

26 CFR 601.204: Changes in accounting periods and in methods of accounting.

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

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

LIST OF AUTOMATIC CHANGES

SECTION 1. GROSS INCOME (§ 61)

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

(1) *Description of change.* This change applies to a Utility that wants to change its method of accounting for Up-front Payments to the safe harbor method described in Rev. Proc. 2005–35, 2005–2 C.B. 76. In general, this change applies to a Utility that receives an Up-front Payment from a Generator to finance Network Upgrades to the Utility’s Transmission System. For

federal income tax purposes, if an Up-front Payment is made pursuant to an Interconnection Agreement that satisfies all of the conditions of section 5.02 of Rev. Proc. 2005–35, a Utility may treat that Up-front Payment as not being taxable income under § 61 when received (the safe harbor method). In addition, a Utility that uses the safe harbor method is not entitled to any deduction for its reimbursements of the Up-front Payment. To the extent that Federal Energy Regulatory Commission (FERC) interest is deductible, it must be properly allocated to the periods in which it accrues. A Utility us-

ing the safe harbor method must comply with all other applicable provisions of Rev. Proc. 2005–35. See Rev. Proc. 2005–35 for the definitions of certain terms for purposes of this change.

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

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

SECTION 2. COMMODITY CREDIT LOANS (§ 77)

.01 *Treating amounts received as loans.*

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

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

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

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

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

SECTION 3. TRADE OR BUSINESS EXPENSES (§ 162)

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

(1) *Description of change.* This change applies to a lawyer who advances money to pay for costs of litigation or for other expenses on behalf of clients, and who

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

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

(3) *Contact information.* For further information regarding a change under this section, contact Peter Ford at (202) 317-7011(not a toll-free call).

.02 *ISO 9000 costs.*

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

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

(3) *Contact information.* For further information regarding a change under this section, contact Peter Ford at (202) 317-7011 (not a toll-free call).

.03 *Restaurant or tavern smallwares packages.*

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

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

(3) *Contact information.* For further information regarding a change under this section, contact Peter Ford at (202) 317-7011 (not a toll-free call).

.04 *Timber grower fertilization costs.*

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

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

(3) *Contact information.* For further information regarding a change under this section, contact Peter Ford at (202) 317-7011 (not a toll-free call).

.05 *Materials and supplies.*

See section 11.08 of this revenue procedure.

.06 *Repair and maintenance costs.*

See section 11.08 of this revenue procedure.

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

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

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

apply the repair allowance under § 1.167(a)–11(d)(2).

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

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

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

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

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

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

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

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

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

of accounting described in Rev. Proc. 2011–43.

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

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

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

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

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

(2) *Certain eligibility rules temporarily inapplicable.* The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, do not apply to an eligible taxpayer that changes to the method of accounting provided in Rev. Proc. 2013–24 for its first, second, or third taxable year ending after December 30, 2012.

(3) *Section 481(a) adjustment.*

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

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

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

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

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

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

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

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

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

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

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

(2) *Certain eligibility rules temporarily inapplicable.* The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, do not apply to a cable system operator that changes to a method of accounting provided in section 5, section 6, or section 7 of Rev. Proc. 2015–12 for its first or second taxable year ending after December 31, 2013.

(3) *Concurrent automatic change.* A taxpayer that wants to make both one or more changes in method of accounting pursuant to this section 3.11 and a change to a UNICAP method under section 12 of this revenue procedure for the same year of change should file a single Form 3115 that includes all of these changes and must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(4) *Section 481(a) adjustment.*

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

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

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

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

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

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to a method of accounting provided in section 5 or 6 of Rev. Proc. 2015–12 is “208.” The designated automatic accounting method change number for a change to a method of accounting provided in section 7 of Rev. Proc. 2015–12 is “209.”

(6) *Contact information.* For further information regarding a change under this section, contact Merrill Feldstein at (202) 317-5100.

SECTION 4. BAD DEBTS (§ 166)

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

(1) *Description of change.* This change applies to a taxpayer (other than a bank as defined in § 585(a)(2)) that wants to change its method of accounting for bad debts from a reserve method (or other improper method) to a specific charge-off method that complies with § 166. For procedures applicable to banks, see § 585(c) and the regulations thereunder and section 24 of this revenue procedure.

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

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

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

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

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

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

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

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

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

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

(3) *Certain eligibility rule inapplicable.* The eligibility rule in section

5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to this change.

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

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

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

.01 *Revocation of § 171(c) election.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for amortizable bond premium by revoking its § 171(c) election. Under § 171(c), a taxpayer that holds certain taxable bonds may elect to amortize any bond premium on the bonds in accordance with regulations prescribed by the Secretary. Sections 1.171–1 through 1.171–5 provide rules relating to the amortization of bond premium by a taxpayer. Section 1.171–4 provides the procedures to make a § 171(c) election to amortize bond premium.

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

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

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

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change

number for a change under this section 5.01 is “16.”

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

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

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

(6) *Audit protection.* Any audit protection applicable to this change under section 8 of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not preclude the Commissioner from examining the method used by the taxpayer to determine the amount of amortizable bond premium under § 171(b) for a taxable year prior to the year of change.

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

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

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

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

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

(4) *Contact information.* For further information regarding a change under this section, contact Joseph Vetting at (202) 317-4960 (not a toll-free call).

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

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

(1) *Description of change.*

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

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

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

(iii) for which depreciation is determined under § 56(a)(1), § 56(g)(4)(A), § 167, § 168, § 197, § 1400I, or § 1400L(c), under § 168 prior to its amendment in 1986 (former § 168), or under any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)); and

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

(b) *Taxpayer has not adopted a method of accounting for the item of property.* If a taxpayer does not satisfy section 6.01(1)(a)(i) of this revenue procedure for an item of depreciable or amortizable

property because this item of property is placed in service by the taxpayer in the taxable year immediately preceding the year of change (“1-year depreciable property”), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year depreciable property by filing a Form 3115 for this change, provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment that is attributable to all property (including the 1-year depreciable property) subject to the Form 3115. Alternatively, the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for a 1-year depreciable property by filing an amended federal tax return for the property’s placed-in-service year prior to the date the taxpayer files its federal tax return for the taxable year succeeding the placed-in-service year.

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

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

(ii) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 6.01 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable);

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

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

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

(vi) any property for which a taxpayer is revoking a timely valid election, or making a late election, under § 167, § 168, § 179, § 1400I, § 1400L(c), former § 168, § 13261(g)(2) or (3) of the Revenue Reconciliation Act of 1993 (1993 Act), 1993–3 C.B. 1, 128 (relating to amortizable § 197 intangibles), or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)). A taxpayer may request consent to revoke or make the election by submitting a request for a letter ruling under Rev. Proc. 2016–1, 2016–1 I.R.B. 1 (or successor). However, if a taxpayer is revoking or making an election under § 179, see § 179(c) and § 1.179–5. See § 1.446–1(e)(2)(ii)(d)(3)(iii);

(vii) any property for which depreciation is determined under § 56(g)(4)(A) or § 167 (other than under § 168, § 1400I, § 1400L(c), former § 168, or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d))) and a taxpayer is changing the useful life of the property. A change in the useful life of property is corrected by adjustments in the applicable taxable year provided under § 1.446–1(e)(2)(ii)(d)(5)(iv). However, this section 6.01(1)(c)(vii) does not apply if the taxpayer is changing to or from a useful life, recovery period, or amortization period that is specifically assigned by the Code (for example, § 167(f)(1), § 168(c)), the regulations thereunder, or other guidance published in the Internal Revenue Bulletin and, therefore, this change is a change in method of accounting (unless section 6.01(1)(c)(xv) of this revenue procedure applies). See § 1.446–1(e)(2)(ii)(d)(3)(i);

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

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

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

of accounting under the final tangible property regulations);

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

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

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

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

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

(A) a change in inventory costs (for example, when property is reclassified

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

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

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

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

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

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

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

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

(b) *Statements required.* A taxpayer (including a qualified small taxpayer as defined in section 6.01(4)(b) of this reve-

nue procedure) must provide the following statements, if applicable, and attach them to the completed Form 3115:

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

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

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

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

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

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

(B) as of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar reserve account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability as-

sociated with the § 481(a) adjustment applicable to the public utility property subject to the Form 3115; and

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

(vi) if the taxpayer is changing the classification of an item of § 1250 property placed in service after August 19, 1996, to a retail motor fuels outlet under § 168(e)(3)(E)(iii), a statement containing the following representation: "For purposes of § 168(e)(3)(E)(iii) of the Internal Revenue Code, the taxpayer represents that (A) 50 percent or more of the gross revenue generated from the item of § 1250 property is from the sale of petroleum products (not including gross revenue from related services, such as the labor cost of oil changes and gross revenue from the sale of nonpetroleum products such as tires and oil filters), (B) 50 percent or more of the floor space in the item of property is devoted to the sale of petroleum products (not including floor space devoted to related services, such as oil changes and floor space devoted to non-petroleum products such as tires and oil filters), or (C) the item of § 1250 property is 1,400 square feet or less."; and

(vii) if the taxpayer is changing the classification of an item of property from § 1250 property to § 1245 property under § 168 or former § 168, a statement of the facts and law supporting the new § 1245 property classification, and a statement containing the following representation: "Each item of depreciable property that is the subject of the Form 3115 filed under section 6.01 of Rev. Proc. 2016-29 for the year of change beginning [*Insert the date*], and that is reclassified from [*Insert, as appropriate: nonresidential real property, residential rental property, qualified leasehold improvement property, qualified restaurant property, qualified retail improvement property, 19-year real property, 18-year real property, or 15-year real property*] to an asset class of [*Insert, as appropriate, either: Rev. Proc. 87-56, 1987-2 C.B. 674, or Rev. Proc. 83-35, 1983-1 C.B. 745*] that does not explicitly

include § 1250 property, is § 1245 property for depreciation purposes."

(4) *Reduced filing requirement for qualified small taxpayers.*

(a) *In general.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I;
- (d) Part II, all lines except lines 13, 15b, 16c, 17, and 19;
- (e) Part IV, all lines except line 25; and
- (f) Schedule E.

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

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

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

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

(7) *Meaning of depreciation allowable.*

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

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

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

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

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

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

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

The depreciation allowable for any taxable year for property subject to § 167(f) (regarding certain property excluded from § 197) is determined by using the depreciation method and useful life prescribed in § 167(f). If computer software is depreciated under § 167(f)(1) and is qualified property (as defined in § 168(k)(2) and § 1.168(k)–1), 50-percent bonus depreciation property (as defined in § 168(k)(4) (as in effect on the day before the date of enactment of the Economic Stimulus Act of 2008, Pub. L. No. 110–185, 122 Stat. 613 (February 13, 2008)) and § 1.168(k)–1), qualified disaster assistance property (as defined in § 168(n)(2)), qualified New York Liberty Zone (Liberty Zone) property (as defined in § 1400L(b)(2) and § 1.1400L(b)–1), qualified Gulf Opportunity Zone (GO Zone) property (as defined in § 1400N(d)(2) and sections 2.02 and 2.03 of Notice 2006–77, 2006–2 C.B. 590, as clarified, modified, and amplified by Notice 2007–36, 2007–1 C.B. 1000), specified Gulf Opportunity Zone extension property (GO Zone extension property) (as defined in § 1400N(d)(6) and section 4 of Notice 2007–36), or qualified Recovery Assistance (RA) property (as defined in sections 2.02 and 2.03 of Notice 2008–67, 2008–32 I.R.B. 307), the depreciation allowable for that computer software under § 167(f)(1) is also determined by taking into account the additional first year depreciation deduction provided by § 168(k), § 168(n), § 1400L(b), or § 1400N(d), or by § 15345(a)(1) and (d)(1) of the Food, Conservation, and Energy Act of 2008, Pub. L. No. 110–246, 122 Stat. 1651 (June 18, 2008), as applicable, unless the taxpayer made a timely valid election not to deduct any additional first year depreciation for the computer software.

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

(i) by using either:

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

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

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

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

(iii) if the property is qualified second generation biofuel plant property (as defined in § 168(l)(2) and (3)) or qualified cellulosic biofuel plant property (as defined in former § 168(l)(2) and (3)), by also taking into account the additional first year depreciation deduction provided by § 168(l)(1), unless the taxpayer made a timely valid election not to deduct the additional first year depreciation for the property; and

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

(f) *Section 197 property.* The amortization allowable for any taxable year for an amortizable § 197 intangible (including

any property for which a timely election under § 13261(g)(2) of the 1993 Act was made) is determined in accordance with § 1.197-2(f).

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

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

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

(h) *Qualified revitalization building.* The depreciation allowable for any taxable year for any qualified revitalization building (as defined in § 1400I(b)(1)) for which the taxpayer has made a timely valid election under § 1400I(a) is determined as follows:

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

(ii) if the taxpayer elected to amortize all of the qualified revitalization expenditures chargeable to a capital account with respect to the qualified revitalization building ratably over the 120-month period beginning with the month in which the building is placed in service, the depreciation allowable for the qualified revitalization expenditures is determined in

accordance with this election and the depreciation allowable for the remaining depreciable basis of the qualified revitalization building is determined using the general depreciation system of § 168(a) or the alternative depreciation system of § 168(g), as applicable.

(i) *Qualified New York Liberty Zone leasehold improvement property.* The depreciation allowable for any taxable year for qualified New York Liberty Zone leasehold improvement property (as defined in § 1400L(c)(2)) is determined by using the depreciation method and recovery period prescribed in § 1400L(c) unless the taxpayer made a timely valid election under § 1400L(c)(5) not to use that recovery period.

(8) *Concurrent automatic change.*

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

sulting from the reclassifications of the two office desks from 5-year property to 7-year property.

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

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

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

.02 Permissible to permissible method of accounting for depreciation.

(1) *Description of change.* This change applies to a taxpayer that wants to change from a permissible method of accounting for depreciation under § 56(g)(4)(A)(iv) or § 167 to another permissible method of accounting for depreciation under § 56(g)(4)(A)(iv) or § 167. Pursuant to § 1.167(a)-7(a) and (c), a taxpayer may account for depreciable property either by treating each individual asset as an account or by combining two or more assets in a single account and, for each account, depreciation allowances are computed separately.

(2) *Applicability.*

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

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

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

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

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 6.02 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable);

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

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

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

(v) any property for which depreciation is determined under § 56(a)(1), § 56(g)(4)(A)(i), (ii), (iii), or (v), § 168, § 1400I, § 1400L(c), § 168 prior to its amendment in 1986 (former § 168), or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d));

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

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

(viii) any depreciable property for which the taxpayer is changing the depreciation method pursuant to § 1.167(e)-1(b) (change from declining-balance method to

straight-line method), § 1.167(e)-1(c) (certain changes for § 1245 property), or § 1.167(e)-1(d) (certain changes for § 1250 property). These changes must be made prospectively and are not permitted under the cited regulations for property for which the depreciation is determined under § 168, § 1400I, § 1400L(c), former § 168, or any additional first year depreciation deduction provision of the Code (for example, § 168(k), § 168(l), § 1400L(b), or § 1400N(d)); or

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

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

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

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

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

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

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

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

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

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

(h) a change from charging the depreciation reserve with costs of removal and crediting the depreciation reserve with salvage proceeds to deducting costs of removal as an expense and including salvage proceeds in taxable income as set forth in § 1.167(a)-8(e)(2). *See* Rev. Rul. 74-455, 1974-2 C.B. 63. This section 6.02 applies to this change, however, only if:

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

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

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

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

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

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

(m) a change from one method described in Rev. Proc. 2000-38 for amortizing distributor commissions (as defined

by section 2 of Rev. Proc. 2000–38) to another method described in Rev. Proc. 2000–38 for amortizing distributor commissions; or

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

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

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

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

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

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

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

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

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

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

(6) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(c) Part I;

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

(e) Part IV, line 25; and

(f) Schedule E.

(7) *Section 481(a) adjustment.* Because the adjusted basis of the property is not changed as a result of a method change made under this section 6.02, no items are being duplicated or omitted. Accordingly, a § 481(a) adjustment is neither required nor permitted.

(8) *Concurrent automatic change.*

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

(b) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required by section 6.02(6) of this revenue procedure for this change and the information re-

quired by the lines on Form 3115 applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer’s response is different for this change and the change to a UNICAP method.

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

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

.03 *Sale, lease, or financing transactions.*

(1) *Description of change and scope.*

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

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

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

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

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

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

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

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

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

(2) *Manner of making change.*

(a) The change in method of accounting under this section 6.03 is made using a cut-off method and applies to transactions entered into on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither required nor permitted.

(b) If a taxpayer wants to change its method of accounting for sale, lease or financing transactions entered into before the beginning of the year of change, the taxpayer must file a Form 3115 under the non-automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419. A change involving sale, lease, or financing transactions entered into before the beginning of the year of change will require a § 481(a) adjustment. The IRS will generally not consider a taxpayer's request to change a method of accounting for a sale, lease, or financing transaction entered into before the beginning of the year of change unless the taxpayer's proposed method of accounting is consistent with the method used by the counterparty to the agreement. The following information should be submitted with Form 3115 to substantiate that the taxpayer's proposed method is consistent with the counterparty's method: (i) the name of the counterparty to the transaction; and (ii) a representation, signed under penalties of perjury, from the counterparty that provides the method of accounting for the agreement used by the counterparty for federal income tax purposes. If a taxpayer does not submit the counterparty information, the taxpayer's request to change a method of accounting for a sale, lease, or financing transaction entered into before the beginning of the year of change will be considered only in unusual and compelling circumstances. The requirement to obtain counterparty information from multiple counterparties will not be considered unusual or compelling.

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

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

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

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

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

(2) *Manner of making change.*

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

(b) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

(v) Part IV, line 25; and

(vi) Schedule E.

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

(4) *Designated automatic accounting method change number.* The designated

automatic accounting method change number for a change under this section 6.04 is "87."

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

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

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

(2) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(c) Part I;

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

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

(f) Schedule E.

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

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

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

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

(1) *Description of change.* This change applies to a taxpayer that wants to change the method of accounting for depreciation for certain vehicles in accordance with § 1.280F-6(f)(2)(iv). Section 1.280F-6(f)(2)(iv) applies to a truck or van that is a qualified nonpersonal use vehicle as defined under § 1.274-5T(k), was placed in service by the taxpayer before July 7, 2003, and was treated by the taxpayer as a passenger automobile under § 1.280F-6T as in effect prior to July 7, 2003. If the taxpayer files Form 3115, in accordance with § 1.280F-6(f)(2)(iv), the treatment of the truck or van will be changed from property to which § 280F(a) applies to property to which § 280F(a) does not apply.

(2) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(c) Part I;

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

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

(f) Schedule E.

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

§ 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

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

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

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

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

(2) *Applicability.*

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

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

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

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

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

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

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

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

(3) *Manner of making the change.*

(a) *Change made on an original return for the year of change.* This change may be made on a taxpayer’s timely filed (including any extension) original federal tax return for the year of change (as defined in

section 6.07(4) of this revenue procedure), provided the taxpayer files the original Form 3115 in accordance with section 6.03(1)(a) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

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

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

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

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

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

(6) *Filing requirements.*

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

the filing requirements in section 6.03(1)(a) of Rev. Proc. 2015-13 apply.

(b) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

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

(vi) Schedule E.

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

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

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

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

.08 *Tenant construction allowances.*

(1) *Description of change and scope.*

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

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

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

such property for federal income tax purposes.

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

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

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

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

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

(3) *Manner of making the change.*

(a) The change in method of accounting under this section 6.08 is made using a cut-off method and only applies to leases entered into on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither required nor permitted.

(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 non-automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419. A change involving tenant construction allowances under existing leases will require a § 481(a) adjustment. The Commissioner may grant consent to change a method of accounting for tenant construction allowances under existing leases 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 taxpayer must submit the following information with a Form 3115 submitted under the non-automatic change procedures of Rev. Proc. 2015-13 and this section 6.08.

(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 repre-

sentation, 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) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change in accordance with section 6.08(3)(a) of this revenue procedure:

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I;
- (d) Part II, all lines except lines 13, 15b, 16, 17, and 19;
- (e) Part IV, line 25; and
- (f) Schedule E.

(5) *No audit protection.* A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015–13 in connection with this change made in accordance with section 6.08(3)(a) of this revenue procedure. See section 8.02(2) of Rev. Proc. 2015–13.

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

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

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

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

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

(2) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I;

- (d) Part II, all lines except lines 13, 15b, 16, 17, and 19;
- (e) Part IV, all lines except line 25; and
- (f) Schedule E.

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

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

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

.10 Late partial disposition election (§ 168; § 1.168(i)–8).

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to make: (i) a late partial disposition election under § 1.168(i)–8(d)(2)(i) for the disposition of a portion of an asset (as determined under § 1.168(i)–8(c)(4)) by the taxpayer; or (ii) the late partial disposition election specified in § 1.168(i)–8(d)(2)(i) that is made pursuant to § 1.168(i)–8(d)(2)(iv)(B) for the disposition of a portion of an asset by the taxpayer. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)–3(e) or (f)) under § 1.263(a)–3(k).

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

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

(ii) A taxpayer making any late election specified in section 6.10(1)(a) of this revenue procedure after the time specified in section 6.10(3) of this revenue procedure. Any such late election is not a change in method of accounting pursuant to § 1.446-1(e)(2)(i)(d)(3)(iii);

(iii) The partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iii) (but see section 6.12 of this revenue procedure for making this change);

(iv) A taxpayer within the scope requirements of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that calculated a § 481(a) adjustment as of the first day of the taxpayer's year of change that took into account only dispositions in taxable years beginning on or after January 1, 2014, for any change in method of accounting provided in section 6.37(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii), section 6.38, or section 6.39 of Rev. Proc. 2015-14, 2015-5 I.R.B. 450, as modified by Rev. Proc. 2015-20 (now section 6.14(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii), section 6.15, or section 6.16 of this revenue procedure); or

(v) A taxpayer within the scope requirements of Rev. Proc. 2015-20 and that calculated a § 481(a) adjustment as of the first day of the taxpayer's year of change that took into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014, for any change in method of accounting provided in section 10.11(3)(a) of Rev. Proc. 2015-14 (now section 11.08(3) of this revenue procedure).

(2) *Change in method of accounting.* The IRS will treat the making of the late election specified in section 6.10(1) of this revenue procedure as a change in method of accounting only for the time specified in section 6.10(3) of this revenue procedure.

(3) *Time for making the change.*

(a) If the change under this section 6.10 is made pursuant to § 1.168(i)-8(d)(2)(i), this change must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(b) If the change under this section 6.10 is made pursuant to § 1.168(i)-8(d)(2)(iv)(B), this change must be made for the first or second taxable year succeeding the applicable taxable year (as

defined in § 1.168(i)-8(d)(2)(iv)), pursuant to § 1.168(i)-8(d)(2)(iv)(B).

(4) *Certain eligibility rules inapplicable.*

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

(b) *Concurrent automatic change.* If a taxpayer makes both a change under this section 6.10 and a change under section 6.01 of this revenue procedure for any taxable year specified in section 6.10(3) of this revenue procedure, as applicable, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.10(6)(b) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the taxpayer for either change.

(5) *Manner of making change.*

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;
- (v) Part IV, all lines except line 25; and
- (vi) Schedule E.

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

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

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

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

section 6.10 instead of under section 6.15 or section 6.16 of this revenue procedure, as applicable;

(iv) If the taxpayer continues to deduct depreciation for the disposed portion of the asset (as determined under § 1.168(i)-8(c)(4)) under the taxpayer's present method of accounting, change from depreciating such disposed portion to recognizing gain or loss for the disposed portion or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located. This change is made under this section 6.10 instead of under section 6.15 or section 6.16 of this revenue procedure, as applicable;

(v) If the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T for the disposed portion of the asset in a taxable year prior to the year of change, recognize gain or loss for such disposed portion under § 1.168(i)-8. This change is made under this section 6.10 instead of under section 6.15 or section 6.16 of this revenue procedure, as applicable; and

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

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

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

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

(6) *Concurrent automatic change.*

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

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

(b) A taxpayer making this change and any change listed in section 6.10(6)(b)(i)–(ii) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.10(6)(b) applies only if all of these changes are made for any taxable year specified in section 6.10(3) of this revenue procedure, as applicable (for example, for a taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, if the change under section 6.10 of this revenue procedure is made pursuant to § 1.168(i)–8(d)(2)(i)). See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue

procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

(ii) A change under section 6.11 of this revenue procedure.

(7) *Examples.* The following examples illustrate the changes that may be made under this section 6.10.

(a) *Example 1.* (i) X, a fiscal year taxpayer with a taxable year beginning on December 1 and ending on November 30, acquired and placed in service a truck in 2009. The truck is described in asset class 00.242 of Rev. Proc. 87–56. X depreciates the truck under § 168. X does not reasonably expect to replace the engine of the truck more than once during its class life of 6 years. The engine is a major component of the truck under § 1.263(a)–3T(i)(1)(vi).

(ii) In December 2012, X replaced the engine of the truck. X applied § 1.168(i)–8T and § 1.263(a)–3T for its taxable year ended November 30, 2013. Because the truck is the asset for disposition purposes, X did not recognize a loss on the retirement of the engine under § 1.168(i)–8T and continues to depreciate the original engine. Further, X capitalized the new engine as an improvement, classified the new engine under asset class 00.242 of Rev. Proc. 87–56, and depreciates the new engine under § 168.

(iii) X complies with § 1.168(i)–8 beginning with its taxable year ending November 30, 2015. X also decides to make the late partial disposition election under this section 6.10 for the truck’s original engine that X retired in December 2012. Although the truck is the asset for disposition purposes under § 1.168(i)–8(c)(4)(ii)(C), the partial disposition rule under § 1.168(i)–8(d)(2)(i) results in the retirement of the engine being a disposition under § 1.168(i)–8(b)(2). Thus, in accordance with section 6.10 of this revenue procedure, X may file a Form 3115 with its federal income tax return for the taxable year ending November 30, 2015, to make the late disposition election for the engine and change from depreciating the original engine to recognizing a loss upon its retirement.

(b) *Example 2.* (i) Y, a fiscal year taxpayer with a taxable year beginning on December 1 and ending on November 30, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building. Y replaced the entire roof

in June 2010. On its federal income tax return for the taxable year ended November 30, 2010, Y did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of the retirement in 2010 (taking into account the applicable convention) is \$11,000, and Y claimed depreciation of \$1,000 for such roof after its retirement (taking into account the applicable convention) and before the taxable year ended November 30, 2013.

(ii) In accordance with § 1.168(i)–8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011–14, as modified by Rev. Proc. 2012–20, 2012–14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended November 30, 2013, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the taxable year ended November 30, 2013).

(iii) Y complies with § 1.168(i)–8 beginning with its taxable year ending November 30, 2015. Y also decides to make the late partial disposition election under this section 6.10 for the building’s original roof that Y retired in 2010. Although the original building (including its original roof and other original structural components) is the asset for disposition purposes under § 1.168(i)–8(c)(4)(ii)(A), the partial disposition rule under § 1.168(i)–8(d)(2)(i) results in the retirement of the original roof being a disposition under § 1.168(i)–8(b)(2). Thus, in accordance with this section 6.10, Y may file a Form 3115 with its federal income tax return for the taxable year ending November 30, 2015, to make a late partial disposition election for the original roof, treat the original building (including its original roof and other original structural components) as an asset and the replacement roof to the building as a separate asset for disposition purposes, and recognize a loss upon the retirement of the original roof under § 1.168(i)–8.

