inventory at the beginning of the year of change must be the same as the value of that inventory at the end of the preceding taxable year, plus cost restorations, if any, required by section 5.04(5) of Rev. Proc. 2001-23. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) Bargain purchase. If the taxpayer has previously improperly accounted for a bulk bargain purchase, the taxpayer must, as part of this change, first change its method of accounting to comply with Hamilton Industries, Inc. v. Commissioner, 97 T.C. 120 (1991), and compute a § 481(a) adjustment for that part of the change. See Announcement 91-173, 1991-47 I.R.B. 29. Upon examination, if a taxpayer has properly changed under this section 23.04 except for complying with this section 23.04(3)(b), an examining agent may not deny the taxpayer the change. However, the taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, with respect to the improper method of accounting for the bargain purchase. See section 8.02(2) of Rev. Proc. 2015-13. Accordingly, the examining agent may make any necessary adjustments in any year for which the period of limitations on assessment and collection of tax is open to effect compliance with Hamilton Industries, Inc.

(c) New base year. In effecting a change to the Used Vehicle Alternative LIFO Method under this revenue procedure, the taxpayer must retain any LIFO

inventory cost increments previously determined and the value of those increments. Instead of using the earliest taxable year for which the taxpayer adopted LIFO as the base year, the taxpayer must use the year of change as the new base year in determining the value of all existing LIFO cost increments for the year of change and later taxable years. (The cumulative index at the beginning of the year of change is 1.00). The taxpayer must restate the base-year cost of all LIFO cost increments at the beginning of the year of change in terms of new base-year costs, using the year of change as the new base year, and must recompute the indexes for previously determined inventory increments accordingly. The new base-year cost of a pool is equal to the total current-year cost of all the vehicles in the pool.

(d) Form 3115. A completed Form 3115 includes the completion of Part I of Schedule C.

(4) Concurrent change from IPIC method. A used vehicle dealer using the IPIC method that also has parts and accessories, new automobiles, or new light-duty trucks (other goods) inventory may incorporate a change, using a cut-off basis, from IPIC to another acceptable LIFO method for those other goods into this change. When changing from IPIC to a dollar-value LIFO method for its other goods, the used vehicle dealer must establish separate inventory pools for new automobiles and new light-duty trucks, unless the used vehicle dealer also concurrently changes to the Vehicle-Pool Method (see section 23.08 of this revenue procedure). Further, the used vehicle dealer must establish a separate inventory pool for the parts and accessories. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) Concurrent change to the Vehicle-Pool Method. A taxpayer making both a change to the Used Vehicle Alternative LIFO Method under this section 23.04 and a

change to the Vehicle-Pool Method under Rev. Proc. 2008-23 (see section 23.08 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.04 is "59."

(7) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.05 Determining the cost of used vehicles purchased or taken as a trade-in.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer using the LIFO inventory method that wants to:

(i) determine the cost of used vehicles acquired by trade-in using the average wholesale price listed by an official used vehicle guide on the date of the trade-in. See Rev. Rul. 67-107, 1967-1 C.B. 115. The taxpayer must consistently use the official used vehicle guide selected unless the taxpayer receives permission to use a different guide;

(ii) use a different official used vehicle guide for determining the cost of used vehicles acquired by trade-in;

(iii) determine the cost of used vehicles purchased for cash using the actual purchase price of the vehicle; or

(iv) reconstruct the beginning-of-the-year cost of used vehicles purchased for cash using values computed by national auto auction companies based on vehicles purchased for cash. The national auto auction company selected must be consistently used.

(b) Inapplicability. This change does not apply to a taxpayer that adopted or changed to the Used Vehicle Alternative LIFO Method (see section 23.04 of this revenue procedure).

(2) Manner of making change. This change is made on a cut-off basis and applies only to used vehicles acquired on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.05 is "60."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.06 Change to the inventory price index computation (IPIC) method.

(1) Description of change. This change applies to a taxpayer that wants to change:

(a) from a non-IPIC LIFO inventory method to the IPIC method in accordance with all relevant provisions of § 1.472-8(e)(3); or

(b) from the IPIC method as described in T.D. 7814, 1982-1 C.B. 84, (March 15, 1982) (the old IPIC method) to the IPIC method as described in § 1.472-8(e)(3) (see T.D. 8976, 2002-1 C.B. 421, (January 8, 2002)) (the new IPIC method), which includes the following required changes (if applicable):

(i) from using 80% of the inventory price index (IPI) to using 100% of the IPI to determine the base-year cost and dollar-value of a LIFO pool(s);

(ii) from using a weighted arithmetic mean to using a weighted harmonic mean to compute an IPI for a dollar-value pool(s); and

(iii) from using a components-of-cost method to define inventory items to using a total-product-cost method to define inventory items.

(2) Manner of making change. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) Bargain purchase. If the taxpayer has previously improperly accounted for a bulk bargain purchase, the taxpayer must, as part of this change, first change its method of accounting to comply with Hamilton Industries, Inc. v. Commissioner, 97 T.C. 120 (1991), and compute a § 481(a) adjustment for that part of the change. See Announcement 91-173, 1991-47 I.R.B. 29. Upon examination, if a taxpayer has properly changed under this section 23.06 except for complying with section 23.06(3) of this revenue procedure, an examining agent may not deny the taxpayer the change. However, the taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, with respect to the improper method of accounting for the bargain purchase. See section 8.02(2) of Rev. Proc. 2015-13. Accordingly, the examining agent may make any necessary adjustments in any year for which the period of limitations on assessment and collection of tax is open to effect compliance with Hamilton Industries, Inc.

(4) Concurrent automatic changes.

(a) A taxpayer making this change and to change its method of determining current-year cost under section 23.02 of this revenue procedure for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(b) A taxpayer making this change and to change its method of pooling to IPIC-method pools described in § 1.472-8(b)(4) or § 1.472-8(c)(2) under section 23.07 of this revenue procedure for the same year of change may file a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) A taxpayer making this change and to change its method of pooling under section 23.10 of this revenue procedure for the same year of change may file a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.06 is “61.”

(6) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.07 Changes within the inventory price index computation (IPIC) method.

(1) Description of change. This change applies to a taxpayer using the IPIC method described in § 1.472-8(e)(3) as revised by T.D. 8976, 2002-1 C.B. 421, (new IPIC method) that wants to make one or more of the following changes:

(a) change from the double-extension IPIC method to the link-chain IPIC method, or vice versa. See § 1.472-8(e)(3)(iii)(E) for principles concerning the computation of the inventory price index under the double-extension IPIC method and the link-chain IPIC method;

(b) change to or from the 10 percent method. See § 1.472-8(e)(3)(iii)(C) for principles concerning the assignment of inventory items to Bureau of Labor Statistics (BLS) categories under the IPIC method;

(c) change to IPIC-method pools described in § 1.472-8(b)(4) or § 1.472-8(c)(2), including a change to begin or discontinue applying one or both of the 5 percent pooling rules;

(d) change to combine or separate pools as a result of the application of a 5 percent pooling rule described in § 1.472-8(b)(4) or § 1.472-8(c)(2);

(e) change its selection of BLS table from Table 3 (Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, detailed expenditure categories) of the monthly CPI Detailed Report to Table 9 (Producer price indexes (PPI) and percent changes for commodity and service groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report (formerly, Table 6), or vice versa. See § 1.472-8(e)(3)(iii)(B)(2) for principles concerning the selection of a BLS table under the IPIC method;

(f) change the assignment of one or more inventory items to BLS categories under either Table 3 (CPI-U): U.S. City average, detailed expenditure

categories) of the monthly CPI Detailed Report or Table 9 (PPI and percent changes for commodity and service groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report (formerly, Table 6). See § 1.472-8(e)(3)(iii)(C) for principles concerning the assignment of inventory items to BLS categories under the IPIC method. As part of this change, a taxpayer may separate a reassigned item from an inappropriate pool and combine the reassigned item with items in an appropriate pool. See § 1.472-8(g)(2) for principles concerning the manner of combining and separating dollar-value pools;

(g) change the representative month when necessitated because of a change in taxable year or a change in method of determining current-year cost made pursuant to section 23.02 of this revenue procedure. See § 1.472-8(e)(3)(iii)(B) for principles concerning the determination of a representative month under the IPIC method. A change in method of determining current-year cost and a change of the representative month may be made using a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115;

(h) change from using preliminary BLS price indexes to using final BLS price indexes to compute an inventory price index, or vice versa. See § 1.472-8(e)(3)(iii)(D)(2) for principles concerning the selection of BLS price indexes under the IPIC method; and

(i) change from using a representative appropriate month to using an appropriate month. See § 1.472-8(e)(3)(iii)(B)(3) for principles concerning the selection of an appropriate month.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the changes described in sections 23.07(1)(d), (f) in the case of a taxpayer using the 10 percent method described in § 1.472-8(e)(3)(iii)(C)(2), and (g) of this revenue procedure.

(3) Manner of making change.

(a) Cut-off basis. These changes are made on a cut-off basis and apply only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) New base year. A taxpayer that changes pursuant to sections 23.07(1)(a), (b), and (e) of this revenue procedure must establish a new base year in the year of change.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.07 is "62."

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.08 Changes to the Vehicle-Pool Method.

(1) Description of change. This change applies to a retail dealer or wholesale distributor ("reseller") of cars and light-duty trucks that wants to change to the "Vehicle-Pool Method" as described in Rev. Proc. 2008-23, 2008-1 C.B. 664.

(2) Manner of making change.

