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Part III

Administrative, Procedural, and Miscellaneous

26 C.F.R. 601.204 Changes in accounting periods and in methods of accounting

(Also Part I, §§ 118, 167, 263A, 446, 451; 461, 471, 472; 1.118-2, 1.446-1)

Rev. Proc. 2008-

SECTION 1. PURPOSE

This revenue procedure amplifies, clarifies and modifies Rev. Proc. 2008-52, 2008-36 I.R.B. 587, which provides procedures for taxpayers within the scope of that revenue procedure to obtain automatic consent for the changes in method of accounting described in its APPENDIX. This revenue procedure also modifies and clarifies Rev. Proc. 97-27, 1997-1 C.B. 680, as modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, as amplified and clarified by Rev. Proc. 2002-54, 2002-2 C.B. 432, and as modified by Rev. Proc. 2007-67, 2007-48 I.R.B. 1072, which provides the general procedures for obtaining the advance consent of the Commissioner of Internal Revenue to change a method of accounting.

SECTION 2. CHANGES TO REV. PROC. 2008-52

.01 Change to section 2.05, Method change with a § 481(a) adjustment. Section 2.05(1) of Rev. Proc. 2008-52 is clarified to read as follows:

(1) Need for adjustment. Section 481(a) requires those adjustments necessary to prevent amounts from being duplicated or omitted to be taken into account when the taxpayer's taxable income is computed under a method of accounting different from the method used to compute taxable income for the preceding taxable year. When there is a change in method of accounting to which § 481(a) is applied, income for the taxable year preceding the year of change must be determined under the method of accounting that was then employed, and income for the year of change and the following taxable years must be determined under the new method of accounting as if the new method had always been used. The § 481(a) adjustment is computed notwithstanding that the period of limitations on assessment and collection of tax may have closed on the years (closed years) in which the events giving rise to the need for an adjustment occurred. See Superior Coach of Fla., Inc. v. Commissioner, 80 T.C. 895, 912 (1983). In computing the net § 481(a) adjustment, a taxpayer must take into account all relevant accounts. For example, the § 481(a) adjustment for a change in the proper time for deducting salary bonuses under § 461 should reflect any necessary adjustments for amounts of salary bonuses capitalized to inventory under § 263A.

> Example. A taxpayer that is not required to use inventories uses the overall cash receipts and disbursements method and changes to an overall accrual method. The taxpayer has $120,000 of income earned but not yet received (accounts receivable) and $100,000 of expenses incurred but not yet paid (accounts payable) as of the end of the taxable year preceding the year of change. A positive § 481(a) adjustment of $20,000 ($120,000 accounts receivable less $100,000 accounts payable) is required as a result of the change.

.02 Changes to section 3.08, Definition of "under examination."

(1) Change to section 3.08(1)(a). Section 3.08(1)(a) of Rev. Proc. 2008-52 is modified to read as follows:

(1) In general.

(a) Except as provided in sections 3.08(2), (3), (4), (5) or (6) of this revenue procedure, an examination of a taxpayer with respect to a federal income tax return begins on the date the taxpayer is contacted in any manner by a representative of the Internal Revenue Service (Service) for the purpose of scheduling any type of examination of the return. An examination ends:

* * *

(2) New sections 3.08(4), 3.08(5) and 3.08(6). Section 3.08 of Rev. Proc. 2008-52 is modified and clarified by adding new sections 3.08(4), 3.08(5) and 3.08(6) to read as follows:

(4) Certain foreign corporations. A foreign corporation that is not required to file a federal income tax return is under examination if any of its controlling domestic shareholders, as defined in § 6.02(3)(b), is under examination for a taxable year(s) in which it was a United States shareholder of the foreign corporation. For purposes of this revenue procedure, a foreign corporation is no longer under examination when the controlling domestic shareholders are no longer under examination, as defined in section 3.08 of this revenue procedure.

(5) Taxpayer before Joint Committee on Taxation. If an examination of a taxpayer involves a refund or credit in excess of the statutory sum that is subject to review by the Joint Committee on Taxation pursuant to § 6405, then, for purposes of this revenue procedure, the taxpayer is under examination while the taxpayer has a

refund or credit under review by the Joint Committee on Taxation and continues to be under examination until the Joint Committee on Taxation review procedures and any necessary follow-up are complete. See Rev. Proc. 2005-32, 2005-1 C.B. 1206.

If a taxpayer files an application while the taxpayer is before the Joint Committee on Taxation, the taxpayer must provide a copy of the application to the Joint Committee on Taxation at the same time it files a copy of the application with the national office and provides a copy to the examining agent. The Joint Committee on Taxation copy of the application is to be sent to the following address: **[INSERT JCT ADDRESS]**.

(6) Taxpayer in Compliance Assurance Process. For purposes of this revenue procedure, a taxpayer participating in the Compliance Assurance Process (CAP) is considered to be under examination as of the date the taxpayer executes the Memorandum of Understanding for the CAP.

.03 Change to section 3.09, Definition of "issue under consideration." Section 3.09 of Rev. Proc. 2008-52 is modified by adding a new section 3.09(4) at the end of section 3.09 to read as follows:

(4) Certain foreign corporations. In the case of a controlled foreign corporation (CFC) as defined in § 953(c)(1)(B) or § 957 or a noncontrolled section 902 corporation as defined in § 904(d)(2)(E) (10/50 corporation), a foreign corporation's method of accounting for an item is an issue under consideration if any of the corporation's controlling domestic shareholders receives notification described in section 3.09(1), (2) or (3) that the treatment of a distribution or deemed distribution from the foreign corporation, or the amount of its earnings and profits or foreign taxes deemed paid, is an issue under consideration.

.04 Change to section 4.02, Scope “Inapplicability”. Sections 4.02(1) and 4.02(4) of Rev. Proc. 2008-52 are modified and clarified to read as follows:

(1) Under examination. If, on the date the taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) would otherwise file a copy of the application with the national office, the taxpayer is under examination (as provided in section 3.08 of this revenue procedure), except as provided in sections 6.03(2) (90-day window), 6.03(3) (120-day window), 6.03(4) (consent of director), 6.03(5) (changes lacking audit protection), and 6.03(6) (issue pending) of this revenue procedure;

* * *

(4) Section 381(a) transaction. Except as otherwise provided in this section 4.02(4) or in final regulations issued under § 381, if the taxpayer engages in a transaction to which § 381(a) applies within the proposed taxable year of change (determined without regard to any potential closing of the year under § 381(b)(1)):

* * *

.05 Changes to section 5, TERMS AND CONDITIONS OF CHANGE, and section 6, GENERAL APPLICATION PROCEDURES.

(1) Changes to sections 5.06(4) and 6.02(3)(b). Section 5.06(4) of Rev. Proc. 2008-52 is modified by deleting the reference to the temporary regulations under § 1.964-1T(c)(3) and inserting reference to the final regulations under §§ 1.964-1(c)(3). Section 6.02(3)(b) is modified by deleting the references to the temporary regulations under §§ 1.964-1T(c)(3) and 1.964-1T(c)(5) and inserting references to the final regulations under §§ 1.964-1(c)(3) and 1.964-1(c)(5), respectively.

(2) Changes to sections 6.02(1)(b), 6.02(11), 6.03, 6.04 and 6.05 of Rev. Proc. 2008-52. Sections 6.02(1)(b), 6.02(11), 6.03, 6.04 and 6.05 of Rev. Proc. 2008-52 are modified, amplified and clarified to read as follows:

.02 Filing requirements.

(1) Applications.

* * *

(b) Separate applications.

(i) In general. Ordinarily, a taxpayer must submit a separate application for each change in method of accounting.

(ii) Single application for two or more changes. In some cases, the provisions of this revenue procedure or other guidance published in the IRB applicable to particular changes in method of accounting may require or allow a taxpayer to file a single application for two or more concurrent changes. See, for example, section 14.03 of the APPENDIX of this revenue procedure.

