Other Liability — Occurrence

Tax Year	Discount Factors (%)
AY+ 0	78.2359
AY+ 1	78.9690
AY+ 2	81.3835
AY+ 3	83.3811
AY+ 4	84.6518
AY+ 5	82.1857
AY+ 6	86.3353
AY+ 7	88.3258
AY+ 8	92.5005
AY+ 9	95.1170
AY+10	96.9869

Private Passenger Auto Liability/Medical

Tax Year	Discount Factors (%)
AY+ 0	91.4498
AY+ 1	90.8941
AY+ 2	89.9496
AY+ 3	89.5590
AY+ 4	89.0875
AY+ 5	89.5493
AY+ 6	88.3238
AY+ 7	89.0595
AY+ 8	89.7588
AY+ 9	92.3809
AY+10	95.0019
AY+11	96.9869

Products Liability — Claims-Made

Tax Year	Discount Factors (%)
AY+ 0	78.6781
AY+ 1	80.7444
AY+ 2	85.2984
AY+ 3	85.2066
AY+ 4	80.7335
AY+ 5	87.8419
AY+ 6	80.4105
AY+ 7	87.9957
AY+ 8	96.7091
AY+ 9	96.9869

Products Liability — Occurrence

Tax Year	Discount Factors (%)
AY+ 0	75.1746
AY+ 1	77.8160
AY+ 2	76.1658
AY+ 3	77.4849
AY+ 4	79.2679
AY+ 5	78.6033
AY+ 6	79.9964
AY+ 7	71.9945
AY+ 8	77.5374
AY+ 9	80.0152
AY+10	82.6784
AY+11	85.5776
AY+12	88.7971
AY+13	92.4919
AY+14	96.9869

Reinsurance A (Nonproportional Property)

Tax Year	Discount Factors (%)
AY+ 0	86.3003
AY+ 1	89.5400
AY+ 2	92.3143
AY+ 3	91.6614
AY+ 4	78.5610
AY+ 5	94.6950
AY+ 6	93.2835
AY+ 7	95.9451
AY+ 8	96.9869

Reinsurance B (Nonproportional Liability)

Tax Year	Discount Factors (%)
AY+ 0	74.2486
AY+ 1	76.5505
AY+ 2	77.2843
AY+ 3	76.6711
AY+ 4	79.2080
AY+ 5	74.1857
AY+ 6	75.9657
AY+ 7	83.5910
AY+ 8	86.0435
AY+ 9	88.5976
AY+10	91.2603
AY+11	94.0436
AY+12	96.9869

Reinsurance C (Financial Lines)

Tax Year	Discount Factors (%)
AY+ 0	80.7281
AY+ 1	83.1505
AY+ 2	86.4803
AY+ 3	92.4729
AY+ 4	91.0172
AY+ 5	92.9369
AY+ 6	89.3800
AY+ 7	96.8709
AY+ 8	96.9869

Special Property (Fire, Allied Lines, Inland Marine, Earthquake, Glass, Burglary and Theft)

Tax Year	Discount Factors (%)
AY+ 0	92.0841
AY+ 1	94.1086
AY+ 2	96.9869

Workers' Compensation

Tax Year	Discount Factors (%)
AY+ 0	78.0767
AY+ 1	80.5418
AY+ 2	82.4774
AY+ 3	84.0695
AY+ 4	84.1826
AY+ 5	84.3480
AY+ 6	85.5457
AY+ 7	86.3059
AY+ 8	88.7588
AY+ 9	91.4094
AY+10	94.1598
AY+11	96.9869

DRAFTING INFORMATION

The principal author of this revenue procedure is Katherine A. Hossofsky of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Ms. Hossofsky on (202) 622-3477 (not a toll-free number).

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26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part I, sections 446, 475; 1.446–1.)

Rev. Proc. 99–17

SECTION 1. PURPOSE

This revenue procedure provides the exclusive procedure for dealers in commodities and traders in securities or commodities to make an election to use the mark-to-market method of accounting under § 475(e) or (f) of the Internal Revenue Code.

SECTION 2. BACKGROUND

.01 Section 475(e) allows a dealer in commodities to elect mark-to-market accounting for commodities. Mark-to-market accounting under the election, however, does not apply to commodities that meet certain criteria and are identified under § 475(b)(2) and (e). Such an identification is ineffective unless it is made before the close of the day on which the commodity was acquired, originated, or entered into. Section 475(f) grants similar treatment to traders in securities and commodities.

.02 The legislative history to § 475(e) and (f) states that the mark-to-market election will be made in the time and manner prescribed by the Secretary and will be effective for the taxable year for which it is made and all subsequent taxable years, unless revoked with the consent of the Secretary. H.R. Rep. No. 148, 105th Cong., 1st Sess. 446 (1997).