(a) Cut-off basis. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. A reseller that

changes its method of pooling under Rev. Proc. 2008-23 and this section 23.08 must comply with § 1.472-8(g).

(b) New base year. Instead of using the earliest taxable year for which the reseller adopted the LIFO method for any items in a pool, the reseller must use the year of change as the base year when determining the LIFO value of that pool for the year of change and subsequent taxable years (that is, the cumulative index at the beginning of the year of change is 1.00). The reseller must restate the base-year cost of all layers of increment in a pool at the beginning of the year of change in terms of new base-year cost. For an example of establishing a new base year, see § 1.472-8(e)(3)(iv)(B)(1)(ii).

(3) Concurrent change to the Alternative LIFO Method or the Used Vehicle Alternative LIFO Method. A reseller making both a change to the Vehicle-Pool Method under this section 23.08 and a change to the Alternative LIFO Method under Rev. Proc. 97-36 (see section 23.03 of this revenue procedure) or the Used Vehicle Alternative LIFO Method under Rev. Proc. 2001-23 (see section 23.04 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.08 is “112.”

(5) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.09 Changes within the used vehicle alternative LIFO method.

(1) Description of change. This change applies to a taxpayer using the "Used Vehicle Alternative LIFO Method" as described in Rev. Proc. 2001-23, 2001-1 C.B. 784, as modified by Announcement 2004-16, 2004-1 C.B. 668, and Rev. Proc. 2008-23, 2008-1 C.B. 664, that wants to change the particular "official used vehicle guide" utilized by the taxpayer in connection with the Used Vehicle Alternative LIFO Method or any change in the precise manner of its utilization (for example, a change in the specific guide category that a taxpayer uses to represent vehicles of average condition for purposes of section 4.02(5)(a) of Rev. Proc. 2001-23).

(2) Manner of making change.

(a) Cut-off basis. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) New base year. A taxpayer that changes its method pursuant to this section 23.09 must establish a new base year in the year of change.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.09 is "140."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.10 Changes to dollar-value pools of manufacturers.

(1) Description of change. This change applies to a manufacturer that:

(a) purchases goods for resale (resale goods) and, thus, must reassign resale goods from the pool(s) it maintains for the goods it manufactures to one or more resale pools;

(b) wants to change from using multiple pools described in § 1.472-8(b)(3) to using natural business unit (NBU) pools described in § 1.472-8(b)(1), or vice versa; or

(c) wants to reassign items in NBU pools described in § 1.472-8(b)(1) into the same number or a greater number of NBU pools.

(2) Manner of making change. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. A taxpayer that changes its method of pooling pursuant to this section 23.10 must combine or separate pools as required by § 1.472-8(g). If a taxpayer splits a pool into two or more permissible pools pursuant to this section 23.10, which must be implemented on a cut-off basis, the taxpayer then may file a separate Form 3115 to change from the LIFO inventory method for one or more of the resulting pools pursuant to section 23.01 of this revenue procedure, which must be implemented with a § 481(a) adjustment.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 23.10 is "141."

(4) Contact information. For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

SECTION 24. MARK-TO-MARKET ACCOUNTING METHODS (Including § 475)

.01 Commodities dealers, securities traders, and commodities traders electing to use the mark-to-market method of accounting under § 475(e) or (f).

(1) Description of change. This change applies to certain taxpayers that have elected to use the mark-to-market method of accounting under § 475(e) or (f). Under § 475(e) and (f) and Rev. Proc. 99-17, 1999-1 C.B. 503, if a taxpayer makes an election under § 475(e) or (f), then beginning with the first taxable year for which the election is effective (election year), mark to market is the only permissible method of accounting for securities or commodities subject to the election. Thus, if the electing taxpayer's method of accounting for its taxable year immediately preceding the election year is inconsistent with § 475, the taxpayer is required to change its method of accounting to comply with the election. A taxpayer that makes a § 475(e) or (f) election but fails to change its method of accounting to comply with that election is using an impermissible method. See section 4 of Rev. Proc. 99-17.

(2) Applicability. This change applies to a taxpayer if all of the following conditions are satisfied:

(a) the taxpayer is a commodities dealer, securities trader, or commodities trader that has made a valid election under § 475(e) or (f) (see section 5.03(1) of Rev. Proc. 99-17) and that is required to change its method of accounting to comply with the election;

(b) the method of accounting to which the taxpayer changes is in accordance with its election under § 475(e) or (f); and

(c) the year of change is the election year.

(3) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(4) Election under Rev. Proc. 99-17. In accordance with section 5.03(1) of Rev. Proc. 99-17, to make a § 475(e) or (f) election, a taxpayer must file a statement satisfying the requirements in section 5.04 of Rev. Proc. 99-17. The taxpayer must file the statement not later than the due date (without regard to any extension) of the original federal income tax return for the taxable year immediately preceding the election year and must attach the statement either to that return or, if applicable, to a request for an extension of time to file that return. For example, if a calendar year individual taxpayer wants to make a § 475(e) or (f) election for 2018 (the election year), the taxpayer must file the statement on or before April 18, 2018, with the taxpayer's timely filed (without regard to any extension) federal income tax return for 2017 or the taxpayer's timely filed request for an extension of time to file the 2017 federal income tax return. On the Form 3115 filed for the year of change, a taxpayer should indicate that the taxpayer has filed the statement in compliance with section 5.03(1) of Rev. Proc. 99-17.

(5) Limited § 301.9100 relief. Section 301.9100-3 relief for failure to comply with the requirements of this section 24.01 will be granted only in unusual and compelling circumstances.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 24.01 is "64."

(7) Contact information. For further information regarding a change under this section, contact Marsha Sabin at (202) 317-6945 (not a toll-free call).

.02 Taxpayers requesting to change their method of accounting from the mark-to-market method of accounting described in § 475 to a realization method.

(1) Description of change. This change applies to any taxpayer requesting permission to change its method of accounting for securities or commodities as defined in § 475 from the mark-to-market method of accounting described in § 475 to a realization method of accounting. For example, this section 24.02 applies when a taxpayer is required to change its method of accounting to a realization method after revoking an election under § 475(e), (f)(1), or (f)(2). This change is not limited to a change required by § 475 (for example, this section 24.02 applies to a change from a mark-to-market method of accounting for notional principal contracts providing for nonperiodic payments even if the taxpayer is not subject to § 475) and, in such a case, references to § 475 in this section 24.02 are interpreted accordingly. For purposes of this section 24.02, a change to a realization method of accounting includes a change in which the taxpayer also is required to use a mark-to-market method of accounting under a specific Code section to account for all or some of the taxpayer's securities or commodities (for example, § 1256 for commodities).

(2) Exclusive procedure. The procedure set forth in this section 24.02 is the exclusive procedure for changing a taxpayer's method of accounting from the mark-to-market method described in § 475 to a realization method. Thus, filing the Notification Statement described in section 24.02(6) of this revenue procedure is the exclusive manner of revoking a § 475(e), (f)(1), or (f)(2) election. Moreover, any taxpayer requesting permission to change to a realization method must follow the procedures described in this section 24.02 and other applicable provisions of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, to request consent to change its method of accounting for securities

described in § 475(c)(2) (Section 475 Securities), commodities described in § 475(e)(2) (Section 475 Commodities), or both.

(3) Applicability. This change applies to a taxpayer if all of the following conditions in paragraphs (a) through (c) below are satisfied:

(a) the taxpayer is using, properly or improperly, the mark-to-market method of accounting described in § 475;

(b) the taxpayer is requesting permission to change to a realization method of accounting and report gains or losses from the disposition of Section 475 Securities, Section 475 Commodities, or both, under § 1001; and

(c) the taxpayer meets the requirements of this section 24.02, including the requirement that it timely file the Notification Statement described in section 24.02(6) of this revenue procedure.

(4) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(5) Manner of making change. This change is made using a cut-off basis and applies only to Section 475 Securities, Section 475 Commodities, or both, that are accounted for using the mark-to-market method of accounting described in § 475 and for which a change in method is requested under this section 24.02. Accordingly, a § 481(a) adjustment is neither permitted nor required.

Under the cut-off basis, a taxpayer must make a final mark of all Section 475 Securities, Section 475 Commodities, or both, that are being marked to market and that are the subject of the accounting method change being requested, on the last business day of the year preceding the year of change. As a result of the final mark, gain or loss attributable to those securities and commodities is also recognized on the last business

day of the year preceding the year of change. In the case of any Section 475 Security or Section 475 Commodity that a taxpayer holds on the first day of the year of change, the taxpayer must make proper adjustment in the amount of any subsequently realized gain or loss to take into account adjustments for the gain or loss recognized prior to the first day of the year of change pursuant to the use of the mark-to-market method of accounting described in § 475 in order to prevent amounts from being duplicated or omitted. Any change in value on or after the first day of the year of change will be taken into account using a realization method of accounting unless section 24.02(7) of this revenue procedure permits the taxpayer to resume a mark-to-market method and the taxpayer resumes a mark-to-market method.

(6) Notification Statement required. In addition to filing the Form 3115 required under section 6.03(1) of Rev. Proc. 2015-13, to change to a realization method of accounting under this section 24.02, a taxpayer must also file a Notification Statement that satisfies the requirements in section 24.02(6) of this revenue procedure. The Notification Statement must be filed not later than the due date (without regard to any extension) of the original federal income tax return for the taxable year immediately preceding the year of change and must be attached either to that return or, if applicable, to a request for an extension of time to file that return.