When the taxpayer is allowed or required to file a single Form 3115 for two or more concurrent changes, the taxpayer must attach to the single Form 3115 the information required by Part II, line 12, and Part IV, line 25 (including the amount of any § 481(a) adjustment), of Form 3115 for each change in method of accounting included on that single Form 3115. Also attach an explanation for any other line(s) on the single Form 3115 where the taxpayer's answer is different for any of the multiple concurrent changes to which the single Form 3115 relates.

* * *

(11) Additional copies required.

(a) Scope restrictions waived for taxpayer under examination. If (i) one or more of the scope limitation provisions of section 4.02 of this revenue procedure would otherwise preclude a taxpayer from making a change under this revenue procedure, but (ii) the scope limitation provisions of section 4.02 of this revenue procedure do not apply to the change sought by the taxpayer (see, for example section 2.01 of the APPENDIX of this revenue procedure), and (iii) the taxpayer is under examination (as provided in section 3.08 of this revenue procedure) on the date it files the copy of its application with the national office, then the taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the examining agent(s) at the same time that it files a copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

(b) Taxpayer before an appeals office or a federal court and issue not under consideration. If a taxpayer that is otherwise within the scope of this revenue procedure (or if section 6.02(3)(b) of this revenue procedure applies, any controlling domestic shareholder of a CFC or 10/50 corporation) is before an appeals office or a federal court and the present method to be changed is not an issue under consideration by the appeals office or the federal court on the date the copy of its application is filed with the national office, then the taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the appeals officer(s) or counsel(s) for the government, as applicable, at the same time that it files a copy of the application with the national office. The application must

contain the name(s) and telephone number(s) of the appeals officer(s) or counsel(s) for the government, as applicable.

.03 Taxpayer under examination.

(1) In general. Except as otherwise provided in the APPENDIX of this revenue procedure (see, for example, section 2.01 of the APPENDIX of this revenue procedure), a taxpayer that is under examination (as provided in section 3.08 of this revenue procedure) may file an application to change a method of accounting under section 6 of this revenue procedure only if the taxpayer is within the provisions of section 6.03(2) (90-day window), 6.03(3) (120-day window), 6.03(4) (consent of director), 6.03(5) (changes lacking audit protection), or 6.03(6) (issue pending) of this revenue procedure. A taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) that files an application beyond the time periods provided in the 90-day and 120-day windows is not eligible for the automatic extension of time and will not be granted an extension of time to file under § 301.9100, except in unusual and compelling circumstances.

(2) 90-day window period.

(a) A taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) may file a copy of the application with the national office to change a method of accounting under this revenue procedure during the first 90-days of any taxable year (the 90-day window) if the taxpayer has (or in the case of a taxpayer that is a CFC or 10/50 corporation, all of its controlling domestic shareholders that are under examination have) been under examination for at least 12 consecutive months as of the first day of the taxable year. This 90-day window is not available if the method of

accounting the taxpayer is changing is an issue under consideration at the time the taxpayer (or designated shareholder) would otherwise file the copy of the application or an issue the examining agent(s) has placed in suspense at the time the taxpayer (or designated shareholder) would otherwise file the copy of the application. The 90-day window also is not available while the taxpayer (or any controlling domestic shareholder of a CFC or 10/50 corporation) has a refund or credit under review by the Joint Committee on Taxation (including any necessary follow-up).

(b) A taxpayer changing a method of accounting under this 90-day window (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the examining agent(s) at the same time it files the copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

(3) 120-day window period.

(a) A taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) may file a copy of the application with the national office to change a method of accounting under this revenue procedure during the 120-day period following the date an examination of the taxpayer (or in the case of a taxpayer that is a CFC or 10/50 corporation, of each of its controlling domestic shareholders that were under examination) ends (the 120-day window), regardless of whether a subsequent examination has commenced. This 120-day window is not available if the method of accounting the taxpayer is changing is an issue under consideration at the time the taxpayer (or designated shareholder) would otherwise file a copy of the application or an issue the examining agent(s) has placed in suspense at the time the taxpayer (or

designated shareholder) would otherwise file a copy of the application. The 120-day window also is not available while the taxpayer (or a controlling domestic shareholder of a CFC or 10/50 corporation) has a refund or credit under review by the Joint Committee on Taxation (including any necessary follow-up).

(b) A taxpayer changing a method of accounting under this 120-day window (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the examining agent(s) for any examination that is in process at the same time it files the copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

(4) Consent of director.

(a) A taxpayer under examination may change its method of accounting under this revenue procedure if the director consents to the filing of the application. The director will consent to the filing of the application unless, in the opinion of the director, the method of accounting to be changed would ordinarily be included as an item of adjustment in the year(s) for which the taxpayer is under examination. For example, the director will consent to the filing of an application to change from a clearly permissible method of accounting, or from an impermissible method of accounting where the impermissible method was adopted subsequent to the years under examination. The director's consent is limited to the director's consent to file the application and does not constitute the director's agreement to, or approval of, the requested change in method of accounting. The question of whether the method of accounting from which the taxpayer is changing is permissible or was adopted subsequent to the years under

examination may be referred to the national office as a request for technical advice under the provisions of Rev. Proc. 2009-2 (or any successor). This section 6.03(4) does not apply to a taxpayer while the taxpayer (or any controlling domestic shareholder of a CFC or 10/50 corporation) has a refund or credit under review by the Joint Committee on Taxation (including any necessary follow-up).

(b) A taxpayer changing a method of accounting under this revenue procedure with the consent of the director (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must attach to the copy of the application filed with the national office a statement from the director consenting to the filing of the application. In addition, the taxpayer (or designated shareholder) must attach to its original application attached to its timely filed original federal income tax return a statement certifying that it has obtained the written consent of the director to the filing of the application and that the taxpayer (or designated shareholder) will maintain a copy of such consent available for inspection. The taxpayer (or designated shareholder) must provide a copy of the application to the director at the same time it files a copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

(5) Changes lacking audit protection.

(a) A taxpayer under examination may change its method of accounting under this revenue procedure if the description of the change in the APPENDIX of this revenue procedure provides that the change is not subject to the audit protection provisions of section 7 of this revenue procedure.

(b) A taxpayer changing a method of accounting under this section 6.03(5) (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the examining agent(s) for any examination that is in process and, if the taxpayer (or any controlling domestic shareholder of a CFC or 10/50 corporation) has a refund or credit under review by the Joint Committee on Taxation (including any follow-up), to the Joint Committee on Taxation, at the same time it files the copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

(6) Issue Pending.

(a) A taxpayer that is under examination with respect to any income tax issue may request to change a method of accounting if the method of accounting to be changed is an issue pending for any taxable year under examination. However, the audit protection provisions of section 7 of this revenue procedure do not apply to a taxpayer changing its method of accounting under this section 6.03(6). For purposes of this section 6.03(6), an issue is pending for a taxable year under examination if the Service or the Joint Committee on Taxation has given the taxpayer (or if section 6.02(3)(b) of this revenue procedure applies, any controlling domestic shareholders of a CFC or 10/50 corporation) written notification indicating an adjustment is being made or will be proposed with respect to the taxpayer's method of accounting. This notification normally will occur after the Service or the Joint Committee on Taxation has gathered information sufficient to determine that an adjustment is appropriate and justified, although the exact amount of the adjustment may not yet be determined.

(b) A taxpayer that requests to change a method of accounting under this section 6.03(6) (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the examining agent(s), and if the taxpayer (or any controlling domestic shareholder of a CFC or 10/50 corporation) has a refund or credit under review by the Joint Committee on Taxation (including any necessary follow-up), to the Joint Committee on Taxation, at the same time it files a copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the examining agent(s).