(iv) The computation of the net § 481 adjustment for this change is computed as follows:

Net Loss on retirement of original roof on 2012 return under § 1.168(i)–8T	\$10,000
Net Loss on retirement of original roof under § 1.168(i)–8	(10,000)
	<hr/>
Net § 481(a) adjustment for the roof	\$ 0
	<hr/> <hr/>

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.10 is “196.”

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

.11 *Revocation of a general asset account election* (§ 168; § 1.168(i)-1, § 1.168(i)-1T and Prop. Reg. § 1.168(i)-1).

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B. 675, applies to a taxpayer that wants to revoke its general asset account election:

(i) Made under section 6.32(1)(a)(i) of Rev. Proc. 2015-14 or section 6.32(1)(a)(i) of the APPENDIX to Rev. Proc. 2011-14 for one or more items of property depreciated under § 168 (MACRS property) included in the general asset account. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k); or

(ii) Made under § 1.168(i)-1, § 1.168(i)-1T, or Prop. Reg. § 1.168(i)-1 for one or more items of MACRS property placed in service by the taxpayer in a taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k).

(b) *Inapplicability.* Because of the changes made to the general asset account temporary regulations (§ 1.168(i)-1T) by § 1.168(i)-1, the IRS will treat the revocation of the elections specified in section 6.11(1)(a) of this revenue procedure as a change in method of accounting only for the time specified in section 6.11(2) of this revenue procedure. Accordingly, this treatment does not apply to a taxpayer that makes any revocation specified in section 6.11(1)(a) of this revenue procedure before or after the time specified in section 6.11(2) of this revenue procedure. Any

such revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii). The elections specified in section 6.11(1)(a) of this revenue procedure are irrevocable except as provided in § 1.168(i)-1(c)(1)(ii)(A), (e)(3), (g), or (h).

(2) *Time for making the change.* The change under this section 6.11 must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(3) *Certain eligibility rules inapplicable.*

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

(b) *Concurrent automatic change.* If a taxpayer makes both a change under this section 6.11 and a change under section 6.01 of this revenue procedure for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.11(6)(b) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the taxpayer for either change.

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

(5) *Manner of making change.*

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 13, 15b, 16, 17, and 19;
- (v) Part IV, all lines except line 25; and
- (vi) Schedule E.

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

(i) Attach to its Form 3115 a statement with a description of the asset(s) to which

this change applies (for example, all general asset accounts established pursuant to a Form 3115 filed under section 6.32(1)(a)(i) of the APPENDIX to Rev. Proc. 2011-14 for the year of change beginning January 1, 2012 (for a change specified in section 6.11(1)(a)(i) of this revenue procedure); one desk costing \$2,000 in 2012 General Asset Account #1 (for a change specified in section 6.11(1)(a)(ii) of this revenue procedure));

(ii) Include the asset(s) that were in the general asset account(s) at the end of the taxable year immediately preceding the year of change in a single asset account or a multiple asset account in accordance with § 1.168(i)-7. The single asset account or the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. For a single asset account, the beginning balance for the unadjusted depreciable basis of that single asset account is equal to the unadjusted depreciable basis as of the beginning of the year of change for the asset included in that single asset account and the beginning balance of the depreciation reserve of that single asset account is the greater of the depreciation allowed or allowable as of the beginning of the year of change for the asset included in that single asset account. For a multiple asset account, the beginning balance for the unadjusted depreciable basis of that multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that multiple asset account and the beginning balance of the depreciation reserve of that multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account; and

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

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

(B) Within 30 calendar days of filing the federal income tax return for the year

of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the Form 3115; and

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

(6) *Concurrent automatic change.*

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.11(1)(a) of this revenue procedure, the single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A taxpayer making this change and any change listed in section 6.11(6)(b)(i)–(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.11(6)(b) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified

small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

(ii) A change under section 6.10 of this revenue procedure made pursuant to § 1.168(i)–8(d)(2)(i);

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

(iv) A change under section 6.16 of this revenue procedure.

(7) *Examples.* The following examples illustrate the changes that may be made under this section 6.11.

(a) *Example 1.* (i) On its federal tax return for the taxable year ended November 30, 2013 (2012 taxable year), X made a general asset account election under § 1.168(i)–1T to apply § 1.168(i)–1T to all of its assets placed in service during the 2012 taxable year. No such assets were disposed of during the 2012 taxable year. X complies with §§ 1.168(i)–1 and 1.168(i)–8 for its taxable year ending November 30, 2015. Because of the change in the definition of a qualifying disposition under § 1.168(i)–1(e)(3)(iii), X does not want its assets placed in service during the 2012 taxable year in general asset accounts. In accordance with this section 6.11, X files with its federal tax return for the taxable year ending November 30, 2015, a Form 3115 to revoke the general asset account election for all assets placed in service during the 2012 taxable year and include such assets in one multiple asset account in accordance with § 1.168(i)–7. Because the adjusted depreciable basis of the assets is not changed as a result of this change, a § 481(a) adjustment is neither required nor permitted.

(b) *Example 2.* (i) Y, a fiscal year taxpayer with a taxable year beginning December 1 and ending November 30, acquired and placed in service three used trucks in May 2012. The trucks are described in

asset class 00.242 of Rev. Proc. 87–56, 1987–2 C.B. 674. Of the three trucks, one truck costs \$20,000 and the other two trucks cost a total of \$30,000. Y depreciates the trucks under § 168. In June 2013, Y sold the truck that cost \$20,000 to an unrelated party for \$12,000. The adjusted depreciable basis of the truck at the time of its disposition (taking into account the applicable convention) is \$12,800 (cost of \$20,000 less depreciation of \$7,200 for the taxable years ended November 30, 2012, and November 30, 2013).

(ii) In accordance with § 1.168(i)–1T and section 6.32(1)(a)(i) of the APPENDIX to Rev. Proc. 2011–14, as modified by Rev. Proc. 2012–20, 2012–14 I.R.B. 700, Y filed with its federal tax return for the taxable year ended November 30, 2013 (2012 taxable year), a Form 3115 to make a late general asset account election to include the three trucks in one general asset account. Because a sales transaction is a qualifying disposition under § 1.168(i)–1T(e)(3)(iii)(B), Y also elected to apply § 1.168(i)–1T(e)(3)(iii) for the sale of the truck in the 2012 taxable year. As a result, Y removed this truck from the general asset account and, on its federal tax return for the taxable year ended November 30, 2013, recognized a loss of \$800 under § 1.168(i)–8T (sales proceeds of \$12,000 less the adjusted depreciable basis of \$12,800 for the truck.)

(iii) Y complies with §§ 1.168(i)–1 and 1.168(i)–8 beginning with its taxable year ending November 30, 2015. Because a sales transaction is not a qualifying disposition under § 1.168(i)–1(e)(3)(iii)(B), Y should have recognized all of the sales proceeds of \$12,000 from the sale of the truck in the 2012 taxable year as ordinary income and continued to deduct depreciation for this truck in the general asset account. As a result and in accordance with sections 6.11 and 6.16(3)(i) of this revenue procedure, Y files with its federal tax return for the taxable year ending November 30, 2015, a Form 3115 to revoke the general asset account election for the three trucks placed in service in May 2012, include the two unsold trucks in one multiple asset account in accordance with § 1.168(i)–7, and recognize the loss of \$800 upon the sale of the truck in the 2012 taxable year under § 1.168(i)–8.

(iv) The computation of the § 481 adjustment for this change is computed as follows:

Loss on sale of truck on 2012 return under § 1.168(i)–8T	\$ 800
Loss on sale of truck under § 1.168(i)–8	(800)
	\$ 0

(c) *Example 3.* (i) Z, a fiscal year taxpayer with a taxable year beginning December 1 and ending November 30, acquired and placed in service a building and its structural components in 2000. Z depreciates this building and its structural components under § 168. The roof is a structural component of the building. Z replaced the entire roof in June 2010. On its federal tax return for the taxable year ended November 30, 2010, Z did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Z also

capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is \$11,000, and Z claimed depreciation of \$1,000 for such roof after its retirement (taking into account the applicable convention) and before the taxable year ended November 30, 2013 (2012 taxable year). Also, the 12-month allowable depreciation deduction for the original roof is \$500 for the 2012 taxable year and \$500 for

the taxable year ended November 30, 2014 (2013 taxable year).

(ii) In accordance with § 1.168(i)–1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011–14, as modified by Rev. Proc. 2012–20, 2012–14 I.R.B. 700, Z filed with its federal tax return for the taxable year ended November 30, 2013, a Form 3115 to: (1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general

asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, Z removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Z complies with §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending November 30, 2015 (2014 taxable year), but decides not to make any late partial disposition election under section 6.10 of this revenue procedure. In accordance with sections 6.11 and 6.15(3)(a) of this revenue procedure, Z files a Form 3115 with its federal income tax return for the 2014 taxable year to revoke the general asset account election for the building (including its structural components) placed in service in 2000 and for the replacement roof, and to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. The net positive § 481(a) adjustment for this change is \$9,000 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$1,000 for the original roof for the 2012 and 2013 taxable years) and is included in Z's taxable income for the 2014 taxable year.

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.11 is "197."

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

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

(1) *Description of change.*

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

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

(i) Any asset of which the disposed portion was a part that is not owned by the

taxpayer at the beginning of the year of change; or

(ii) The partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iv) (but see section 6.10 of this revenue procedure for making this change).

(2) *Change in method of accounting.* The IRS will treat the making of the late election specified in section 6.12(1) of this revenue procedure as a change in method of accounting.

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

(4) *Manner of making change.*

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

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

(vi) Schedule E.

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

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

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

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

(iv) If the taxpayer continues to deduct depreciation for the disposed portion of the asset (as determined under § 1.168(i)-8(c)(4)) under the taxpayer's present

method of accounting, change from depreciating such disposed portion to recognizing gain or loss for the disposed portion or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located; and

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

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

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

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

(5) *Concurrent automatic change.* A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.12(1) of this revenue procedure, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.12(1) of this revenue procedure in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.12(1) of this revenue procedure in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes

that are included in that Form 3115 generating such positive adjustment.

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.12 is “198.”

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

.13 *Depreciation of leasehold improvements (§§ 167, 168, and 197; § 1.167(a)–4).*

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

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

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

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

(2) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer making this change.

(b) *Special rule.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13 does not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016.

(3) *Manner of making change.*

(a) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only

the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

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

(vi) Schedule E.

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

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

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

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

(4) *Concurrent automatic change.*

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

the changes that are included in that Form 3115 generating such adjustment.

(b) A taxpayer making both this change and a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required by section 6.13(3)(a) of this revenue procedure for this change and the information required by the lines on Form 3115 applicable to the UNICAP method change, including Part II line 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer’s response is different for this change and the change to a UNICAP method.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to a method of accounting under this section 6.13 is “199.”

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

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

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014–54, 2014–41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.14(3) of this revenue procedure for an asset:

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

(ii) for which the present and proposed methods of accounting are permissible methods of accounting under § 1.168(i)–1,

§ 1.168(i)-7, or § 1.168(i)-8, as applicable; and

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

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

(2) *Certain eligibility rules inapplicable.*

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

(b) *Special rule.*

(i) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016.

(ii) If a taxpayer makes both a change under this section 6.14 and a change under section 6.01 of this revenue procedure for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.14(6)(b) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the taxpayer for either change.

(3) *Changes covered.* This section 6.14 only applies to the following changes in methods of accounting for depreciation of MACRS property: (a) For the items of MACRS property not subject to a general asset account election under § 168(i)(4) and the regulations thereunder—

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

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

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

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

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

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

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

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

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

(ix) if § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the asset disposed of, a change in the method of de-

termining the unadjusted depreciable basis of all assets in the same multiple asset account from one reasonable method to another reasonable method; or

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

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

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

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

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

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

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

to a mortality dispersion table in accordance with § 1.168(i)-1(j)(2)(i)(D);

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

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

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

(4) Manner of making change.

(a) The changes in methods of accounting specified in section 6.14(3)(a)(i) and (ii) and section 6.14(3)(b)(i) of this revenue procedure are made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the proposed method of accounting.

(i) If the change specified in section 6.14(3)(a)(i) of this revenue procedure is a change to a single asset account, the new single asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation re-

serve of the asset included in that single asset account.

(ii) If the change specified in section 6.14(3)(a)(i) or (ii) of this revenue procedure is a change to a multiple asset account (either a new one or a different grouping), the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account.

(iii) The change specified in section 6.14(3)(b)(i) of this revenue procedure requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The changes in methods of accounting specified in section 6.14(3)(a)(iii), (vi), (ix), and (x) and section 6.14(3)(b)(ii), (v), and (viii) of this revenue procedure are made using a cut-off method and apply to dispositions occurring on or after the beginning of the year of change.

(c) Even though the changes in methods of accounting specified in section 6.14(3)(a)(iv), (v), (vii), and (viii) and section 6.14(3)(b)(iii), (iv), (vi), and (vii) of this revenue procedure are changes from one permissible method of accounting to another permissible method of accounting, these changes are made with a § 481(a) adjustment. However, see section 6.14(4)(f) of this revenue procedure for an

exception. For the changes in methods of accounting specified in section 6.14(3)(b)(iii), (iv), (vi), and (vii) of this revenue procedure, the § 481(a) adjustment should be zero unless § 1.168(i)-1(e)(3) applies to the asset subject to the change.

(d) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

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

(vi) Part IV; and

(vii) Schedule E.

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

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

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to a change in method of accounting specified in section 6.14(3)(a)(iv), (v), (vii), or (viii) or section 6.14(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure made for the public utility property subject to the change; and

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

(f) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015–20, 2015–9 I.R.B. 694, and that changed its method of accounting under section 6.37(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of Rev. Proc. 2015–14 (which is now section 6.14(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of this revenue procedure) by following section 5 of Rev. Proc. 2015–20 is required to calculate a § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(5) *No audit protection.* A taxpayer calculating a § 481(a) adjustment under section 6.14(4)(f) of this revenue procedure that takes into account only dispositions in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015–13 for dispositions subject to a change under section 6.14(3)(a)(iv), (a)(v), (a)(vii), or (a)(viii) of this revenue procedure in taxable years beginning before January 1, 2014. See section 5.03 of Rev. Proc. 2015–20.

(6) *Concurrent change.*

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.14(3)(a)(iv), (v), (vii), or (viii) or section 6.14(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure, the single Form 3115 also should provide a single net § 481(a) adjustment for all such changes. If one or more changes specified in section 6.14(3)(a)(iv), (v), (vii), or (viii) or section 6.14(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.14(3)(a)(iv), (v), (vii), or (viii) or section 6.14(3)(b)(iii), (iv), (vi), or (vii) of this revenue procedure in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such

changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.14(6)(b)(i)–(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

- (i) A change under section 6.01 of this revenue procedure;
- (ii) A change under section 6.15 of this revenue procedure;
- (iii) A change under section 6.16 of this revenue procedure;
- (iv) A change under section 6.17 of this revenue procedure; and
- (v) A change under section 11.07(3)(c) of this revenue procedure.

(7) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to a method of accounting under this section 6.14 is “200.”

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

.15 *Disposition of a building or structural component (§ 168; § 1.168(i)–8).*

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014–54, 2014–41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.15(3) of this revenue procedure for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in § 1.168(i)–8(d)(1) applies. These specified

changes are consistent with §§ 1.168(i)–8(b)(2), 1.168(i)–8(c)(4)(ii)(A), (B), and (D), 1.168(i)–8(f), and 1.168(i)–8(g), as applicable. This change also affects the determination of gain or loss from disposing of the building, the structural component, or the portion of the building (including its structural components) and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)–3(e) or (f)) under § 1.263(a)–3(k).

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

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

(ii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.17 of this revenue procedure for making a change in method of accounting for dispositions of tangible depreciable assets subject to a general asset account election);

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

(iv) Any disposition of a portion of an asset in a transaction described in the last sentence in § 1.168(i)–8(d)(1) for which the taxpayer did not make a partial disposition election in accordance with § 1.168(i)–8(d)(2)(ii) or (iii), as applicable (but see section 6.10 of this revenue procedure for making a late partial disposition election and section 6.12 of this revenue procedure for making a partial disposition election pursuant to § 1.168(i)–8(d)(2)(iii)); or

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

(2) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer making this change.

(b) *Special rule.*

(i) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13 does not

apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016.

(ii) If a taxpayer makes both a change under this section 6.15 and a change under section 6.01 of this revenue procedure for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.15(10)(b) or (c) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the taxpayer for either change.

(3) *Covered changes.* This section 6.15 only applies to the following changes in methods of accounting for a building (including its structural components), condominium unit (including its structural components), cooperative unit (including its structural components), or an improvement or addition (including its structural components) thereto:

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

(b) If the taxpayer makes the change specified in section 6.15(3)(a) of this revenue procedure, and if the taxpayer disposed of the asset as determined under section 6.15(3)(a) of this revenue procedure in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed asset, a change from depreciating the disposed asset to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed asset to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

(c) If the taxpayer makes the change specified in section 6.15(3)(a) of this revenue procedure, and if the taxpayer disposed of a portion of the asset as determined under section 6.15(3)(a) of this revenue procedure in a transaction described in the first sentence in § 1.168(i)-8(d)(1) in a taxable year prior to the year of change but under its present method of

accounting continues to deduct depreciation for such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition or, if § 280B and § 1.280B-1 apply to the disposition, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

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

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

position, change from depreciating such disposed portion to capitalizing the loss sustained on account of the demolition to the land on which the demolished structure was located;

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

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

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

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

(j) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from an unreasonable method (for example, discounting

the cost of the replacement portion of the asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method; or

(k) A change from recognizing gain or loss under § 1.168(i)-8T upon the disposition of an asset (as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable) included in a general asset account to recognizing gain or loss upon the disposition of the same asset under § 1.168(i)-8 if: (A) the taxpayer makes the change specified in section 6.11 of this revenue procedure (revocation of a general asset account election); (B) the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of such asset; (C) the taxpayer's present method of accounting for such asset is in accord with § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable; and (D) the taxpayer recognized a gain or loss under § 1.168(i)-8T upon the disposition of such asset in a taxable year prior to the year of change.

(4) *Examples.* The following examples illustrate the covered changes specified in section 6.15(3) of this revenue procedure.

(a) *Example 1.* X, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, X constructed and placed in service an addition to this building. X depreciates the building, the addition, and their structural components under § 168. A change by X to treating the original building (including its structural components) as an asset and the addition to the building (including the structural components of such addition) as a separate asset for disposition purposes is a change described in section 6.15(3)(a) of this revenue procedure solely for purposes of § 1.168(i)-8(c)(4).

(b) *Example 2.* Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 1990. Y depreciates this building and its structural components under § 168. In 2000, a tornado damaged the roof and, as a result, Y replaced the entire roof of the building. Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since 2000. Because the original roof was disposed of as a result of a casualty event described in § 165, a change by Y from depreciating the original roof to recognizing a loss upon its retirement is a covered change described in section 6.15(3)(e) of this revenue procedure solely for purposes of § 1.168(i)-8.

(c) *Example 3.* The facts are the same as in *Example 2*, except a tornado did not occur, but Y still replaced the entire roof of the building in 2000. Because the original roof was not disposed of as a result of any of the events described in the first

sentence in § 1.168(i)-8(d)(1) that require a partial disposition, a partial disposition election must be made to change from depreciating the original roof to recognizing a loss upon its retirement. Pursuant to section 6.15(1)(b)(iv) of this revenue procedure, section 6.15 does not apply to the disposition of the original roof in 2000. But see section 6.10 of this revenue procedure for making the late partial disposition election under § 1.168(i)-8(d)(2)(i) for the original roof.

(5) *Manner of making change.*

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

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

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

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

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

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

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

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

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

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

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

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

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

(vi) Schedule E.

(6) *No ruling on asset.* The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 6.15(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8(c)(4) is permissible.

(7) *Section 481(a) adjustment.*

(a) A taxpayer changing its method of accounting under this section 6.15 may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(b) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015-20, 2015-9 I.R.B. 694, and that changed its method of accounting under section 6.38 of Rev. Proc. 2015-14

(which is now this section 6.15) by following section 5 of Rev. Proc. 2015–20 is required to calculate a section § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(8) *Section 481(a) adjustment period.*

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

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

(ii) If the taxpayer is making the change specified in section 6.15(3)(k) of this revenue procedure; or

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

(b) If section 6.15(8)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015–13 for the § 481(a) adjustment period.

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

(ii) In accordance with § 1.168(i)–8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011–14, as modified by Rev. Proc. 2012–20, 2012–14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended November 30, 2013, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Y complies with § 1.168(i)–8 beginning with its taxable year ending November 30, 2015 (2014 taxable year), but decides not to make any late partial disposition election under section 6.10 of this revenue procedure. In accordance with section 6.15(3)(a) of this revenue procedure, Y files a Form 3115 with its federal income tax return for the 2014 taxable year to change to treating the original building (including its original roof and other original structural components) as an asset and the replacement roof as a separate asset for disposition purposes. Because Y is not making a late partial disposition election for the original roof, Y does not recognize the net loss of \$10,000 upon the retirement of the original roof under § 1.168(i)–8 and Y will continue to depreciate the original roof. Thus, the net positive § 481(a) adjustment for this change is \$9,000 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$1,000 for the original roof for the 2012 and 2013 taxable years) and is included in Y's taxable income for the 2014 taxable year.

(9) *No audit protection.* A taxpayer calculating a § 481(a) adjustment under section 6.15(7)(b) of this revenue procedure that takes into account only dispositions in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015–13 for dispositions subject to a change under this section 6.15 in taxable years beginning before January 1, 2014. See section 5.04 of Rev. Proc. 2015–20.

(10) *Concurrent automatic change.*

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

tive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.15(10)(b)(i)–(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

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

(iii) A change under section 6.16 of this revenue procedure; and

(iv) A change under section 6.17 of this revenue procedure.

(c) A taxpayer making this change and a change under section 6.11 of this revenue procedure (revocation of a general asset account election) and/or any change listed in section 6.15(10)(c)(i)–(iii) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.15(10)(c) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

(ii) A change under section 6.14(3)(a) of this revenue procedure; and

(iii) A change under section 6.16 of this revenue procedure.

(11) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.15 is “205.”

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

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

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014–54, 2014–41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.16(3) of this revenue procedure for disposing of § 1245 property or a depreciable land improvement or disposing of a portion of § 1245 property or a depreciable land improvement to which the partial disposition rule in § 1.168(i)–8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)–8(c)(4)(i), 1.168(i)–8(c)(4)(ii)(C) and (D), 1.168(i)–8(f), and 1.168(i)–8(g), as applicable. This change also affects the determination of gain or loss from disposing of the § 1245 property, the depreciable land improvement, or a portion of the § 1245 property or depreciable land improvement, and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)–3(e) or (f)) under § 1.263(a)–3(k).

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

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

(ii) Any building (including its structural components), condominium unit (including its structural components), coop-

erative unit (including its structural components), or an improvement or addition (including its structural components) thereto (but see section 6.15 of this revenue procedure for making this change);

(iii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.17 of this revenue procedure for making a change for dispositions of tangible depreciable assets subject to a general asset account election); or

(iv) Any disposition of a portion of an asset in a transaction described in the last sentence in § 1.168(i)–8(d)(1) for which the taxpayer did not make a partial disposition election in accordance with § 1.168(i)–8(d)(2)(ii) or (iii), as applicable (but see section 6.10 of this revenue procedure for making a late partial disposition election and section 6.12 of this revenue procedure for making a partial disposition election pursuant to § 1.168(i)–8(d)(2)(iii)).

(2) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer making this change.

(b) *Special rule.*

(i) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13 does not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016.

(ii) If a taxpayer makes both a change under this section 6.16 and a change under section 6.01 of this revenue procedure for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.16(9)(b) or (c) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13 do not apply to the taxpayer for either change.

(3) *Covered changes.* This section 6.16 only applies to the following changes in methods of accounting for a § 1245 property, a depreciable land improvement, or an improvement or addition thereto:

(a) For purposes of applying § 1.168(i)–8(c)(4) (determination of asset

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

(b) If the taxpayer makes the change specified in section 6.16(3)(a) of this revenue procedure, and if the taxpayer disposed of the asset as determined under section 6.16(3)(a) of this revenue procedure in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer’s present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) If the taxpayer makes the change specified in section 6.16(3)(a) of this revenue procedure, and if the taxpayer disposed of a portion of the asset as determined under section 6.16(3)(a) of this revenue procedure in a transaction described in the first sentence in § 1.168(i)–8(d)(1) in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed portion, a change from depreciating the disposed portion to recognizing gain or loss upon disposition;

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

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

the disposed portion to recognizing gain or loss upon disposition;

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

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

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

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

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

ing the Consumer Price Index) to a reasonable method; or

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

(4) *Manner of making change.*

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

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

(ii) If the taxpayer is making a change specified in section 6.16(3)(a) of this revenue procedure, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.16(3)(f) of this revenue procedure, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.16(3)(h) or (j) of this revenue procedure, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer

agrees to the following additional terms and conditions:

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

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

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

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.16(3)(h) and (j) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.16(3)(h) or (j) of this revenue procedure;

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

(vi) Schedule E.

(5) *No ruling on asset.* The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 6.16(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determina-

tion of its asset under § 1.168(i)–8(c)(4) is permissible.

(6) *Section 481(a) adjustment.*

(a) A taxpayer changing its method of accounting under section 6.16 of the revenue procedure may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011–42, 2011–37 I.R.B. 318.

(b) A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015–20, 2015–9 I.R.B. 694, and that changed its method of accounting under section 6.39 of Rev. Proc. 2015–14 (which is now this section 6.16) by following section 5 of Rev. Proc. 2015–20 is required to calculate a section § 481(a) adjustment as of the first day of the year of change that takes into account only dispositions in taxable years beginning on or after January 1, 2014.

(7) *Section 481(a) adjustment period.*

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

(i) If the taxpayer is making the change specified in section 6.16(3)(a) of this revenue procedure and if the taxpayer recognized a gain or loss under § 1.168(i)–8T on the disposition of the § 1245 property, depreciable land improvement, or improvement or addition thereto (or if applicable, a portion of such asset) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.16(3)(k) of this revenue procedure.

(b) If section 6.16(7)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015–13 for the § 481(a) adjustment period.

(8) *No audit protection.* A taxpayer calculating a § 481(a) adjustment under section 6.16(6)(b) of this revenue procedure that takes into account only dispositions in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015–13 for dispositions subject to a change under this section 6.16 in taxable years beginning before January 1, 2014. See section 5.05 of Rev. Proc. 2015–20.

(9) *Concurrent automatic change.*

(a) A taxpayer making this change for more than one asset for the same year of

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

(b) A taxpayer making this change and any change listed in section 6.16(9)(b)(i)–(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

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

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

(iv) A change under section 6.17 of this revenue procedure.

(c) A taxpayer making this change and a change under section 6.11 of this revenue procedure (revocation of a general asset account election) and/or any change listed in section 6.16(9)(c)(i)–(iii) of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.16(9)(c) applies only if all of these changes are made for any taxable year beginning on

or after January 1, 2012, and beginning before January 1, 2015. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

(ii) A change under section 6.14(3)(a) of this revenue procedure; and

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

(10) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.16 is “206.”