(a) Notification Statement contents. The Notification Statement must contain (1) the name of the taxpayer that will change its method of accounting (that is, the applicant), and, if applicable, the filer (for example, its parent corporation); (2) a statement that the taxpayer is requesting to change its method of accounting from the mark-to-market method of accounting described in § 475 to a realization method; (3) the year of change (both the beginning and ending dates); and (4) the types of instruments

subject to the method change, that is, Section 475 Securities, Section 475 Commodities, or both. If a taxpayer has made an election under § 475(e), (f)(1), or (f)(2), the taxpayer must also include a statement revoking the taxpayer's section 475 election or elections for the Section 475 Securities, Section 475 Commodities, or both, for which a change in accounting method is sought.

(b) Effect of filing Notification Statement. Once the taxpayer files a Notification Statement for the year of change, a realization method of accounting is the only permissible method of accounting for Section 475 Securities, Section 475 Commodities, or both, described in the Notification Statement for the entire year of change and all subsequent years (unless section 24.02(7)(a) of this revenue procedure applies). A taxpayer that files the Notification Statement described in this section 24.02 but fails to change its method of accounting using the procedures described in Rev. Proc. 2015-13 and this section 24.02 is using an impermissible method.

(c) Limited § 301.9100 relief. Section 301.9100 relief for failure to comply with the requirements of this section 24.02(6) will be granted only in unusual and compelling circumstances.

(7) Additional requirements.

(a) Resuming the mark-to-market method of accounting. A taxpayer may not use the automatic change procedures in Rev. Proc. 2015-13 and section 24.01 of this revenue procedure to resume using the mark-to-market method of accounting described in § 475 for the Section 475 Securities, Section 475 Commodities, or both, that are the subject of the method change being requested using this section 24.02 during any of the five taxable years beginning with the year of change. To resume using the mark-to-market method of accounting described in § 475 during this 5-year

period, a taxpayer must: (i) request the change using the non-automatic change procedures in Rev. Proc. 2015-13, (ii) request the change by the date an election for the year of change would be due under section 5.03 of Rev. Proc. 99-17, 1999-1 C.B. 503, and (iii) include a statement that satisfies all applicable requirements of section 5.04 of Rev. Proc. 99-17.

(b) Copy of Notification Statement. A taxpayer must attach a copy of the Notification Statement required in section 24.02(6) of this revenue procedure to its Form 3115 filed under this section 24.02.

(c) No audit protection for valuation. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for the method of valuation used by the taxpayer to determine the fair market value of the taxpayer's Section 475 Securities, Section 475 Commodities, or both, for a taxable year prior to the year of change, or for a failure to comply with the requirements in Rev. Proc. 99-17 to properly elect the mark-to-market method. See section 8.02(2) of Rev. Proc. 2015-13.

(8) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 24.02 is "218".

(9) Contact information. For further information regarding a change under this section, contact Marsha Sabin at (202) 317-6945 (not a toll-free call).

SECTION 25. BANK RESERVES FOR BAD DEBTS (§ 585)

.01 Changing from the § 585 reserve method to the § 166 specific charge-off method.

(1) Description of change.

(a) Applicability. This change applies to a bank (as defined in § 581, including a bank for which a qualified subchapter S subsidiary (Qsub) election is filed) that wants to change its method of accounting for bad debts from the § 585 reserve method to the § 166 specific charge-off method.

(b) Inapplicability. This change does not apply to a large bank as defined in § 585(c)(2).

(2) Certain eligibility rule inapplicable. A bank that changed from the § 593 reserve method under § 593(g) to the § 585 reserve method is not prohibited under section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, from changing its method of accounting for bad debts under this section 25.01 solely because of the § 593(g) change. A bank for which a Qsub election is filed will not be prohibited under section 5.01(1)(f) of Rev. Proc. 2015-13 from changing its method of accounting for bad debts under this section 25.01 solely because of the deemed liquidation of the bank arising from a Qsub election.

(3) Section 481(a) adjustment. Generally, the amount of the § 481(a) adjustment for a change in method of accounting under this section 25.01 is the amount of the bank's reserve for bad debts as of the close of the taxable year immediately before the year of change. However, the amount of the § 481(a) adjustment does not include the amount of a bank's pre-1988 reserves (as described in § 593(g)(2)(A)(ii), without taking into account § 593(g)(2)(B)) if the bank changed in a prior year from the § 593 reserve method to the § 585 reserve method and § 593(g) applied to that change. The deemed liquidation of a bank occurring solely because its parent makes a Qsub election does not accelerate the § 481(a) adjustment. In accordance with section

7.03(4)(a) of Rev. Proc. 2015-13, a bank that ceases to be a bank under § 581 must accelerate its § 481(a) adjustment.

(4) Change from § 585 required when electing S corporation status.

(a) General rule. A bank electing S corporation status (or a bank for which a Qsub election is filed) cannot use the § 585 reserve method. The filing by a bank of a Form 2553, Election by a Small Business Corporation, or the filing by a bank's parent of Form 8869, Qualified Subchapter S Subsidiary Election, with respect to the bank will constitute an agreement by the bank to change its method of accounting for bad debts from the § 585 reserve method to the § 166 specific charge-off method effective as of the taxable year for which the S corporation election or Qsub election is effective (year of change) in accordance with all of the automatic change procedures of Rev. Proc. 2015-13 and this section 25.01. The resulting § 481(a) adjustment is recognized built-in gain under § 1374, unless the bank elects under § 1361(g) and section 25.01(4)(b) of this revenue procedure to take the § 481(a) adjustment into account in determining taxable income for the taxable year immediately preceding the year of change. See § 1.1374-4(d).

(b) Election to include § 481(a) adjustment in taxable year immediately preceding the year of change.

(i) Election requirements. A bank that changes its method of accounting for bad debts under this section 25.01, from the § 585 reserve method to the § 166 specific charge-off method for the first taxable year for which the bank's S corporation election is effective (year of change) may elect under § 1361(g) to take into account the amount of the resulting § 481(a) adjustment in determining taxable income for the taxable year immediately preceding the year of change. To make this election, a

bank must (1) file an original and copy of Form 3115 under section 6.03(1) of Rev. Proc. 2015-13 (and any other copy required under section 6.03) for the year of change, (2) file an additional copy of the Form 3115 with its original (or amended) federal income tax return for the taxable year immediately preceding the year of change filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015-13 (and any other copy required under section 6.03) and (3) include the amount of the § 481(a) adjustment in gross income for the taxable year immediately preceding the year of change. The bank must attach a statement to the original and both copies of Form 3115 stating that the bank elects under § 1361(g) to take the § 481(a) adjustment into account in determining taxable income for the taxable year immediately preceding the year of change.

(ii) Special rule for Qsub banks. In the case of a Qsub bank, the S corporation parent must file an original and copy of Form 3115 under section 6.03(1) of Rev. Proc. 2015-13 for the year of change. The Qsub bank must file an additional copy of the Form 3115 with its original (or amended) federal income tax return for the taxable year immediately preceding the year of change filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015-13, and include the amount of the § 481(a) adjustment in gross income for the taxable year immediately preceding the year of change. In the case of a Qsub bank, the Form 3115 should indicate that the "filer" is the S corporation parent and the "applicant" is the Qsub bank.

(iii) The following example illustrates the principles of section 25.01(4)(b) of this revenue procedure.

Example. X, a calendar year taxpayer, is a calendar year bank as defined in § 581 and is not a large bank as defined in § 585(c)(2). For taxable years before 2015, X accounted for its bad debts under the § 585 reserve method. By March 15, 2015, X

properly filed a Form 2553 electing to be an S corporation effective January 1, 2015. Pursuant to section 25.01(4)(a) of this revenue procedure, the filing of the Form 2553 constituted an agreement by X to change from the § 585 reserve method to the § 166 specific charge-off method for 2015 in accordance with all of the automatic change procedures of Rev. Proc. 2015-13, and the applicable provisions of this section 25.01. Thus, for example, X must file a Form 3115 for this 2015 change in duplicate, in accordance with section 6.03(1) of Rev. Proc. 2015-13, by attaching the original Form 3115 to X's timely filed (including any extension) original federal income tax return for 2015 and filing a copy of the Form 3115 with the Ogden, UT, office. The amount of X's § 481(a) adjustment for the change is the amount of X's bad debt reserve as of the close of December 31, 2014. X wishes to elect under § 1361(g) to include the § 481(a) adjustment in income in the taxable year ending December 31, 2014, the taxable year immediately preceding the year of change. To make this election, X must (1) file an original and copy of Form 3115 for the 2015 change under section 6.03(1) of Rev. Proc. 2015-13, (2) file an additional copy of that Form 3115 with its original (or amended) federal income tax return for 2014 filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015-13, and (3) include the amount of its § 481(a) adjustment in gross income in its return for 2014. X must attach a statement to the original and both copies of Form 3115 stating that X elects under § 1361(g) to take the § 481(a) adjustment into account in determining taxable income for 2014, the taxable year immediately preceding the year of change.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 25.01 is "66."

(6) Contact information. For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945, Laura Fields at (202) 317-6850, or Adrienne Mikolashek at (202) 317-6850 (not toll-free calls).

SECTION 26. INSURANCE COMPANIES (§§ 807, 816, 832, 833)

.01 Safe harbor method of accounting for premium acquisition expenses.