.04 Taxpayer before an appeals office. A taxpayer otherwise within the scope of this revenue procedure that is before an appeals office with respect to any income tax issue (or if section 6.02(3)(b) of this revenue procedure applies, a CFC or 10/50 corporation with a controlling domestic shareholder that is before an appeals office with respect to any income tax issue) may request a change in method of accounting. However, the audit protection provisions of section 7 of this revenue procedure do not apply if the method of accounting to be changed is an issue under consideration by the appeals office. A taxpayer that requests to change a method of accounting under this section 6.04 (or if section 6.02(3)(b) of this revenue procedure applies, the designated shareholder) must provide a copy of the application to the appeals officer at the time it files a copy of the application with the national office. The application must contain the name(s) and telephone number(s) of the appeals officer(s).

.05 Taxpayer before a federal court. A taxpayer otherwise within the scope of this revenue procedure that is before a federal court with respect to any income tax issue (or if section 6.02(3)(b) of this revenue procedure applies, a CFC or 10/50

corporation with a controlling domestic shareholder that is before a federal court with respect to any income tax issue) may request a change in method of accounting. However, the audit protection provisions of section 7 of this revenue procedure do not apply if the method of accounting to be changed is an issue under consideration by the federal court. A taxpayer (or designated shareholder) that requests to change a method of accounting under this section 6.05 must provide a copy of the application to the counsel(s) for the government at the time it files a copy of the original application with the national office. The application must contain the name(s) and telephone number(s) of the counsel(s) for the government.

.06 Change to section 13, EFFECT ON OTHER DOCUMENTS. Rev. Proc. 2008-52 is clarified by inserting a new paragraph at the end to read as follows:

Rev. Proc. 2008-18, 2008-10 I.R.B. 573, is modified, and, as modified, is superseded.

.07 New section 3.05 of the APPENDIX, Materials and supplies. Section 3 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 3.05 to read as follows:

.05 Materials and supplies.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting for materials and supplies on hand to the method of treating the cost of materials and supplies as a deferred expense to be taken into account in the taxable year in which they are actually consumed and used in operation, consistent with § 1.162-3.

(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 3.05 of the APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable).

(2) Amounts taken into account. Applicable provisions of the Code, regulations, and other guidance published in the IRB prescribe the manner in which a liability that has been incurred is taken into account. For example, for a taxpayer with inventories, certain indirect material costs must be included in inventory costs and may be recovered through the cost of goods sold. See § 1.263A-1(e)(3)(ii)(E). A taxpayer may not rely on the provisions of this section 3.05 of the APPENDIX to take a current deduction.

(3) Concurrent automatic change. A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should 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.

(4) Proposed regulations. The Department of the Treasury has published proposed regulations that address the definition and treatment of materials and supplies under § 162. See Guidance Regarding Deduction and Capitalization of Expenditures Related to Tangible Property, 73 FR 12838-01 (March 10, 2008), 2008-1 C.B. 871. The

proposed regulations are not effective until publication of a Treasury decision adopting them as final regulations in the Federal Register. If final regulations are adopted with positions that are inconsistent with the method of accounting implemented by the taxpayer under section 3.05 of this APPENDIX, that method will no longer be regarded as proper. In such event, the taxpayer will be required to follow any instructions in the final regulations or other guidance published in the IRB concerning methods of accounting for materials and supplies for future taxable years.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 3.05 of the APPENDIX is **"[INSERT NEW #]."** See section 6.02(4) of this revenue procedure for information regarding the designated automatic accounting method change number.

(6) Contact information. For further information regarding a change under this section, contact **[INSERT NAME AND #]** (not a toll-free call).

.08 New section 3.06 of the APPENDIX, Repair and maintenance costs. Section 3 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 3.06 to read as follows:

.06 Repair and maintenance costs.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting from capitalizing under § 263(a) costs paid or incurred to repair and maintain tangible property (including network assets) to treating the repair and maintenance costs as ordinary and necessary business expenses under § 162 and

§ 1.162-4. This change also applies to a taxpayer that wants to change the unit of property it uses to determine the deductibility of repair and maintenance costs to a unit of property that is permissible under applicable legal authority.

(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 3.06 of the APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable). This change also does not apply to a taxpayer that wants to change its method of accounting for dispositions of depreciable property, including a change in the unit of property used for such dispositions.

(2) Manner of making change. A taxpayer making this change must attach a statement with the following:

(a) A detailed description of the types of tangible property to which this change applies;

(b) A detailed description of the types of repair and maintenance costs to which this change applies;

(c) The following statements regarding the costs to which this change applies:

(i) “The taxpayer represents that the repair and maintenance costs are incurred to keep the taxpayer's property in ordinarily efficient operating condition, and that they do not materially increase the value or substantially prolong the useful life of

any unit of property compared to the value or useful life of the property before the general decline or event that led to the repairs or maintenance."

(ii) "The taxpayer represents that the repair and maintenance costs do not adapt any unit of property to a new or different use."

(iii) "The taxpayer represents that the repair and maintenance costs do not include costs to replace any unit of property or any major components or substantial structural parts of any unit of property."

(iv) "The taxpayer represents that the repair and maintenance costs are not incurred as part of a plan of rehabilitation, modernization, or improvement to any unit of property."

(v) "The taxpayer represents that the repair and maintenance costs do not result from any prior owner's use of any unit of property."

(3) Additional Copy of Form 3115 required. A taxpayer changing its method of accounting under section 3.06 of this APPENDIX must, in addition to the timely duplicate filing requirements in section 6.02(3) of Rev. Proc. 2008-52, send a copy of its completed Form 3115 (including attachments) to the following address on the date the taxpayer files a copy of the Form 3115 with the national office: **[INSERT ADDRESS FROM LMSB].**

(4) Amounts taken into account. Applicable provisions of the Code, regulations, and other guidance published in the IRB prescribe the manner in which a liability that has been incurred is taken into account. For example, for a taxpayer with inventories, certain repair and maintenance costs must be included in inventory costs and may be recovered through the cost of goods sold. See § 1.263A-1(e)(3)(ii)(E). A

taxpayer may not rely on the provisions of this section 3.06 of the APPENDIX to take a current deduction.

(5) Unit of property determination. The consent granted under this revenue procedure for this change is not a determination by the Commissioner that the taxpayer is using the appropriate unit of property in determining the deductibility of repair and maintenance costs. The director will ascertain whether the taxpayer's determination of its unit of property is correct.

(6) Concurrent automatic change. A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should 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.

(7) Proposed regulations. The Department of the Treasury has published proposed regulations that address the application of §§ 162 and 263 to expenditures paid or incurred to repair, maintain, or improve tangible property. See Guidance Regarding Deduction and Capitalization of Expenditures Related to Tangible Property, 73 FR 12838-01 (March 10, 2008), 2008-1 C.B. 871. The proposed regulations are not effective until publication of a Treasury decision adopting them as final regulations in the Federal Register. If final regulations are adopted with positions that are inconsistent with the method of accounting implemented by the taxpayer under section 3.06 of this APPENDIX, that method will no longer be regarded as proper. In such event, the taxpayer will be required to follow any instructions in the final regulations or other

guidance published in the IRB concerning methods of accounting for the repair, maintenance, or improvement of tangible property for future taxable years.

(8) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 3.06 of the APPENDIX is **"[INSERT NEW #]."** See section 6.02(4) of this revenue procedure for information regarding the designated automatic accounting method change number.

(9) Contact information. For further information regarding a change under this section, contact **[INSERT NAME AND #]** (not a toll-free call).

.09 New section 6.23 of the APPENDIX, Tenant construction allowances. Section 6 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 6.23 to read as follows:

.23 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 section 6.23 of this APPENDIX, 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) The change in method of accounting under section 6.23 of this APPENDIX is made using a cut-off method and only applies to leases entered into on or after the beginning of the year of change. See section 2.06 of this revenue procedure.