.03 Use of mark-to-market accounting under § 475(e) or (f) is a method of accounting. Generally, a taxpayer must obtain the consent of the Commissioner to change a method of accounting for federal income tax purposes. To obtain this consent, a Form 3115, Application for Change in Accounting Method, generally must be filed during the taxable year in which the taxpayer desires to make the change in method of accounting. The Commissioner, however, is authorized to prescribe administrative procedures setting forth the limitations, terms, and conditions the Commissioner deems necessary to obtain consent. See § 446(e) and the regulations thereunder.

.04 In computing taxable income, § 481(a) requires a taxpayer to take into account those adjustments necessary to prevent amounts from being duplicated or omitted 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.

.05 For a taxpayer who elects under § 475(e) or (f) to change its method of accounting for the taxable year that includes August 5, 1997, § 1001(d)(4) of the Taxpayer Relief Act of 1997 (the Act), Pub. L. No. 105–34, 111 Stat. 788 (August 5, 1997), provides: (1) that any identification required with respect to securities and commodities held on August 5, 1997, is treated as timely made if made on or before September 4, 1997; and (2) that the net amount of the adjustments required to be taken into account by the taxpayer under § 481 is taken into account ratably over the 4-taxable-year period beginning with the taxable year that includes August 5, 1997. The Conference Report to the Act states that any elections made for a year after the taxable year that includes August 5, 1997, will be governed by rules and procedures established by the Secretary. H.R. Conf. Rep. No. 220, 105th Cong., 1st Sess. 516 (1997).

SECTION 3. SCOPE

This revenue procedure applies to commodities dealers, securities traders, and commodities traders that want to make an election to use the mark-to-market method of accounting under § 475(e) or (f).

SECTION 4. EFFECT OF ELECTION

An election under § 475(e) or (f) determines the method of accounting that an electing taxpayer is required to use for federal income tax purposes for securities or commodities subject to the election. Thus, beginning with the first taxable year for which the election is effective (the election year) and continuing for all subsequent taxable years (unless the election is revoked with the consent of the Commissioner), a method of accounting for securities or commodities subject to the election is impermissible for an electing taxpayer unless the method is in accordance with § 475 and the regulations thereunder. If a taxpayer described in section 3 of this revenue procedure makes an election under section 5 of this revenue procedure, and the taxpayer's method of accounting for its taxable year immediately preceding the election year is inconsistent with § 475, the taxpayer is required to change its method of accounting to comply with its election. Section 6 of this revenue procedure contains procedures for effecting this change. A taxpayer that makes a § 475(e) or (f) election but fails to change its method of accounting to comply with that election is using an impermissible method.

SECTION 5. PROCEDURES FOR MAKING THE MARK-TO-MARKET ELECTIONS

.01 *Elections effective for taxable years for which the original federal income tax return was filed before March 18, 1999.* For a taxpayer to make a § 475(e) or (f) election that is effective for a taxable year for which the original federal income tax return was filed before March 18, 1999, the taxpayer must either:

(1) have properly reflected the application of § 475 (including any required § 481(a) adjustment) in the calculation of the taxpayer's tax liability on its original federal income tax return for the election year; or

(2) have failed to properly reflect the application of § 475 (including any required § 481(a) adjustment) in the calculation of the taxpayer's tax liability on its original federal income tax return for the election year, but clearly demonstrated on that return its intent to make the election for that year (for example, by a statement on, or attachment to, the return), and file an amended return for the election year on or before June 16, 1999, that properly reflects the application of § 475 (including any required § 481(a) adjustment).

.02 *Elections effective for other taxable years beginning before January 1, 1999.* For a taxpayer to make a § 475(e) or (f) election that is effective for a taxable year which begins before January 1, 1999, and for which the original federal income tax return is filed on or after March 18, 1999, the taxpayer must make the election by attaching a statement that satisfies the requirements in section 5.04 of this revenue procedure to an original federal income tax return for the election year that is timely filed (including extensions).

.03 *Elections effective for a taxable year beginning on or after January 1, 1999.*

(1) *General procedure.* Except as provided in section 5.03(2) of this revenue procedure, for a taxpayer to make a § 475(e) or (f) election that is effective for a taxable year beginning on or after January 1, 1999, the taxpayer must file a statement that satisfies the requirements in section 5.04 of this revenue procedure. The statement must be filed not later than the due

date (without regard to extensions) of the original federal income tax return for the taxable year immediately preceding the election year and must be attached either to that return or, if applicable, to a request for an extension of time to file that return.