(1) Description of change. Rev. Proc. 2002-46, 2002-2 C.B. 105, sets forth a safe harbor method of accounting for premium acquisition expenses of certain non-life insurance companies. Under this method, an insurance company is permitted to treat as premium acquisition expenses incurred for the taxable year an amount equal to the sum of (a) the amount of premium acquisition expenses paid during the taxable year;

(b) the difference between the unpaid premium acquisition expenses shown on the company's annual statement for the taxable year and the unpaid premium acquisition expenses shown on the company's annual statement for the preceding taxable year; and (c) the difference between the amount of the insurance company's pro forma premium acquisition expenses at the end of the taxable year and the company's pro forma premium acquisition expenses at the end of the preceding taxable year. The amount taken into account as a net increase in the pro forma premium acquisition expenses, however, cannot exceed the insurance company's unearned premium reserve offset amount for that year. A special rule applies to premium acquisition expenses with respect to certain contracts with installment premiums. See Rev. Proc. 2002-46.

(2) Applicability. The automatic change in this section 26.01 applies to any insurance company that is subject to tax under § 831(a) and determines its premiums earned for insurance contracts during the taxable year under § 832(b)(4) in accordance with the provisions of § 1.832-4. The automatic change does not apply to an existing Blue Cross or Blue Shield organization or any other organization to which § 833 applies.

(3) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 26.01 is "67."

(5) Contact information. For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.02 Certain changes in method of accounting for organizations to which § 833 applies

(1) Description of change. This change applies to an existing Blue Cross or Blue Shield organization within the meaning of § 833(c)(2), or an organization described in § 833(c)(3), that is required to change its method of accounting for unearned premiums by reason of failing to meet the Medical Loss Ratio (MLR) requirements of § 833(c)(5), or by reason of meeting the MLR requirements of § 833(c)(5) after failing to meet those requirements in a prior year. See Notice 2011-4, 2011-2 I.R.B. 282.

(2) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change.

(3) Accelerated § 481(a) adjustment period in certain situations. In addition to the circumstances set forth in section 7.03(4) of Rev. Proc. 2015-13, the § 481 adjustment period provided in section 7.03 of Rev. Proc. 2015-13 will be accelerated in the event a taxpayer with a remaining balance of a § 481(a) adjustment that arose by reason of a change in method of accounting described in this section 26.02 is required to effect another change in method of accounting described in this section 26.02. Thus, for example, a taxpayer that fails to satisfy the requirements of § 833(c)(5) and as a result has a positive § 481(a) adjustment, is required to accelerate the remaining balance, if any, of that adjustment in a subsequent taxable year in which the taxpayer meets the requirements of § 833(c)(5).

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 26.02 is "155."

(5) Contact information. For further information regarding this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.03 Change in qualification as life/nonlife insurance company under § 816.

(1) Description of change. This change applies to an insurance company that changes from being taxed as a life insurance company under part I of subchapter L to being taxed as a non-life insurance company under part II of subchapter L, or vice versa. Whether an insurance company is taxed under § 801 as a life insurance company under part I of subchapter L is determined under § 816.

(2) Certain eligibility rules inapplicable. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change.

(3) No audit protection or ruling on qualification as a life insurance company. The taxpayer does not receive either: (a) any audit protection under section 8.01 of Rev. Proc. 2015-13 or (b) ruling reliance under section 10 of Rev. Proc. 2015-13 in connection with the consent granted under section 9 of Rev. Proc. 2015-13 for a change under this section 26.03 regarding whether the taxpayer qualifies as a life insurance company. The director will ascertain whether the taxpayer qualifies as a life insurance company.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 26.03 is “219.”

(5) Contact information. For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.04 Changes in basis of computing reserves under § 807(f).

(1) Description of change and applicability. This automatic change applies to a change in basis for determining any item referred to in § 807(c), as described in § 807(f), by a life insurance company or by an insurance company that is not a life insurance company. However, this section 26.04 does not apply to any change in method of accounting to which Rev. Proc. 2019-30, 2019-33 I.R.B. 638, or Rev. Proc. 2019-34, 2019-35 I.R.B. 669, applies.

(2) Manner of making change.

(a)(i) In general. If the basis of computing any item referred to in § 807(c) is changed during a taxable year (year of change), then for purposes of applying § 807(a) and (b) with respect to contracts issued before the year of change, the amount of the item at the close of the year of change attributable to those contracts is determined on the old basis and the amount of the item at the opening of the succeeding taxable year attributable to those contracts is determined on the new basis. The amount of such item attributable to contracts issued during the year of change and thereafter must be computed on the new basis.

(ii) Requirement to file Form 3115. A taxpayer that changes its basis of computing any item referred to in § 807(c) is subject to the procedures that apply to obtain the automatic consent of the Commissioner to change a method of accounting. Under these procedures, (A) the taxpayer must file Form 3115 as provided in this section 26.04, (B) the taxpayer will receive audit protection for taxable years prior to the year of change provided the requirements in section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, are satisfied in connection with the change, and (C) the § 481(a) adjustment period generally will be one taxable year (year of change) for a negative §

481(a) adjustment, and four taxable years (year of change and the next three taxable years) for a positive § 481(a) adjustment in accordance with section 7.03(1) of Rev. Proc. 2015-13.

(iii) Example. The following example illustrates the rules of sections 26.04(2)(a)(i) and (ii) of this revenue procedure in two situations: (A) the change in basis in computing life insurance reserves (reserves) for contracts issued prior to the year of change results in an increase in the reserves at the end of the year of change (negative § 481(a) adjustment) and (B) the change in basis in computing reserves for contracts issued prior to the year of change results in a decrease in the reserves at the end of the year of change (positive § 481(a) adjustment). The following table summarizes the reserve amounts for contracts issued before the year of change.

	Old Basis	New Basis (Negative § 481(a) Adjustment)	New Basis (Positive § 481(a) Adjustment)
End of Year Prior to Year of Change	100		
End of Year of Change	105	109	101
End of Year Following Year of Change		112	104
Section 481(a) Adjustment		105-109=(4)	105-101=4

Under section 26.04(2)(a)(i) of this revenue procedure, reserves for contracts issued before the year of change are reported under the old basis at the close of the year of change and under the new basis at the beginning of the year following the year of change; reserves for contracts issued during the year of change and thereafter are computed under the new basis. The remainder of this example describes only the deductions and income inclusions relating to reserves for contracts issued before the year of change.

Deduction for a net increase in reserves for the year of change. In both the negative and positive § 481(a) adjustment situations, the company must take $105 of reserves into account (on the old basis) at the end of the year of change, resulting in a $5 increase in reserves ($105 - $100) and a corresponding deduction for a net increase in reserves for the year of change.

Negative § 481 adjustment situation. As described in section 26.04(2)(a)(ii) of this revenue procedure, the negative § 481(a) adjustment of $4 ($109-$105) is taken into account in the year of change, such that the company recognizes a deduction for an increase in reserves under § 807(f) of $4 in the year of change. This results in total deductions in the year of change of $9 ($5 + $4).

At the beginning of the following year, the company must take $109 of reserves into account (new basis) and the deduction for the net increase in reserves for that year is $3 ($112 - $109).

Positive § 481 adjustment situation. As described in section 26.04(2)(a)(ii) of this revenue procedure, the positive § 481(a) adjustment of $4 ($101-$105) is taken into account over four years, such that the company recognizes additional income from a decrease in reserves under § 807(f) of $1 (1/4th of the § 481(a) adjustment) in the year of change. This results in a net reduction in taxable income in the year of change of $4 ($5 - $1).

At the beginning of the following year, the company takes $101 of reserves into account (new basis), and the deduction for the net increase in reserves for that year is $3 ($104 - $101). The company also recognizes another 1/4th of the § 481(a) adjustment, resulting in a $1 increase in income due to a decrease in reserves under § 807(f) and a net reduction in taxable income of $2 ($3 - $1) in that year. The remaining $2 of the § 481(a) adjustment is recognized as a $1 increase in income due to a decrease in reserves under § 807(f) in each of the two remaining years of the § 481(a) adjustment period.

(b) Section 481(a) adjustment.

(i) Computation of § 481(a) adjustment at end of year. In general, a change in basis of computing any item referred to in § 807(c), as described in § 807(f), requires an adjustment under § 481(a). The § 481(a) adjustment is computed as of the end of the year of change and is only with respect to contracts issued before the year of change.

(ii) Number of § 481(a) adjustments. Multiple changes during the same taxable year in methods, assumptions, or factors, each of which alone would constitute a change in basis of computing any item referred to in § 807(c), as described in § 807(f), for the same type of contract, are considered a single change in basis, and the effects of such multiple changes are netted and treated as a single net negative § 481(a) adjustment or net positive § 481(a) adjustment. A separate § 481(a)

adjustment must be determined for each type of contract, and each such § 481(a) adjustment must be taken into account separately.

(iii) Termination of life insurance company status. Except as provided in § 381(c)(22), if for any taxable year a taxpayer that was a life insurance company for the year of change is no longer a life insurance company, the taxpayer must take into account the balance of any § 481(a) adjustment in the preceding taxable year. See § 807(f)(2).

(c) No ruling protection for year of change or subsequent years. The consent granted under section 9 of Rev. Proc. 2015-13 for a change under this section 26.04 is not a determination by the Commissioner that the new basis of computing any item referred to in § 807(c) is a permissible basis of computing such item and does not create any presumption that the new basis is a permissible basis of computing such item. The director may ascertain whether the new method of accounting is a permissible method of accounting. Thus, a taxpayer that changes its basis of computing any item referred to in § 807(c) under this section 26.04 may be required to change or modify that basis of computing such item for the year of change or any subsequent year if it is determined by the Commissioner that the basis to which the taxpayer changed does not meet the requirements of federal income tax law.

(d) Information required to be furnished.