(b) If a taxpayer wants to change its method of accounting for tenant construction allowances under existing leases, the taxpayer must file a Form 3115 with the Commissioner in accordance with the requirements of § 1.446-1(e)(3)(i) and Rev. Proc. 97-27. A change involving tenant construction allowances under existing leases will require a § 481(a) adjustment. Consent to change a method of accounting for tenant construction allowances under existing leases is granted only if the taxpayer's treatment of the property subject to the tenant construction allowances is consistent with

the treatment of such property by the counterparty for federal income tax purposes. The following information must be submitted with a Form 3115 submitted under Rev. Proc. 97-27:

(i) If a lessee is filing the Form 3115, the lessee must submit with the Form 3115: (A) a statement 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; and (B) a representation, signed under penalties of perjury, from such lessor that provides the amount of the tenant construction allowance provided to the lessee and an explanation as to how the lessor is treating the property subject to such tenant construction allowance for federal income tax purposes. If the lessor capitalized the tenant construction allowance (or any portion thereof) provided to the lessee and depreciated the property subject to such tenant construction allowance, the representation must also include the amount that was capitalized by the lessor, the Internal Revenue Code section under which the property is depreciated by the lessor, and the life over which the property is depreciated by the lessor.

(ii) If a lessor is filing the Form 3115, the lessor must submit with the Form 3115: (A) a statement that provides the amount of the tenant construction allowance provided to a lessee and the name of the lessee that received such tenant construction allowance; and (B) a representation, signed under penalties of perjury, from such lessee that provides the amount of the tenant construction allowance received from the lessor, the amount of such tenant construction allowance recognized as gross income by the lessee, the amount of the tenant construction allowance

expended by the lessee on property, and an explanation as to how the lessee is treating the property subject to the tenant construction allowance for federal income tax purposes. If the lessee capitalized the tenant construction allowance (or any portion thereof) received from the lessor and depreciated the property subject to such tenant construction allowance, the representation must also include the amount that was capitalized by the lessee, the Internal Revenue Code section under which the property is depreciated by the lessee, and the life over which the property is depreciated by the lessee.

(4) No audit protection. A taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with this change.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 6.23 of this APPENDIX is "[**INSERT NUMBER**]." See section 6.02(4) of this revenue procedure.

(6) Contact information. For further information regarding a change under this section, contact Ruba Nasrallah at 202-622-4930 (not a toll-free call).

.10 New section 6.24 of the APPENDIX, Dispositions of structural components of a building (section 168). Section 6 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 6.24 to read as follows:

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change to a unit of property that is permissible under applicable legal authority for determining when the taxpayer has disposed of a building (as defined in § 1.48-1(e)(1), except as

otherwise provided under any other applicable provision of the Code or regulations relating to depreciation or amortization (for example, § 1400I(f)(3))) and its structural components (as defined in § 1.48-1(e)(2)) for depreciation purposes. This change also will affect the determination of gain or loss from the disposition of the building (including its structural components).

(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 section 6.24 of this APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable);

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

(iii) any section 1245 property or depreciable land improvement (but see section 6.25 of this APPENDIX for making this change);

(iv) any leasehold improvement, whether made by the lessor or the lessee (unless the taxpayer leased land and constructed a building on such leased land, and such building (including its structural components) is the leasehold improvement and is the unit of property under the taxpayer's proposed method of accounting under section 6.24 of this APPENDIX);

(v) 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));

(vi) any property subject to a general asset account election under § 168(i)(4) and the regulations thereunder;

(vii) any building with multiple condominium or cooperative units (unless each condominium or cooperative unit is the unit of property under the taxpayer's proposed method of accounting under section 6.24 of this APPENDIX); or

(viii) any multiple buildings (including their structural components) that are treated as a single building (single unit of property) under the taxpayer's present method of accounting or will be treated as a single building (single unit of property) under the taxpayer's proposed method of accounting.

(2) Manner of making change. A taxpayer making this change must attach to its Form 3115 a statement with the following:

(a) A detailed description of the types of property to which this change applies;

(b) A detailed description of the unit of property under the taxpayer's present and proposed methods of accounting for determining when the building (including its structural components) is disposed of by the taxpayer for depreciation purposes (when depreciation ends);

(c) A detailed description of how the taxpayer determined the unit of property under its present method of accounting for determining when the building (including its structural components) is disposed of by the taxpayer for depreciation

purposes and will determine the unit of property under its proposed method of accounting for determining when the building (including its structural components) is disposed of by the taxpayer for depreciation purposes. If this proposed unit of property is not each building (including its structural components) (except as provided in section 6.24(1)(b)(vii) of this APPENDIX regarding condominium or cooperative units), also provide the legal authority supporting the taxpayer's proposed unit of property for determining when the building (including its structural components) is disposed of by the taxpayer for depreciation purposes; and

(d) Astatement as to whether the taxpayer's proposed unit of property for determining when the building (including its structural components) is disposed of by the taxpayer for depreciation purposes is the same as the taxpayer's present unit of property for determining when the building (including its structural components) is placed in service by the taxpayer (when depreciation begins). If not, also provide the unit of property for determining when the building (including its structural components) is placed in service by the taxpayer and explain why the taxpayer is using a different unit of property for determining when the building (including its structural components) is placed in service.

(3) Additional Copy of Form 3115 required. A taxpayer changing its method of accounting under section 6.24 of this APPENDIX must, in addition to the timely duplicate filing requirements in section 6.02(3) of Rev. Proc. 2008-52, send a copy of its completed Form 3115 (including attachments) to the following address on the date the taxpayer files a copy of the Form 3115 with the national office: **[INSERT ADDRESS FROM LMSB].**

(4) Unit of property determination. The consent granted under this revenue procedure for this change is not a determination by the Commissioner that the taxpayer is using the appropriate unit of property for determining when the building (including its structural components) is placed in service or disposed of by the taxpayer for depreciation purposes and, therefore, that the taxpayer is using a permissible unit of property for depreciation purposes. The director will ascertain whether the taxpayer's determination of its unit of property for depreciation purposes is correct.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should 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.

(b) A taxpayer that wants to make both this change and a change under section 6.25 of this APPENDIX for the same year of change should 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.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 6.24 of the APPENDIX is **"[INSERT NEW #]."** See section 6.02(4) of this revenue procedure for information regarding the designated automatic accounting method change number.

(7) Contact information. For further information regarding a change under this section, contact Charles Magee at 202-622-4930 (not a toll-free call).

.11 New section 6.25 of the APPENDIX, Dispositions of tangible depreciable assets (other than buildings or its structural components) (section 168). Section 6 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 6.25 to read as follows:

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change to a unit of property that is permissible under applicable legal authority for determining when the taxpayer has disposed of a section 1245 property or a depreciable land improvement for depreciation purposes. This change also will affect the determination of gain or loss from the disposition of the section 1245 property or the depreciable land improvement.

(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 section 6.25 of this APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable);

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

(iii) any building (including its structural components) (but see section 6.24 of this APPENDIX for making this change);

(iv) any leasehold improvement, whether made by the lessor or the lessee (unless each leasehold improvement is the unit of property under the taxpayer's proposed method of accounting under section 6.25 of this APPENDIX);

(v) 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));

(vi) any property subject to a general asset account election under § 168(i)(4) and the regulations thereunder;

(vii) any property subject to a mass asset account election under former § 168(d)(2)(A); or

(viii) any property subject to the repair allowance under § 1.167(a)-11(d)(2) (including expenditures incurred after December 31, 1980, for the repair, maintenance, rehabilitation, or improvement of property placed in service before January 1, 1981).