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

.17 Dispositions of tangible depreciable assets in a general asset account (§ 1.168(i)(4); § 1.168(i)–1).

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014–54, 2014–41 I.R.B. 675, applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.17(3) of this revenue procedure for disposing of an asset subject to a general asset account election under § 1.168(i)(4) and the regulations thereunder. These specified changes are consistent with §§ 1.168(i)–1(e)(1), 1.168(i)–1(e)(2)(viii), and 1.168(i)–1(j), as applicable. This change also may affect the determination of gain or loss from disposing of the asset and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)–3(e) or (f)) under § 1.263(a)–3(k).

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

(i) Any asset (as determined under § 1.168(i)–1(e)(2)(viii)) that is not depreciated under § 168 under the taxpayer’s pres-

ent method of accounting and, if applicable, proposed method of accounting; or

(ii) Any asset not subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see sections 6.15 and 6.16 of this revenue procedure for making a change for dispositions of tangible depreciable assets not subject to a general asset account election).

(2) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer making this change.

(b) *Special rule.*

(i) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13 does not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016.

(ii) If a taxpayer makes both a change under this section 6.17 and a change under section 6.01 of this revenue procedure for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.17(7)(b) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13 do not apply to the taxpayer for either change.

(3) *Covered changes.* This section 6.17 only applies to the following changes in methods of accounting for an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder:

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

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

(c) If § 1.168(i)–1(j)(3) applies (basis of disposed asset or disposed portion of an

asset) and it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed asset or the disposed portion of an asset, as applicable, a change in the method of determining the unadjusted depreciable basis of the disposed asset or the disposed portion of an asset, as applicable, from a method of not using the taxpayer's records to a method of using the taxpayer's records; or

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

(4) *Manner of making change.*

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

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

(ii) If the taxpayer is making the change specified in section 6.17(3)(a) of this revenue procedure, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.17(3)(b) of this revenue procedure, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.17(3)(d) of this revenue procedure, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(b) A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015) to make this change:

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

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

(iii) Part I;

(iv) Part II, all lines except lines 13, 15b, 16, 17, and 19 if the qualified small taxpayer is not making a change in method of accounting specified in section 6.17(3)(a) and (d) of this revenue procedure;

(v) Part II, all lines except lines 13, 15b, 16c, 17, and 19 if the qualified small taxpayer is making a change in method of accounting specified in section 6.17(3)(a) or (d) of this revenue procedure;

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

(vi) Schedule E.

(5) *No ruling on asset.* The consent granted under section 9 of Rev. Proc. 2015–13 for a change specified in section 6.17(3)(a) of this revenue procedure is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)–1(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is per-

missible under § 1.168(i)-1(e)(2)(viii). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-1(e)(2)(viii) is permissible.

(6) *Section 481(a) adjustment period.*

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

(i) If the taxpayer makes the change specified in section 6.17(3)(a) of this revenue procedure and if the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, on the disposition of a portion of the asset in a taxable year prior to the year of change; or

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

(b) If section 6.17(6)(a) of this revenue procedure does not apply, see section 7.03 of Rev. Proc. 2015-13 for the § 481(a) adjustment period.

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

the taxable year ended November 30, 2014 (2013 taxable year).

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

(iii) X complies with § 1.168(i)-1 beginning with its taxable year ending November 30, 2015 (2014 taxable year). In accordance with section 6.17(3)(a) of this revenue procedure, X files a Form 3115 with its federal income tax return for the 2014 taxable year to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. As a result, X must include the original roof that X retired in 2010 in the general asset account. Thus, the net positive § 481(a) adjustment for this change is \$9,000 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$1,000 for the original roof for the 2012 and 2013 taxable years) and is included in X's taxable income for the 2014 taxable year.

(7) *Concurrent automatic change.*

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

for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer making this change and any change listed in section 6.17(7)(b)(i)-(iv) of this revenue procedure for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115. The listed changes are:

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

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

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

(iv) A change under section 6.16 of this revenue procedure.

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.17 is "207."

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

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

(1) *Final regulations.* The following chart summarizes the changes in methods of accounting under § 1.167(a)-4, § 1.168(i)-1, § 1.168(i)-7, and § 1.168(i)-8 that a taxpayer may make under Rev. Proc. 2016-29.

FINAL REGULATION SECTION	SECTION # in in REV. PROC. 2016–29	DESIGNATED CHANGE NUMBER (DCN)
§ 1.167(a)–4, Depreciation of leasehold improvements	6.13	199
<i>General Asset Accounts:</i>		
a. § 1.168(i)–1(c), Change in grouping assets	6.14	200
b. § 1.168(i)–1(e)(2)(viii), Change in determining asset disposed of	6.17	207
c. § 1.168(i)–1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from one method to another method specified in § 1.168(i)–1(j)(2)	6.14	200
d. § 1.168(i)–1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from a method not specified in § 1.168(i)–1(j)(2) to a method specified in § 1.168(i)–1(j)(2)	6.17	207
e. § 1.168(i)–1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.14	200
f. § 1.168(i)–1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from not using to using the taxpayer’s records when it is practicable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.17	207
g. § 1.168(i)–1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.17	207
<i>Single Asset Accounts or Multiple Asset Accounts for MACRS Property:</i>		
a. § 1.168(i)–7, Change from single asset accounts to multiple asset accounts, or <i>vice versa</i>	6.14	200
b. § 1.168(i)–7(c), Change in grouping assets in multiple asset accounts	6.14	200
<i>Dispositions of MACRS Property (not in a general asset account):</i>		
a. § 1.168(i)–8(c)(4), Change in determining asset disposed of	6.15 (Building or structural component)	205
	6.16 (Property other than a building or structural component)	206
b. § 1.168(i)–8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.14	200
c. § 1.168(i)–8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from not using to using the taxpayer’s records when it is practicable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.15 (Building or structural component)	205
	6.16 (Property other than a building or structural component)	206
d. § 1.168(i)–8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer’s records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.15 (Building or structural component)	205
	6.16 (Property other than a building or structural component)	206

FINAL REGULATION SECTION	SECTION # in in REV. PROC. 2016–29	DESIGNATED CHANGE NUMBER (DCN)
e. § 1.168(i)–8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from one method to another method specified in § 1.168(i)–8(g)(1) or (2)	6.14	200
f. § 1.168(i)–8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from a method not specified in § 1.168(i)–8(g)(1) or (2) to a method specified in § 1.168(i)–8(g)(1) or (2)	6.15 (Building or structural component)	205
	6.16 (Property other than a building or structural component)	206
g. § 1.168(i)–8(h)(1), Change from depreciating a disposed asset or disposed portion of an asset to recognizing gain or loss upon disposition when a taxpayer continues to depreciate the asset or portion that the taxpayer disposed of prior to the year of change	6.15 (Building or structural component)	205
	6.16 (Property other than a building or structural component)	206
h. § 1.168(i)–8(d)(2)(iii), Partial disposition election for the disposition of a portion of an asset to which the IRS’s adjustment pertains	6.12	198

(2) *Late elections or revocation of a general asset account election.* The following chart summarizes the late elections under § 1.168(i)–8 that are treated as a change in method of accounting for a limited period of time. The chart includes the revocation of a general asset account election that also is treated as a change in method of accounting for a limited period of time.

ELECTION OR REVOCATION	TIME PERIOD FOR TREATING ELECTION OR REVOCATION AS A METHOD CHANGE	SECTION # IN REV. PROC. 2016–29, AND DCN
<i>General Asset Accounts:</i>		
a. Revocation of a general asset account election made under § 1.168(i)–1, Prop. Reg. § 1.168(i)–1, or § 1.168(1)–1T, or made under section 6.32 in the APPENDIX of Rev. Proc. 2011–14 or section 6.32 in Rev. Proc. 2015–14, as applicable	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2015	6.11 DCN 197
<i>Late Partial Disposition Election for MACRS Property (not in a general asset account):</i>		
a. Late partial disposition election made under § 1.168(i)–8(d)(2)(iv)(B)	First or second taxable succeeding the applicable taxable year as defined in § 1.168(i)–8(d)(2)(iv)	6.10 DCN 196
b. Other late partial disposition elections made under § 1.168(i)–8(d)(2)(i)	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2015	6.10 DCN 196

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

(1) *Description of change.*

(a) *Applicability.* This change applies to a cable system operator that is within the scope of Rev. Proc. 2015–12, 2015–2 I.R.B. 266, and wants to change to the safe harbor method of accounting provided in section 8.03 of Rev. Proc. 2015–12 for determining depreciation under §§ 167 and 168 of a fiber optic transfer node and trunk line consisting of fiber optic cable used in a cable distribution

network providing one-way and two-way communication services. The safe harbor method provided by section 8.03 of Rev. Proc. 2015–12 determines the asset for purposes of §§ 167 and 168.

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

- (i) any property that is not depreciated under § 168 under the taxpayer’s present and proposed methods of accounting; or
- (ii) any property that is not owned by the taxpayer at the beginning of the year of change.

(2) *Certain eligibility rules inapplicable.*

(a) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer that makes this change for its first or second taxable year ending after December 31, 2013.

(b) The eligibility rule in section 5.01(d) of Rev. Proc. 2015–13 does not apply to a taxpayer that makes this change.

(3) *Concurrent automatic change.*

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide

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

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

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.19 is “210.”

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

.20 Revocation of partial disposition election under the remodel-refresh safe harbor described in Rev. Proc. 2015–56.

(1) *Description of change.*

(a) *Applicability.* This change applies to a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015–56, 2015–49 I.R.B. 827, and that is within the scope of Rev. Proc. 2015–56 and wants to revoke a partial disposition election, as provided in section 5.02(4)(b)(ii)(B) of Rev. Proc. 2015–56, related to a qualified building, as defined in section 4.02 of Rev. Proc. 2015–56, for which the qualified taxpayer uses the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015–56. See section 11.10 of this revenue procedure for making a change to this safe harbor method of accounting.

(b) *Inapplicability.* This change does not apply to a qualified taxpayer, as described in section 6.20(1)(a) of this revenue procedure, that makes the revocation of the partial disposition specified in section 6.20(1)(a) of this revenue procedure before or after the time specified in section 6.20(3) of this revenue procedure. Any such revocation is not a change in method of accounting pursuant to § 1.446–1(e)(2)(ii)(d)(3)(iii).

(2) *Change in method of accounting.* The IRS will treat the revocation of the partial disposition election specified in section 6.20(1)(a) of this revenue procedure as a change in method of accounting only for the time specified in section 6.20(3) of this revenue procedure.

(3) *Time for making the change.* The change under this section 6.20 must be made by a qualified taxpayer for any taxable year beginning after December 31, 2013, and ending before December 31, 2016.

(4) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, do not apply to a qualified taxpayer making this change for any taxable year beginning after December 31, 2013, and ending before December 31, 2016.

(b) *Concurrent automatic change.* If a qualified taxpayer makes both a change under this section 6.20 and a change under section 11.10 of this revenue procedure for any taxable year beginning after December 31, 2013, and ending before December 31, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.20(7)(b), the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13 do not apply to the qualified taxpayer for either change.

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

(6) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, may complete only the following information on Form 3115 (Rev. December 2015):

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

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

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

(d) Part II, all lines except lines 5, 13, 15, 16, 17, and 19;

(e) Part IV, lines 25, 26, and 27; and

(f) Schedule E.

(7) *Concurrent automatic change.*

(a) A qualified taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A qualified taxpayer making this change and a change under section 11.10 of this revenue procedure for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 6.20 is “221.”

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

SECTION 7. RESEARCH AND EXPERIMENTAL EXPENDITURES (§ 174)

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

(1) *Description of change.*

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

(b) Section 174 and the regulations thereunder provide the specific rules for changing a method of accounting under § 174 for research and experimental expenditures. Under § 174, a taxpayer may treat research and experimental expenditures that are paid or incurred by the taxpayer during the taxable year in connection with the taxpayer’s trade or business

as expenses under § 174(a) or as deferred expenses amortizable ratably over a period of not less than 60 months under § 174(b). Pursuant to § 1.174-1, research and experimental expenditures that are not treated as expenses or deferred expenses under § 174 must be treated as a charge to capital account. Further, § 1.174-1 provides that the expenditures to which § 174 applies may relate either to a general research program or to a particular project. Finally, §§ 1.174-3(a) and 1.174-4(a)(5) provide that in no event will a taxpayer be permitted to apply one method as to part of the expenditures relative to a particular project and apply a different method to the balance of the expenditures relating to the same project for the same taxable year.

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

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

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

(2) *Applicability.*

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

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

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

(iii) from treating research and experimental expenditures for a particular project or projects as expenses under § 174(a) or deferred expenses under § 174(b) to

treating such expenditures as a charge to capital account, or vice versa; or

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

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

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

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

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

(4) *Manner of making change.*

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

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

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

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

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

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

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

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

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

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

SECTION 8. ELECTIVE EXPENSING PROVISIONS (§ 179D)

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

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

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

(3) *Inapplicability.* This change does not apply to a designer to whom the owner

of a government building allocates the § 179D deduction.

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

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

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

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

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

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

.01 *Computer software expenditures.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for the costs of computer software to a method described in Rev. Proc. 2000-50, 2000-1 C.B. 601, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358. Section 5 of Rev. Proc. 2000-50 describes the methods applica-

ble to the costs of developing computer software. Section 6 of Rev. Proc. 2000-50 describes the method applicable to the costs of acquired computer software. Section 7 of Rev. Proc. 2000-50 describes the method applicable to leased or licensed computer software.

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

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

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

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

SECTION 10. START-UP EXPENDITURES (§ 195)

.01 *Start-up expenditures.*

(1) *Description of change and scope.*

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

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

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

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

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

(ii) start-up expenditures paid or incurred after October 22, 2004, and before August 17, 2011, if the period of limitations on assessment of tax for the taxable

year the election under § 1.195-1(b) is deemed made has expired.

(2) *No rulings.*

(a) *Characterization of item.* The consent granted under section 9 of Rev. Proc. 2015-13 for a change specified in section 10.01(1)(a)(i) of this revenue procedure is not a determination by the Commissioner that the taxpayer has properly characterized an item as a start-up expenditure and does not create any presumption that the proposed characterization of an item as a start-up expenditure is permissible under § 195(c)(1). The director will ascertain whether the taxpayer's characterization of an item as a start-up expenditure is permissible.

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

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

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

SECTION 11. CAPITAL EXPENDITURES (§ 263)

.01 *Package design costs.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to change its method of accounting for package design costs that are within the scope of Rev. Proc. 97-35, 1997-2 C.B. 448, as modi-

fied by Rev. Proc. 98-39, 1998-1 C.B. 1320, to one of the three alternative methods of accounting for package design costs described in section 5 of Rev. Proc. 97-35, which are: (i) the capitalization method, (ii) the design-by-design capitalization and 60-month amortization method, and (iii) the pool-of-cost capitalization and 48-month amortization method.

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

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

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

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

.02 Line pack gas or cushion gas.

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

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

method of accounting for depreciation for the cost of that gas as part of this change.

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

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

.03 Removal costs.

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to change its method of accounting for certain costs in the retirement and removal of a depreciable asset to conform with Rev. Rul. 2000-7, 2000-1 C.B. 712, as modified by this revenue procedure, or for removal costs in disposal of a depreciable asset, including a partial disposition, as described under § 1.263(a)-3(g)(2)(i).

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

(c) *Manner of making change.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015):

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

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

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

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

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

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

(vii) Schedule E, if applicable.

(2) *Additional requirements.*

(a) Except for assets for which depreciation is determined in accordance with § 1.167(a)-11 (ADR), the taxpayer's proposed method of treating removal costs

for assets accounted for in a multiple asset account must be consistent with the taxpayer's method of treating salvage proceeds. See Rev. Rul. 74-455, 1974-2 C.B. 63. (See section 6.02 of this revenue procedure for changing a taxpayer's present method of treating salvage proceeds.)

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

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

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

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

.04 Distributor commissions.

(1) *Description of change.*

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

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

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

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change

number for a change under this section 11.04 is “47.”

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

.05 Intangibles.

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

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

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

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

.06 Rotable spare parts safe harbor method.

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

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

under section 21.09 of this revenue procedure.

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

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

.07 Repairable and reusable spare parts.

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to change its method of accounting to treat repairable and reusable spare parts as depreciable property to conform with the holdings in Rev. Rul. 69-200, 1969-1 C.B. 60, and Rev. Rul. 69-201, 1969-1 C.B. 60. This change applies to repairable and reusable spare parts that: are owned by the taxpayer at the beginning of the year of change; are used to repair equipment owned by the taxpayer; are acquired by the taxpayer for a specific type of equipment at the time that the related equipment is acquired; usually have the same useful life as the related equipment; and have been placed in service by the taxpayer after 1986. A taxpayer making a change in method of accounting under this section 11.07 may treat its repairable and reusable spare parts as tangible property for which depreciation is allowable at the time that the related equipment is placed in service by the taxpayer. The method of computing depreciation for the repairable and reusable spare parts is the same method of computing depreciation for the related equipment.

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

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

(ii) A taxpayer that is using an impermissible method of accounting for depreciation for the related equipment for

which the repairable and reusable spare parts are acquired, unless the taxpayer concurrently changes its method to use a permissible method of accounting for depreciation under section 6 of this revenue procedure;

(iii) A repairable and reusable spare part that meets the definition of rotatable spare parts, temporary spare parts, or standby emergency spare parts in § 1.162-3(c)(2) or (3), for which the cost was paid or incurred by the taxpayer in a taxable year beginning on or after January 1, 2014 (or in a taxable year beginning on or after January 1, 2012, if the taxpayer chooses to apply § 1.162-3 to amounts paid or incurred in those taxable years), and for which the taxpayer did not make the election under § 1.162-3(d) to capitalize and depreciate such repairable and reusable spare part; or

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

(2) *Additional requirements.*

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

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

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

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

(b) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015):

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

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

(iii) Part I;

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

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

(3) *Concurrent automatic change.*

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

(b) A taxpayer making both this change and a change to a permissible method of accounting for depreciation for repairable and reusable spare parts, or for the related equipment for which the repairable and reusable spare parts are acquired, under section 6 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers

for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115.

(c) A taxpayer making this change also may establish pools for the repairable and reusable spare parts or may identify disposed repairable and reusable spare parts in accordance with section 6.14 of this revenue procedure. A taxpayer making both this change and the change under section 6.14 of this revenue procedure for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes. For example, a qualified small taxpayer must include on the single Form 3115 the information required to be completed on Form 3115 by a qualified small taxpayer under this revenue procedure for each change in method of accounting included on that Form 3115.

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

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

.08 *Tangible property.*

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014–16, 2014–9 I.R.B. 606, applies to a taxpayer that wants to make a change to a method of accounting specified in section 11.08(3) of this revenue procedure and permitted under:

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

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

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

(i) A taxpayer that wants to change its method of accounting for dispositions of depreciable property, including a change in the asset disposed of (but see sections 6.10, 6.11, 6.12, 6.15, 6.16, and 6.17 of this revenue procedure);

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

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

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

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

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

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

(viii) Amounts paid or incurred for repair and maintenance costs that the taxpayer is changing from capitalizing to deducting and for which the taxpayer has claimed a federal income tax credit or elected to apply § 168(k)(4).

(2) *Certain eligibility rules temporarily inapplicable.*

(a) *In general.* The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, do not apply to a taxpayer that makes one or more changes in method of accounting under this section for any taxable year beginning before January 1, 2016.

(b) *Concurrent automatic change.* If the taxpayer makes both a change under this section 11.08 and a change to a UNI-

CAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for any taxable year beginning before January 1, 2016, on a single Form 3115 for the same year of change in accordance with section 11.08(5) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the taxpayer for either change. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

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

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

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

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

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

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

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

ing, identifying the building structure or building systems under § 1.263(a)-3(e)(2) for purposes of making the change to capitalizing the amounts;

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

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

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

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

(k) A change to the optional regulatory accounting method in accordance with § 1.263(a)-3(m) to determine whether amounts paid or incurred to repair, maintain, or improve tangible property are treated as deductible expenses or capital expenditures.

(4) *Manner of making change.*

(a) *Form 3115.* In addition to the other information required on line 14 of Form 3115, the taxpayer must include the following:

(i) The citation to the paragraph of the final tangible property regulations that provides for the proposed method, or methods, of accounting to which the taxpayer is changing (for example, § 1.162-3(a), § 1.263(a)-3(i), § 1.263(a)-3(k)); and

(ii) If the taxpayer is changing any unit(s) of property under § 1.263(a)-3(e) or, in the case of a building, is changing the identification of any building structure(s) or building system(s) under § 1.263-3(e)(2) for purposes of determining whether amounts are deducted as repair and maintenance costs under section § 1.162-4 or capitalized as improvement costs under § 1.263(a)-3, the taxpayer must include a detailed description of the unit(s) of property, building structure(s), or buildings system(s) used under its present method of accounting and a detailed

description of the unit(s) of property, building structure(s), and building system(s) under its proposed method of accounting, together with a citation to the paragraph of the final tangible property regulations under which the unit of property is permitted.

(iii) A taxpayer changing its method of accounting under this section 11.08 to capitalizing amounts paid or incurred and to depreciating such property under § 167 or § 168, as applicable, must complete Schedule E of Form 3115.

(b) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, is required to complete only the following information on Form 3115 (Rev. December 2015):

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

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

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

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

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

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

(vii) Schedule E, if applicable.

(5) *Concurrent automatic change.*

(a) A taxpayer making two or more changes in method of accounting pursuant to this section 11.08 should file a single Form 3115 for all of these changes and must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on the Form 3115.

(b) A taxpayer making both one or more changes in method of accounting pursuant to this section 11.08 and a change to a UNICAP method under section 12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 that includes all of these changes and must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes. For example, a qualified small taxpayer, as defined in section

6.01(4)(b) of this revenue procedure, must include on the single Form 3115 the information required by section 11.08(4)(b) of this revenue procedure for this change and the information required by the lines on Form 3115, applicable to the UNICAP method change, including Part II lines 14 and 15, Part IV, and Schedule D, and must include a separate response to each line on Form 3115 that is applicable to both changes (such as Part II lines 6b, 7, 8b, 14, and, as applicable for this change, Part IV) for which the taxpayer's response is different for this change and the change to a UNICAP method.

(6) *Section 481(a) adjustment.*

(a) *In general.* Except as provided in section 11.08(6)(b) of this revenue procedure, a taxpayer changing to a method of accounting provided in this section 11.08 must apply § 481(a) and take into account any applicable § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015–13.

(b) *Limited adjustment for certain changes.*

(i) *Final tangible property regulations.*

A taxpayer changing to a method of accounting under § 1.162–3 (except § 1.162–3(e)), § 1.263(a)–2(f)(2)(iii), § 1.263(a)–2(f)(3)(ii), § 1.263(a)–3(m), § 1.263A–1(e)(2)(i)(A), and § 1.263A–1(e)(3)(ii)(E) is required to calculate a § 481(a) adjustment as of the first day of the taxpayer's taxable year of change that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014. Optionally, a taxpayer may take into account amounts paid or incurred in taxable years beginning on or after January 1, 2012.

(a) *Changes under the final tangible property regulations.*

(ii) *Small business exception.* A taxpayer that met the scope requirements of section 4 of Rev. Proc. 2015–20, 2015–9 I.R.B. 694, and that changed its method of accounting under section 10.11(3)(a) of Rev. Proc. 2015–14 (which is now section 11.08(3) of this revenue procedure) by following section 5 of Rev. Proc. 2015–20 is required to calculate a § 481(a) adjustment as of the first day of the year of change that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014.

(c) *Itemized listing on Form 3115.* A taxpayer changing to a method of accounting provided in this section 11.08 must include on Form 3115 (Rev. December 2015), Part IV, line 26, the total § 481(a) adjustment for each change in method of accounting being made. If the taxpayer is making more than one change in method of accounting under the final tangible property regulations, the taxpayer (including a qualified small taxpayer) must include on an attachment to Form 3115:

(i) The information required by Part IV, line 26 of Form 3115 (Rev. December 2015) for each change in method of accounting (including the amount of the § 481(a) adjustment for each change in method of accounting, which includes the portion of the § 481(a) adjustment attributable to UNICAP);

(ii) The information required by Part II, line 14 of Form 3115 (Rev. December 2015) for each change; and

(iii) The citation to the paragraph of the final tangible property regulations that

provides for each proposed method of accounting.

(d) *Repair allowance property.* A taxpayer changing to a method of accounting provided by § 1.263(a)–3 under this section 11.08 must not include in the § 481(a) adjustment any amount attributable to property for which the taxpayer elected to apply the repair allowance under § 1.167(a)–11(d)(2) for any taxable year in which the repair allowance election was made.

(e) *Statistical Sampling.* Except for any change in accounting method for which a taxpayer is required to compute a § 481(a) adjustment under section 11.08(6)(b) of this revenue procedure, a taxpayer changing its method of accounting under this section 11.08 may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011–42, 2011–37 I.R.B. 318.

(7) *No audit protection.* A taxpayer calculating a § 481(a) adjustment under section 11.08(6)(b)(ii) of this revenue procedure that takes into account only amounts paid or incurred in taxable years beginning on or after January 1, 2014, does not receive audit protection under section 8.01 of Rev. Proc. 2015–13 for amounts subject to a change under this section 11.08 that are paid or incurred in taxable years beginning before January 1, 2014. See section 5.02 of Rev. Proc. 2015–20.

(8) *Designated automatic accounting method change number.* See the following table for the designated automatic accounting method change numbers (DCN) for the changes in method of accounting under this section 11.08.

<i>Description of Change</i>	<i>DCN</i>	<i>Citation</i>
A change to deducting amounts paid or incurred for repair and maintenance or a change to capitalizing amounts paid or incurred for improvements to tangible property and, if depreciable, to depreciating such property under § 167 or § 168. Includes a change, if any, in the method of identifying the unit of property, or in the case of a building, identifying the building structure or building systems for the purpose of making this change.	184	§§ 1.162–4, 1.263(a)–3
Change to the regulatory accounting method.	185	§ 1.263(a)–3(m)
Change to deducting non-incidentals materials and supplies when used or consumed.	186	§§ 1.162–3(a)(1), (c)(1)
Change to deducting incidental materials and supplies when paid or incurred.	187	§§ 1.162–3(a)(2), (c)(1)
Change to deducting non-incidentals rotatable and temporary spare parts when disposed of.	188	§ 1.162–3(a)(3), (c)(2)

<i>Description of Change</i>	<i>DCN</i>	<i>Citation</i>
Change to the optional method for rotatable and temporary spare parts.	189	§ 1.162-3(e)
Change by a dealer in property to deduct commissions and other costs that facilitate the sale of property.	190	§ 1.263(a)-1(e)(2)
Change by a non-dealer in property to capitalizing commissions and other costs that facilitate the sale of property.	191	§ 1.263(a)-1(e)(1)
Change to capitalizing acquisition or production costs and, if depreciable, to depreciating such property under § 167 or § 168.	192	§ 1.263(a)-2
Change to deducting certain costs for investigating or pursuing the acquisition of real property (whether and which).	193	§ 1.263(a)-2(f)(2)(iii)

(8) *Contact information.* For further information regarding a change under this section, contact Lewis Saideman at (202) 317-5100 (not a toll-free call).

.09 Railroad track structure expenditures.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for railroad track structures to:

- (a) the safe harbor method provided in Rev. Proc. 2002-65, 2002-2 C.B. 700; or
- (b) the safe harbor method provided in Rev. Proc. 2001-46, 2001-2 C.B. 263.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 11.09 is “213.”