(2) *New taxpayers.* A new taxpayer is a taxpayer for which no federal income tax return was required to be filed for the taxable year immediately preceding the election year. A new taxpayer makes the election by placing in its books and records no later than 2 months and 15 days after the first day of the election year a statement that satisfies the requirements in section 5.04 of this revenue procedure. To notify the Service that the election was made, the new taxpayer must attach a copy of the statement to its original federal income tax return for the election year.

.04 *Required statement.* The statement must describe the election being made, the first taxable year for which the election is effective, and, in the case of an election under § 475(f), the trade or business for which the election is made.

SECTION 6. CHANGE IN METHOD OF ACCOUNTING

.01 *Consent.* A change in a taxpayer's method of accounting to mark-to-market accounting is a change in method of accounting to which the provisions of §§ 446 and 481 and the regulations thereunder apply. The Commissioner hereby grants consent for a taxpayer to change its method of accounting for securities or commodities, as appropriate, if the following conditions are satisfied:

(1) the taxpayer is described in section 3 of this revenue procedure;

(2) the taxpayer complies with the election requirements set forth in section 5 of this revenue procedure;

(3) the method of accounting to which the taxpayer is changing is in accordance with its election under § 475;

(4) the year of change is the election year; and

(5) the taxpayer complies with the applicable requirements of this section 6.

.02 *Filing requirements.*

(1) *Taxpayers electing under section 5.01.* A taxpayer described in sections 3 and 5.01(1) of this revenue procedure that changed its method of accounting to properly reflect the application of § 475 on its original federal income tax return for the election year has satisfied the filing requirements of this section 6.02. A taxpayer described in section 3 that is required to change its method of accounting to comply with its election under section 5.01(2) must comply with the requirements of section 6.02(2) of this revenue procedure (substituting the amended return required by section 5.01(2) for the original return referred to in section 6.02(2)).

(2) *Taxpayers electing under section 5.02 or 5.03(1).* A taxpayer described in section 3 of this revenue procedure that makes an election under section 5.02 or 5.03(1) of this revenue procedure and is required to change its method of accounting must complete and file a Form 3115 for the year of change pursuant to the filing requirements in section 6.02 of Rev. Proc. 98–60, 1998–51 I.R.B. 16. Thus, the original Form 3115 must be attached to the taxpayer's timely filed (including extensions) original federal income tax return for the year of change, and a copy of the Form 3115 must be filed with the national office no later than when the original Form 3115 is filed with the federal income tax return for the year of change. The label described in section 6.02(3) of Rev. Proc. 98–60, however, should refer to this revenue procedure rather than to the APPENDIX of Rev. Proc. 98–60. Further, in the additional statement described in section 6.02(5) of Rev. Proc. 98–60, the taxpayer must agree to all the terms and conditions in this revenue procedure rather than those in Rev. Proc. 98–60.

.03 *Section 481(a) adjustment.* If a taxpayer changes its method of accounting under section 6.01 of this revenue procedure, the taxpayer must take into account the net amount of the § 481(a) adjustment in the manner provided in section 5.04 of Rev. Proc. 98–60. Thus, the § 481(a) adjustment generally is taken into account ratably over four taxable years beginning with the year of change. For purposes of § 481, a change in method of accounting made under this revenue procedure is a change in method of accounting initiated by the taxpayer.

SECTION 7. EFFECTIVE DATE

This revenue procedure is effective February 8, 1999, the date this revenue procedure was made available to the public.

SECTION 8. PAPERWORK REDUCTION ACT

The collections 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 number 1545-1641.

The collections of information in this revenue procedure are in sections 5 and 6 of this revenue procedure. This information is required by the IRS to facilitate monitoring taxpayers that make the elections under § 475(e) or (f). This information will be used if a taxpayer making the election is audited. The likely recordkeepers and respondents are businesses or other for-profit institutions.

The reporting burden for the collection of information in section 6.02 of this revenue procedure is reflected in the burden of Form 3115. The burden of the requirement to file amended returns in section 5.01 of this revenue procedure is reflected in the burden of Forms 1120X and 1040X. The estimated total annual reporting and/or recordkeeping burden for the collection of information described in section 5.01–5.04 of this revenue procedure is 500 hours.

The estimated annual burden per respondent/recordkeeper varies from 15 minutes to 1 hour, depending on individual circumstances, with an estimated average of 30 minutes. The estimated number of respondents and/or recordkeepers is 1,000.

The estimated annual frequency of responses is once in the existence of each respondent.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.

DRAFTING INFORMATION

The principal author of this revenue procedure is Jo Lynn Ricks of the Office of the Assistant Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Ms. Ricks on (202) 622–3920 (not a toll-free call).