(2) Manner of making change. A taxpayer making this change must attach to its Form 3115 a statement with the following:

(a) A detailed description of the types of property to which this change applies;

(b) A detailed description of the unit of property under the taxpayer's present and proposed methods of accounting for determining when the property is disposed of by the taxpayer for depreciation purposes (when depreciation ends);

(c) a detailed description of how the taxpayer determined the unit of property under its present method of accounting for determining when the property is disposed of by the taxpayer for depreciation purposes and will determine the unit of property under its proposed method of accounting for determining when the property is disposed of by the taxpayer for depreciation purposes. If this proposed unit of property is not determined using only the functional interdependence standard (see, e.g., Armstrong World Industries, Inc. v. Commissioner, T.C. Memo. 1991-326, aff'd, 974 F.2d 422 (3rd Cir. 1992); Hawaiian Independent Refinery, Inc. v. United States, 697 F.2d 1063, 1069 (Fed. Cir. 1983)), also provide the legal authority supporting the taxpayer's proposed unit of property for determining when the property is disposed of by the taxpayer for depreciation purposes; and

(d) A statement as to whether the taxpayer's proposed unit of property for determining when the property is disposed of by the taxpayer for depreciation purposes is the same as the taxpayer's present unit of property for determining when the property is placed in service by the taxpayer (when depreciation begins). If not, also provide the unit of property for determining when the property is placed in service by the taxpayer and explain why the taxpayer is using a different unit of property for determining when the property is placed in service.

(3) Additional Copy of Form 3115 required. A taxpayer changing its method of accounting under section 6.25 of this APPENDIX must, in addition to the timely duplicate filing requirements in section 6.02(3) of Rev. Proc. 2008-52, send a copy of its completed Form 3115 (including attachments) to the following address on the date the

taxpayer files a copy of the Form 3115 with the national office: **[INSERT ADDRESS FROM LMSB].**

(4) Unit of property determination. The consent granted under this revenue procedure for this change is not a determination by the Commissioner that the taxpayer is using the appropriate unit of property for determining when the property is placed in service or disposed of by the taxpayer for depreciation purposes and, therefore, that the taxpayer is using a permissible unit of property for depreciation purposes. The director will ascertain whether the taxpayer's determination of its unit of property for depreciation purposes is correct.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should 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.

(b) A taxpayer that wants to make both this change and a change under section 6.24 of this APPENDIX for the same year of change should 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.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change in method of accounting under this section 6.25 of the APPENDIX is **"[INSERT NEW #]."** See

section 6.02(4) of this revenue procedure for information regarding the designated automatic accounting method change number.

(7) Contact information. For further information regarding a change under this section, contact Charles Magee at 202-622-4930 (not a toll-free call).

.12 Changes to section 11.01 of the APPENDIX, Certain uniform capitalization (UNICAP) methods used by resellers and reseller-producers.

(1) Section 11.01(1)(a) of the APPENDIX, Applicability.

(a) Section 11.01(1)(a)(vi) of the APPENDIX. Section 11.01(1)(a)(vi) of the APPENDIX is clarified to read as follows:

(vi) a reseller 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 new method and changes to any special reseller cost allocation rules, in any taxable year, other than the first taxable year, that it does not qualify as a reseller. However, this does not include a change for purposes of recharacterizing "section 471 costs" as "additional § 263A costs" (or vice versa) under the simplified resale method.

(b) New section 11.01(1)(a)(vii) of the APPENIDX. Section 11.01(1)(a) of the APPENDIX is modified by adding a new section 11.01(1)(a)(vii) to read as follows:

(vii) a reseller or reseller-producer that wants to change from not capitalizing a cost subject to § 263A to capitalizing that cost, if the reseller or reseller-producer is otherwise already using a UNICAP method (or methods) specifically described in the regulations.

(2) Section 11.01(1)(b)(ii) of the APPENDIX. Section 11.01(1)(b)(ii) of the APPENDIX is clarified to read as follows:

(ii) Historic absorption ratio. This change does not apply to a taxpayer that wants to make an historic absorption ratio election under §§ 1.263A-2(b)(4) or 1.263A-3(d)(4), or to a taxpayer that wants to revoke an election to use the historic absorption ratio with the simplified resale method (see § 1.263A-3(d)(4)(iii)(B)), including a taxpayer using the simplified resale method with an historic absorption ratio that wants to change to a UNICAP method specifically described in the regulations that does not include the historic absorption ratio. However, this change applies to a small reseller that wants to change from the historic absorption ratio with the simplified resale method to a permissible non-UNICAP inventory capitalization method under section 11.01(1)(a)(i) of this APPENDIX.

(3) Section 11.01(1)(c) of the APPENDIX. Section 11.01(1)(c) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(c) Scope limitation inapplicable. The scope limitation of § 4.02(7) of this revenue procedure does not apply to the changes described in §§ 11.01(1)(a)(i) and (ii) of the APPENDIX of this revenue procedure.

(4) Section 11.01(2), Definitions. Section 11.01(2)(g) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(g) “A UNICAP method specifically described in the regulations” includes the 90-10 de minimis rule to allocate a mixed service department’s costs to resale activities (§ 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)), 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)), the specific identification method (§ 1.263A-1(f)(2)), the burden rate method (§ 1.263A-1(f)(3)), the standard cost method (§ 1.263A-1(f)(3)), the direct reallocation method (§ 1.263A-1(g)(4)(iii)(A)), the step-allocation method (§ 1.263A-1(g)(4)(iii)(B)), the simplified service cost method (§ 1.263A-1(h)) (with a labor-based allocation ratio), and the simplified resale method without the historic absorption ratio election (§ 1.263A-3(d)), but does not include any other reasonable allocation method within the meaning of § 1.263A-1(f)(4).

.13 Changes to section 11.02 of the APPENDIX, Certain uniform capitalization (UNICAP) methods used by producers and reseller-producers.

(1) Section 11.02(1)(a) of the APPENDIX. Section 11.02(1)(a) of the APPENDIX is clarified and modified to read as follows:

(a) Applicability. This change applies to a producer (as defined in section 11.01(2)(d) of this APPENDIX) or a reseller-producer (as defined in section 11.01(2)(e) of this APPENDIX) 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 new 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 that is otherwise already using a UNICAP method (or methods) specifically described in the regulations. However, this does not include a change for purposes of recharacterizing "section 471 costs" as "additional § 263A costs" (or vice versa) under the simplified production method.

(2) Section 11.02(1)(b) of the APPENDIX. Section 11.02(1)(b) of the APPENDIX is clarified to read as follows:

(b) Inapplicability. This change does not apply to a producer or reseller-producer that wants to revoke an election to use the historic absorption ratio with the simplified production method (see § 1.263A-2(b)(4)(iii)(B)), including a taxpayer using the simplified production method with an historic absorption ratio changing to a UNICAP method specifically described in the regulations that does not include the historic absorption ratio. This change also does not apply to a taxpayer that wants to use either the simplified service cost method or the simplified production method for self-constructed assets under §§ 1.263A-1(h)(2)(i)(D) and 1.263A-2(b)(2)(i)(D). Also, this change does not apply to a producer or reseller-producer that wants to change its method of accounting for interest capitalization.

.14 Change to section 14.01 of the APPENDIX, Change in overall method from the cash method to an accrual method.

(1) Change to section 14.01(1)(a) of the APPENDIX. The second paragraph of section 14.01(1)(a) of the APPENDIX is clarified to read as follows:

* * *

If the year of change is the first taxable year the taxpayer is required by § 448 to change from the cash method (the first § 448 year) and the taxpayer qualifies to make this change under the automatic consent procedures of § 1.448-1(g) and (h)(2) as well as this revenue procedure, the taxpayer may make the change under this revenue procedure provided the taxpayer complies with the provisions of § 1.448-1(h)(2) and the requirements of this revenue procedure. For a hospital, defined in § 1.448-1(g)(2)(ii)(B),

that makes the change for the first § 448 year under the provisions of this revenue procedure, see § 1.448-1(g)(2)(ii) for the applicable § 481(a) adjustment period. If a taxpayer does not change from the cash method for the first § 448 year under the provisions of this revenue procedure, the taxpayer must make the change under the provisions of § 1.448-1(g) and (h)(2).