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

.10 Remodel-refresh safe harbor method.

(1) *Description of change.*

(a) *Applicability.* This change applies to a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56, 2015-49 I.R.B. 827, and within the scope of Rev. Proc. 2015-56 that wants to change to the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015-56 for its qualified costs, including the making of a late general asset account election as provided under section 5.02(6)(d) of Rev. Proc. 2015-56.

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

- (i) The revocation of a partial disposition election that is made pursuant to section 5.02(4)(b)(ii)(B) of Rev. Proc.

2015-56 (but see section 6.20 of this revenue procedure for making this revocation);

(ii) A change in determination of the asset disposed of described in section 5.02(5) of Rev. Proc. 2015-56 (which is made under section 6.15(3)(a) or 6.17(3)(a) of this revenue procedure, as applicable). See section 11.10(6)(b) of this revenue procedure for making the change under section 6.15(3)(a) or 6.17(3)(a) of this revenue procedure as a concurrent change;

(iii) The making of a late general asset account election not provided under section 5.02(6)(d) of Rev. Proc. 2015-56;

(iv) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building (partial disposition election made in a prior year and the qualified taxpayer did not revoke such election within the time and in the manner provided in section 5.02(4)(b)(ii) of Rev. Proc. 2015-56), any qualified costs paid for that qualified building prior to the year of change for a Form 3115 filed to make the change to the remodel-refresh safe harbor method of accounting under this section 11.10; or

(v) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (recognized gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012, for disposition of a component of a qualified building) and the qualified taxpayer did not make the required change in method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168-8(c)(4), as applicable, on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor and take the entire amount of the § 481(a) adjustment into account

in computing the qualified taxpayer’s taxable income for that year of change, any qualified costs paid for that qualified building prior to the first taxable year that the qualified taxpayer or the IRS makes the change specified in section 6.15(3)(a) or 6.17(3)(a) of this revenue procedure, as applicable, for that qualified building and takes into account the entire amount of the § 481(a) adjustment in computing taxable income for the year of change.

(2) *Certain eligibility rules inapplicable.*

(a) *In general.* The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to a qualified taxpayer that changes to a method of accounting provided under this section 11.10 for any taxable year beginning after December 31, 2013, and ending before December 31, 2016.

(b) *Concurrent automatic change.* If a qualified taxpayer makes both a change under this section 11.10 and a change under section 6.14(3)(b), 6.15(3)(a), and/or 6.17 of this revenue procedure for any taxable year beginning after December 31, 2013, and ending before December 31, 2016, on a single Form 3115 for the same asset for the same year of change in accordance with section 11.10(7)(b) of this revenue procedure, the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the qualified taxpayer for either change.

(3) *No audit protection.* If section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (and, in the case of section 5.02(5)(b), the qualified taxpayer does not make the required change on or before the first tax-

able year that the qualified taxpayer uses the remodel-refresh safe harbor), the qualified taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change for that qualified building. See section 8.02(2) of Rev. Proc. 2015-13.

(4) *Manner of making change.*

(a) *Reduced filing requirement for qualified small taxpayers.* A qualified small taxpayer, as defined in section 6.01(4)(b) of this revenue procedure, may complete only the following information on Form 3115 (Rev. December 2015):

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

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

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

(iv) Part II, all lines except lines 5, 13, 15, 16, 17, and 19;

(v) Part IV, lines 25, 26, and 27;

(vi) Schedule E; and

(vii) If applicable, the election statement described in section 11.10(4)(b)(ii).

(b) *Late general asset account election.*

(i) *In general.* If under section 5.02(6)(d) of Rev. Proc. 2015-56 the qualified taxpayer is required to make a late general asset account election, the late general asset account election change is made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting. The late general asset account election change requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(ii) *Election statement.* The qualified taxpayer (including a qualified small tax-

payer) must attach to its Form 3115 a statement providing that the qualified taxpayer agrees to the following additional terms and conditions:

(A) The qualified taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 to the assets that are subject to the election specified in section 5.02(6)(d) of Rev. Proc. 2015-56; and

(B) Except as provided in § 1.168(i)-1(c)(1)(iii)(A), (e)(3), (g), or (h), the election made by the qualified taxpayer under section 5.02(6)(d) of Rev. Proc. 2015-56 is irrevocable and will be binding on the qualified taxpayer for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

(c) *Cut-off method required for certain changes.*

(i) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building, the change to the remodel-refresh safe harbor method of accounting for that qualified building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to the remodel-refresh safe harbor method of accounting.

(ii) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building and the qualified taxpayer does not change its present method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4), as applicable, on or before the first taxable year that the qualified taxpayer used the remodel-refresh safe harbor and take the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change, the change to the remodel-refresh safe harbor method of accounting for that qualified building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to comply with § 1.168(i)-1(e)(2)(viii) or

§ 1.168(i)-8(c)(4), as applicable. See section 6.15(3)(a) and section 6.17(3)(a) of this revenue procedure, as applicable.

(5) *Section 481(a) adjustment.*

(a) *In general.* A qualified taxpayer changing its method of accounting under this section 11.10 must apply § 481(a) and take into account any applicable § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015-13. However, a § 481(a) adjustment is neither required nor permitted for the late general asset account election under section 5.02(6)(d) of Rev. Proc. 2015-56 or, if section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building, and an improvement to a qualified building (and, in the case of section 5.02(5)(b) of Rev. Proc. 2015-56, the qualified taxpayer did not make the required change on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor), for the change to the remodel-refresh safe harbor method of accounting for that qualified building and an improvement to that qualified building.

(b) *Repair allowance property.* A qualified taxpayer changing to the method of accounting provided under this section 11.10 must not include in the § 481(a) adjustment any amount attributable to property for which the qualified taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the repair allowance election was made.

(c) *Statistical sampling.* A qualified taxpayer changing its method of accounting under this section 11.10 may use statistical sampling in determining the § 481(a) adjustment only by following the sampling procedures provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(6) *Concurrent automatic change.*

(a) A qualified taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A qualified taxpayer making this change, a change under section 6.15(3)(a) or 6.20 of this revenue procedure, and any change listed in section 6.14(3)(b) or sec-

tion 6.17 of this revenue procedure for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to the method of accounting under this section 11.10 is “222.”

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

SECTION 12. UNIFORM CAPITALIZATION (UNICAP) METHODS (§ 263A)

.01 *Certain uniform capitalization (UNICAP) methods used by resellers and reseller-producers.*

(1) *Description of change.*

(a) *Applicability.* This change applies to:

(i) a small reseller of personal property that wants to change from a permissible UNICAP method to a permissible non-UNICAP inventory capitalization method in any taxable year that it qualifies as a small reseller;

(ii) a formerly small reseller that wants to change from a permissible non-UNICAP inventory capitalization method to a permissible UNICAP method in the first taxable year that it does not qualify as a small reseller;

(iii) a reseller-producer that wants to change from a permissible UNICAP method for both its production and resale activities to a permissible simplified resale method described in § 1.263A-3(d)(3) in any taxable year that it qualifies to use a simplified resale method for both its production and resale activities under § 1.263A-3(a)(4) (resellers with de minimis production activities);

(iv) a reseller-producer that wants to change from a permissible simplified resale method described in § 1.263A-3(d)(3) for both its production and resale activities to a permissible UNICAP method for both its production and resale activities in the first taxable year that it

does not qualify to use a simplified resale method for both its production and resale activities under § 1.263A-3(a)(4);

(v) a reseller that wants to change its permissible UNICAP method to include a special reseller cost allocation rule;

(vi) a reseller or reseller-producer that wants to change to a UNICAP method (or methods) specifically described in the regulations and includes any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method in any taxable year, other than the first taxable year, that it does not qualify as a small reseller; or

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

(b) *Inapplicability.*

(i) *Self-constructed assets.* This change does not apply to a taxpayer that wants to use either the simplified service cost method 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).

(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 12.01(1)(a)(i) of this revenue procedure.

(iii) *Interest capitalization.* This change does not apply to a change in method of accounting for interest capitalization (but see section 12.14 of this revenue procedure for making this change).

(iv) *Recharacterizing costs under the simplified resale method.* This change does not include a change for purposes of recharacterizing “section 471 costs” as “additional § 263A costs” (or vice versa) under the simplified resale method.

(2) *Certain eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the changes described in section 12.01(1)(a)(i) and (ii) of this revenue procedure.

(3) *Definitions.*

(a) “Reseller” means a taxpayer that acquires real or personal property described in § 1221(a)(1) for resale.

(b) “Small reseller” means a reseller whose average annual gross receipts for the three immediately preceding taxable years (or fewer, if the taxpayer has not been in existence for the three preceding taxable years) do not exceed \$10,000,000. *See* § 263A(b)(2)(B).

(c) “Formerly small reseller” means a reseller that no longer qualifies as a small reseller.

(d) “Producer” means a taxpayer that produces real or tangible personal property.

(e) “Reseller-producer” means a taxpayer that is both a producer and a reseller.

(f) “Permissible UNICAP method” means a method of capitalizing costs that is permissible under § 263A.

(g) “A UNICAP method specifically described in the regulations” 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 al-

location method within the meaning of § 1.263A-1(f)(4).

(h) “Special reseller cost allocation rule” means the 90-10 *de minimis* rule to allocate a mixed service department’s costs to property acquired for resale (§ 1.263A-1(g)(4)(ii)), the 1/3 – 2/3 rule to allocate labor costs of personnel to purchasing activities (§ 1.263A-3(c)(3)(ii)(A)), and the 90-10 *de minimis* rule to allocate a dual-function storage facility’s costs to property acquired for resale (§ 1.263A-3(c)(5)(iii)(C)).

(i) “Permissible non-UNICAP inventory capitalization method” means a method of capitalizing inventory costs that is permissible under § 471.

(4) *Section 481(a) adjustment period.* Beginning with the year of change, a taxpayer changing its method of accounting for costs pursuant to section 12.01(1)(a)(i), 12.01(1)(a)(iii), or 12.01(1)(a)(iv) of this revenue procedure generally must take any

applicable net positive § 481(a) adjustment for such change into account ratably over the same number of taxable years, not to exceed four, that the taxpayer used its former method of accounting. A taxpayer changing its method of accounting for costs pursuant to section 12.01(1)(a)(ii), 12.01(1)(a)(v), or 12.01(1)(a)(vi) of this revenue procedure must take any applicable net positive § 481(a) adjustment for such change into account as provided in section 7.03 of Rev. Proc. 2015-13.

(5) *Multiple changes.* A taxpayer making both this change and another change in method of accounting for the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.01 is “22.”

(7) *Example.* The following example illustrates the principles of this section 12.01 for small resellers and formerly small resellers.

Assume X, a corporate reseller of personal property, incorporated January 2, 2005, adopted a taxable year ending December 31. In determining whether X is a small reseller, as provided in section 12.01(3)(b) of this revenue procedure, X calculates its average annual gross receipts for the three taxable years (or fewer, if applicable) immediately preceding the taxable year being analyzed. For each of the taxable years 2005 through 2014, X calculates the corresponding average annual gross receipts for the three immediately preceding taxable years (or fewer, if applicable). The results are shown in the table below:

Current Taxable Year	Average Annual Gross Receipts for the Three Taxable Years Immediately Preceding the Current Taxable Year
2005	\$ 0
2006	5,000,000
2007	6,000,000
2008	7,000,000
2009	11,000,000
2010	11,000,000
2011	9,000,000
2012	8,000,000
2013	11,000,000
2014	12,000,000

Furthermore, X which adopted the dollar-value LIFO inventory method, has the following LIFO inventory balances determined without considering the effects of the UNICAP method:

	<u>Beginning</u>	<u>Ending</u>
2009	\$1,000,000	\$1,100,000
2010	1,100,000	1,200,000
2011	1,200,000	1,300,000
2012	1,300,000	1,400,000
2013	1,400,000	1,500,000
2014	1,500,000	1,600,000

X was required by § 263A to change to the UNICAP method for 2009 because its average annual gross receipts for the three

taxable years immediately preceding 2009 were \$11,000,000, which exceeded the \$10,000,000 ceiling permitted by the small

reseller exception. Assume that X was required to capitalize \$80,000 of “additional § 263A costs” to the cost of its 2009 begin-

ning inventory because of this change in inventory method. In addition, *X* was required to include one-fourth of the § 481(a) adjustment when computing taxable income for each of the four taxable years beginning with 2009. Thus, *X* was required to include

a \$20,000 positive § 481(a) adjustment in its 2009 taxable income.

X elected to use the simplified resale method without an historic absorption ratio election under § 1.263A-3(d)(3) for determining the amount of additional § 263A

costs to be capitalized to each LIFO layer. Assume that *X* was required to add \$10,000 of additional § 263A costs to the cost of its 2009 ending inventory because of the \$100,000 increment for 2009.

X's 2009 Ending Inventory:

Beginning Inventory (Without UNICAP costs)	\$1,000,000
2009 Increment	100,000
Additional § 263A Costs in Beginning Inventory	80,000
Additional § 263A Costs in 2009 Increment	<u>10,000</u>
Total 2009 Ending Inventory	<u><u>\$1,190,000</u></u>

X's Unamortized 2009 § 481(a) Adjustment:

2009 § 481(a) Adjustment	\$80,000
Amount included in 2009 Taxable Income	<u><20,000></u>
Unamortized 2009 § 481(a) Adjustment—12/31/09	<u><u>\$60,000</u></u>

Because *X* failed to satisfy the small reseller exception for 2010, *X* was required to continue using the UNICAP method for its inventory costs. Furthermore, *X* was required to include \$20,000 of the unamortized 2009 positive § 481(a) adjustment in 2010 taxable income. Assume that *X* was required to add \$10,000 of additional § 263A costs to the cost of its 2010 ending inventory because of the \$100,000 increment for 2010.

X's 2010 Ending Inventory:

Beginning Inventory (With UNICAP costs)	\$1,190,000
2010 Increment	100,000
Additional § 263A Costs in 2010 Increment	<u>10,000</u>
Total 2010 Ending Inventory	<u><u>\$1,300,000</u></u>

X's Unamortized 2009 § 481(a) Adjustment:

Unamortized 2009 § 481(a) Adjustment—12/31/09	\$60,000
Amount Included in 2010 Taxable Income	<u><20,000></u>
Unamortized 2009 § 481(a) Adjustment—12/31/10	<u><u>\$40,000</u></u>

Because *X* satisfied the small reseller exception for 2011, *X* may change voluntarily from the UNICAP method to a permissible non-UNICAP inventory capitalization method (such a change for a current taxable year is provided in section 12.01 of this revenue procedure). To reflect the removal of the additional § 263A costs from the cost of its 2011 beginning inventory, *X* must compute a corresponding § 481(a) adjustment, which is a negative \$100,000 (\$1,200,000 - \$1,300,000). The entire amount of this negative § 481(a) adjustment is included in the computation of *X*'s taxable income for 2011. In addition, *X* must include \$20,000 of the unamortized 2009 § 481(a) adjustment in 2011 taxable income.

X's 2011 Ending Inventory:

Beginning Inventory (With UNICAP costs)	\$1,300,000
2011 Increment	100,000
2011 § 481(a) Adjustment <Negative>	<u><100,000></u>
Total 2011 Ending Inventory	<u><u>\$1,300,000</u></u>
X's Unamortized 2009 § 481(a) Adjustment:	
Unamortized 2009 § 481(a) Adjustment—12/31/10	\$40,000
Amount included in 2011 Taxable Income	<u><20,000></u>
Unamortized 2009 § 481(a) Adjustment—12/31/11	<u>\$20,000</u>
X's Unamortized 2011 § 481(a) Adjustment:	
2011 § 481(a) Adjustment <Negative>	\$<100,000>
Amount included in 2011 Taxable Income	<u>100,000</u>
Unamortized 2011 § 481(a) Adjustment—12/31/11	<u><u>\$ 0</u></u>

X also satisfies the small reseller exception for 2012 and, therefore, is not required to return to the UNICAP method for 2012. X, however, must include \$20,000 of the unamortized 2009 positive § 481(a) adjustment in its 2012 taxable income.

X's 2012 Ending Inventory:	
Beginning Inventory (Without UNICAP costs)	\$1,300,000
2012 Increment	100,000
Total 2012 Ending Inventory	\$1,400,000
X's Unamortized 2009 § 481(a) Adjustment:	
Unamortized 2009 § 481(a) Adjustment—12/31/11	\$20,000
Amount in 2012 Taxable Income	<u><20,000></u>
Unamortized 2009 § 481(a) Adjustment—12/31/12	<u><u>\$ 0</u></u>

In 2013, X fails to satisfy the small reseller exception and, therefore, must return to the UNICAP method (such a change for a current taxable year is provided in section 12.01 of this revenue procedure). X changes to the simplified resale method without a historic absorption ratio election under § 1.263A-3(d)(3). Assume that X must capitalize \$120,000 of additional § 263A costs to the cost of its 2013 beginning inventory because of this change in inventory method. Because X used a non-UNICAP method for two taxable years prior to 2013, the § 481 spread period for the positive § 481(a) adjustment is two years. Therefore, X must include one-half of the § 481(a) adjustment (\$60,000) when computing taxable income for 2013 and 2014. Assume that X must add \$10,000 of additional § 263A costs to the cost of its 2013 ending inventory because of the \$100,000 increment for 2013.

X's 2013 Ending Inventory:	
Beginning Inventory (Without UNICAP costs)	\$1,400,000
2013 Increment	100,000
Additional § 263A costs in Beginning Inventory	120,000
Additional § 263A costs in 2013 Increment	<u>10,000</u>
Total 2013 Ending Inventory	<u><u>\$1,630,000</u></u>
X's Unamortized 2013 § 481(a) Adjustment:	

2013 § 481 Adjustment	\$ 120,000
Amount included in 2013 Taxable Income	<u><60,000></u>
Unamortized 2013 § 481(a) Adjustment—12/31/13	<u>\$ 60,000</u>

Because *X* fails to satisfy the small reseller exception for 2014, *X* must continue using the UNICAP method for its inventory costs. Furthermore, *X* is required to include \$60,000 of the unamortized 2013 positive § 481(a) adjustment in 2014 taxable income. Assume that *X* is required to add \$10,000 of additional § 263A costs to the cost of its 2014 ending inventory because of the \$100,000 increment for 2014.

<i>X</i> 's 2014 Ending Inventory:	
Beginning Inventory (With UNICAP costs)	\$1,630,000
2014 Increment	100,000
Additional § 263A Costs in 2014 Increment	<u>10,000</u>
Total 2014 Ending Inventory	<u>\$1,740,000</u>
 <i>X</i> 's Unamortized 2013 § 481(a) Adjustment:	
Unamortized 2013 § 481(a) Adjustment—12/31/13	\$ 60,000
Amount included in 2014 Taxable Income	<u><60,000></u>
Unamortized 2013 § 481(a) Adjustment—12/31/14	<u>\$ ___ 0</u>

(8) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux, at (202) 317-7007 (not a toll-free call).

.02 Certain uniform capitalization (UNICAP) methods used by producers and reseller-producers.

(1) *Description of change.*

(a) *Applicability.* This change applies to a producer (as defined in section 12.01(3)(d) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(e) of this revenue procedure) that wants to change to a UNICAP method (or methods) specifically described in the regulations, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method. This change also includes a change from not capitalizing a cost subject to § 263A to capitalizing that cost for a producer or a reseller-producer under a UNICAP method (or methods) specifically described in the regulations that the producer or reseller-producer is already using.

(b) *Inapplicability.*

(i) *Self-constructed assets.* This change does not apply to a taxpayer that wants to use either the simplified service cost method 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).

(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 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.

(iii) *Interest capitalization.* This change does not apply to a change in method of accounting for interest capitalization (but see section 12.14 of this revenue procedure for making this change).

(iv) *Recharacterizing costs under the simplified production method.* This change 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) *Definition.* A “UNICAP method specifically described in the regulations” includes the 90–10 de minimis rule to allocate a mixed service department’s costs to production or resale activities (§ 1.263A-1(g)(4)(ii)), 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 (§ 1.263-1(h)) (with either a labor-based allocation ratio or a produc-

tion cost allocation ratio), and the simplified production method without the historic absorption ratio election (§ 1.263A-2(b)), but does not include any other reasonable allocation method within the meaning of § 1.263A-1(f)(4).

(3) *Multiple changes.* A taxpayer making both this change and another change in method of accounting in the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.02 is “23.”

(5) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux, at (202) 317-7007 (not a toll-free call).

.03 Impact fees.

(1) *Description of change.* This change applies to a taxpayer that incurs impact fees as defined in Rev. Rul. 2002-9, 2002-1 C.B. 614, in connection with the construction of a new residential rental building that wants to capitalize the costs to the building under §§ 263(a) and 263A. See Rev. Rul. 2002-9 for further information.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.03 is “25.”

(3) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-7007 (not a toll-free call).

.04 Change to capitalizing environmental remediation costs under § 263A.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for environmental remediation costs from a method that does not comply with the holding in Rev. Rul. 2004-18, 2004-1 C.B. 509, to capitalizing them to inventory under § 263A.

(2) *Concurrent automatic changes.* A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the

taxpayer enters the designated automatic change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.04 is “77.”

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

.05 Change in allocating environmental remediation costs under § 263A.

(1) *Description of change.* This change applies to a taxpayer that capitalizes environmental remediation costs to inventory under § 263A, but allocates these costs to inventory using a method of accounting that does not comply with the holding in Rev. Rul. 2005-42, 2005-2 C.B. 67, and wants to change to allocating these costs to inventory produced during the taxable year in which the costs are incurred under § 263A. See Rev. Rul. 2005-42 for further information.

(2) *Concurrent automatic changes.* A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.05 is “92.”

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

.06 Safe harbor methods under § 263A for certain dealerships of motor vehicles.

(1) *Description of change.* This change applies to a motor vehicle dealership, as defined in section 4 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811, that is within the scope of section 3 of Rev. Proc. 2010-44 and wants to change its method of accounting to (1) treat its sales facility as a retail sales facility or (2) be treated as a reseller without production activities, as described in section 5 of Rev. Proc. 2010-44. A motor vehicle dealership that wants to make an automatic change in method of accounting to use one or both safe harbor methods described in section 5 of Rev. Proc. 2010-44 may make any corresponding changes in the identification of costs subject to § 263A that will be accounted for using the proposed method (for example, to remove internal profit from inventory costs) or to no longer include negative amounts as additional § 263A costs in the numerator of the simplified resale method formula or the simplified production method formula. However, except as provided in the preceding sentence, a change under this section does not include a change for purposes of recharacterizing “§ 471 costs” as “additional § 263A costs” (or *vice versa*) under the simplified resale method or the simplified production method.

(2) *Concurrent automatic changes.* A motor vehicle dealership making an automatic change to one or both safe harbor methods described in section 5 of Rev. Proc. 2010-44 and another automatic change under § 263A for the same taxable year may file one Form 3115 to make both changes, provided the dealership enters the designated automatic change numbers for all such changes in Part I on that Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) *Multiple adjustments.* In the event that a motor vehicle dealership is taking into account a § 481(a) adjustment from another accounting method change in addition to the § 481(a) adjustment required by a change to a safe harbor method described in section 5 of Rev. Proc. 2010-

44, the § 481(a) adjustments must be taken into account separately. For example, a motor vehicle dealership that changed to comply with § 263A in 2009 and was required to take its § 481(a) adjustment into account over four years must continue to take into account that adjustment over the remainder of that four year § 481(a) adjustment period even though the dealership changed to a safe harbor method described in section 5 of Rev. Proc. 2010-44 in 2010 and has an additional § 481(a) adjustment required by that change.

(4) *Designated automatic accounting method change numbers.* The designated automatic accounting method change number for a change to treat certain sales facilities as retail sales facilities as described in section 5.01 of Rev. Proc. 2010-44 is “150.” The designated automatic accounting method change number for a change to be treated as a reseller without production activities as described in section 5.02 of Rev. Proc. 2010-44 is “151.”

(5) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-7007 (not a toll-free call).

.07 Change to not apply § 263A to one or more plants removed from the list of plants that have a preproductive period in excess of 2 years.

(1) *Description of change.* This change, as described in Rev. Proc. 2013-20, 2013-14 I.R.B. 744, applies to a taxpayer that is not a corporation, partnership, or tax shelter required to use an accrual method of accounting under § 447 or § 448(a)(3), and either (a) wants to not apply § 263A, pursuant to § 263A(d)(1) and § 1.263A-4(a)(2), to the production of one or more plants that the IRS and the Treasury Department have removed from the list of plants that have a nationwide weighted average preproductive period in excess of 2 years, or (b) properly elected, pursuant to § 263A(d)(3) and § 1.263A-4(d), to not apply § 263A to the production of a plant or plants that have been removed from the list of plants that have a nationwide weighted average preproductive period in excess of 2 years, and wishes to revoke its § 263A(d)(3) election with respect to those plants. See Notice

2013-18, 2013-14 I.R.B. 742, or its successor.

(2) *Certain eligibility rule temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer that wants to make the change for its first or second taxable year ending after February 15, 2013.

(3) *Audit protection.* If a taxpayer currently does not apply § 263A to its blackberry, raspberry, or papaya plants in a manner that complies with the requirements of § 263A(d)(1) and § 1.263A-4(a)(2), the IRS will not raise such method of accounting for a taxable year that ends on or before February 15, 2013. Also, if the use of such a method of accounting by a taxpayer is an issue under consideration (within the meaning of section 3.08 of Rev. Proc. 2015-13) for taxable years in examination, before an Appeals office, or before the U.S. Tax Court in a taxable year that ends on or before February 15, 2013, the IRS will not further pursue that issue.

(4) *Manner of making change.* A change under this section 12.07 is made with any necessary adjustments under § 481(a). For example, the revocation of an election under § 263A(d)(3) results in a § 481(a) adjustment that must take into account the change in depreciation from the alternative depreciation system to the general depreciation system included within such revocation.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.07 is “181.”

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

.08 Change to a reasonable allocation method described in § 1.263A-1(f)(4) for self-constructed assets.

(1) *Description of change.*

(a) *Applicability.* This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to a producer (as defined in section 12.01(3)(d) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(e) of this revenue procedure) that wants to change to a

reasonable allocation method within the meaning of § 1.263A-1(f)(4), other than the methods specifically described in § 1.263A-1(f)(2) or (3), for self-constructed assets produced during the taxable year, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method. This section 12.08 also includes a change from not capitalizing a cost subject to § 263A to capitalizing that cost for a producer or reseller-producer under a reasonable allocation method within the meaning of § 1.263A-1(f)(4) that the producer or reseller-producer is already using for self-constructed assets, other than the methods specifically described in § 1.263A-1(f)(2) or (3). See section 12.02 of this revenue procedure for a producer or reseller-producer that wants to change to a method described in § 1.263A-1(f)(2) or (3).

(b) *Inapplicability.* This change does not apply to an allocation method based on the number of units produced or an allocation method that does not allocate costs to the units of property produced. This change does not apply to a change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin. For example, this change does not apply to a change described in section 12.01 or 12.02 of this revenue procedure.

(2) *No ruling on reasonableness of method.* The consent granted in section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for this change is not a determination by the Commissioner that the taxpayer is using a reasonable allocation method for costs subject to § 263A and does not create any presumption that the proposed allocation method is permissible. The director will ascertain whether the taxpayer's allocation method is reasonable within the meaning of § 1.263A-1(f)(4).