(i) In view of the amendment of § 807(f) by section 13513 of the Tax Cuts and Jobs Act, Pub. L. No. 115-97 (December 22, 2017) and the information required in section 26.04(2)(d)(ii) of this revenue procedure, the information required under § 1.801-5(c) is not required to be furnished with the taxpayer's return or on Form 3115.

(ii) A taxpayer that files a Form 3115 under this section 26.04 is required to complete or provide only the following information on Form 3115:

A. The identification section of page 1 (above Part I);

B. The signature section at the bottom of page 1;

C. Part I;

D. Part II, lines 4, 5, 6a-d, 7a-b, 8a-d, 9, 11a-c, 12, 17, and 18;

E. The following information, in lieu of completing Part II, line 14:

- The item in § 807(c) to which the change in basis relates,
- The type of contract to which the change relates,
- If a life insurance reserve, a description of the applicable tax reserve method (e.g., Commissioners' Reserve Valuation Method or Commissioners' Annuity Reserve Valuation Method),
- A description of the change in basis,
- A description of the reason for the change in basis, including (i) whether the change results from a change in the method prescribed by the National Association of Insurance Commissioners or from another change (such as a change in assumption for mortality, morbidity, or interest rate), regardless of whether the change is reflected on an annual statement and (ii) whether the change results from a prior incorrect application of federal income tax law and the nature of such incorrect application.

F. Part IV. (The taxpayer may indicate that the § 481(a) adjustment is an estimate or is to be determined.)

(e) Concurrent automatic changes. A taxpayer that makes multiple changes in basis under this section 26.04 may file a single Form 3115 that includes all the changes in basis for the year of change. Likewise, a single Form 3115 may be filed for all changes in basis for members of a group filing a consolidated return. The

information required by section 26.04(2)(d)(ii) of this revenue procedure is required for each separate change for each member of the group.

(f) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a change under this section 26.04.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 26.04 is "240."

(4) Contact information. For further information regarding a change under this section, contact Dan Phillips at (202) 317-6995 (not a toll-free call).

SECTION 27. DISCOUNTED UNPAID LOSSES (§ 846)

.01 Composite method for discounting unpaid losses.

(1) Description of change. Section 846 defines "discounted unpaid losses" for purposes of computing the insurance company taxable income of certain insurance companies. Notice 88-100, 1988-2 C.B. 439, section V, sets forth a composite method for computing unpaid losses with respect to accident years not separately stated on the NAIC annual statement. Rev. Proc. 2002-74, 2002-2 C.B. 980, section 3.01, clarifies that the composite method of Notice 88-100, section V, is permitted, but not required; section 3.02 sets forth an alternative method for those taxpayers that do not use the composite method of section 3.01. An insurance company using a method provided in section 3.01 or 3.02 of Rev. Proc. 2002-74 to compute discounted unpaid losses, must use the same method to compute discounted estimated salvage recoverable. An insurance company that currently uses a permissible method of accounting for discounted unpaid losses may change its method of accounting to or from the composite method of Notice 88-100, section V, without the consent of the

Commissioner. This change applies to insurance companies that are required to discount unpaid losses under § 846. See Rev. Proc. 2002-74.

(2) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 27.01 is "68."

(3) Contact information. For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

SECTION 28. REAL ESTATE MORTGAGE INVESTMENT CONDUIT (REMIC) (§§ 860A-860G)

.01 REMIC inducement fees.

(1) Description of change. A taxpayer that receives an inducement fee in connection with becoming the holder of a noneconomic residual interest in a REMIC must take that fee into account over the remaining expected life of the applicable REMIC in accordance with § 1.446-6. This change applies to a taxpayer that seeks to change from any method of accounting for such inducement fees to one of the safe harbor methods provided under § 1.446-6(e)(1)-(2). See Rev. Proc. 2004-30, 2004-1 C.B. 950, for additional guidance relating to this change.

(2) Manner of making change. A taxpayer making this change must identify the specific safe harbor method under § 1.446-6(e) to which the taxpayer is changing.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 28.01 is "79."

(4) Contact information. For further information regarding a change under this section, contact John W. Rogers, III at (202) 317-6895 (not a toll-free call).

SECTION 29. FUNCTIONAL CURRENCY (§ 985)

.01 Change in functional currency.

(1) Description of change. This change applies to a taxpayer that wants to change its functional currency or the functional currency of a qualified business unit (QBU) of the taxpayer. The preceding sentence does not apply to a QBU of a taxpayer described in § 1.985-1(b)(1)(iii).

(2) Manner of making change. A taxpayer making this change must make all necessary adjustments required by such change. See §§ 1.985-5, 1.985-8(c). A taxpayer must attach a statement to the Form 3115 representing that it has made the adjustments set forth in § 1.985-5 or § 1.985-8(c). The statement must also provide the amount of any unrealized exchange gain or loss required to be taken into account pursuant to § 1.985-5 or § 1.985-8(c) and the date on which a taxpayer took such amount into account. Finally, the statement must provide a detailed and complete description of any other adjustments required pursuant to § 1.985-5 or § 1.985-8(c).

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 29.01 is “70.”

(4) Contact information. For further information regarding a change under this section, contact Peter Merkel at (202) 317-4919 (not a toll-free call).

SECTION 30. ORIGINAL ISSUE DISCOUNT (§§ 1272, 1273)

.01 De minimis original issue discount (OID).

(1) Description of change. This change applies to a taxpayer that wants to change to the principal-reduction method of accounting described in section 5 of Rev. Proc. 97-39, 1997-2 C.B. 485. The principal-reduction method of accounting is an

aggregate method of accounting for de minimis OID (discount) on certain loans originated by the taxpayer.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(3) Description. The principal-reduction method of accounting is a permissible method for use by taxpayers to account for discount on one or more categories of loans described in section 4.02 or 4.03 of Rev. Proc. 97-39. If the principal-reduction method is used to account for any loans in a category of loans, the method must be used for the entire category of loans. The principal-reduction method applies only to loans described in section 3 of Rev. Proc. 97-39.

(4) Manner of making change.

(a) This change is made on a cut-off basis and applies only to loans described in section 3 of Rev. Proc. 97-39 that were acquired on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) The taxpayer must maintain books and records sufficient to satisfy the director that old and new loans have been adequately segregated.

(5) Additional requirements. On a statement attached to the Form 3115, the taxpayer must:

(a) identify the categories of loans to which the proposed method will apply; and

(b) describe any “additional categories” permitted under section 4.03 of Rev. Proc. 97-39.

(6) No audit protection. A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change. See section 8.02(2) of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 30.01 is “72.”

(8) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

.02 Proportional method of accounting for OID on a pool of credit card receivables.

(1) Description of change. This change applies to a taxpayer that wants to change to the proportional method of accounting for OID on a pool of credit card receivables as described in Rev. Proc. 2013-26, 2013-22 I.R.B. 1160.

(2) Manner of making change. This change is made on a cut-off basis. Accordingly, a § 481(a) adjustment is neither required nor permitted. The unaccrued OID for the pool as of the beginning of the first period in the year of change is equal to the unaccrued OID for the pool as of the end of the preceding year under the taxpayer’s previous method of accounting for the pool.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 30.02 is "183."

(4) Contact information. For further information regarding this section, please contact Charles W. Culmer at (202) 317-6945 (not a toll-free call).

SECTION 31. MARKET DISCOUNT BONDS (§ 1278)

.01 Revocation of § 1278(b) election.

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting for market discount bonds by revoking its § 1278(b) election. Under § 1278(b), a taxpayer may elect a method of accounting under which market discount is currently included in gross income for the taxable years to which the discount is attributable. See Rev. Proc. 92-67, 1992-2 C.B. 429, for the procedures to make a § 1278(b) election (including a deemed § 1278(b) election for certain taxable years). For purposes of this section 31.01, a taxpayer also is treated as having made a deemed § 1278(b) election for a taxable year if, for one or more market discount bonds that were acquired by the taxpayer during that taxable year, the taxpayer includes in gross income on the tax return for that taxable year and on the tax return for the following taxable year the market discount attributable to each taxable year, other than as a result of a disposition of the bond or a partial principal payment on the bond. The procedures for revoking a § 1278 election were formerly provided in section 7 of Rev. Proc. 92-67.

(2) Revocation of election. The revocation of a § 1278(b) election (or a deemed § 1278(b) election) applies to all market discount bonds that are held by the taxpayer on the first day of the first taxable year for which the revocation is effective (year of change), and to all market discount bonds that are subsequently acquired by the taxpayer. If a § 1278(b) election (or a deemed § 1278(b) election) is revoked, then for purposes of § 1278(a), accrued market discount with respect to any bond previously subject to the election means accrued market discount as defined in § 1276(b) less any

market discount included in income while the bond was subject to the § 1278(b) election (or the deemed § 1278(b) election).

(3) Manner of making change. This change is made on a cut-off basis and applies only to market discount accruing on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. Market discount accruing on a bond prior to the year of change was currently included in income and market discount accruing on the bond on and after the first day of the year of change is included in income generally upon disposition of the bond. See § 1276(a). Because a cut-off basis is prescribed for this change, the basis of any bond, adjusted for amounts previously included in income during the period of the election, is not affected by the revocation.

(4) Additional requirements. On a statement attached to the Form 3115, the taxpayer must provide:

(a) the reason(s) for revoking the § 1278(b) election (or deemed § 1278(b) election);

(b) a description of the method by which, and the date on which, the taxpayer made the § 1278(b) election (or deemed § 1278(b) election) that is being revoked; and

(c) a statement that, after the revocation, the taxpayer will not make a constant interest rate election for any bond that has been subject to the § 1278(b) election (or deemed § 1278(b) election) being revoked and for which a constant interest rate election was not effective in the year of acquisition.