(2) Change to section 14.01(1)(b) of the APPENDIX, Inapplicability. Section 14.01(1)(b) is clarified by inserting a new section 14.01(1)(b)(viii) to read as follows:

(viii) a taxpayer making a change from a hybrid method of accounting to an overall accrual method of accounting. For purposes of section 14.01 of this APPENDIX, a 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.

(3) Change to section 14.01(2) of the APPENDIX, Scope limitations inapplicable. Section 14.01(2) of the APPENDIX is modified to read as follows:

(2) Scope limitation inapplicable. The scope limitation in section 4.02(6) of this revenue procedure does not apply to a change in method of accounting request made under section 14.01 of this APPENDIX when the taxpayer changed to the overall cash method under the provisions of Rev. Proc. 2001-10, 2001-1 C.B. 272, Rev. Proc. 2002-28, 2002-1 C.B. 815, during any taxable year to which section 4.02(6) of this revenue procedure would otherwise apply, or if the year of change is the first taxable year the taxpayer is required by § 448 to change from the cash method (first § 448 year).

.15 Change to section 14.14 of the APPENDIX, Nonshareholder contributions to capital under § 118. Section 14.14 of the APPENDIX of Rev. Proc. 2008-52 is modified and clarified to read as follows:

.14 Nonshareholder contributions to capital under § 118.

(1) Description of change.

(a) Water and sewerage disposal utilities.

(i) This change applies to a regulated public utility described in § 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 § 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, 2008-25 I.R.B. 1156.

(ii) This change applies to a regulated public utility described in § 118(c) that wants to change its method of accounting for payments or property received that are contributions in aid of construction under § 118(c) and § 1.118-2 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 § 118(c) that are addressed in section 14.14(1)(a)(i) of this APPENDIX) 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) Additional requirement. In addition to the other filing requirements of this revenue procedure, a taxpayer that is making a change described in § 14.14(1)(a)(i) or (1)(b) must complete Schedule E of Form 3115 for the depreciable property to which the change relates.

(3) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under section 14.14 of this APPENDIX is "129." See section 6.02(4) of this revenue procedure.

(4) Contact information. For further information regarding a change under this section, contact David H. McDonnell at 202-622-3040 (not a toll-free call).

.16 Change to section 15.07 of the APPENDIX, Advance payments. Sections 15.07(2) and (3) of the APPENDIX of Rev. Proc. 2008-52 are modified and clarified to read as follows:

(2) Manner of making change. In lieu of providing the information and documentation required by line 1 of Schedule B of the Dec. 2003 version of Form 3115, a taxpayer changing to the deferral method must: (i) state whether the taxpayer uses an applicable financial statement and, if so, identify the type; (ii) describe the basis used for deferral (that is, the method the taxpayer uses in its applicable financial statement or how the taxpayer determines amounts earned, as applicable); and (iii) if the taxpayer makes an allocation to which section 5.02(4)(c) of Rev. Proc. 2004-34 applies, include a

statement that the allocation method is based on payments the taxpayer regularly receives for an item or items it regularly provides separately. See Rev. Proc. 2004-34 and Announcement 2004-48.

(3) Concurrent automatic change to an overall accrual method. A taxpayer that wants to make both a change to the deferral method under section 15.07 of this APPENDIX and a change to an overall accrual method under section 14.01 of this APPENDIX 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.

.17 Change to section 15.10 of the APPENDIX, Retainages. Section 15.10(1)(a) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(a) Applicability. This change applies to an accrual method taxpayer 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 section 15.10 of this APPENDIX must treat all retainages (receivables and payables) in the same manner.

.18 Change to section 19.01(1) of the APPENDIX, Self-insured employee medical benefits. Section 19.01(1)(a)(i) of the APPENDIX of Rev. Proc. 2008-52 is amplified and clarified to read as follows:

(i) Applicability. This change applies to an accrual method taxpayer 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:

* * *

.19 Change to section 19.01(2) of the APPENDIX, Bonuses. Section 19.01(2)(a) of the APPENDIX of Rev. Proc. 2008-52 is amplified and clarified to read as follows:

(a) Description of change.

(i) Applicability. This change applies to an accrual method taxpayer 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 19.01(2) of this APPENDIX 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, 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:

(A) if the bonus is not received by the employee by the 15th day of the 3rd calendar month after the end of the taxable year in which the related services are provided; or

(B) 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 section 19.01(2) of this APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable).

.20 Change to section 19.01(3) of the APPENDIX, Vacation pay. Section 19.01(3)(a) of the APPENDIX of Rev. Proc. 2008-52 is amplified and clarified to read as follows:

(a) Description of change.

(i) Applicability. This change applies to an accrual method taxpayer that wants to change its method of accounting to treat vacation pay as incurred in the taxable year in which all 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)). Specifically, a taxpayer may change its method of accounting under section 19.01(3) of this APPENDIX to one of the following methods.

(A) If all the events that establish the fact of the liability to pay vacation pay have occurred by the end of the taxable year in which the related services are provided, the taxpayer will treat the vacation pay liability as incurred in that taxable

year. A taxpayer may change to this method of accounting only if the vacation pay vests in that taxable year.

(B) If all the events that establish the fact of the liability to pay vacation 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 liability as incurred in such subsequent taxable year.

(ii) Inapplicability. This change does not apply:

(A) if the vacation pay is not received by the employee by the 15th day of the 3rd calendar month after the end of the table year in which the related services are provided.

(B) 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 section 19.01(3) of this APPENDIX 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 11.01 or 11.02 of this APPENDIX (as applicable).

.21 Changes to section 19.03 of the APPENDIX, Timing of incurring liabilities under a workers' compensation act, tort, breach of contract, or violation of law.

(1) Section 19.03(1)(a) of the APPENDIX. Section 19.03(1)(a) of the APPENDIX of Rev. Proc. 2008-52 is amplified and clarified to read as follows:

(a) Applicability. This change applies to an accrual method taxpayer 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 these liabilities under section 19.01(1) of this APPENDIX.

(2) Section 19.03(3) of the APPENDIX. Section 19.03(3) of the APPENDIX of Rev. Proc. 2008-52 is amplified and clarified to read as follows:

(3) Concurrent automatic changes. A taxpayer that wants to make both this change and change to a method provided in section 19.01(1) of this APPENDIX for self-insured employee medical expenses, or a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable), for the same year of change should file a single Form 3115 and enter the designated automatic accounting method change number for each change on the appropriate line on that Form 3115.

.22 New section 19.08 of the APPENDIX, Ratable accrual of real property taxes. Section 19 of the APPENDIX of Rev. Proc. 2008-52 is modified by adding a new section 19.08 to read as follows:

.08 Ratable accrual of real property taxes.

(1) Description of change. This change applies to an accrual method taxpayer 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)*. See also section 2.06 of this revenue procedure for more information regarding a cut-off basis. 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 an application on Form 3115 is waived and a statement in lieu of the Form 3115 is authorized for this change. The taxpayer's request (Form 3115 or statement) to make the change under this section of the APPENDIX must include all of the following:

(i) the designated automatic accounting method change number for this change, which is **"[INSERT #]**";

(ii) the taxpayer's name and employer identification (or social security number in the case of an individual);

(iii) the year of change (both the beginning and ending dates); and

(iv) the information described in § 1.461-1(c)(3)(ii)(a) through (f).

(c) The consent granted under this revenue procedure satisfies the consent required under § 461(c)(2)(B) and § 1.461-1(c)(3)(ii).

(3) Contact information. For further information regarding a change under this section, contact Daniel Cassano at 202-622-7900 (not a toll-free call).

.23 Change to section 20 of the APPENDIX, Rent.

(1) Heading of section 20.01 of the APPENDIX. The heading of section 20.01 of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

.01 Change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation.