(3) *Multiple changes.* A taxpayer making both this change and another change in method of accounting under section 11.08 of this revenue procedure for the same year of change must comply with the ordering rules of § 1.263A-7(b)(2).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 12.08 is “194.”

(5) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-7007 (not a toll-free call).

.09 Real property acquired through foreclosure.

(1) *Applicability.* This change, as described in Rev. Proc. 2014–16, 2014–9 I.R.B. 606, applies to a taxpayer that capitalizes costs under § 263A(b)(2) and § 1.263A–3(a)(1) to real property acquired through foreclosure, or similar transaction, where the taxpayer wants to change its method of accounting to an otherwise permissible method of accounting under which the acquisition and holding costs for real property acquired through foreclosure, or similar transaction, are not capitalized under § 263A(b)(2) and § 1.263A–3(a)(1). To qualify for this change in method of accounting, a taxpayer must:

(a) originate, or acquire and hold for investment, loans that are secured by real property; and

(b) acquire the real property that secures the loans at a foreclosure sale, by deed in lieu of foreclosure, or in another similar transaction.

(2) *Inapplicability.* This change does not apply to costs capitalized under § 263A(b)(1) and § 1.263A–2(a)(1) by the taxpayer to the acquired real property as a result of production activities.

(3) *Certain eligibility rule temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer that makes this change for its first or second taxable year ending after December 31, 2012.

(4) *Designated automatic accounting method change numbers.* The designated automatic accounting method change number for a change under this section 12.09 is “195.”

(5) *Contact information.* For further information regarding a change under this section, contact Sue-Jean Kim at (202) 317-7007 (not a toll-free call).

.10 Sales-Based Royalties.

(1) *Description of change.* This change, as described in Rev. Proc. 2014–33, 2014–22 I.R.B. 1060, applies to a

taxpayer that wants to change its method of accounting for sales-based royalties (as described in § 1.263A–1(e)(3)(ii)(U)(2)) that are properly allocable to inventory property:

(a) From not capitalizing sales-based royalties to capitalizing these costs and allocating them entirely to cost of goods sold under a taxpayer’s method of accounting;

(b) From not capitalizing sales-based royalties to capitalizing these costs and allocating them to inventory property under a taxpayer’s method of accounting;

(c) From capitalizing sales-based royalties and allocating these costs to inventory property to allocating them entirely to cost of goods sold; or

(d) From capitalizing sales-based royalties and allocating these costs entirely to cost of goods sold to allocating them to inventory property.

(2) *Limitations.*

(a) A taxpayer may not make a change in method of accounting under this section 12.10 if the taxpayer wants to change to capitalizing sales-based royalties and allocating them to inventory property using an other reasonable allocation method within the meaning of § 1.263A–1(f)(4).

(b) A taxpayer making the changes described in section 12.10(1)(a) or 12.10(1)(c) of this revenue procedure that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove sales-based royalties allocated to cost of goods sold from the formulas used to allocate additional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(c) A taxpayer making a change in method of accounting under this section 12.10 that uses a simplified method with an historic absorption ratio election (see §§ 1.263A–2(b)(4) and 1.263A–3(d)(4)) and currently includes, or is changing its method to include, sales-based royalties in any part of its historic absorption ratio must revise its previous and current historic absorption ratios. To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and

additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer’s § 481(a) adjustment. The taxpayer must use a method described in § 1.263A–7(c) to revalue beginning inventory.

(3) *Certain eligibility rule temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to this change for a taxpayer’s first and second taxable years ending on or after January 13, 2014.

(4) *Concurrent automatic changes.* A taxpayer making a change under this section 12.10 and one or more automatic changes in method of accounting under § 263A for the same year of change may file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A–7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in method of accounting under this section 12.10 is “201.”

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

.11 Treatment of Sales-Based Vendor Chargebacks under a Simplified Method.

(1) *Description of change.* This change, as described in Rev. Proc. 2014–33, 2014–22 I.R.B. 1060, applies to a taxpayer that wants to change its method of accounting to no longer include cost adjustments for sales-based vendor chargebacks described in § 1.471–3(e)(1) in the formulas used to allocate additional § 263A costs to ending inventory under a simplified method.

(2) *Limitations.*

(a) A taxpayer making this change that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove sales-based vendor chargebacks from the formulas used to allocate addi-

tional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(b) A taxpayer making a change in method of accounting under this section 12.11 that uses a simplified method with an historic absorption ratio election (see §§ 1.263A-2(b)(4) and 1.263A-3(d)(4)) and currently includes sales-based vendor chargebacks in any part of its historic absorption ratio must revise its previous and current historic absorption ratio(s). To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer's § 481(a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory.

(3) *Certain eligibility rule temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for a taxpayer's first and second taxable years ending on or after January 13, 2014.

(4) *Concurrent automatic changes.* A taxpayer making both this change and one or more automatic changes under § 263A, or both this change and the change described in section 21.15 of this revenue procedure for the same taxable year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in method of accounting under this section 12.11 is "202".

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

12 U.S. ratio method.

(1) *Change to the U.S. ratio method.*

(a) *Description of change.* This change applies to a foreign person, as defined in Notice 88-104, 1988-2 C.B. 443, as modified by Notice 89-67, 1989-1 C.B. 723, that is required to capitalize costs under § 263A and wants to change its method of accounting to the U.S. ratio method, as described in Notice 88-104.

(b) *Manner of making change.* A taxpayer requesting a change on behalf of a foreign person under section 12.12(1) of this revenue procedure must attach a statement to the Form 3115 providing the following information:

(i) *Foreign person requirement.* A representation that the foreign person is a qualified business unit (QBU), as defined in § 1.989(a)-1(b), of a foreign person, or the foreign branch of a U.S. person that constitutes a separate QBU, within the meaning of Notice 88-104. If the taxpayer is requesting a change in method of accounting on behalf of multiple foreign persons, please provide a representation that each foreign person is a QBU, as defined in § 1.989(a)-1(b), of a foreign person or the foreign branch of a U.S. person that constitutes a separate QBU, within the meaning of Notice 88-104;

(ii) *Description of trade or business.* The name and employer identification number (if applicable) for each foreign person and an explanation of each trade or business, as defined in § 1.446-1(d), for which a request to change to the U.S. ratio method is being made under this section 12.12(1);

(iii) *Applicable U.S. trade or business requirement.* The identity of the "applicable U.S. trade or business," as defined in Notice 88-104, that the foreign person wishes to use and an explanation of how this U.S. trade or business is "the same as, or most similar to" the trade or business conducted by the foreign person. If the taxpayer is requesting a change in method of accounting for multiple foreign persons, the taxpayer must identify the "applicable U.S. trade or business" for each foreign person, and explain how the respective U.S. trade or business is "the same as, or most similar to" the trade or business conducted by the foreign person; and

(iv) *Relationship requirement.* An explanation of how the "applicable U.S. trade or business" identified in section 12.12(1)(b)(iii) of this revenue procedure is a trade or business conducted in the United States by a "related person," as defined in Notice 88-104, with respect to the foreign person requesting a change under this section. If the taxpayer is requesting a change in method of accounting for multiple foreign persons, the taxpayer must explain how the "applicable U.S. trade or business" identified in section 12.12(1)(b)(iii) of this revenue procedure is a trade or business conducted in the United States by "related person" for purposes of Notice 88-104 for each foreign person requesting a change in method of accounting. Use §§ 267(b) or 707(b), as applicable, to explain the relationship.

(c) *Additional requirements.*

(i) A foreign person must continue to use the U.S. ratio of the applicable U.S. trade or business identified in section 12.12(1)(b)(iii) of this revenue procedure unless consent of the Commissioner is obtained to use the U.S. ratio of a different applicable U.S. trade or business under § 446(e) (see section 12.12(2) of this revenue procedure);

(ii) In the case of a controlled foreign corporation, the controlling U.S. shareholder, or in the case of a foreign branch of a U.S. person, the U.S. person, must maintain records of the U.S. ratio used by each foreign person to calculate the additional § 263A costs capitalized to property produced and property acquired for resale for the year of change and for subsequent taxable years for each foreign person requesting a change in method of accounting under this section 12.12. In the case of a controlled foreign partnership, the U.S. partner must maintain records of the U.S. ratio used by each foreign person to calculate the additional § 263A costs capitalized to property produced and property acquired for resale for the year of change and for subsequent taxable years for each foreign person requesting a change in method of accounting under this section 12.12.

(iii) The § 481(a) adjustment is computed in the manner provided in Notice 88-104;

(iv) The U.S. ratio is determined, and the ratio is applied to the costs of property produced or property acquired for resale incurred by the foreign person, in accordance with Notice 88-104; and

(v) If any foreign person is unable to obtain a U.S. ratio from the applicable U.S. trade or business identified in section 12.12(2)(b)(iii) of this revenue procedure, or is otherwise no longer eligible to use the U.S. ratio method, the foreign person is no longer permitted to use the U.S. ratio method. However, the foreign person is not ineligible to use the U.S. ratio method if the foreign person is able to obtain a U.S. ratio from a different applicable U.S. trade or business, and changes the applicable U.S. trade or business pursuant to section 12.12(2) of this revenue procedure or under the non-automatic change procedures of this revenue procedure, as applicable. If a foreign person is no longer eligible to use the U.S. ratio method, it is required to change its method of accounting to a method that complies with §§ 263A and 471 using either the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and sections 12.01, 12.02, or 12.08, as applicable, of this revenue procedure or the non-automatic change procedures of Rev. Proc. 2015-13.

(2) *Change within U.S. ratio method.* This change applies to a foreign person currently using the U.S. ratio method that wants to use the U.S. ratio of a different applicable U.S. trade or business for purposes of applying the U.S. ratio method as described in section 12.12(2)(a) or 12.12(2)(b) of this revenue procedure.

(a) *Required change in the applicable U.S. trade or business.*

(i) *In general.* A foreign person is permitted to change its method of accounting under this section 12.12(2)(a) to use the U.S. ratio of a different applicable U.S. trade or business, as defined in Notice 88-104, if the foreign person is no longer able to obtain the U.S. ratio from the applicable U.S. trade or business previously identified and if: (A) the U.S. person or related person in which the applicable U.S. trade or business is conducted terminates its existence; (B) the foreign person is no longer related, within the meaning of § 267(b) or § 707(b), to the U.S. person or related person in which the applicable

U.S. trade or business is conducted; or (C) the U.S. person or related person ceases to conduct the applicable U.S. trade or business.

(ii) *Certain eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to the change described in section 12.12(2)(a) of this revenue procedure.

(iii) *Manner of making change.* A foreign person making a change in method of accounting under this section 12.12(2)(a) must make the change in accordance with the requirement set forth in section 12.12(2)(c) of this revenue procedure.

(b) *Other changes in the applicable U.S. trade or business.*

(i) *In general.* If the foreign person cannot make the change in method of accounting described in section 12.12(2)(a) of this revenue procedure, or there is more than one U.S. trade or business that can reasonably be considered the “same as, or most similar to” the foreign person’s trade or business, the foreign person is permitted to change its method of accounting under this section 12.12(2)(b) to use the U.S. ratio of a different applicable U.S. trade or business.

(ii) *Manner of making change.* A foreign person making a change in method of accounting under this section 12.12(2)(b) must make the change in accordance with the requirement set forth in section 12.12(2)(c) of this revenue procedure.

(c) *Short Form 3115 in lieu of a Form 3115.* In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and pursuant to section 6.02(2) of Rev. Proc. 2015-13, a short Form 3115 is authorized for a change described in section 12.12(2)(a) or 12.12(2)(b) of this revenue procedure. The short Form 3115 (Rev. December 2015) must include the following information:

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

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

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

(iv) the information required under section 12.12(1)(b) of this revenue procedure; and

(v) a statement that the change in method of accounting is made under sec-

tion 12.12(2)(a) or 12.12(2)(b) of Rev. Proc. 2016-29, as applicable.

(3) *Designated automatic accounting method change numbers.* The designated automatic accounting method change number for a change under this section 12.12 is “214.”

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

.13 *Depletion.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for depletion to treat these amounts as an indirect cost that is only properly allocable to property that has been sold (that is, for purposes of determining gain or loss on the sale of the property) under § 1.263A-1(e)(3)(ii)(J).

(2) *Limitation.*

(a) A taxpayer making this change in method of accounting that uses a simplified method to determine the additional § 263A costs allocable to inventory property on hand at year end must remove depletion allocated to cost of goods sold from the formulas used to allocate additional § 263A costs to ending inventory in the same manner that the taxpayer included these amounts in the formulas.

(b) A taxpayer making this change in method of accounting that uses a simplified method with an historic absorption ratio election (see §§ 1.263A-2(b)(4) and 1.263A-3(d)(4)) and currently includes depletion in any part of its historic absorption ratio must revise its previous and current historic absorption ratios. To revise its historic absorption ratios, the taxpayer must apply its proposed method of accounting during the test period, during all recomputation years, and during all updated test periods to determine the § 471 costs and additional § 263A costs that were incurred. The revised historic absorption ratios must be used to revalue beginning inventory and must be accounted for in the taxpayer’s § 481(a) adjustment. The taxpayer must use a method described in § 1.263A-7(c) to revalue beginning inventory

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

(4) *Concurrent automatic changes.* A taxpayer making both this change and another automatic change under § 263A for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line on that Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change in method of accounting under this section 12.13 is “215.”

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

.14 *Interest capitalization.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for interest from either not capitalizing any interest or capitalizing interest in accordance with its book method of accounting, with respect to the production of designated property, to capitalizing interest with respect to the production of designated property in accordance with §§ 1.263A-8 through 14.

(2) *Manner of making change.* A taxpayer requesting a change under this section 12.14 must attach a statement to the Form 3115 with the following information:

(a) Whether the taxpayer elects to not trace debt under § 1.263A-9(d);

(b) The computation period(s) and measurement dates used under the new method;

(c) A representation that the taxpayer’s method is in accordance with the avoided cost method under § 1.263A-9; and

(d) A representation that the taxpayer will comply with § 1.263A-14 and Notice 88-89, 1988-2 C.B. 422, should the taxpayer incur average excess expenditures allocable to related persons.

(3) *Concurrent automatic changes.* A taxpayer making a change under this section 12.14 and one or more automatic changes in method of accounting under § 263A for the same year of change may

file a single Form 3115 for all changes, provided the taxpayer enters the designated automatic change numbers for all changes on the appropriate line on the Form 3115 and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change in method of accounting under this section 12.14 is “224.”

(5) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

SECTION 13. LOSSES, EXPENSES, AND INTEREST WITH RESPECT TO TRANSACTIONS BETWEEN RELATED TAXPAYERS (§ 267)

.01 *Change to comply with § 267.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method or methods of accounting to comply with the requirements of § 267, which disallows or defers certain deductions attributable to transactions between related taxpayers. However, this change does not apply to a change for original issue discount (OID), including stated interest that is OID because it is not qualified stated interest (as defined in § 1.1273-1(c)). See section 5.02 of this revenue procedure for a change to comply with § 163(e)(3) for OID on an obligation held by a related foreign person.

(2) *Certain eligibility rules inapplicable.* The eligibility rules in sections 5.01(1)(e) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change to comply with § 267(a)(3).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 13.01 is “26.”

(4) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call). For further information regarding a change to comply with § 267(a)(3), contact Joseph Vetting at (202) 317-4960 (not a toll-free call).

SECTION 14. DEFERRED COMPENSATION (§ 404)

.01 *Deferred compensation.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat bonuses or vacation pay as follows (see § 404(a)(5) and § 1.404(b)-1T, Q&A 2):

(a) *Applicability.*

(i) *Bonuses.*

(A) *Bonuses not subject to capitalization under § 263A.* If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the bonus is otherwise deductible, but the bonus is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the bonus as deductible in the taxable year of the employer in which or with which ends the taxable year of the employee in which the bonus is includible in the gross income of the employee; or

(B) *Bonuses that are subject to capitalization under § 263A.* If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the bonus is otherwise deductible (without regard to § 263A), but the bonus is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the bonus as capitalizable (within the meaning of § 1.263A-1(c)(3)) in the taxable year of the employer in which or with which ends the taxable year of the employee in which the bonus is includible in the gross income of the employee.

(ii) *Vacation pay.*

(A) *Vacation pay not subject to capitalization under § 263A.* If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay vacation pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the vacation pay is otherwise deductible but the vacation pay is received by the employee after the 15th

day of the 3rd calendar month after the end of that taxable year, to treat the vacation pay as deductible in the taxable year of the employer in which the vacation pay is paid to the employee; or

(B) *Vacation pay that is subject to capitalization under § 263A.* If by the end of the taxable year all the events have occurred that establish the fact of the liability to pay vacation pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)), and the vacation pay is otherwise deductible (without regard to § 263A), but the vacation pay is received by the employee after the 15th day of the 3rd calendar month after the end of that taxable year, to treat the vacation pay as capitalizable (within the meaning of § 1.263A-1(c)(3)) in the taxable year of the employer in which the vacation pay is paid to the employee.

(b) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 14.01 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 14.01 is “28.”

(3) *Contact information.* For further information regarding a change under this section, contact Maryellen Furr at (202) 317-5600 (not a toll-free call).

.02 *Grace period contributions.*

(1) *Description of change.* This change applies to a taxpayer that wants to cease deducting contributions made during the § 404(a)(6) grace period to a qualified cash or deferred arrangement within the meaning of § 401(k) or to a defined contribution plan as matching contributions with the meaning of § 401(m) when the contributions are attributable to compensation earned by plan participants after the end of a taxable year as required by Rev.

Rul. 2002-46, 2002-2 C.B. 117, as modified by Rev. Rul. 2002-73, 2002-2 C.B. 805.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 14.02 is “29.”

(3) *Contact information.* For further information regarding a change under this section, contact David Ziegler at (202) 317-8629 or Carlton Watkins at (202) 317-8631 (not toll-free calls).

SECTION 15. METHODS OF ACCOUNTING (§ 446)

.01 *Change in overall method from the cash method to an accrual method.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to change its overall method of accounting from the cash receipts and disbursements method (cash method) (as defined in section 15.01(2)(a) of this revenue procedure) to an accrual method (as defined in section 15.01(2)(b) of this revenue procedure). A change under this section 15.01 applies to (1) a taxpayer required to make this change by § 448, any other section of the Code or regulations, or in other guidance published in the Internal Revenue Bulletin (IRB), as well as (2) a taxpayer that wants to make this change but is not required to do so by § 448, any other section of the Code or regulations, or in other guidance published in the IRB. A taxpayer changing to an overall accrual method because it is prohibited from using the overall cash method under § 448 may use this section 15.01 regardless of whether the year of change is the first taxable year that the taxpayer is required by § 448 to change from the cash method (“the first § 448 year”), or is a taxable year other than the taxpayer’s first § 448 year.

Additionally, a taxpayer qualifies to change its overall method of accounting from the cash method to an accrual method using this section 15.01 even if the taxpayer is also making one or more of the following changes in method of accounting for the same year of change:

(i) adopting the recurring item exception (as defined in section 15.01(2)(c) of this revenue procedure) for one or more

types of recurring items (see § 1.461-5(d));

(ii) adopting or changing to a permissible inventory method of accounting and is either adopting this inventory method or qualifies to change to this inventory method using the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38, 1990-1 C.B. 57 (regarding when a taxpayer may adopt a method of accounting));

(iii) adopting or changing to a permissible § 263A method of accounting and is either adopting this § 263A method or qualifies to change to this § 263A method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38 (regarding when a taxpayer may adopt a method of accounting)); or

(iv) adopting or changing to any other special method of accounting (as defined in section 15.01(2)(d) of this revenue procedure) and is either adopting this special method or qualifies to change to this special method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB (see Rev. Rul. 90-38 (regarding when a taxpayer may adopt a method of accounting));

Also, a taxpayer qualifies to use this section 15.01 when that taxpayer, in the taxable year immediately preceding the year of change, has used a permissible inventory method for that year, and, if that taxpayer was subject to § 263A for that year, has also used a permissible § 263A method for that year, and the method(s) continue to be used for the year of change.

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

(i) a taxpayer that is making a change from a hybrid method of accounting (as defined in section 15.01(2)(e) of this revenue procedure);

(ii) a taxpayer that is changing its method of accounting for one or more items of income or expense, but not its overall method of accounting. See section 15.09 of this revenue procedure for a description of accounting method changes from the cash method to an accrual method for specific items that are to be made using the automatic change procedures of Rev. Proc. 2015–13 and that section 15.09;

(iii) a taxpayer that is required by the Code, regulations, or other guidance published in the IRB to use a special method (for example, an inventory method, a § 263A method, or a long-term contract method) in the year of change and fails to adopt or change to that method;

(iv) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 457A(d)(3) that is attributable to services performed before January 1, 2009;

(v) a taxpayer that is engaged in two or more trades or businesses, unless that taxpayer makes this change for each trade or business so that the identical accrual method is used for each trade or business beginning with the year of change;

(vi) a taxpayer that is required by § 447 to change to an accrual method when the year of change is the first taxable year that taxpayer is required by § 447 to change to that method;

(vii) a cooperative organization described in §§ 501(c)(12), 521, or 1381; or

(viii) an individual taxpayer, except for activities conducted as a sole proprietorship.

(2) *Definitions.*

(a) *Cash method of accounting* is the method identified by § 446(c)(1) and §§ 1.446–1(c)(1)(i), 1.451–1(a), and 1.461–1(a)(1). For purposes of this section 15.01, the cash method also includes the overall cash method with inventoriable items treated as either inventory or as non-incidentals and supplies under § 1.162–3 as permitted by Rev. Proc. 2001–10, 2001–1 C.B. 272, as modified by Rev. Proc. 2011–14, 2011–4 I.R.B. 330, or Rev. Proc. 2002–28, 2002–1 C.B. 815, as modified by Rev. Proc. 2011–14.

(b) *Accrual method of accounting* is a method identified by § 446(c)(2) and

§§ 1.446–1(c)(1)(ii), 1.451–1(a), and 1.461–1(a)(2).

(c) *Recurring item exception* is the method described in § 461(h)(3) and § 1.461–5.

(d) *Special method of accounting* within the meaning of this section 15.01 is a method of accounting, other than the cash method, expressly permitted or required by the Code, regulations, or in other guidance published in the IRB that deviates from the tax accrual accounting rules of §§ 446, 451 and 461 and the regulations thereunder. For example, the installment method of accounting under § 453, the mark-to-market method under § 475, a long-term contract method such as the percentage of completion method under § 460, and the deferral method of Rev. Proc. 2004–34, 2004–1 C.B. 991, as clarified and modified by Rev. Proc. 2011–18, 2011–5 I.R.B. 443, and Rev. Proc. 2013–29, 2013–33 I.R.B. 141, and as modified by Rev. Proc. 2011–14, are special methods of accounting. In contrast, application of the all-events test under a specific set of facts is not a special method of accounting. See, for example, Rev. Rul. 69–314, 1969–1 C.B. 139 (concerning the treatment of retainages).

(e) *Hybrid method of accounting* is a combination of the cash and accrual methods under which one or more items of income or expense are reported on the cash method and one or more items of income or expense are reported on an accrual method. For purposes of this section 15.01, a hybrid method of accounting includes, for example, a taxpayer that uses an accrual method with respect to purchases and sales of inventories and uses the cash method in computing all other items of income and expense.

(3) *Manner of making change.*

(a) *Section 481(a) adjustment.* A taxpayer changing its method of accounting under this section 15.01 must compute a § 481(a) adjustment. This adjustment must reflect the account receivables, account payables, inventory, and any other item determined to be necessary in order to prevent items from being duplicated or omitted. However, the adjustment does not include any item of income accrued but not received that was worthless or partially worthless (within the meaning of

§ 166(a)) on the last day of the year immediately prior to the year of change.

(b) *Prior change eligibility rule inapplicable.* Any prior change to the overall cash method that the taxpayer implemented using the provisions of Rev. Proc. 2001–10, as modified by Rev. Proc. 2011–14, or Rev. Proc. 2002–28, as modified by Rev. Proc. 2011–14, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015–13.

(c) *Adoption of recurring item exception.* The taxpayer must attach to its Form 3115 a statement describing the types of liabilities for which the recurring item exception will be used.

(d) *Concurrent automatic change to a special method.*

(i) *Generally only one Form 3115 required.* Except as provided in section 15.01(3)(d)(ii) of this revenue procedure, a taxpayer that is changing from the overall cash method to an overall accrual method under this section 15.01 and changing to a special method, as permitted under section 15.01(1)(a)(ii), (iii), or (iv), must timely file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line of that Form 3115. For example, a taxpayer making both a change from the overall cash method to an overall accrual method under this section 15.01 and an automatic change to the deferral method for advance payments under Rev. Proc. 2004–34 (see section 16.07 of this revenue procedure) must timely file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(ii) *Two Forms 3115 required when a concurrent change is being implemented under section 31.01 of this revenue procedure for short-term obligations.* When a taxpayer subject to § 1281 is changing its method of accounting for interest income on short-term obligations as part of the change to an overall accrual method under this section 15.01, that taxpayer must request the change for the interest income under section 31.01 of this revenue procedure. The taxpayer must timely file in-

dividual Forms 3115 for each change requested. This section 15.01 will govern the change to an overall accrual method.

(e) *Concurrent change in accounting method not permitted to be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB.* A taxpayer that does not qualify to change from the overall cash method to an overall accrual method under this section 15.01 because that taxpayer is concurrently changing to a method of accounting that may not be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB, must timely request both changes using the non-automatic change procedures in Rev. Proc. 2015-13. See Rev. Proc. 2016-1, 2016-1 I.R.B. 1 (or successor), for more information on whether one Form 3115 is required to implement the changes, and for information on the appropriate user fee.

(4) *Change made in the first § 448 year.*

(a) *In general.* If the year of change is the first § 448 year for a taxpayer and that taxpayer qualifies to make the change from the cash method under the provisions of §§ 1.448-1(g) and (h) as well as this section 15.01, that taxpayer may choose to make the change using this section 15.01. However, that taxpayer must still comply with the requirements and provisions of §§ 1.448-1(g) and (h) in addition to the requirements and provisions of this section 15.01. For example, if the taxpayer is a hospital, defined in § 1.448-1(g)(2)(ii)(B), and that taxpayer chooses to make its change from the cash method for the first § 448 year using this section 15.01, the applicable § 481(a) adjustment period is provided by § 1.448-1(g)(2)(ii). If a taxpayer chooses not to implement its change from the cash method using this section 15.01, that taxpayer must make the change under the provisions of §§ 1.448-1(g) and (h).

(b) *Prior change eligibility rule inapplicable.* For a taxpayer making a change from the cash method in the first § 448 year, any prior change to the overall cash

method is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

(5) *Designated automatic accounting method change number.*

(a) *Change made in the first § 448 year.* The designated automatic accounting method change number for a change from the cash method in the first § 448 year is “123.” Entering designated automatic accounting method change number “123” on the appropriate line on the Form 3115 fulfills the requirement of § 1.448-1(h)(2)(i) to type or print “Automatic Change to Accrual Method – Section 448” at the top of page 1 of the Form 3115.

(b) *All other changes from the cash method to an overall accrual method.* The designated automatic accounting method change number for all other changes from the cash method under this section 15.01 is “122.”

(6) *Contact information.* For further information regarding a change under this section, contact Cheryl Oseekey, at (202) 317-7007 (not a toll-free call).