(5) Audit protection. A taxpayer may receive audit protection, as provided in section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, in connection with this change.

Any audit protection applicable to this change under section 8.01 of Rev. Proc. 2015-13 does not preclude the Commissioner from examining the method used by the taxpayer to determine the amount of accrued market discount under § 1276(b) for a taxable year prior to the year of change.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 31.01 is "73."

(7) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

SECTION 32. SHORT-TERM OBLIGATIONS (§ 1281)

.01 Interest income on short obligations.

(1) Description of change.

(a) This change applies to a taxpayer that wants to change its method of accounting to comply with § 1281 for interest income on short-term obligations.

(b) Under § 1281, a holder of certain short-term obligations, including a bank as defined in § 581, must include in gross income any accrued interest income on such obligations, regardless of the holder's overall method of accounting. Section 1281 applies to all types of interest income, including acquisition discount, original issue discount (OID), and stated interest. See S. Rep. No. 99-313, 99th Cong., 2d Sess. 903 (1986), 1986-3 (Vol. 3) C.B. 903.

(c) Section 1283(a)(1) generally defines a short-term obligation as any bond, debenture, note, certificate, or other evidence of indebtedness that matures in one year or less from its issue date.

(d) Under §§ 1281(a) and 1283(c), a holder of a short-term obligation subject to § 1281 must include in gross income an amount equal to the sum of the daily portions of the acquisition discount or OID, whichever is applicable, on the obligation for each day during the taxable year that the obligation is held by the holder. See § 1283(b), as modified by § 1283(c), to determine the daily portions of acquisition discount or OID. In addition, § 1281(a) requires the holder to include in gross income any stated interest that is payable on the short-term obligation (other than stated interest taken into account to determine the amount of the acquisition discount or OID) as it accrues.

(2) Section 481(a) adjustment period. A taxpayer must take the entire § 481(a) adjustment into account in computing taxable income for the year of change.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 32.01 is "74."

(4) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

.02 Stated interest on short-term loans of cash method banks.

(1) Description of change. This change applies to a bank that uses the cash receipts and disbursements (cash) method of accounting as its overall accounting method and that wants to change its method of accounting from accruing stated interest on short-term loans made in the ordinary course of business to using the cash method for that interest. For example, see Security State Bank v. Commissioner, 214 F.3d 1254 (10th Cir. 2000), aff'g 111 T.C. 210 (1998), acq., 2001-1 C.B. xix; and Security Bank Minnesota v. Commissioner, 994 F.2d 432 (8th Cir. 1993), aff'g 98 T.C. 33 (1992),

in which the courts held that § 1281 does not apply to short-term loans made by a cash method bank in the ordinary course of its business.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change.

(3) Section 481(a) adjustment period. A taxpayer making this change must take the entire § 481(a) adjustment into account in computing taxable income for the year of change.

(4) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 32.02 is "75."

(5) Contact information. For further information regarding a change under this section, contact William E. Blanchard at (202) 317-3900 (not a toll-free call).

EFFECTIVE DATE

.01 *In general*. Except as otherwise provided under this EFFECTIVE DATE section, this revenue procedure is effective for a Form 3115 filed on or after November 8, 2019, for a year of change ending on or after March 31, 2019, that is filed under the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and by section 17.02(b) and (c) of Rev. Proc. 2016-1, 2016-1 I.R.B. 1.

.02 *Transition rules*. The following transition rules apply:

(1) *Limited time period to convert a Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015-13*. If before November 8, 2019, a taxpayer properly filed a Form 3115 under the non-automatic change procedures in Rev. Proc.

2015-13 requesting the Commissioner's consent for a change in method of accounting described in this revenue procedure, and the Form 3115 is pending with the national office on November 8, 2019, the taxpayer may choose to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 if the taxpayer is otherwise eligible to use this revenue procedure and the automatic change procedures in Rev. Proc. 2015-13. The taxpayer must notify the national office contact person (if unknown, see section 9.08(6) of Rev. Proc. 2019-1, 2019-1 I.R.B. 1, 50-51 (or successor)) for the Form 3115 of the taxpayer's intent to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 before the later of (a) December 9, 2019, or (b) the issuance of a letter ruling granting or denying consent for the change. The notification should indicate that the taxpayer chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015-13. If the taxpayer timely notifies the national office that it chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015-13, the national office will send a letter to the taxpayer acknowledging its request and will return the user fee submitted with the Form 3115.

A taxpayer converting a Form 3115 to the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in this revenue procedure must resubmit a Form 3115 that conforms to the automatic change procedures, with a copy of the national office letter sent acknowledging the taxpayer's request attached, to the IRS in Ogden, UT by the earlier of (a) the 30th calendar day after the date of the national office's letter acknowledging the taxpayer's request, or (b) the date the taxpayer is required to file the duplicate copy of the Form 3115 under

SECTION 6.03(1)(a)(i)(B) of Rev. Proc. 2015-13. See SECTION 6.03(3) of Rev. Proc. 2015-13 regarding additional required copies of Form 3115.

For purposes of the eligibility rules in SECTION 5 of Rev. Proc. 2015-13, the duplicate copy of the timely resubmitted Form 3115 will be considered filed as of the date the taxpayer originally filed the converted Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13. This paragraph (1) does not extend the date the taxpayer must file the original (converted) Form 3115 under SECTION 6.03(1)(a)(i)(A) of Rev. Proc. 2015-13.

A Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015-13 before November 8, 2019, for a change in method of accounting described in this revenue procedure, will be disregarded for purposes of the prior five year change rules in SECTIONS 5.04 and 5.05 of Rev. Proc. 2015-13 if the taxpayer converts the Form 3115 pursuant to this paragraph (1).

(2) *Forms 3115 for changes in methods of accounting that can no longer be filed under the automatic change procedures*. Except as provided in subsection .02(2)(a) of this EFFECTIVE DATE section, the following transition rules apply to the changes in methods of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015-13 because of changes made in this revenue procedure. Examples of such changes in methods of accounting are described in subsection .01(3), (4), and (7) of the SIGNIFICANT CHANGES section of this revenue procedure.

(a) If before November 8, 2019, a taxpayer properly filed the original, or the duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting that can no longer be filed under the

automatic change procedures in Rev. Proc. 2015-13, the taxpayer may make that change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 for the year of change.

(b) If before November 8, 2019, a taxpayer did not properly file the original, or the duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015-13, the taxpayer must make that change in method of accounting under the non-automatic change procedures in Rev. Proc. 2015-13. Notwithstanding § 1.446-1(e)(3)(i), the taxpayer may file a Form 3115 to request the Commissioner's consent to change the method of accounting under the non-automatic change procedures in Rev. Proc. 2015-13 for the taxpayer's last taxable year ending before November 8, 2019, on or before the due date of the federal income tax return for that taxable year. Solely for purposes of this paragraph (2)(b), the due date of the taxpayer's federal income tax return includes extensions, notwithstanding that the taxpayer may not have extended the due date.

EFFECT ON OTHER DOCUMENTS

.01 This revenue procedure amplifies and modifies Rev. Proc. 2018-31, 2018-22 I.R.B. 637. Rev. Proc. 2018-31, as amplified and modified is superseded in part. The second sentence in the subsection .01 under the EFFECT ON OTHER DOCUMENTS section of Rev. Proc. 2018-31 remains in effect (that is, the second sentences in sections 14.01 and 14.02, and sections 14.04, 14.05, 14.06, and 14.07 of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, remain in effect). All other sections of Rev. Proc. 2018-31 are superseded.

.02 Rev. Proc. 2011-46, 2011-42 I.R.B. 518, is modified as follows:

(1) Section 5.02(3)(a) is modified to remove the first two sentences in the Manner of Making Change section and to substitute the following three new sentences in its place:

(a) In accordance with § 1.446-1(e)(3)(ii), the requirement under § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this paragraph 5.02(3)(a) is considered a Form 3115 for purposes of the automatic consent procedures in Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived.

(2) Section 5.03(2)(a) is modified to remove the first two sentences in the Manner of Making Change section and to substitute the following three new sentences in its place:

(a) In accordance with § 1.446-1(e)(3)(ii), the requirement under § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, the statement in lieu of a Form 3115 that is permitted under this paragraph 5.03(2)(a) is considered a Form 3115 for purposes of the automatic consent procedures in Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived.

.03 Rev. Rul. 2004-62, 2004-1 C.B. 1072, is modified to remove the second sentence in the CHANGE IN METHOD OF ACCOUNTING section and to substitute the following new two sentences in its place:

A taxpayer that wants to change its method of accounting to comply with this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein. The eligibility rules in section 5.01(1) of Rev. Proc. 2015-13 (or successor) apply to a change in method of accounting described in section 3.04 of Rev. Proc. 2019-43, 2019-48 I.R.B. XXX (or successor).

.04 Rev. Rul. 2000-7, 2000-9 C.B. 712, is modified to remove the fourth sentence of the paragraph in the APPLICATION section and to substitute the following new fourth sentence:

A taxpayer that wants to change its method of accounting to conform with the holding in this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein, except that the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 (or successor) does not apply to a change described in section 11.03 of Rev. Proc. 2019-43, 2019-48 I.R.B. XXX (or successor).