(2) Section 20.01(1)(a) of the APPENDIX. Section 20.01(1)(a) of the APPENDIX of Rev. Proc. 2008-52 is modified by deleting section 20.01(1)(a)(ii), and renumbering section 20.01(1)(a)(iii) as section 20.01(1)(a)(ii).

(3) Section 20.01(3) of the APPENDIX. Section 20.01(3) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(3) Audit protection limited. Audit protection under section 7 of this revenue procedure 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).

.24 Change to section 21.01 of the APPENDIX, Cash discounts. Section 21.01(3) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(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 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 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).

.25 Change to section 21.05 of the APPENDIX, Impermissible methods of identification and valuation. Section 21.05(1)(b) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(b) changing from a gross profit method or from a method of determining market that is not in accordance with § 1.471-4 or from a method that is not in accordance with § 1.471-2(c) for determining the value of goods described in § 1.471-2(c).

.26 Change to section 21.11 of the APPENDIX, Permissible methods of identification and valuation. Section 21.11(1) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change from one permissible method of identifying and valuing inventories to another permissible method of identifying and valuing inventories. For example, a taxpayer using first-in, first out (FIFO) as its inventory-identification method may change its inventory-valuation method from cost to cost or market, whichever is lower (LCM). (Note, however, a real estate developer may not value land at LCM because land is not inventoriable property under § 1.471-1.) Furthermore, a taxpayer may change to a permissible method of valuing subnormal goods under § 1.471-2(c).

However, this change does not apply to any change described in another section of the APPENDIX of this revenue procedure or in other guidance published in the IRB, or to any changes 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 (see section 21.14).

(b) Permissible method defined. For purposes of this change, a permissible method is an inventory method (identification or valuation, or both) specifically permitted by the Code, the regulations, a decision of the United States Supreme Court, a revenue ruling, a revenue procedure, or other guidance published in the IRB for inventories. However, an otherwise permissible inventory method is not permissible under this section of the APPENDIX of this revenue procedure for a specific

taxpayer if that taxpayer is prohibited from using that method or if that taxpayer is required to use a different method.

.27 New section 22.01(6) of the APPENDIX, Change from the LIFO inventory method. Sections 22.01(6) and 22.01(7) of the APPENDIX of Rev. Proc. 2008-52 are renumbered 22.01(7) and 22.01(8), respectively. Section 22.01 of the APPENDIX is clarified by adding a new section 22.01(6) to read as follows:

(6) Pool split and partial termination. If a taxpayer must remove goods from a 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 22.10 of this APPENDIX and then may change from the LIFO method pursuant to section 22.01 of this APPENDIX. See section 22.10(2) of this APPENDIX.

.28 Changes to section 22.07 of the APPENDIX, Changes within the inventory pricing index computation (IPIC) method.

(1) Changes to section 22.07(1).

(a) Change to section 22.07(1)(f). Section 22.07(1)(f) of the APPENDIX is clarified to read as follows:

(f) change the assignment of one or more inventory items to BLS categories under either Table 3 (Consumer Price Index for All Urban Consumers (CPI-U): U.S. City average, detailed expenditure categories) of the monthly CPI Detailed Report or Table 6 (Producer price indexes and percent changes for commodity groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed

Report. 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;

(b) New section 22.07(1)(h). Section 22.07(1) of the APPENDIX of Rev. Proc. 2008-52 is amplified by adding a new section 22.07(1)(h) at the end of section 22.07(1) to read as follows:

(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.

(2) New section 22.07(2). Sections 22.07(2), 22.07(3) and 22.07(4) of the APPENDIX of Rev. Proc. 2008-52 are renumbered 22.07(3), 22.07(4) and 22.07(5), respectively. Section 22.07 of the APPENDIX is modified by adding a new section 22.07(2) to read as follows:

(2) Certain scope limitation inapplicable. The scope limitation in section 4.02(7) of this revenue procedure does not apply to the changes described in sections 22.07(1)(d) and (g) of this APPENDIX.

.29 Changes to section 22.10 of the APPENDIX, Changes to dollar-value pools of manufacturers.

(1) Change to section 22.10(1)(b). Section 22.10(1)(b) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(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

(2) Change to section 22.10(2). Section 22.10(2) of the APPENDIX of Rev. Proc. 2008-52 is clarified to read as follows:

(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. See section 2.06 of this revenue procedure for more information regarding a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required. A taxpayer that changes its method of pooling pursuant to section 22.10 of this APPENDIX 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 section 22.10 of this APPENDIX, which must be implemented on a cut-off basis, the taxpayer then may change from the LIFO inventory method for one or more of the resulting pools pursuant to section 22.01 of this APPENDIX, which must be implemented with a § 481(a) adjustment.

.30 Change to section 28.01 of the APPENDIX, Transactions involving computer programs. Section 28.01 of the APPENDIX of Rev. Proc. 2008-52 is modified to delete the current text as obsolete, and to substitute the following:

.01 Reserved.

.31 Change in contact name information.

(1) Section 14.01 of the APPENDIX, Change in overall method from the cash method to an accrual method. Section 14.01(8) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(8) Contact information. For further information regarding a change under this section, contact Kari Fisher at 202-622-4970 (not a toll-free call).

(2) Section 14.03 of the APPENDIX, Taxpayers changing to overall cash method. Section 14.03(7) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(7) Contact information. For further information regarding a change under this section, contact W. Thomas McElroy at 202-622-4970 (not a toll-free call).

(3) Section14.07 of the APPENDIX, Deduction of incentive payments to health care providers. Section 14.07(4) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(4) Contact information. For further information regarding a change under this section, contact Kay Hossofsky at 202-622-3970 (not a toll-free call).

(4) Section 25.01, Safe harbor method of accounting for premium acquisition expenses. Section 25.01(4) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(4) Contact information. For further information regarding a change under this section, contact Kay Hossofsky at 202-622-3970 (not a toll-free call).

(5) Change to section 26.01 of the APPENDIX, Composite method for discounting unpaid losses. Section 26.01(3) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(3) Contact information. For further information regarding a change under this section, contact Kay Hossofsky at 202-622-3970 (not a toll-free call).

(6) Section 29.01 of the APPENDIX, Change in functional currency. Section 29.01(4). Section 29.01(4) of the APPENDIX of Rev. Proc. 2008-52 is modified to read as follows:

(4) Contact information. For further information regarding a change under this section, contact Sheila Ramaswamy at 202-622-3870 (not a toll-free call).

(7) APPENDIX Contact List. The APPENDIX Contact List is modified for the following sections to read as follows:

APPENDIX Section Number	Designated Automatic Accounting Change Number	Contact Name	Telephone Number	Office
3.05	**[INSERT #]**	**[INSERT NAME]**	**[INSERT #]**	IT&A
3.06	**[INSERT #]**	**[INSERT NAME]**	**[INSERT #]**	IT&A
6.23	**[INSERT #]**	Ruba Nasrallah	202-622-4930	IT&A
6.24	**[INSERT #]**	Charles Magee	202-622-4930	IT&A
6.25	**[INSERT #]**	Charles Magee	202-622-4930	IT&A
14.01	122, 123	Kari Fisher	202-622-4970	IT&A
14.03	32, 33	W. Thomas McElroy	202-622-4970	IT&A
14.07	90	Kay Hossofsky	202-622-3970	FI&P
14.14	129	David H. McDonnell	202-622-3040	PS&I
19.08	**[INSERT #]**	Daniel Cassano	202-622-7900	IT&A
25.01	67	Kay Hossofsky	202-622-3970	FI&P
26.01	68	Kay Hossofsky	202-622-3970	FI&P
29.01	70	Sheila Ramaswamy	202-622-3870	INTL

The APPENDIX Contact List is also modified to delete APPENDIX Section Number 28.01.

SECTION 3. EFFECT ON OTHER DOCUMENTS

.01 Rev. Proc. 2008-52 is amplified, clarified and modified.