.02 *Multi-year insurance policies for multi-year service warranty contracts.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that wants to change its method of accounting for insurance costs paid or incurred to insure its risks under multi-year service warranty contracts to the method described in section 15.02(2) of this revenue procedure. Multi-year service warranty contracts to which this change applies include only those separately priced contracts sold by a manufacturer, wholesaler, or retailer also selling the motor vehicles or other durable consumer goods underlying the contracts (to the ultimate customer or to an intermediary). The classification of goods as “durable consumer goods” for purposes of this change depends on the common usage of the goods, rather than the purchaser’s actual intended use of the goods.

(b) *Inapplicability.* This change does not apply to a taxpayer that covers its risks under its multi-year service warranty contracts through arrangements not constituting insurance.

(2) *Description of method.* If a taxpayer purchases a multi-year service war-

ranty insurance policy (in connection with its sale of multi-year service warranty contracts to customers) by paying a lump-sum premium in advance, the taxpayer must capitalize the amount paid or incurred and may only obtain deductions for that amount by prorating (or amortizing) it over the life of the insurance policy (whether the cash method or an accrual method of accounting is used to account for service warranty transactions).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.02 is “31.”

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

.03 *Taxpayers changing to overall cash method.*

(1) *Description of change.* This change applies to either:

(a) a “qualifying taxpayer” that qualifies to make the change to the overall cash receipts and disbursements (cash) method under Rev. Proc. 2001-10, 2001-1 C.B. 272, (other than a taxpayer described in § 448(a)(3) or a bank described in section 14.12(2)(a) of this revenue procedure) with “average annual gross receipts” (as defined in section 5.01 of Rev. Proc. 2001-10) of \$1,000,000 or less that wants to change to the overall cash method of accounting as provided in Rev. Proc. 2001-10, as modified by Announcement 2004-16, 2004-1 C.B. 668 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011-14, 2011-4 I.R.B. 330 (removing § 6.02(1)(a) of Rev. Proc. 2001-10); or

(b) a “qualifying small business taxpayer” that qualifies to make a change to the overall cash receipts and disbursements (cash) method under Rev. Proc. 2002-28, 2002-1 C.B. 815, (other than a taxpayer prohibited from using the cash method under § 448 or a bank described in section 15.12(2)(a) of this revenue procedure) with “average annual gross receipts” (as defined in section 5.02 of Rev. Proc. 2002-28) of \$10,000,000 or less that wants to change the overall method of accounting for an “eligible trade or business” (as defined in section 4.01 of Rev.

Proc. 2002–28) to the overall cash method of accounting as provided in Rev. Proc. 2002–28, as modified by Announcement 2004–16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011–14 (removing § 7.02(1)(a) of Rev. Proc. 2002–28).

(2) *Manner of making change.* See either Rev. Proc. 2001–10 or Rev. Proc. 2002–28 for additional guidance on the computation of the § 481(a) adjustment and the completion of the Form 3115.

(3) *Concurrent automatic change to treat inventoriable items as nonincidental materials and supplies under Rev. Proc. 2001–10 or Rev. Proc. 2002–28.* A taxpayer making both a change to the overall cash method under this section 15.03 and a change to treat inventoriable items as materials and supplies that are not incidental pursuant to § 1.162–3 under section 22.03 of this revenue procedure for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, for information on making concurrent changes.

(4) *Banks changing to overall cash/hybrid method.* This change does not apply to a bank described in section 15.12(2)(a) of this revenue procedure. However, such a bank may be eligible to change to the overall cash/hybrid method under section 15.12 of this revenue procedure if it meets the requirements of that section.

(5) *Farming businesses changing to overall cash method.* A farming business may be eligible to make this change under section 15.03(1)(a) of this revenue procedure. However, a farming business is not eligible to make this change under section 15.03(1)(b) of this revenue procedure. A farming business that is not eligible under this section 15.03 may still be eligible to change to the overall cash method under section 15.13 of this revenue procedure if it meets the requirements of that section.

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under section 15.03(1)(a) of this revenue procedure is

“32.” The designated automatic accounting method change number for a change under section 15.03(1)(b) of this revenue procedure is “33.”

(7) *Contact information.* For further information regarding a change under this section, contact Megan Kirmil at (202) 317-7007 (not a toll-free call).

.04 *Nonaccrual-experience method.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that wants to make one or more of the changes in method of accounting to, from, or within a nonaccrual-experience (NAE) method of accounting that are described in sections 3.01(1) through (5) of Rev. Proc. 2006–56, 2006–2 C.B. 1169, as modified by Rev. Proc. 2011–14, 2011–4 I.R.B. 330, and as modified and amplified by Rev. Proc. 2011–46, 2011–42 I.R.B. 518.

(b) *Inapplicability.* This change does not apply to a taxpayer within the scope of section 3.01(6) through 3.01(8) of Rev. Proc. 2006–56, as modified and amplified by Rev. Proc. 2011–46.

(2) *Manner of making the change.*

(a) *Changes made with a § 481(a) adjustment.* A change in method of accounting described in section 3.01(1), (2), (3), or (5) of Rev. Proc. 2006–56, as modified and amplified by Rev. Proc. 2011–46, is made with a § 481(a) adjustment.

(b) *Changes made on a cut-off basis.*

(i) *In general.* A change described in section 3.01(4) of Rev. Proc. 2006–56 is made on a cut-off basis and the new applicable period applies only to the taxpayer’s NAE calculation of its uncollectible amount for the year of change and for subsequent years. Moreover, a change described in sections 5.02 and 5.03 of Rev. Proc. 2011–46 is made on a cut-off basis and the proposed method applies only to accounts receivable earned on or after the first day of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required for a change described in section 3.01(4) of Rev. Proc. 2006–56 or in section 5.02 or 5.03 of Rev. Proc. 2011–46.

(ii) *Special filing rules for changes made under section 5.02 and 5.03 of Rev. Proc. 2011–46, as modified by this revenue procedure.*

(A) *Certain eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a change in method of accounting made under section 5.02 or 5.03 of Rev. Proc. 2011–46, as modified by this revenue procedure.

(B) *Filing rules.* In accordance with § 1.446–1(e)(3)(ii), the requirement of § 1.446–1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015–13, the statement in lieu of a Form 3115 that is permitted under section 5.02 or 5.03 of Rev. Proc. 2011–46 and this section 15.04 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015–13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015–13, is waived. See section 5.02 or 5.03 of Rev. Proc. 2011–46, as applicable, for what information is required to be provided on the statement.

(3) *Concurrent change to overall accrual method and a NAE method of accounting.* A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and an automatic change to an overall accrual method under section 15.01 of this revenue procedure (whether or not it is the taxpayer’s first § 448 year), must file a single Form 3115 for both changes. The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to a NAE method, and must enter the automatic accounting method change numbers for both changes on Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and a required change to an overall accrual method under § 448 (the taxpayer’s first § 448 year), and is either not eligible to make the change to an overall accrual method under section 15.01 of this revenue procedure or chooses to make the change to an overall accrual method using the procedures of § 1.448–1(h)(2), must

make both changes (change to, from, or within a NAE method and change to an overall accrual method) on a single Form 3115. The taxpayer must follow the automatic change procedures of Rev. Proc. 2015-13 and this section 15.04 for the NAE change, and the procedures of § 1.448-1(h)(2) for the change to an overall accrual method (except that entering the designated automatic accounting method change number “34” on the Form 3115 fulfills the requirement of § 1.448-1(h)(2) to type or print “Automatic Change to Accrual – Section 448” at the top of page 1 of the Form 3115). The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to the NAE method and must enter the designated automatic accounting method change numbers for both changes on Form 3115.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change to, from, or within a NAE method of accounting under this section 15.04 is “35.”

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

.05 Interest accruals on short-term consumer loans—Rule of 78’s method.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting from the Rule of 78’s method to the constant yield method for stated interest (including stated interest that is original issue discount) on short-term consumer loans described in Rev. Proc. 83-40, 1983-1 C.B. 774, which was obsoleted by Rev. Proc. 97-37, 1997-2 C.B. 455.

(2) Background.

(a) A short-term consumer loan is described in Rev. Proc. 83-40, provided:

(i) the loan is a self-amortizing loan that requires level payments, at regular intervals at least annually, over a period not in excess of five years (with no balloon payment at the end of the loan term); and

(ii) the loan agreement between the borrower and the lender provides that in-

terest is earned, or upon the prepayment of the loan interest is treated as earned, in accordance with the Rule of 78’s method.

(b) In general, the Rule of 78’s method allocates interest over the term of a loan based, in part, on the sum of the periods’ digits for the term of the loan. See Rev. Rul. 83-84, 1983-1 C.B. 97, for a description of the Rule of 78’s method.

(c) In general, the constant yield method allocates interest and original issue discount over the term of a loan based on a constant yield. See § 1.1272-1(b) for a description of the constant yield method. The Rule of 78’s method generally frontloads interest as compared to the constant yield method.

(d) Rev. Proc. 83-40 was obsoleted because, under §§ 1.446-2 and 1.1272-1 (which were effective for debt instruments issued on or after April 4, 1994), taxpayers generally must account for stated interest and original issue discount on a debt instrument (loan) by using a constant yield method. As a result, the Rule of 78’s method is no longer an acceptable method of accounting for federal income tax purposes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.05 is “71.”

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

.06 Film producer’s treatment of certain creative property costs.

(1) *Description of change.* This change applies to a taxpayer that wants to change the method of accounting for creative property costs to the safe harbor method provided by section 5 of Rev. Proc. 2004-36, 2004-1 C.B. 1063. This safe harbor method of accounting applies to a taxpayer engaged in the trade of business of film production and to creative property costs (as defined in section 2.01 of Rev. Proc. 2004-36) properly written off by the taxpayer under The American Institute of Certified Public Accountants Statement of Position (SOP) 00-2, “Accounting for Producers or Distributors of Film.”

(2) *Designated automatic accounting method change number.* The designated

automatic accounting method change number for a change under this section 15.06 is “85.”

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

.07 Deduction of incentive payments to health care providers.

(1) *Description of change.* This change applies to a taxpayer that wants to change to the method of accounting for provider incentive payments under which those payments are included in discounted unpaid losses without regard to § 404, as provided in Rev. Proc. 2004-41, 2004-2 C.B. 90. A payment by a taxpayer to a health care provider is a “provider incentive payment,” and thus eligible for this treatment, if (a) the taxpayer is taxable as an insurance company under Part II of subchapter L; (b) the payment is made pursuant to a written agreement the purpose of which is to encourage participating health care providers to provide quality health care to the taxpayer’s subscribers in a cost-efficient manner; (c) the taxpayer’s liability for the payment is dependent on the attainment of one or more preestablished goals during a performance period consisting of not more than 12 consecutive months; (d) the terms of the arrangement pursuant to which the payment is made are established unilaterally by the taxpayer, and are not negotiated with the health care providers; (e) the taxpayer normally makes payments to health care providers under the arrangement within 12 months after the close of the performance period; (f) deferring the receipt of income by the health care provider or otherwise providing a tax benefit to the provider is not a principal purpose of the arrangement; (g) the taxpayer records a liability for the payment on its annual statement filed for state regulatory purposes, and includes this liability in the determination of discounted unpaid losses under § 846; and (h) the health care provider is not an employee, and is not providing health care as an agent, of the taxpayer. See Rev. Proc. 2004-41.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change

number for a change under this section 15.07 is “90.”

(2) *Contact information.* For further information regarding a change under this section, contact Rebecca L. Baxter, at (202) 317-6995 (not a toll-free call).

.08 *Change by bank for uncollected interest.*

(1) *Description of change.* This change applies to a “bank” as defined in § 1.166-2(d)(4)(i) that: (a) uses an overall accrual method of accounting to determine its taxable income for federal income tax purposes; (b) is subject to supervision by Federal authorities, or by state authorities maintaining substantially equivalent standards; (c) has uncollected interest other than interest described in § 1.446-2(a)(2); and (d) has six or more years of collection experience. Under the safe harbor method of accounting provided by section 4 of Rev. Proc. 2007-33, 2007-1 C.B. 1289, a bank determines for each taxable year the amount of uncollected interest (other than interest described in § 1.446-2(a)(2)) for which it is considered to have a reasonable expectancy of payment by multiplying: (a) the total accrued (determined under § 1.446-2) but uncollected interest for the year, by (b) the bank’s “recovery percentage” (determined under section 4.02 of Rev. Proc. 2007-33) for that year. Solely for purposes of this safe harbor, the bank is not considered to have a reasonable expectancy of payment for the excess, if any, of the accrued but uncollected interest over the expected collection amount determined using the bank’s recovery percentage. The bank includes in gross income the portion of accrued but uncollected interest for which it has a reasonable expectancy of payment. The bank excludes from income the portion of accrued but uncollected interest for which it has no reasonable expectancy of payment.

(2) *Recovery percentage.* Subject to the limitations and conditions in Rev. Proc. 2007-33, sections 4.02(2), (3), and (4), a bank determines its recovery percentage for each taxable year by dividing: (a) total payments that the bank received on loans (including principal and interest) during the 5 taxable years immediately preceding the taxable year, by (b) total amounts that were due and payable to the bank on loans during the same 5 taxable years. The re-

covery percentage cannot exceed 100 percent and must be calculated to at least four decimal places. The data used in the recovery percentage must take into account acquisitions and dispositions. If a bank acquires the major portion of a trade or business of another person (predecessor) or the major portion of a separate unit of a trade or business of a predecessor, then in applying Rev. Proc. 2007-33 for any taxable year ending on or after the acquisition, the data from preceding taxable years of the predecessor attributable to the portion of the trade or business acquired, if available, must be used in determining the bank’s recovery percentage. If a bank disposes of a major portion of a trade or business or the major portion of a separate unit of a trade or business, and the bank furnished the acquiring person the information necessary for the computations required by Rev. Proc. 2007-33, then in applying the revenue procedure for any taxable year ending on or after the disposition, the data from preceding taxable years attributable to the disposed portion of the trade or business may not be used in determining the bank’s recovery percentage.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.08 is “108.”

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

.09 *Change from the cash method to an accrual method for specific items.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that uses an overall accrual method of accounting but has identified a specific item or items of income or expense (or both) that are being accounted for on the cash method of accounting. This change does not apply to a taxpayer that is changing its overall method of accounting from cash to accrual. Such a taxpayer may be eligible to change to an overall accrual method using section 15.01 of this revenue procedure.

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

(i) a taxpayer that will not have all items of income and expense on an accrual method subsequent to the change under this section 15.09;

(ii) a cooperative organization described in § 501(c)(12), 521, or 1381;

(iii) an individual taxpayer, except for activities conducted as a sole proprietorship;

(iv) a taxpayer engaged in two or more trades or businesses, unless the taxpayer makes this change so that the identical accrual method is used for each such trade or business beginning with the year of change;

(v) a change in method of accounting for any payment liability described in § 1.461-4(g);

(vi) a change in the method of accounting for interest that is not taken into account under § 1.446-2;

(vii) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 457A(d)(3) that is attributable to services performed before January 1, 2009; and

(viii) any change that is specifically provided in another section of this revenue procedure.

(2) *Definitions.*

(a) “Cash method of accounting” is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(b) “Accrual method of accounting” is the method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(ii), 1.451-1(a), and 1.461-1(a)(2).

(3) *Additional requirements.* To change a method of accounting under this section 15.09, a taxpayer must attach to its completed Form 3115 a full and complete description of each specific item for which the change in method of accounting is being made and how the accrual method of accounting applies to each item, and list the § 481(a) adjustment, if any, for each item associated with the change. The change is fully and completely described if each income and expense item is described with specificity and how the all-events test (and the economic performance requirement, if applicable) applies to each item is described under the facts and circumstances of the taxpayer’s trade or business. For example, a taxpayer that

merely states that it is changing its accounting method for advertising expenses from the cash method to an accrual method, recites the regulations under § 1.461-1(a)(2), and enters the associated § 481(a) adjustment has failed to describe fully and completely the specific item for which the change in method of accounting is being made. In contrast, a taxpayer that states that it is changing its method of accounting for print advertising expenses from the cash method of accounting to an accrual method of accounting, describes all of the relevant facts related to the print advertising expenses, and explains how the all-events test applies to those facts and when economic performance occurs has fully and completely described the item and the change. See section 6.03 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for additional filing requirements.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.09 is “124.”

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

.10 *Multi-year service warranty contracts.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that uses an overall accrual method of accounting, and wants to change to the service warranty income method described in section 5 of Rev. Proc. 97-38, 1997-2 C.B. 479. Under the service warranty income method, a qualifying taxpayer may, in certain specified and limited circumstances, include a portion of an advance payment related to the sale of a multi-year service warranty contract in gross income generally over the life of the service warranty obligation.

(b) *Inapplicability.* This change does not apply to a taxpayer not within the scope of Rev. Proc. 97-38.

(2) *Manner of making change and designated automatic accounting method change number.*

(a) This change is made on a cut-off basis and applies only to qualified ad-

vance payments for multi-year service warranty contracts on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived and pursuant to section 6.02(2) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, a short Form 3115 is authorized for this change. The short Form must include the following information:

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

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

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

(iv) the information required under section 6.03 of Rev. Proc. 97-38, except that the statement under section 6.03(2) (that the taxpayer agrees to all of the terms and conditions of the revenue procedure) also should refer to Rev. Proc. 2015-13.

(3) *Additional requirement.* A taxpayer changing to the service warranty income method of accounting under this section 15.10 must satisfy the annual reporting requirement set forth in section 6.04 of Rev. Proc. 97-38.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.10 is “125.”

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

.11 *Overall cash method for specified transportation industry taxpayers.*

(1) *Description of change.* This change applies to a “specified transportation industry taxpayer” with “average annual gross receipts” of more than \$10,000,000 and not in excess of \$50,000,000 that wants to change to the overall cash receipts and disbursement (cash) method.

(2) *Definitions.* For purposes of this section 15.11 the following definitions apply:

(a) *Specified transportation industry taxpayer.* A specified transportation industry taxpayer is a taxpayer that satisfies the following criteria for the year of change:

(i) The taxpayer reasonably identifies its “business” (as defined in section 15.11(2)(b) below) as being described in one of the following NAICS subsector codes (first three digits of the six-digit NAICS codes):

(A) Air Transportation, Rail Transportation, Water Transportation, Truck Transportation, Transit and Ground Passenger Transportation, or Scenic and Sightseeing Transportation, within the meaning of NAICS subsector codes 481-485 and 487; or

(B) Support Activities for Transportation within the meaning of NAICS subsector code 488.

(ii) The taxpayer is not prohibited from using the overall cash method under § 448.

(b) *Business.* A taxpayer may use any reasonable method of applying the relevant facts and circumstances to determine its business. A business may consist of several activities, which may or may not be related. For example, a taxpayer engaged in transportation activities may provide various services such as transporting air cargo and then subsequently trucking the cargo throughout a metropolitan area to warehouses and wholesale/retail stores. However, each activity within a taxpayer’s business must individually satisfy the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. For example, a sightseeing bus operator that sells box lunches in connection with its tours is not a “specified transportation industry taxpayer” because one of the two activities of its business (food sales) does not satisfy the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. While the sightseeing transportation activity satisfies the description of the NAICS subsector code in section 15.11(2)(a)(i)(A) of this revenue procedure, the food sales activity does not satisfy the description of any NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure, and thus, the taxpayer’s business fails to meet the criteria of section 15.11(2)(a)(i). Similarly, a train operator who operates a dining car where meals are served is not a “specified transportation industry taxpayer” because one of the two activities of its business (food service) does not satisfy

the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure. While the rail transportation activity satisfies the description of a NAICS subsector code in section 15.11(2)(a)(i)(A) of this revenue procedure, the food service activity does not satisfy the description of any NAICS subsector code in section 15.11(2)(a)(i)(A) or (B) of this revenue procedure, and thus, the taxpayer's business fails to meet the criteria of section 15.11(2)(a)(i).

(c) *Average annual gross receipts.* A taxpayer has average annual gross receipts of more than \$10,000,000 and not in excess of \$50,000,000 if, for each prior taxable year ending on or after December 31, 2006, the taxpayer's average annual gross receipts for the three prior taxable-year period ending with the applicable prior taxable year are more than \$10,000,000 and do not exceed \$50,000,000. If a taxpayer has not been in existence for three prior taxable years, the taxpayer must determine its average annual gross receipts for the number of years (including short taxable years) that the taxpayer has been in existence. See § 448(c)(3)(A).

(d) *Gross receipts.* Gross receipts is defined consistent with § 1.448-1T(f)(2)(iv). Thus, gross receipts for a taxable year equal all receipts that must be recognized under the method of accounting actually used by the taxpayer for that taxable year for federal income tax purposes. See also § 448(c)(3)(C).

(e) *Aggregation of gross receipts.* For purposes of computing gross receipts under section 15.11(2)(d) of this revenue procedure, all taxpayers treated as a single employer under § 52(a) or (b) or § 414(m) or (o) (or that would be treated as a single employer under these sections if the taxpayers had employees) will be treated as a single taxpayer. However, when transactions occur between taxpayers that are treated as a single taxpayer by the previous sentence, gross receipts arising from these transactions will not be treated as gross receipts for purposes of the average annual gross receipts limitation. See § 448(c)(2) and § 1.448-1T(f)(2)(ii).

(f) *Treatment of short taxable year.* In the case of a short taxable year, a taxpayer's gross receipts must be annualized by multiplying the gross receipts for the short taxable year by 12 and then dividing the

result by the number of months in the short taxable year. See § 448(c)(3)(B) and § 1.448-1T(f)(2)(iii).

(g) *Treatment of predecessors.* Any reference to a taxpayer in this section 15.11 includes a reference to any predecessor of that taxpayer. See § 448(c)(3)(D).

(h) *Cash method.* The "cash method" is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.11 is "126."

(4) *Example.* Taxpayer X is an LLC and taxed for federal income tax purposes as a partnership. Taxpayer X does not have any C corporations as partners and Taxpayer X is not a tax shelter within the meaning of § 448(d)(3). Taxpayer X's business consists of short-haul trucking among various cities within State Y, which satisfies the description of the NAICS subsector code 484. Taxpayer X determines that its 3-year average annual gross receipts for each prior taxable year ending on or after December 31, 2006, have been more than \$10,000,000 and not in excess of \$50,000,000. Taxpayer X qualifies to change to the overall cash method using this section 15.11.

(5) *Contact information.* For further information regarding a change under this section, contact Megan Kirmil at (202) 317-7007 (not a toll-free call).

15.12 Change to overall cash/hybrid method for certain banks.

(1) Description of change.

(a) *Applicability.* This change applies to a bank described in section 15.12(2)(a) of this revenue procedure that wants to change to an overall cash/hybrid method described in section 15.12(2)(b) of this revenue procedure.

(b) *Inapplicability.* A bank's change to an overall cash/hybrid method under this section 15.12 does not include any change in the accounting treatment of an item for which the bank uses a special method (as described in section 15.12(2)(b) of this revenue procedure) before the change, or is required to use a special method, or will use a special method after the change. A

bank may not change the accounting treatment of such an item under this section 15.12. Any change in the accounting treatment of such an item must be made under an applicable section of this revenue procedure, under the non-automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, or under another guidance published in the Internal Revenue Bulletin, as appropriate.

(2) *Definitions.* The following definitions apply for purposes of this section 15.12.

(a) *Bank.* A bank is described in this section 15.12(2)(a) if the bank:

(i) is a bank as defined in § 581;

(ii) is an S corporation as defined in § 1361(a)(1), or a qualified subchapter S subsidiary as defined in § 1361(b)(3)(B); and

(iii) has average annual gross receipts (computed as described in section 15.12(5) of this revenue procedure) not in excess of \$50,000,000.

(b) *Overall cash/hybrid method.* An overall cash/hybrid method is the use of a combination of accounting methods under which some items of income or expense are reported on the cash receipts and disbursements method (cash method) and other items of income or expense are reported on methods permitted or required for the accounting treatment of special items (special methods).

(i) *Cash method.* The cash method is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1).

(ii) *Special methods.* A few of the special methods typically used by banks include those provided for the accounting treatment of the following items: securities held by a dealer in securities as defined in § 475(c)(1) (the mark-to-market method of § 475); securities held by a dealer in securities as defined in § 1.471-5 (inventories maintained under § 471 and § 1.446-1(c)(2)(i)); hedging transactions (§ 1.446-4); contracts to which § 1256 applies (§ 1256); original issue discount on debt instruments (§§ 163(e) and 1271-1275); interest income (including acquisition discount and original issue discount) on short-term obligations (§§ 1281-1283); and stripped debt instruments (§ 1286). For example, a bank that regularly purchases or originates mortgages in

the ordinary course of its business and engages in more than negligible sales of those mortgages generally is a dealer in securities under § 475(c)(1) and § 1.475(c)-1(c) and thus must use the mark-to-market method of § 475 for mortgages and any other securities (as defined in § 475(c)(2)) held by the bank.

(3) *Additional condition of change.* To change to an overall cash/hybrid method under this section 15.12, a bank must comply with the following additional condition. In addition to complying with the terms and conditions set forth in section 7 of Rev. Proc. 2015-13, the bank must keep its books and records for the year of change and for subsequent taxable years on an overall cash/hybrid method allowed by this section 15.12. This condition is considered satisfied if the bank reconciles the results obtained under the method used in keeping its books and records and those obtained under the method used for federal income tax purposes pursuant to this section 15.12 and the bank maintains sufficient records to support such reconciliation. *See also* § 1.446-1(a)(4).

(4) *Additional filing requirement.* To change to an overall cash/hybrid method under this section 15.12, a bank must include with its completed Form 3115 a description of each specific item of the bank's income or expense that is affected by the change under this section 15.12 and, for each such item, identify the following: the method of accounting under which the bank reports that item for federal income tax purposes immediately before the change; and the amount of the § 481(a) adjustment associated with changing that item to the cash method under this section 15.12.

(5) *Computation of average annual gross receipts.* For purposes of section 15.12(2)(a)(iii) of this revenue procedure, a bank's average annual gross receipts are computed as described in this section 15.12(5).

(a) *Average annual gross receipts.* A bank has average annual gross receipts not in excess of \$50,000,000 if, for each prior taxable year ending on or after December 31, 2006, the bank's average annual gross receipts for the three prior taxable-year period ending with the applicable prior taxable year do not exceed \$50,000,000. If a bank has not been in existence for three

prior taxable years, the bank must determine its average annual gross receipts for the number of years (including short taxable years) that the bank has been in existence. *See* § 448(c)(3)(A).

(b) *Gross receipts.* Gross receipts is defined consistent with § 1.448-1T(f)(2)(iv). Thus, gross receipts for a taxable year equal all receipts that must be recognized under the method of accounting actually used by the bank for that taxable year for federal income tax purposes. *See also* § 448(c)(3)(C).

(c) *Aggregation of gross receipts.* For purposes of computing gross receipts under section 15.12(5)(b) of this revenue procedure, all taxpayers treated as a single employer under § 52(a) or (b) or § 414(m) or (o) (or that would be treated as a single employer under these sections if the taxpayers had employees) will be treated as a single taxpayer (that is, a single bank). However, when transactions occur between taxpayers that are treated as a single taxpayer by the previous sentence, gross receipts arising from these transactions will not be treated as gross receipts for purposes of the average annual gross receipts limitation. *See* § 448(c)(2) and § 1.448-1T(f)(2)(ii).