.05 Rev. Rul. 2000-4, 2000-1 C.B. 331, is modified to remove the second sentence of the paragraph in the APPLICATION section, and to substitute the following two new sentences in that paragraph in its place:

A taxpayer that wants to change its method of accounting to conform with the holding in this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein. The eligibility rules in section 5.01(1) of Rev. Proc. 2015-13 (or successor) apply to a change in method of

accounting under section 3.02 of Rev. Proc. 2019-43, 2019-48 I.R.B. XXX (or successor).

.06 Rev. Proc. 2007-48, 2007-2 C.B. 110, is modified to remove section 5.06(1) and to substitute it with the following sentence:

The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) does not apply to a change in method of accounting described in section 5.06 of Rev. Proc. 2007-48, and made under section 22.09 of Rev. Proc. 2019-43, 2019-48 I.R.B. XXX (or successor).

. 07 Rev. Proc. 2007-16, 2007-1 C.B. 358, is modified as follows:

(1) The second sentence in section 4.01 is modified by substituting “and Rev. Proc. 2015-13, 2015-5 I.R.B. 419” for “and, as applicable, Rev. Proc. 97-27 or Rev. Proc. 2002-9.”

(2) The first sentence in section 4.02 is modified by:

(a) Substituting “the non-automatic change or automatic change procedures of Rev. Proc. 2015-13” for “Rev. Proc. 97-27 or Rev. Proc. 2002-9, as applicable,”; and

(b) Substituting “(as defined in section 3.19 of Rev. Proc. 2015-13)” for “(as defined in section 5.02(2) of Rev. Proc. 97-27 or section 5.02 of Rev. Proc. 2002-9, as applicable)”.

(c) Section 4.03 is modified by substituting “Rev. Proc. 2015-13,” for “Rev. Proc. 97-27 or Rev. Proc. 2002-9, as applicable,”.

PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with

the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1551. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this revenue procedure are in sections 3, 5, 6, 7, 8, 9, 11, 12, 15, 16, 17, 18, 20, 21, 22, 23, 24, 25, 26, 29, 30, and 31. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The collections of information are required for the taxpayer to obtain consent to change its method of accounting. The likely respondents are the following: individuals, farms, business or other for-profit institutions, nonprofit institutions, and small businesses or organizations.

The estimated total annual reporting and/or recordkeeping burden is 34,279 hours.

The estimated annual burden per respondent/recordkeeper varies from 1/6 hour to 8 ½ hours, depending on individual circumstances, with an estimated average of 1 ¼ hours. The estimated number of respondents is 28,046. The estimated annual frequency of responses is on occasion.

SIGNIFICANT CHANGES

.01 Significant changes made by this revenue procedure to the List of Automatic Changes in Rev. Proc. 2018-31 include:

(1) Section 6.03, relating to a change for sale, lease, or financing transactions, is modified to provide that a change in method of accounting for a transaction entered into before the beginning of the year of change is eligible to be

made under the automatic change procedures of Rev. Proc. 2015-13 with a § 481(a) adjustment and a statement with the name of the counterparty instead of the counterparty representation is required to be attached to the Form 3115. Section 6.03 also is modified to provide that the audit protection rules in section 8 of Rev. Proc. 2015-13 apply, but ruling protection is not provided on the characterization of any transaction as a lease, sale, or financing transaction;

(2) Section 6.08, relating to a change for tenant construction allowances, is modified to provide that a change in method of accounting for an existing lease is eligible to be made under the automatic change procedures of Rev. Proc. 2015-13 with a § 481(a) adjustment and a statement with the name of the counterparty instead of the counterparty representation is required to be attached to the Form 3115. Section 6.08 also is modified to provide that the audit protection rules in section 8 of Rev. Proc. 2015-13 apply, but ruling protection is not provided on whether the taxpayer has, or does not have, a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes;

(3) The following sections are modified to remove both paragraph (2)(b)(i), relating to the temporary waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, and paragraph (2)(b)(ii), relating to the temporary waiver of the eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13 for a taxpayer making both a change under section 6.12, 6.13, 6.14, or 6.15, as applicable, and a change under section 6.01 of Rev. Proc. 2018-31 on a single Form 3115 for the same asset for the same year of change, because these paragraphs are obsolete:

(a) Section 6.12, relating to a change from a permissible to a permissible method of accounting for depreciation of MACRS property;

(b) Section 6.13, relating to a change for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in § 1.168(i)-8(d)(1) applies;

(c) Section 6.14, relating to a change for disposing of § 1245 property or a depreciable land improvement or disposing of a portion of § 1245 property or a depreciable land improvement to which the partial disposition rule in § 1.168(i)-8(d)(1) applies; and

(d) Section 6.15, relating to a change for disposing of an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder.

(4) Section 11.08, relating to a change under §§ 1.162-3, 1.162-4, 1.263(a)-1, 1.263(a)-2, or 1.263(a)-3, is modified to remove paragraph (2), relating to the temporary waiver of the eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, because this paragraph is obsolete;

(5) Section 16.07, relating to changes for advance payments, and section 20.10, relating to changes for gift cards issued as a refund for returned goods, are modified to remove changes in methods of accounting under § 1.451-5 because § 1.451-5 was removed by T.D. 9870;

(6) Section 16.12, relating to changes in the timing of income recognition, is modified to permit taxpayers without an applicable financial statement to: (a) use the streamlined method change procedures in section 16.12(4)(c)(i)(B) to make a change in method of accounting to comply with proposed § 1.451-8(d) when the § 481(a) adjustment required by the change is zero; and (b) make a change under this section to defer income based on earned income under proposed § 1.451-8(d)(4)(ii) determined using a straight line ratable basis over the term of the agreement;

(7) Section 22.16, relating to certain changes made by a taxpayer using the retail inventory method, is modified to remove the language in paragraph (2), relating to the temporary waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, because it is obsolete; and

(8) Section 26.04, relating to a change in basis of computing reserves under § 807(f), is modified to make several changes in response to comments and to include a reference to § 807(f)(2), which generally provides that if a taxpayer is no longer a life insurance company, the taxpayer must include the remaining balance of any § 481(a) adjustment in the preceding taxable year.

DRAFTING INFORMATION

The principal author of this revenue procedure is Charles Magee of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Bruce Chang at (202) 317-7005 (not a toll-free call).

For further information regarding a specific change in method of accounting in this revenue procedure, contact the individual listed in the “Contact Person(s)” section located at the end of each section of the revenue procedure (calls are not toll-free) or see the CONTACT LIST at the end of this revenue procedure. The contact person is with one of the following Offices of Associate Chief Counsel: Corporate (CORP), Financial Institutions and Products (FI&P), Income Tax & Accounting (IT&A), International (INTL), Passthroughs and Special Industries (P&SI), or Employee Benefits, Exempt Organizations, and Employment Taxes (EEE).

LIST OF AUTOMATIC CHANGES CONTACT LIST

Section Number	Designated Automatic Accounting Change Number	Contact Name	Telephone Number	Office
1.01	91	William E. Blanchard	(202) 317-3900	FI&P
2.01	1	William Ruane	(202) 317-4718	IT&A
3.01	2	Joanna Trebat	(202) 317-7003	IT&A
		Alicia Lee-Won	(202) 317-7003	IT&A
3.02	3	Justin Grill	(202) 317-7003	IT&A
3.03	4	Renay France	(202) 317-7003	IT&A
3.04	86	Alexa Dubert	(202) 317-7003	IT&A
3.05	See § 11.08	See § 11.08	See § 11.08	IT&A
3.06	See § 11.08	See § 11.08	See § 11.08	IT&A
3.07	158	Ian Heminsley	(202) 317-5100	IT&A
3.08	159	Sophia Wang	(202) 317-5100	IT&A
3.09	160	Natasha Mulleneaux	(202) 317-5100	IT&A
3.10	182	Richard Gano	(202) 317-7011	IT&A
3.11	208, 209	Merrill Feldstein	(202) 317-5100	IT&A
4.01	5	Renay France	(202) 317-7003	IT&A
4.02	211	K. Scott Brown	(202) 317-6945	FI&P
5.01	16	William E. Blanchard	(202) 317-3900	FI&P
5.02	212	Michael Kaercher	(202) 317-6934	INTL
6.01	7	James Liechty	(202) 317-7005	IT&A
6.02	8	Bruce Chang	(202) 317-7005	IT&A
6.03	10	Edward Schwartz	(202) 317-7006	IT&A
6.04	87	Elizabeth Binder	(202) 317-7005	IT&A
6.05	88	Elizabeth Binder	(202) 317-7005	IT&A
6.06	89	Bernard Harvey	(202) 317-7005	IT&A
6.07	107	James Liechty	(202) 317-7005	IT&A
6.08	145	Elizabeth Binder	(202) 317-7005	IT&A
6.09	157	Charles Magee	(202) 317-7005	IT&A
6.10	198	Patrick Clinton	(202) 317-7005	IT&A