.02 Rev. Proc. 2005-63, 2005-2 C.B. 491, is modified to provide that taxpayers within the scope of Rev. Proc. 2008-52, that desire to make the change in method of accounting described in § 1.461-1(c) must follow the procedures in Rev. Proc. 2008-52 instead of the procedures in the regulations and Rev. Proc. 2005-63.

.03 Section 3.07 of Rev. Proc. 97-27 is modified and clarified by adding new sections 3.07(3) and 3.07(4) to read as follows:

(3) Taxpayer before Joint Committee on Taxation. If an examination of a taxpayer involves a refund or credit in excess of the statutory sum that is subject to review by the Joint Committee on Taxation pursuant to § 6405, then, for purposes of this revenue procedure, the taxpayer is under examination while the taxpayer has a refund or credit under review by the Joint Committee on Taxation and continues to be under examination until the Joint Committee on Taxation review procedures and any necessary follow-up are complete. See Rev. Proc. 2005-32, 2005-1 C.B. 1206.

Sections 6.01(2), (3) and (4) of this revenue procedure (90-day window, 120-day window, consent of the director) do not apply to a taxpayer while the taxpayer has a refund or credit under review by the Joint Committee on Taxation (including any follow-up).

Further, for purposes of section 6.01(5) (issue pending), an issue is pending for a taxable year under examination if the Joint Committee on Taxation (or the Service) has given the taxpayer written notification indicating an adjustment is being made or will be proposed with respect to the taxpayer's method of accounting. This notification normally will occur after the Service or the Joint Committee on Taxation has gathered information sufficient to determine that an adjustment is appropriate and justified,

although the exact amount of the adjustment may not yet be determined. If a taxpayer files a Form 3115 while the taxpayer is before the Joint Committee on Taxation, the taxpayer must provide a copy of the Form 3115 to the Joint Committee on Taxation at the same time it files the original Form 3115 with the national office. The Joint Committee on Taxation copy of the Form 3115 is to be sent to the following address: **[INSERT JCT ADDRESS]**.

(4) Taxpayer in Compliance Assurance Process. For purposes of this revenue procedure, a taxpayer participating in the Compliance Assurance Process (CAP) is considered to be under examination as of the date the taxpayer executes the Memorandum of Understanding for the CAP.

.04 With respect to a foreign corporation that is not required to file a federal income tax return, sections 3.07 (Under examination), 3.08 (Issue under consideration), 4.02 (Scope, inapplicability) and 6 (Under examination, appeals or before a federal court) of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, are modified in the same manner as the comparable provisions of Rev. Proc. 2008-52 that are modified by sections 2.02(1), 2.02(2) (relating to certain foreign corporations), 2.03 and 2.05(2) of this revenue procedure.

SECTION 4. EFFECTIVE DATE

.01 Sections 2.01; 2.02(2), new section 3.08(6) of Rev. Proc. 2008-52 (regarding taxpayers in the CAP); 2.05(2) (section 6.02(1)(b) of Rev. Proc. 2008-52); 2.06; 2.12 91)(a); 2.12(2); 2.12(4); 2.13(2); 2.14(1); 2.14(2); 2.18; 2.19; 2.20; 2.21; 2.24; 2.26; 2.27; 2.28(1)(a); 2.29; 2.30; 2.31; and 3.03, new section 3.07(4) of Rev. Proc. 97-27 (regarding taxpayers in the CAP) of this revenue procedure are effective as of **[INSERT**

DROP DATE] (including any application filed under Rev. Proc. 2008-52 that is pending in the national office).

Sections 2.02(1); 2.02(2), new sections 3.08(4) and 3.08(5) of Rev. Proc. 2008-52 (regarding certain foreign corporations and taxpayers before the Joint Committee on Taxation); 2.03; 2.04; 2.05(1) (sections 6.02(11), 6.03, 6.04 and 6.05 of Rev. Proc. 2008-52); 2.07; 2.08; 2.09; 2.10; 2.11; 2.12(1)(b); 2.12(3); 2.13(1); 2.14(3); 2.15; 2.16; 2.17; 2.22; 2.23; 2.25; 2.28(1)(b); 2.28(2); 3.03, new section 3.07(3) of Rev. Proc. 97-27 (regarding taxpayers before the Joint Committee on Taxation); and 3.04 of this revenue procedure are effective for applications filed on or after **[INSERT DROP DATE]**.

.02 Transition rule for Forms 3115 filed under Rev. Proc. 97-27. If before **[INSERT DROP DATE]**, a taxpayer within the scope of Rev. Proc. 97-27 timely filed a Form 3115 under Rev. Proc. 97-27 requesting consent for a change in method of accounting described in section 2.07; 2.08; 2.09; 2.10; 2.11; 2.12(1)(b); 2.13(1); 2.17; 2.22; 2.23; 2.25; 2.28(1)(b); or 2.28(2) of this revenue procedure and the Form 3115 is pending with the national office on **[INSERT DROP DATE]**, the taxpayer may choose to make the change under Rev. Proc. 2008-52, as amplified, clarified and modified by this revenue procedure, if the taxpayer is otherwise eligible under Rev. Proc. 2008-52, as amplified, clarified and modified by this revenue procedure. The taxpayer must notify the national office of its intent to make the change under Rev. Proc. 2008-52, as amplified, clarified and modified by this revenue procedure, prior to the later of **[INSERT DATE THAT IS 60 DAYS AFTER DROP DATE]**, or the issuance of a letter ruling granting or denying consent for the change. If the taxpayer timely notifies the national office that it will make the change under Rev. Proc. 2008-52, as amplified, clarified and

modified by this revenue procedure, the national office ordinarily will return the Form 3115 to the taxpayer to make the necessary modifications to comply with the applicable provisions of Rev. Proc. 2008-52, as amplified, clarified and modified by this revenue procedure, and will refund the user fee submitted with the Form 3115.

A Form 3115 that is returned to the taxpayer under this section 4.02 will be converted to an application under Rev. Proc. 2008-52, as amplified, clarified and modified by this revenue procedure if the taxpayer resubmits the Form 3115 with the necessary modifications, along with a copy of the national office letter sent with the returned Form 3115, to the national office within 30 calendar days after the date of the Service's letter returning the Form 3115 to the taxpayer.

SECTION 5. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure have 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 numbers 1545-1551 and 1545-1541. Responses to this collection of information are necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The estimated annual frequency of responses is on occasion. 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 2.02, 2.05, 2.08, 2.09, 2.10, 2.11, 2.22, 3.02, 3.03, and 3.04. 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 **[INSERT #]** hours.

Section 2.02, 2.05, 2.08, 2.09, 2.10, 2.11 and 2.22 will increase the estimated number of responses and burden hours for the control number 1545-1551. The estimated annual burden per respondent/recordkeeper for control number 1545-1551 varies from 1/6 hour to **[INSERT #]** hours, depending on individual circumstances, with an estimated average of **[INSERT #]** hours. The estimated number of respondents is **[INSERT #]**. The estimated total annual reporting and/or recordkeeping burden for control number 1545-1551 is **[INSERT #]** hours.

Section 2.09, 3.03 and 3.04 will increase the estimated number of responses and burden hours for the control number 1545-1541. The estimated annual burden for control number 1545-1541 per respondent/recordkeeper varies from 1/6 hour **to [INSERT #]** hours, depending on individual circumstances, with an estimated average of **[INSERT #]** hours. The estimated number of respondents is **[INSERT #]**. The estimated total annual reporting and/or recordkeeping burden for control number 1545-1541 is **[INSERT #]** hours.

DRAFTING INFORMATION

The principal author of this revenue procedure is Karla M. Meola of the Office of Chief Counsel (Income Tax & Accounting). For further information concerning this revenue procedure, please contact Ms. Meola at (202) 622-4930.