(d) *Treatment of short taxable year.* In the case of a short taxable year, a bank's gross receipts must be annualized by multiplying the gross receipts for the short taxable year by 12 and then dividing the result by the number of months in the short taxable year. *See* § 448(c)(3)(B) and § 1.448-1T(f)(2)(iii).

(e) *Treatment of predecessors.* Any reference to a bank or taxpayer in section 15.12(5) of this revenue procedure includes a reference to any predecessor of that bank or taxpayer. *See* § 448(c)(3)(D).

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.12 is "127."

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

.13 *Change to overall cash method for farmers.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer engaged in the trade or business of farming that wants to change to the overall cash receipts and disbursement (cash) method. If a taxpayer is engaged in more than one trade or business, this change applies only to the taxpayer's trade or business of farming.

(b) *Inapplicability.* This change does not apply to a taxpayer that is required to use an accrual method pursuant to § 447 or prohibited from using the cash method by § 448.

(2) *Definitions.*

(a) Cash method of accounting is the method defined by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1). *See also* §§ 1.61-4 and 1.162-12 for specific rules relating to farmers.

(b) The trade or business of farming is a farming business as defined by § 263A(e)(4) and the regulations thereunder.

(3) *Manner of making change.* Generally, a taxpayer changing its method of accounting under this section 15.13 must compute a § 481(a) adjustment. However, if the taxpayer is changing from the crop method, that portion of the change is made using a cut-off basis under which expenses reported on the crop method and not deducted prior to the year of change are deducted in the year the related crop is sold.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.13 is "128."

(5) *Contact information.* For further information regarding a change under this section, contact Maxine Woo-Garcia at (202) 317-7011 or Christina Glendening at (202) 317-7003 (not a toll-free call).

.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 regu-

lated 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, 2008-1 C.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 and that meet the requirements of §§ 118(c)(1)(B) and 118(c)(1)(C) from including the payments or the fair market value of the property in gross income under § 61 to excluding the payments or the fair market value of the property from income as nontaxable contributions to capital under § 118(a).

(b) *Other payments or property received.* This change applies to a taxpayer that wants to change its method of accounting for payments or property received (other than the payments received by a public utility described in § 118(c) that are addressed in section 15.14(1)(a)(i) of this revenue procedure) that do not constitute contributions to the capital of the taxpayer within the meaning of § 118 and the regulations thereunder, from excluding the payments or the fair market value of the property from gross income as nontaxable contributions to capital under § 118 to including the payments or the fair market value of the property in gross income under § 61.

(2) *Additional requirement.* A taxpayer that is making a change described in section 15.14(1)(a)(i) or (1)(b) must complete Schedule E of Form 3115 for the depreciable property to which the change relates (as well as all other relevant portions of the Form 3115).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.14 is "129."

(4) *Contact information.* For further information regarding a change under this section, contact David H. McDonnell at (202) 317-4137 (not a toll-free call).

.15 Debt issuance costs.

(1) *Description of change.* This change applies to a taxpayer that wants to change

its method of accounting for capitalized debt issuance costs to comply with § 1.446-5, which provides rules for allocating the costs over the term of the debt. This change also applies to a taxpayer that wants to change its method of accounting for capitalized debt issuance costs from one permissible method to another permissible method under the last sentence in § 1.446-5(b)(2) if the total original issue discount determined for purposes of § 1.446-5 is *de minimis*.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 15.15 is "148."

(3) *Contact information.* For further information regarding a change under this section, contact Charles W. Culmer at (202) 317-6945 (not a toll-free number).

SECTION 16. TAXABLE YEAR OF INCLUSION (§ 451)

.01 Accrual of interest on nonperforming loans.

(1) *Description of change.*

(a) This change applies to a taxpayer using an overall accrual method of accounting that is a bank as defined in § 581 (or whose primary business is making or managing loans) and wants to change its method of accounting to comply with § 451 and § 1.451-1(a) for qualified stated interest (as defined in § 1.1273-1(c)) on nonperforming loans.

(b) Section 1.451-1(a) requires income to be accrued when all the events have occurred that fix the right to receive the income and the amount thereof can be determined with reasonable accuracy. A taxpayer may not stop accruing qualified stated interest on a nonperforming loan for federal income tax purposes merely because payments on the loan are overdue by a certain length of time, such as 90 days, even if a federal, state, or other regulatory authority having jurisdiction over the taxpayer permits or requires that the overdue interest not be accrued for regulatory purposes.

(c) Under § 451 and § 1.451-1(a), a taxpayer must continue accruing qualified stated interest on any nonperforming loan until either (i) the loan is worthless under § 166 and charged off as a bad debt, or (ii)

the interest is determined to be uncollectible. In order for interest to be determined uncollectible, the taxpayer must substantiate, taking into account all the facts and circumstances, that it has no reasonable expectation of payment of the interest. This substantiation requirement is applied on a loan by loan basis.

(d) A taxpayer that changes its method of accounting under this section 16.01 must do so for all of its loans.

(2) *Section 481(a) adjustment.* In general, the § 481(a) adjustment for a method change under this section 16.01 represents the amount of qualified stated interest on the taxpayer's nonperforming loans outstanding as of the beginning of the year of change that should have been accrued under § 451 and § 1.451-1(a) and was not accrued. Interest for which the taxpayer, as of the beginning of the year of change, has no reasonable expectation of payment is not taken into account in determining the amount of the § 481(a) adjustment.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.01 is "36."

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

.02 Advance rentals.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for advance rentals (other than advance rentals subject to § 467 and the regulations thereunder) to include such advance rentals in gross income in the taxable year received. See § 1.61-8(b).

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.02 is "37."

(3) *Contact information.* For further information regarding a change under this section, contact Daniel Cassano at (202) 317-7011 (not a toll-free call).

.03 State or local income or franchise tax refunds.

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that receives a state or local income or franchise tax refund and wants to accrue the refund in the taxable year the taxpayer receives payment or notice that the claim has been approved, whichever is earlier, as provided in Rev. Rul. 2003-3, 2003-1 C.B. 252.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.03 is “38.”

(3) *Contact information.* For further information regarding a change under this section, contact Sandra Cheston at (202) 317-7011 (not a toll-free call).

.04 Capital Cost Reduction Payments.

(1) *Description of change.* This change applies to a taxpayer that purchases motor vehicles subject to leases and assumes the associated leases from the vehicles’ dealers and wants to use the safe harbor method of accounting for capital cost reduction (CCR) payments specified in Rev. Proc. 2002-36, 2002-1 C.B. 993.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.04 is “39.”

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

.05 Credit card annual fees.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for credit card annual fees as described in Rev. Rul. 2004-52, 2004-1 C.B. 973, either to a method that satisfies the all events test in accordance with Rev. Rul. 2004-52 or to the Ratable Inclusion Method for Credit Card Annual Fees that is described in section 4 of Rev. Proc. 2004-32, 2004-1 C.B. 988. Rev. Rul. 2004-52 holds that credit card annual fees are not interest for federal income tax purposes and that such

fees are includible in income by the card issuer when the all events test under § 451 is satisfied. Rev. Proc. 2004-32 provides additional guidance for taxpayers seeking to change their methods of accounting for such fees, including guidance with respect to the Ratable Inclusion Method for Credit Card Annual Fees. However, a taxpayer may make either change under this revenue procedure only if the taxpayer uses an overall accrual method of accounting for federal income tax purposes and issues credit cards to, and receives annual fees from, cardholders under agreements that allow each cardholder to use a credit card to access a revolving line of credit to make purchases of goods and services and, if so authorized, to obtain cash advances.

(2) *Manner of making change.* In completing its Form 3115 to make this change, a taxpayer must identify the specific method to which the taxpayer is changing.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.05 to a method that satisfies the all events test in accordance with Rev. Rul. 2004-52 is “80.” The designated automatic accounting method change number for a change under this section 16.05 to the Ratable Inclusion Method for Credit Card Annual Fees is “81.”

(4) *Contact information.* For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.06 Credit card late fees.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for credit card late fees to a method that treats these fees as interest income that creates or increases the amount of original issue discount (OID) on the pool of credit card loans to which the fees relate. This change is available only to a taxpayer that issues credit cards allowing cardholders to access a revolving line of credit established by the taxpayer and that, for federal income tax purposes, does not treat the credit card purchase transactions of its cardholders as creating either debt that is given in consideration for the sale or exchange of property (within the meaning of § 1274)

or debt that is deferred payment for property (within the meaning of § 483). See Rev. Proc. 2004-33, 2004-1 C.B. 989, for additional guidance relating to this change.

(2) *Additional requirements.* A taxpayer making this change must be able to demonstrate both of the following:

(a) the amount of any credit card late fee charged to each cardholder by the taxpayer is separately stated on the cardholder’s account when that fee is imposed; and

(b) under the applicable credit card agreement governing each cardholder’s use of the credit card, no amount identified as a credit card late fee is charged for property or for specific services performed by the taxpayer for the benefit of the cardholder.

(3) *Audit protection.* Any audit protection provided in connection with this change is not a determination by the Commissioner that the taxpayer is properly accounting for any OID income on that pool of credit card loans. Thus, for example, the IRS is not precluded from pursuing the issue of whether a taxpayer is properly accounting for its OID income (including any OID income attributable to credit card late fees) on its pool of credit card loans in accordance with § 1272(a)(6).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.06 is “82.”

(5) *Contact information.* For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.07 Advance payments.

(1) *Description of change.*

(a) *Applicability.* This change applies to:

(i) a taxpayer using or changing to an overall accrual method of accounting that receives advance payments, as defined in Rev. Proc. 2004-34, 2004-1 C.B. 991, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443, and Rev. Proc. 2013-29, 2013-33 I.R.B. 141, and as modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, and wants to change to either the full inclusion or deferral method, as described in Rev. Proc. 2004-

34, other than a taxpayer changing to a method described in section 15.11 of this revenue procedure. See also Announcement 2004-48, 2004-1 C.B. 998.

(ii) a taxpayer using an overall accrual method of accounting that receives advance payments, as defined in § 1.451-5(a)(1), and wants to change to the method of including advance payments in income in the taxable year of receipt. See § 1.451-5(b)(1).

(b) *Inapplicability.* This change does not apply to a taxpayer that wants to use the Deferral Method for payments described in section 5.02(4)(a) of Rev. Proc. 2004-34 (other than allocable payments described in section 5.02(4)(c) of Rev. Proc. 2004-34) or for payments for which a method under section 5.02(3)(b)(i) or (iii) of Rev. Proc. 2004-34 applies. The taxpayer must request any such change in method of accounting using the non-automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419. See section 8.03 of Rev. Proc. 2004-34.

(2) *Concurrent automatic change to an overall accrual method.* A taxpayer making both a change to its method of accounting for advance payments under this section 16.07 and a change to an overall accrual method under section 15.01 of this revenue procedure for the same year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under section 16.07(1)(a)(i) of this revenue procedure to use the full-inclusion method is “83.” The designated automatic accounting method change number for a change under section 16.07(1)(a)(i) of this revenue procedure to use the deferral method is “84.” The designated automatic accounting method change number for a change under section 16.07(1)(a)(ii) of this revenue procedure is “216.”

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

.08 *Credit card cash advance fees.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for credit card cash advance fees to a method that treats these fees as creating or increasing original issue discount (OID) on a pool of credit card loans that includes the cash advances that give rise to the fees. This change is available only to a taxpayer that issues credit cards allowing cardholders to access a revolving line of credit established by the taxpayer both to make credit card purchase transactions and to obtain cash advances and that, for federal income tax purposes, does not treat the credit card purchase transactions of its cardholders as creating debt that is given in consideration for the sale or exchange of property. See Rev. Proc. 2005-47, 2005-2 C.B. 269, for additional guidance relating to this change.

(2) *Other requirements.* A taxpayer making this change must be able to demonstrate both of the following:

(a) the amount of any credit card cash advance fee charged to a cardholder by the taxpayer is separately stated on the cardholder’s account when that fee is imposed; and

(b) under the credit card agreement with the cardholder, no amount identified as a credit card cash advance fee is charged for property or for specific services performed by the taxpayer for the benefit of the cardholder.

(3) *Audit protection.* Any audit protection applicable to this change under section 8 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, is not a determination by the Commissioner that the taxpayer is properly accounting for any OID income on that pool of credit card loans. Thus, for example, the IRS is not precluded from pursuing the issue of whether, under § 1272(a)(6), a taxpayer is correctly accounting for its OID income (including any OID income attributable to credit card cash advance fees) on its pool of credit card loans.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under section 16.08 is “94.”

(5) *Contact information.* For further information regarding a change under this section, contact Kate Sleeth at (202) 317-7053 (not a toll-free call).

.09 *Retainages.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for treating retainages to a method consistent with the holding in Rev. Rul. 69-314, 1969-1 C.B. 139. A taxpayer changing its method of accounting for retainages under this section 16.09 must treat all retainages, that is both receivables and payables, in the same manner.

(b) *Inapplicability.* This change does not apply to retainages (receivables and payables) for long-term contracts that must be accounted for under the percentage-of-completion method (PCM) under § 460. Nor does this change apply to long-term contracts otherwise accounted for under the PCM or long-term contracts accounted for under exempt percentage-of-completion method or the completed contract method. For the treatment of retainages under such methods, see Treas. Reg. §§ 1.460-4(b)(4)(i)(A) and 1.460-4(d)(3).

(2) *Manner of making change.*

(a) Except as provided in section 16.09(2)(b) of this revenue procedure, a taxpayer changing its method of accounting under this section 16.09 must take into account a § 481(a) adjustment.

(b) For retainages received and paid in connection with long term contracts that are exempt construction contracts (as defined in § 1.460-3(b)(1)) accounted for using the taxpayer’s overall accrual method of accounting, this change is made on a cut-off basis and applies only to long-term contracts entered into on or after the beginning of the year of change. See § 1.460-1(c)(2) for a description of when a contract is treated as “entered into.” Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.09 for retainages not received under long-term contracts is “130.” The desig-

nated automatic method change number for a change under this section 16.09 for retainages received under long-term contracts is “217.” A taxpayer making a change under this section 16.09 that has both types of retainages must file a single Form 3115 and enter both change numbers on the appropriate line on Form 3115.

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

.10 *Advance payments – change in applicable financial statements (AFS).*

(1) *Description of change.*

(a) *Applicability.*

(i) This change applies to a taxpayer that: (A) receives advance payments, as defined in Rev. Proc. 2004–34, 2004–1 C.B. 991, as modified and clarified by Rev. Proc. 2011–18, 2011–5 I.R.B. 443, and Rev. Proc. 2013–29, 2013–33 I.R.B. 141, and as modified by Rev. Proc. 2011–14, 2011–4 I.R.B. 330, (B) uses the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004–34 for including those advance payments in gross income in accordance with its applicable financial statement (AFS), (C) changes the manner in which it recognizes advance payments in revenues in its AFS, and (D) wants to change its method of accounting to use its proposed method of recognizing advance payments in revenues in its AFS for determining the extent to which advance payments are included in gross income under Rev. Proc. 2004–34.

(ii) A taxpayer’s restatement of its AFS for financial accounting presentation does not affect the propriety of the taxpayer’s method of accounting for advance payments in the prior taxable year(s). Thus, if the taxpayer uses the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004–34 for including advance payments in gross income in accordance with its AFS (even if the AFS for that taxable year is later restated), the taxpayer satisfies the requirement of section 16.10(1)(a)(i)(B) of this revenue procedure and may change its method of accounting under this section if it is otherwise eligible.

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

(i) a taxpayer that uses a present method of accounting for advance pay-

ments that is not the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004–34. For example, this change does not apply to a taxpayer that uses the full inclusion method under section 5.01 of Rev. Proc. 2004–34;

(ii) a taxpayer that wants to change its method for allocating payments under section 5.02(4) of Rev. Proc. 2004–34.

(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 advance payments received on or after the beginning of the year of change. Any advance payments received prior to the year of change are accounted for under the taxpayer’s former method of accounting (that is, according to its former AFS). Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446–1(e)(3)(ii), the requirement of § 1.446–1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 16.10 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015–13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015–13, is waived. The statement attached to the taxpayer’s return for the year of change must include the following information:

(i) the designated automatic accounting change number for this change, which is “153;”

(ii) the taxpayer’s name and employer identification (or social security number in the case of an individual) for each applicant as would be provided had a Form 3115 been required;

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

(iv) for each applicant, identify the type of applicable financial statement (as defined in section 4.06 of Rev. Proc. 2004–34) used by the taxpayer;

(v) a detailed and complete description of each type of item affected by the change in revenue recognition and the line

number (or schedule) where the affected item is reflected on the federal tax return for the year of change; and

(vi) a detailed description of 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) both before and after the change in the revenue recognition policy for the applicable financial statement.

(3) *Certain eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) Rev. Proc. 2015–13 does not apply to this change.

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

(5) *Special rule.*

(a) *Background.* Under § 446(e), a taxpayer that changes its book method of accounting must secure the Commissioner’s consent before applying its new book method of accounting for tax purposes. *See also* § 1.446–1(e)(2)(i). Accordingly, a taxpayer that previously elected to defer advance payments under Rev. Proc. 2004–34 is required to obtain consent under § 446(e) if the taxpayer subsequently changes its book method for the deferred advance payments and wants to use its new AFS in determining the extent to which advance payments are included in gross income under Rev. Proc. 2004–34. The IRS recognizes that some taxpayers took the position that consent under § 446(e) was not required in these circumstances and changed their method of accounting without properly obtaining consent. The safe harbor described below in section 16.10(5)(b) of this revenue procedure is provided to reduce controversy in this area.

(b) *Safe harbor.* If before January 10, 2011, a taxpayer: (i) received advance payments, as defined in Rev. Proc. 2004–34; (ii) used the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004–34 for including those advance payments in gross income in accordance with its AFS; (iii) changed the manner in which advance payments are recognized in revenues in its AFS; and (iv) used its new AFS method with respect to a timely filed original federal income tax return in de-

termining the amount of advance payments included in gross income under the deferral method of Rev. Proc. 2004-34 without securing the consent of the Commissioner to that change in accordance with § 446(e) and § 1.446-1(e)(2)(i), the IRS will not assert that the taxpayer's present method of accounting for advance payments is not a proper deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 solely on the ground that the taxpayer failed to obtain the consent of the Commissioner for that change.

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 16.10 is "153."

(7) *Contact information.* For further information regarding a change under this section, contact Ronald Goldstein at (202) 317-7003 (not a toll-free number).

SECTION 17. OBLIGATIONS ISSUED AT DISCOUNT (§ 454)

.01 *Series E, EE, or I U.S. savings bonds.*

(1) *Description of change.* This change applies to a taxpayer that uses the overall cash receipts and disbursements (cash) method of accounting and that wants to change its method of accounting for interest income on Series E, EE, or I U.S. savings bonds. However, this change only applies to a taxpayer that previously made an election under § 454 to report as interest income the increase in redemption price on a bond occurring in a taxable year, and that now wants to report this income in the taxable year in which the bond is redeemed, disposed of, or finally matures, whichever is earliest.

(2) *Manner of making change and designated automatic accounting method change number.*

(a) This change is made on a cut-off basis and is effective for any increase in redemption price occurring after the beginning of the year of change for all Series E, EE, and I U.S. savings bonds held by the taxpayer on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-

1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this section 17.01 is considered a Form 3115 for purposes of the automatic consent procedures of Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived. The statement must include the following information:

(i) the designated automatic accounting method change number for this change, which is "131";

(ii) the taxpayer's name and employer identification number or social security number, as applicable;

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

(iv) the Series E, EE, or I U.S. savings bonds for which this change in accounting method is requested;

(v) a statement that the taxpayer will report all interest on any U.S. savings bonds acquired during or after the year of change when the interest is realized upon disposition, redemption, or final maturity, whichever is earliest; and

(vi) a statement that the taxpayer will report all interest on the U.S. savings bonds acquired before the year of change when the interest is realized upon disposition, redemption, or final maturity, whichever is earliest, with the exception of any interest income previously reported in prior taxable years.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 17.01 is "131."

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

SECTION 18. PREPAID SUBSCRIPTION INCOME (§ 455)

.01 *Prepaid subscription income.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for pre-

paid subscription income to the method described in § 455 and the regulations thereunder, including an eligible taxpayer that wants to make the "within 12 months" election under § 1.455-2.

(2) *Manner of making change and designated automatic accounting method change number.*

(a) This change is made on a cut-off basis and applies only to prepaid subscription income received on or after the beginning of the year of change. The taxpayer must continue to account for prepaid subscription income received prior to the year of change under the taxpayer's present method of accounting. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement in § 1.455-6 to file a statement requesting consent is satisfied by filing a short Form 3115 for a change under this section 18.01. The short Form 3115 must include the following information:

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

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

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

(iv) the information described in § 1.455-6(a), as required by § 1.455-6(b); and

(v) if the taxpayer wants to make a "within 12 months" election under § 1.455-6(c), the information described in section § 1.455-6(c)(2).

(c) The consent granted in section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, satisfies the consent required under § 455(c)(3) and § 1.455-6(b).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 18.01 is "132."

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

SECTION 19. TAXABLE YEAR INCURRED (§ 461)

In general. Applicable provisions of the Code, regulations and other guidance published in the Internal Revenue Bulletin may prescribe the manner in which a tax-

payer takes into account a liability that has been incurred. For example, for a taxpayer with inventories and subject to § 263A, the taxpayer must include direct and indirect costs in inventory costs, which may be recovered through cost of goods sold. See § 1.263A-1(e)(2)(i)(B). A taxpayer may not rely on any provision in this section 19 to take a current year deduction if another applicable provision requires the taxpayer to take the liability into account in a year other than the year incurred.

.01 Timing of incurring liabilities for employee compensation.

(1) *Self-insured employee medical benefits.*

(a) *Description of change.*

(i) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for self-insured liabilities (including any amounts not covered by insurance, such as a “deductible” amount under an insurance policy) relating to employee medical expenses (including liabilities resulting from medical services provided to retirees and to employees who have filed claims under a workers’ compensation act) that are not paid from a welfare benefit fund within the meaning of § 419(e) to a method as follows:

(A) If the taxpayer has a liability to pay an employee for medical expenses incurred by the employee, the taxpayer will treat the liability as incurred in the taxable year in which the employee files the claim with the employer. See *United States v. General Dynamics Corp.*, 481 U.S. 239 (1987), 1987-2 C.B. 134.

(B) If the taxpayer has a liability to pay a 3rd party for medical services provided to its employees, the taxpayer will treat the liability as incurred in the taxable year in which the services are provided.

(ii) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.01(1) if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change

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

(b) *Concurrent automatic change.* A taxpayer making both this change and a change to a UNICAP method described in section 19.01(1)(a)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(c) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.01(1) is “42.”

(2) *Bonuses.*

(a) *Description of change.*

(i) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat bonuses as incurred in the taxable year in which all events have occurred that establish the fact of the liability to pay a bonus and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)). Specifically, a taxpayer may change its method of accounting under this section 19.01(2) to one of the following methods:

(A) If all the events that establish the fact of the liability to pay a bonus have occurred by the end of the taxable year in which the related services are provided, and the bonus is received by the employee no later than the 15th day of the 3rd calendar month after the end of the taxable year in which the related services are provided, the taxpayer will treat the bonus liability as incurred in that taxable year. See Rev. Rul. 55-446, 1955-2 C.B. 531, as modified by Rev. Rul. 61-127, 1961-2 C.B. 36.

(B) If all the events that establish the fact of the liability to pay a bonus occur in the taxable year subsequent to the taxable year in which the related services are provided, the taxpayer will treat the bonus

liability as incurred in such subsequent taxable year.

(ii) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.01(2) if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(b) *Concurrent automatic change.* A taxpayer making both this change and a change to a UNICAP method described in section 19.01(2)(a)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.01(2) is “133.”

(3) *Vacation pay, sick pay, and severance pay.*

(a) *Description of change.*

(i) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to treat vacation pay, sick pay, and severance pay as incurred in the taxable year in which all events have occurred that establish the fact of the liability to pay vacation pay, sick pay, and severance pay and the amount of the liability can be determined with reasonable accuracy (see § 1.446-1(c)(1)(ii)). Specifically, a taxpayer may change its method of accounting under this section 19.01(3) to one of the following methods:

(A) If all the events that establish the fact of the liability to pay vacation pay, sick pay, and severance pay have occurred by the end of the taxable year in which the

related services are provided, the vacation pay, sick pay, and severance pay vests in the taxable year the related services are provided, and the vacation pay, sick pay, and severance pay is received by the employee no later than the 15th day of the 3rd calendar month after the end of the taxable year in which the related services are provided, the taxpayer will treat the vacation pay, sick pay, and severance pay liability as incurred in the taxable year in which the related services are provided.

(B) If all the events that establish the fact of the liability to pay vacation pay, sick pay, and severance pay occur in the taxable year subsequent to the taxable year in which the related services are provided, the taxpayer will treat the vacation pay, sick pay, and severance pay liability as incurred in such subsequent taxable year.

(ii) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.01(3) if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(b) *Concurrent automatic change.* A taxpayer making both this change and a change to a UNICAP method described in section 19.01(3)(a)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.01(3) is “134.”

(4) *Contact information.* For further information regarding a change under this

section, contact Sandra Cheston at (202) 317-7011 (not a toll-free call).

.02 Timing of incurring liabilities for real property taxes, personal property taxes, state income taxes, and state franchise taxes.

(1) *Background.* A taxpayer using an overall accrual method of accounting generally incurs a liability in the taxable year that all the events have occurred that establish the fact of the liability, the amount of the liability can be determined with reasonable accuracy, and economic performance has occurred with respect to the liability. See § 1.446-1(c)(1)(ii). Under § 1.461-4(g)(6), if the liability of the taxpayer is to pay a tax, economic performance occurs as the tax is paid to the government authority that imposed the tax.

(2) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting to:

(i) treat liabilities (for which the all events test of § 461(h)(4) is otherwise met) for real property taxes, personal property taxes, state income taxes, or state franchise taxes as incurred in the taxable year in which the taxes are paid, under § 461 and § 1.461-4(g)(6);

(ii) account for real property taxes, personal property taxes, state income taxes, or state franchise taxes under the recurring item exception method under § 461(h)(3) and § 1.461-5(b)(1); or

(iii) revoke an election under § 461(c) (ratable accrual election).

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

(i) a taxpayer's liability for a tax subject to the limitation on acceleration of accrual of taxes under § 461(d); or

(ii) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.02 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(3) *Concurrent automatic change.* A taxpayer making both this change and a change to a UNICAP method described in section 19.02(2)(b)(ii) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.02 is “43.”

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

.03 Timing of incurring liabilities under a workers' compensation act, tort, breach of contract, or violation of law.

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for self-insured liabilities (including any amounts not covered by insurance, such as a “deductible” amount under an insurance policy) arising under any workers' compensation act or out of any tort, breach of contract, or violation of law, to treating the liability for the workers' compensation act or out of any tort, breach of contract, or violation of law as being incurred in the taxable year in which all the events have occurred that establish the fact of the liability, the amount of the liability can be determined with reasonable accuracy, and payment is made to the person to which the liability is owed. See § 461 and § 1.461-4(g)(1) and (2). If the taxpayer has self-insured liabilities resulting from medical services provided to employees who have filed claims under a workers compensation act, the taxpayer may change its method of accounting for those liabilities under section 19.01(1) of this revenue procedure (if the taxpayer is otherwise eligible).