6.11	199	Patrick Clinton	(202) 317-7005	IT&A
6.12	200	Patrick Clinton	(202) 317-7005	IT&A
6.13	205	Patrick Clinton	(202) 317-7005	IT&A
6.14	206	Patrick Clinton	(202) 317-7005	IT&A
6.15	207	Patrick Clinton	(202) 317-7005	IT&A
6.16		Summary of changes related to dispositions of MACRS property		
6.17	210	Charles Magee	(202) 317-7005	IT&A
6.18	241	Elizabeth Binder	(202) 317-7005	IT&A
7.01	17	Elizabeth Binder	(202) 317-7005	IT&A
8.01	152	Jennifer Bernardini	(202) 317-6853	P&SI
9.01	18	Bruce Chang	(202) 317-7005	IT&A
10.01	223	Elizabeth Binder	(202) 317-7005	IT&A
10.02	228	Sharon Horn	(202) 317-7003	IT&A
10.03	229	Meghan Howard	(202) 317-5055	P&SI
11.01	19	Alexa Dubert	(202) 317-7003	IT&A
11.02	20	Douglas Kim	(202) 317-7003	IT&A
11.03	21	Douglas Kim	(202) 317-7003	IT&A
11.04	47	Alexa Dubert	(202) 317-7003	IT&A
11.05	78	Joanna Trebat	(202) 317-7003	IT&A
		Alicia Lee-Won	(202) 317-7003	IT&A
11.06	109	Stephen Rothandler	(202) 317-7003	IT&A
11.07	121	Stephen Rothandler	(202) 317-7003	IT&A
11.08	184-193	Douglas Kim	(202) 317-7003	IT&A
11.09	213	Douglas Kim	(202) 317-7003	IT&A
11.10	222	Merrill Feldstein	(202) 317-5100	IT&A
12.01	22	Kari Fisher	(202) 317-7007	IT&A
12.02	23	Kari Fisher	(202) 317-7007	IT&A
12.03	25	Steven Gee	(202) 317-7007	IT&A

12.04	77	Steven Gee	(202) 317-7007	IT&A
12.05	92	Steven Gee	(202) 317-7007	IT&A
12.06	150, 151	Kari Fisher	(202) 317-7007	IT&A
12.07	181	Patrick Clinton	(202) 317-7005	IT&A
12.08	194	Steven Gee	(202) 317-7007	IT&A
12.09	195	Roy Hirschhorn	(202) 317-7007	IT&A
12.10	201	Andrew Braden	(202) 317-7007	IT&A
12.11	202	Andrew Braden	(202) 317-7007	IT&A
12.12	214	Evan Hewitt	(202) 317-7007	IT&A
12.13	215	Andrew Braden	(202) 317-7007	IT&A
12.14	224	Steven Gee	(202) 317-7007	IT&A
12.15	232	Megan McLaughlin	(202) 317-7007	IT&A
12.16	234	Anna Gleysteen	(202) 317-7007	IT&A
12.17	237	Evan Hewitt	(202) 317-7007	IT&A
12.18	238	Steven Gee	(202) 317-7007	IT&A
13.01	26	Steven Gee	(202) 317-7007	IT&A
		Michael Kaercher	(202) 317-6934	INTL
14.01	28	Thomas Scholz	(202) 317-5600	EEE
14.02	29	John Ricotta	(202) 317-4102	EEE
		Joyce Kahn	(202) 317-4148	EEE
15.01	122, 123	Evan Hewitt	(202) 317-7007	IT&A
15.02	31	Adam Kobler	(202) 317-7011	IT&A
15.03	32,33	Evan Hewitt	(202) 317-7007	IT&A
15.04	34, 35	Roy Hirschhorn	(202) 317-7007	IT&A
15.05	71	William E. Blanchard	(202) 317-3900	FI&P
15.06	85	Bernard Harvey	(202) 317-7005	IT&A
15.07	90	Rebecca L. Baxter	(202) 317-6995	FI&P
15.08	108	K. Scott Brown	(202) 317-6945	FI&P
15.09	124	Douglas Kim	(202) 317-7003	IT&A
15.10	125	Dave Christensen	(202) 317-7011	IT&A
15.11	126	Evan Hewitt	(202) 317-7007	IT&A
15.12	127	K. Scott Brown	(202) 317-6945	FI&P

15.13	128	Mon Lam	(202) 317-5100	IT&A
15.14	129	David H. McDonnell	(202) 317-4137	P&SI
15.15	148	Charles W. Culmer	(202) 317-6945	FI&P
15.16	226	Barbara Campbell	(202) 317-4137	P&SI
15.17	227	Grace Cho	(202) 317-6945	FI&P
15.18	233	Anna Gleystein	(202) 317-7007	IT&A
16.01	36	K. Scott Brown	(202) 317-6945	FI&P
16.02	37	Daniel Cassano	(202) 317-7011	IT&A
16.03	38	Daniel Cassano	(202) 317-7011	IT&A
16.04	39	Bill Ruane	(202) 317-4718	IT&A
16.05	80, 81	Kate Sleeth	(202) 317-7053	FI&P
16.06	82	Kate Sleeth	(202) 317-7053	FI&P
16.07	83, 84	Peter E. Ford	(202) 317-7003	IT&A
		Jo Lynn Ricks	(202) 317-7003	IT&A
16.08	94	Kate Sleeth	(202) 317-7053	FI&P
16.09	130, 217	Peter Cohn	(202) 317-7011	IT&A
16.10	153	Justin Grill	(202) 317-7003	IT&A
		Peter E. Ford	(202) 317-7003	IT&A
16.11	231	Peter E. Ford	(202) 317-7003	IT&A
		Jo Lynn Ricks	(202) 317-7003	IT&A
16.12	239	Peter E. Ford	(202) 317-7003	IT&A
		Jo Lynn Ricks	(202) 317-7003	IT&A
		Charles W. Culmer	(202) 317-4528	FI&P
17.01	131	William E. Blanchard	(202) 317-3900	FI&P
18.01	132	Patrick Clinton	(202) 317-7005	IT&A
19.01	236	Innessa Glazman	(202) 317-7006	IT&A
20.01	42, 133, 134	Alicia Lee-Won	(202) 317-7003	IT&A
		Joanna Trebat	(202) 317-7003	IT&A
20.02	43	Christine Merson	(202) 317-5100	IT&A
20.03	44	Christine Merson	(202) 317-5100	IT&A
20.04	45, 113	Mon Lam	(202) 317-5100	IT&A
20.05	46	Mon Lam	(202) 317-5100	IT&A

20.06	106	Sharon Horn	(202) 317-7003	IT&A
20.07	135	Mon Lam	(202) 317-5100	IT&A
20.08	149	Daniel Cassano	(202) 317-7011	IT&A
20.09	154	Sharon Horn	(202) 317-7003	IT&A
20.10	156	Alicia Lee-Won	(202) 317-7003	IT&A
20.11	161	Justin Grill	(202) 317-7003	IT&A
20.12	220	David Christensen	(202) 317-7011	IT&A
21.01	136	William Ruane	(202) 317-4718	IT&A
22.01	48	Steven Gee	(202) 317-7007	IT&A
22.02	49	Steven Gee	(202) 317-7007	IT&A
22.03	50, 51	Anna Gleysteen	(202) 317-7007	IT&A
22.04	53	Steven Gee	(202) 317-7007	IT&A
22.05	54	Andrew Braden	(202) 317-7007	IT&A
22.06	55	Andrew Braden	(202) 317-7007	IT&A
22.07	63	Andrew Braden	(202) 317-7007	IT&A
22.08	96	Andrew Braden	(202) 317-7007	IT&A
22.09	110	Stephen Rothandler	(202) 317-7003	IT&A
22.10	111	Steven Gee	(202) 317-7007	IT&A
22.11	137	Steven Gee	(202) 317-7007	IT&A
22.12	138	Andrew Braden	(202) 317-7007	IT&A
22.13	139	Andrew Braden	(202) 317-7007	IT&A
22.14	114	Andrew Braden	(202) 317-7007	IT&A
22.15	203	Andrew Braden	(202) 317-7007	IT&A
22.16	204	Andrew Braden	(202) 317-7007	IT&A
22.17	225	Andrew Braden	(202) 317-7007	IT&A
22.18	230	Andrew Braden	(202) 317-7007	IT&A
22.19	235	Andrew Braden	(202) 317-7007	IT&A
23.01	56	Andrew Braden	(202) 317-7007	IT&A
23.02	57	Andrew Braden	(202) 317-7007	IT&A
23.03	58	Andrew Braden	(202) 317-7007	IT&A
23.04	59	Andrew Braden	(202) 317-7007	IT&A
23.05	60	Andrew Braden	(202) 317-7007	IT&A

23.06	61	Andrew Braden	(202) 317-7007	IT&A
23.07	62	Andrew Braden	(202) 317-7007	IT&A
23.08	112	Andrew Braden	(202) 317-7007	IT&A
23.09	140	Andrew Braden	(202) 317-7007	IT&A
23.10	141	Andrew Braden	(202) 317-7007	IT&A
24.01	64	Marsha Sabin	(202) 317-6945	FI&P
24.02	218	Marsha Sabin	(202) 317-6945	FI&P
25.01	66	K. Scott Brown	(202) 317-6945	FI&P
		Laura Fields	(202) 317-6850	P&SI
		Adrienne Mikolashek	(202) 317-6850	P&SI
26.01	67	Rebecca L. Baxter	(202) 317-6995	FI&P
26.02	155	Rebecca L. Baxter	(202) 317-6995	FI&P
26.03	219	Rebecca L. Baxter	(202) 317-6995	FI&P
26.04	240	Dan Phillips	(202) 317-6995	FI&P
27.01	68	Rebecca L. Baxter	(202) 317-6995	FI&P
28.01	79	John W. Rogers, III	(202) 317-6895	FI&P
29.01	70	Peter Merkel	(202) 317-4919	INTL
30.01	72	William E. Blanchard	(202) 317-3900	FI&P
30.02	183	Charles W. Culmer	(202) 317-6945	FI&P
31.01	73	William E. Blanchard	(202) 317-3900	FI&P
32.01	74	William E. Blanchard	(202) 317-3900	FI&P
32.02	75	William E. Blanchard	(202) 317-3900	FI&P