(b) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.03 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) *Concurrent automatic change.* A taxpayer making both this change and change to either a method provided in section 19.01(1) of this revenue procedure for self-insured employee medical expenses or a UNICAP method described in section 19.03(1)(b) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115, in which case the taxpayer must enter the designated automatic accounting method change numbers for each change on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, for information on making concurrent changes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.03 is “44.”

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

.04 *Timing of incurring certain liabilities for payroll taxes.*

(1) *Description of change.*

(a) *Applicability.* This change applies to:

(i) an employer using an overall accrual method of accounting that wants to change its method of accounting for:

(A) FICA and FUTA taxes to a method consistent with the holding in Rev. Rul. 96–51, 1996–2 C.B. 36. Rev. Rul. 96–51 permits an accrual method employer to take into account in Year 1, under the all events test of § 461, its otherwise deductible FICA and FUTA taxes imposed with respect to year-end wages properly ac-

rued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met; and

(B) state unemployment taxes and, in the event the taxpayer is an employer within the meaning of the Railroad Retirement Tax Act (RRTA) (*see* § 3231(a)), RRTA taxes to a method under which the taxpayer may take into account in Year 1 its otherwise deductible state unemployment taxes and railroad retirement taxes (if applicable) imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met (including the requirement that, as of the end of the taxable year, all events have occurred that establish the fact of the liability and the amount of the liability can be determined with reasonable accuracy, *see* § 1.461–5(b));

(ii) an accrual method employer that utilizes a method of accounting for FICA and FUTA taxes that is consistent with the holding in Rev. Rul. 96–51 and wants to change its method of accounting for state unemployment taxes and, in the event the employer is an employer within the meaning of RRTA (*see* § 3231(a)), RRTA taxes to a method under which the taxpayer may take into account in Year 1 its otherwise deductible state unemployment taxes and railroad retirement taxes (if applicable) imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met (including the requirement that, as of the end of the taxable year, all events have occurred that establish the fact of the liability and the amount of the liability can be determined with reasonable accuracy, *see* § 1.461–5(b)); or

(iii) a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for FICA and FUTA taxes to the safe harbor method provided in Rev. Proc. 2008–25, 2008–1 C.B. 686. Rev. Proc. 2008–25 provides that for purposes of the recurring item exception, a taxpayer will be treated as satisfying the requirement in § 1.461–5(b)(1)(i) for its payroll tax liability in the same taxable year in which all events have occurred that establish the fact of the related compensation liability and the amount of the related compensation liabil-

ity can be determined with reasonable accuracy.

(b) *Inapplicability.* This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under this section 19.04 if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable).

(2) *Recurring item exception.* A taxpayer that previously has not changed to or adopted the recurring item exception for FICA taxes, FUTA taxes, state unemployment taxes, and RRTA taxes (if applicable) must change to the recurring item exception method for FICA taxes, FUTA taxes, state unemployment taxes, and RRTA taxes (if applicable) as specified in § 461(h)(3) as part of this change.

(3) *Concurrent automatic change.* A taxpayer making both this change and a change to a UNICAP method described in section 19.04(1)(b) of this revenue procedure under section 12.01, 12.02, 12.08, or 12.12 of this revenue procedure (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under section 19.04(1)(a)(i) or (ii) of this revenue procedure is “45.” The designated automatic accounting method change number for a change under section 19.04(1)(a)(iii) of this revenue procedure is “113.”

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

.05 *Cooperative advertising.*

(1) *Description of change.* This change applies to a taxpayer using an overall ac-

crual method of accounting that wants to change its method of accounting for cooperative advertising costs to a method consistent with the holding in Rev. Rul. 98-39, 1998-2 C.B. 198. Rev. Rul. 98-39 generally provides that, under the all events test of § 461, an accrual method manufacturer's liability to pay a retailer for cooperative advertising services is incurred in the year in which the services are performed, provided the manufacturer is able to reasonably estimate this liability, and even though the retailer does not submit the required claim form until the following year.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.05 is "46."

(3) *Contact information.* For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.06 *Timing of incurring certain liabilities for services or insurance.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that is currently treating the mere execution of a contract for services or insurance as establishing the fact of the liability under § 461 and wants to change from that method of accounting for liabilities for services or insurance to comply with Rev. Rul. 2007-3, 2007-1 C.B. 350, that is, all the events needed to establish the fact of the liability occur when (a) the event fixing the liability, whether that be the required performance or other event occurs or (b) payment is due, whichever happens earliest.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.06 is "106."

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

.07 *Rebates and allowances.*

(1) *Description of change.*

(a) *Applicability.* This change applies to taxpayer using an overall accrual method of accounting that wants to change its method of accounting for treating its liability for rebates and allowances to the recurring item exception method under § 461(h)(3) and § 1.461-5.

(b) *Inapplicability.* This change does not apply to a taxpayer's liability to pay a refund.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.07 is "135."

(3) *Contact information.* For further information regarding a change under this section, contact Mon Lam at (202) 317-5100 (not a toll-free call).

.08 *Ratable accrual of real property taxes.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for real property taxes to the method described in § 461(c) and § 1.461-1(c)(1) (ratable accrual election). This change applies to real property taxes that relate to a definite period of time. This change does not apply to a taxpayer's first taxable year in which the taxpayer incurs real property taxes, in which case the change is made using the provisions of § 1.461-1(c)(3)(i).

(2) *Manner of making change and designated automatic accounting method change number.*

(a) This change is made on a cut-off basis and applies only to real property taxes accrued on or after the beginning of the year of change. Any real property taxes accrued prior to the year of change are accounted for under the taxpayer's former method of accounting. See § 1.461-1(c)(6), *Examples (2) - (5)*. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) In accordance with § 1.446-1(e)(3)(ii), the requirement in § 1.461-1(c)(3)(ii) for requesting consent is satisfied by filing a short Form 3115 for this change. The taxpayer's short Form 3115 must include all of the following information:

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

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

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

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

(c) The consent granted under section 9 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, satisfies the consent required under § 461(c)(2)(B) and § 1.461-1(c)(3)(ii).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.08 is "149."

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

.09 *California Franchise Taxes.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that wants to change its method of accounting for California franchise taxes to a method consistent with the holding in Rev. Rul. 2003-90, 2003-2 C.B. 353. Rev. Rul. 2003-90 provides that for taxable years beginning on or after January 1, 2000, a taxpayer that uses an accrual method of accounting incurs a liability for California franchise tax for federal income tax purposes in the taxable year following the taxable year in which the California franchise tax is incurred under the Cal. Rev. & Tax Code, as amended.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.09 is "154."

(3) *Contact information.* For further information regarding a change under this section, contact Christina M. Glendening at (202) 317-7003.

.10 *Gift cards issued as a refund for returned goods.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer using an overall accrual method of accounting that sells goods at retail and that wants to change its method of accounting for gift cards (as defined by section 4.02 of Rev. Proc. 2011-17, 2011-5 I.R.B. 441) issued as a refund for

returned goods to treat the transaction as (1) the payment of a cash refund in the amount of the gift card, and (2) the sale of a gift card in the amount of the gift card.

(b) *Treatment of proceeds of the deemed sale.* A taxpayer must treat the proceeds of the deemed sale of a gift card in accordance with the method of accounting it otherwise employs for sales of gift cards.

(2) *Concurrent automatic change.* A taxpayer making both this change and an automatic change to the deferral method for advance payments under Rev. Proc. 2004-34 (see section 16.07 of this revenue procedure) for the same taxable year of change must file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(3) *Concurrent non-automatic change.* A taxpayer making both this change and change to a permissible method of accounting under § 1.451-5 for the same taxable year of change on a single Form 3115 must request this change in method of accounting using the non-automatic procedures in Rev. Proc. 2015-13 (or any successor).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.10 is “156.”

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

.11 *Timing of incurring liabilities under the recurring item exception to the economic performance rules.*

(1) *Description of change.* This change applies to a taxpayer using an overall accrual method of accounting that wants to conform to any of the holdings in Rev. Rul. 2012-1, 2012-2 I.R.B. 255, which clarifies the treatment of certain liabilities under the recurring item exception to the economic performance requirement under § 461(h)(3) by addressing the application of the “not material” and “better matching” requirements, and distinguishes con-

tracts for the provision of services from insurance and warranty contracts.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 19.11 is “161.”

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

.12 *Economic performance safe harbor for ratable service contracts.*

(1) *Description of change.* This change applies to an accrual method taxpayer that wants to change its treatment of Ratable Service Contracts to conform to the safe harbor method provided by Rev. Proc. 2015-39, 2015-33 I.R.B. 195.

(2) *Certain eligibility rules temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer that wants to make a change under this section 19.12 for the taxpayer’s first, second, or third taxable year ending on or after July 30, 2015.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in methods of accounting under this section 19.12 is “220.”

(4) *Contact information.* For further information regarding a change under this section, contact David Christensen or Peter Ford at (202) 317-7011 (not a toll-free call).

. 20. RENT (§ 467)

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

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer that:

(i) is a party to § 467 rental agreements (within the meaning of § 1.467-1(c)(1) for rental agreements entered into after May 18, 1999, and § 467(d) for all other agreements); and

(ii) except as provided in section 20.01(1)(b)(ii) of this revenue procedure, wants to change its method of accounting

for its fixed rent (as defined in § 1.467-1(d)(2)) to the rent allocation method provided in § 1.467-1(d)(2)(iii).

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

(i) rental agreements for which taxpayers are required to use the constant rental accrual method described in § 1.467-3(a) or the proportional rental accrual method described in § 1.467-2(a) for their fixed rent; and

(ii) rental agreements that provide a specific allocation of fixed rent as described in § 1.467-1(c)(2)(ii)(A)(2).

(2) *Additional requirements.* The taxpayer must attach to its Form 3115 a copy of one of its § 467 rental agreements to be covered by this automatic change (or at least the pages of the agreement relating to the manner in which rent is allocated).

(3) *Audit protection limited.* Any audit protection under section 8 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for any § 467 rental agreement determined by the Commissioner to be a disqualified leaseback or long-term agreement described in § 1.467-3(b).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 20.01 is “136.”

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

SECTION 21. INVENTORIES (§ 471)

.01 *Cash discounts.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for cash discounts (that is, discounts granted for timely payment) when they approximate a fair interest rate, from a method of consistently including the price of the goods before discount in the cost of the goods and including in gross income any discounts taken (the “gross invoice method”), to a method of reducing the cost of the goods by the cash discounts and deducting as an expense any discounts not taken (the “net invoice method”), or vice versa. See Rev. Rul. 73-65, 1973-1 C.B. 216.

(2) *Computation of § 481(a) adjustment for changes to net invoice method.* In the case of a taxpayer changing from the gross invoice method to the net invoice method, a negative § 481(a) adjustment is required to prevent duplications arising from the fact that the gross invoice method reported income upon timely payment for some or all of the goods that remain in inventory, and a positive § 481(a) adjustment is required to prevent omissions arising from the fact that the gross invoice method included the invoice price, unadjusted for the cash discounts, of some or all goods in cost of goods sold and the discount will be earned by payment in a subsequent taxable year. The net § 481(a) adjustment is computed by deducting the “Applicable Discount” at the beginning of the year of change from the “Available Discount” at the beginning of the year of change. The Available Discount is equal to the difference between the accounts payable balance under the gross invoice method and the net invoice method. The Applicable Discount is equal to the difference between the beginning inventory value under the gross invoice method and the net invoice method.

Example. Taxpayer’s accounts payable balance at the beginning of the year of change was \$1,000 under the gross invoice method and \$980 under the net invoice method. Taxpayer’s inventory value was \$3,000 under the gross invoice method and \$2,955 under the net invoice method. The Available Discount is \$20 (\$1,000 – \$980) and the Applicable Discount is \$45 (\$3,000 – \$2,955). Thus, Taxpayer’s net § 481(a) adjustment is a negative \$25 (\$20 – \$45).

(3) *Computation of § 481(a) adjustment for changes to gross invoice method.* In the case of a taxpayer changing from the net invoice method to the gross invoice method, a positive § 481(a) adjustment is required to prevent omissions arising from the fact that the net invoice method did not report income upon timely payment for some or all of the goods that remain in inventory, and a negative § 481(a) adjustment is required to prevent duplications arising from the fact that the net invoice method included the invoice price, adjusted for the cash discounts, of some or all goods in cost of goods sold and the discount will be earned by payment in a subsequent taxable year. The net § 481(a) adjustment can be computed by deducting the “Available Discount” at the beginning of the year of change from the

“Applicable Discount” at the beginning of the year of change. The Available Discount is equal to the difference between the accounts payable balance under the gross invoice method and the net invoice method. The Applicable Discount is equal to the difference between the beginning inventory value under the gross invoice method and the net invoice method.

Example. Taxpayer’s accounts payable balance at the beginning of the year of change was \$980 under the net invoice method and \$1,000 under the gross invoice method. Taxpayer’s inventory value was \$2,955 under the net invoice method and \$3,000 under the gross invoice method. The Applicable Discount is \$45 (\$3,000 – \$2,955) and the Available Discount is \$20 (\$1,000 – \$980). Thus, Taxpayer’s net § 481(a) adjustment is a positive \$25 (\$45 – \$20).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.01 is “48.”

(5) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.02 *Estimating inventory “shrinkage”.*

(1) *Description of change.* This change applies to a taxpayer that wants to change to a method of accounting for estimating inventory shrinkage in computing ending inventory, using:

(a) the “retail safe harbor method” described in section 4 of Rev. Proc. 98–29, 1998–1 C.B. 857, as modified by this revenue procedure; or

(b) a method other than the retail safe harbor method, provided (i) the taxpayer’s present method of accounting does not estimate inventory shrinkage, and (ii) the taxpayer’s proposed method of accounting (that estimates inventory shrinkage) clearly reflects income under § 446(b).

(2) *Additional requirements.* If the taxpayer wants to change to a method of accounting for inventory shrinkage other than the retail safe harbor method, the taxpayer must attach to its Form 3115 a statement setting forth a detailed description of all aspects of the proposed method of estimating inventory shrinkage (including, for last-in, first-out (LIFO) taxpayers, the method of determining inventory shrinkage for, or allocating inventory shrinkage to, each LIFO pool). The director or national office subsequently may

review whether the proposed method clearly reflects the taxpayer’s income under § 446(b), notwithstanding any provision of Rev. Proc. 2015–13, 2015–5 I.R.B. 419 (or successor). If the director or the national office determines that the proposed method of accounting does not clearly reflect the taxpayer’s income, the taxpayer will be treated as having made a change in method of accounting without obtaining the consent of the Commissioner as required by § 446(e). See sections 2.01(3) and 2.03 of Rev. Proc. 2015–13.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.02 is “49.”

(4) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.03 *Small taxpayer exception from requirement to account for inventories under § 471.*

(1) *Description of change.* This change applies to either a taxpayer (other than a taxpayer described § 448(a)(3)) with “average annual gross receipts” (as defined in section 5.01 of Rev. Proc. 2001–10, as modified by Announcement 2004–16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011–14 (removing § 6.02(1)(a) of Rev. Proc. 2001–10)) of \$1,000,000 or less or a qualifying taxpayer (other than a taxpayer described in § 448) with “average annual gross receipts” (as defined in section 5.02 of Rev. Proc. 2002–28, as modified by Announcement 2004–16 (regarding placement of § 481(a) adjustment on the Form 3115), and Rev. Proc. 2011–14 (removing § 7.02(1)(a) of Rev. Proc. 2002–28)) of \$10,000,000 or less that wants to change from a method of accounting for inventoriable items (including, if applicable, from the method of capitalizing costs under § 263A) to the method described in Rev. Proc. 2001–10 and Rev. Proc. 2002–28, for treating inventoriable items in the same manner as materials and supplies that are not incidental under § 1.162–3.

(2) *Manner of making change.* See Rev. Proc. 2001–10 or Rev. Proc. 2002–28 (as applicable) for additional

guidance on the computation of the § 481(a) adjustment and the completion of the Form 3115.

(3) *Concurrent automatic change to the overall cash method under Rev. Proc. 2001-10 or Rev. Proc. 2002-28.* A taxpayer making both this change and a change to the overall cash method under Rev. Proc. 2001-10 or Rev. Proc. 2002-28 (see section 15.03 of this revenue procedure) for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.03 for the small taxpayer (\$1,000,000) inventory exception contained in Rev. Proc. 2001-10 is “50.” The designated automatic accounting method change number for a change under this section 21.03 for the small taxpayer (\$10,000,000) inventory exception contained in Rev. Proc. 2002-28 is “51.”

(5) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-7007 (not a toll-free call).

.04 *Qualifying volume-related trade discounts.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting to treat qualifying volume-related trade discounts as a reduction in the cost of merchandise purchased at the time the discount is recognized in accordance with § 1.471-3(b). A “qualifying volume-related trade discount” means a discount satisfying the following criteria:

(a) the taxpayer receives or earns the discount based solely upon the purchase of a particular volume of the merchandise to which the discount relates;

(b) the taxpayer is neither obligated nor expected to perform or provide any services in exchange for the discount; and

(c) the discount is not a reimbursement of any expenditure incurred or to be incurred by the taxpayer.

(2) *Section 481(a) adjustment.* The net § 481(a) adjustment attributable to the change is computed in a manner similar to the computation of a net § 481(a) adjustment in the case of a change to the net invoice method of accounting for cash discounts. See section 21.01(2) of this revenue procedure.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.04 is “53.”

(4) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.05 *Impermissible methods of identification and valuation.*

(1) *Description of change.* This change applies to a taxpayer:

(a) changing from an impermissible method of accounting under § 471, including a LIFO taxpayer restoring a write down of inventory below cost or discontinuing maintaining an inventory reserve;

(b) changing from a method that is not in accordance with § 1.471-2(c) for determining the value of “subnormal” goods; or

(c) changing from a gross profit method or from a method of determining market that is not in accordance with § 1.471-4. For this purpose:

(i) *Gross profit method.* A gross profit method is a method in which the taxpayer estimates the cost of goods sold by reducing its gross sales by a percentage “mark-up” from cost. The estimated cost of goods sold is subtracted from the sum of the beginning inventory and purchases and the result is used as the ending inventory.

(ii) *Method of determining market.* An example of a method of determining market that is not in accordance with § 1.471-4 is where a taxpayer, under ordinary circumstances, determines the market value of purchased merchandise using judgment factors, and not using the prevailing current bid price on the inventory date for the particular merchandise in the

volume in which it is usually purchased by the taxpayer.

(2) *Applicability.* For purposes of this change, a taxpayer must be changing to an inventory method (identification or valuation, or both) specifically permitted by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court for the inventory goods, and the taxpayer is neither prohibited from using that method nor required to use a different inventory method for those inventory goods. This change does not apply to a change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.05 is “54.”

(4) *Contact information.* For further information regarding a change under this section, contact Natasha Mulleneaux at (202) 317-7007 (not a toll-free call).

.06 *Core Alternative Valuation Method.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a remanufacturer and rebuilder of motor vehicle parts and a reseller of remanufactured and rebuilt motor vehicle parts that use the cost or market, whichever is lower, (LCM) inventory valuation method to value their inventory of cores held for remanufacturing or sale and wants to use the Core Alternative Valuation (CAV) method specified in Rev. Proc. 2003-20, 2003-1 C.B. 445.

(b) *Inapplicability.* This change does not apply to a taxpayer that values its inventory of cores at cost (including a taxpayer using the LIFO inventory method) unless the taxpayer concurrently changes (under section 6.02 of Rev. Proc. 2003-20) from cost to the LCM method for its cores (including labor and overhead related to the cores in raw materials, work-in-process, and finished goods).

(2) *Concurrent automatic change.* A taxpayer making both this change and (i) a change from the cost method to the LCM method under section 21.11 of this revenue procedure, or (ii) a change from the LIFO inventory method to a permitted

method for identification under (and as determined and defined in) section 22.01(1)(b) of this revenue procedure for the same year of change, should file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, for information on making concurrent changes.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.06 is “55.”

(4) *Contact information.* For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.07 Replacement cost for automobile dealers’ parts inventory.

(1) *Description of change.* This change applies to a taxpayer that is engaged in the trade or business of selling vehicle parts at retail, that is authorized under an agreement with one or more vehicle manufacturers or distributors to sell new automobiles or new light, medium, or heavy-duty trucks, and that wants to use the replacement cost method described in section 4 of Rev. Proc. 2002–17, 2002–1 C.B. 676, as modified by Rev. Proc. 2006–14, 2006–1 C.B. 350, for its vehicle parts inventory. See Rev. Proc. 2002–17 for further information regarding this change.

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

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.07 is “63.”

(4) *Contact information.* For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.08 Replacement cost for heavy equipment dealers’ parts inventory.

(1) *Description of change.* This change applies to a heavy equipment dealer that is engaged in the trade or business of selling heavy equipment parts at retail, that is authorized under an agreement with one or more heavy equipment manufacturers or distributors to sell new heavy equipment, and that wants to use the replacement cost method described in section 4 of Rev. Proc. 2006–14, 2006–1 C.B. 350, for its heavy equipment parts inventory.

(2) *Manner of making the change.* This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) *Concurrent automatic change.* A taxpayer making both this change and another automatic change in method of accounting under § 263A (see section 12 of this revenue procedure) for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115, and complies with the ordering rules of § 1.263A–7(b)(2).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.08 is “96.”

(5) *Contact information.* For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.09 Rotable spare parts.

(1) *Description of change.* This change applies to a taxpayer that is using the safe harbor method of accounting to treat its rotatable spare parts as depreciable assets in accordance with Rev. Proc. 2007–48, 2007–2 C.B. 110, as modified by this revenue procedure, and wants to change its method of accounting to treat its rotatable spare parts as inventoriable items. This change also applies to a taxpayer who is treating its rotatable spare parts as depreciable assets in a manner similar to the safe harbor method described in Rev. Proc. 2007–48, and wants to change its method

of accounting to treat its rotatable spare parts as inventoriable items. A taxpayer changing its method of accounting for rotatable spare parts under this section 21.09, must use a proper inventory method to identify and value its rotatable spare parts.

(2) *Eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, does not apply to a taxpayer that is required to make the change in method of accounting pursuant to section 5.06 of Rev. Proc. 2007–48.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.09 is “110.”

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

.10 Advance Trade Discount Method.

(1) *Description of change.* This change applies to a taxpayer that wants to use the Advance Trade Discount Method described in Rev. Proc. 2007–53, 2007–2 C.B. 233.

(2) *Applicability.* This change in method of accounting applies to a taxpayer using an overall accrual method of accounting that is required to use an inventory method of accounting, that maintains inventories as provided in § 471 and the regulations thereunder, and that receives advance trade discounts as defined in section 4.03 of Rev. Proc. 2007–53.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.10 is “111.”

(4) *Contact information.* For further information regarding a change under this section, contact Steven Gee, at (202) 317-7007 (not a toll-free call).

.11 Permissible methods of identification and valuation.

(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 inven-

ories. 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 real property or improvements to the real property at LCM because real property is not inventoriable property under § 1.471-1. Also, a taxpayer who meets the definition of a “dealer in securities” under both § 1.471-5 and § 475 is required to account for securities, as defined in § 475, under § 475 and may not use the rules described in § 1.471-5 for those securities.) 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 this revenue procedure or in other guidance published in the Internal Revenue Bulletin, 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 (*but see* section 21.14 of this revenue procedure).

(b) *Permissible method defined.* For purposes of this change, a permissible method is an inventory method (identification or valuation, or both) specifically permitted for inventories by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court. However, an otherwise permissible inventory method is not permissible under this section 21.11 for a specific taxpayer if that taxpayer is prohibited from using that method or if that taxpayer is required to use a different method.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.11 is “137.”

(3) *Contact information.* For further information regarding a change under this section, contact Steven Gee at (202) 317-7007 (not a toll-free call).

.12 Change in the official used vehicle guide utilized in valuing used vehicles.

(1) *Description of change.* Used vehicles taken in trade as part payment on the

sale of vehicles by a dealer may be valued for inventory purposes at valuations comparable to those listed in an official used vehicle guide as the average wholesale prices for comparable vehicles. *See* Rev. Rul. 67-107, 1967-1 C.B. 115. This change applies to:

(a) a taxpayer that wants to change from not using an official used vehicle guide to using an official used vehicle guide for valuing used vehicles; or

(b) a taxpayer that wants to change to a different official used vehicle guide for valuing used vehicles.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.12 is “138.”

(3) *Contact information.* For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.13 Invoiced advertising association costs for new vehicle retail dealerships.

(1) *Description of change.* This change applies to a taxpayer that is engaged in the trade or business of retail sales of new automobiles or new light-duty trucks (“dealership”) that wants to discontinue capitalizing certain advertising costs as acquisition costs under § 1.471-3(b). The change applies to advertising costs that meet the following criteria: (a) the dealership must pay this advertising fee when acquiring vehicles from the manufacturer; (b) the advertising costs are separately coded and included in the manufacturer’s invoice cost of the new vehicle; (c) the advertising cost is a flat fee per vehicle or a fixed percentage of the invoice price; and (d) the fees collected by the manufacturer are paid to local advertising associations that promote and advertise the manufacturer’s products in the dealership’s market area. Under the proposed method, the dealership will exclude advertising costs that meet the above criteria from the cost of new vehicles and deduct the advertising costs under § 162 as the advertising services are provided to the dealership. *See* § 1.461-4(d)(2)(i).

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change

number for a change under this section 21.13 is “139.”

(3) *Contact information.* For further information regarding a change under this section, contact Andrew Braden at (202) 317-7007 (not a toll-free call).

.14 Rolling-average method of accounting for inventories.

(1) *Description of change.* This change applies to a taxpayer that uses a rolling-average method to value inventories for financial accounting purposes and wants to use the same rolling-average method to value inventories for federal income tax purposes in accordance with Rev. Proc. 2008-43, 2008-30 C.B. 186, as modified by Rev. Proc. 2008-52, 2008-2 C.B. 587 (*see* section 13).

(2) *Manner of making change.* This change is made on a cut-off basis and is applied only to the computation of ending inventories after the beginning of the year of change. However, if the taxpayer’s books and records contain sufficient information to compute a § 481(a) adjustment, the taxpayer may choose to implement the change with a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 21.14 is “114.”

(4) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.15 Sales-Based Vendor Chargebacks.

(1) *Description of change.* This change, as described in Rev. Proc. 2014-33, 2014-22 I.R.B. 1060, applies to a taxpayer that wants to change its method of accounting to treat sales-based vendor chargebacks as a reduction in cost of goods sold in accordance with § 1.471-3(e)(1).

(2) *Certain eligibility rule temporarily inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to this change for a taxpayer’s first and second taxable years ending on or after January 13, 2014.

(3) *Concurrent automatic changes.* A taxpayer making both this change and the change described in section 12.11 of this revenue procedure for the same taxable year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic change numbers for both changes on the appropriate line on the Form 3115, and complies with the ordering rules of § 1.263A-7(b)(2). See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in methods of accounting under this section 21.15 is “203.”

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

.16 *Certain changes to the cost complement of the retail inventory method.*

(1) *Description of change.* This change, as described in Rev. Proc. 2014-48, 2014-36 I.R.B. 527, applies to a taxpayer using the retail inventory method that wants to make one of the following changes:

(a) From adjusting to not adjusting the numerator of the cost complement by the amount of an allowance, discount, or price rebate that is required under § 1.471-3(e) to reduce only cost of goods sold;

(b) From adjusting to not adjusting the denominator of the cost complement for temporary markups and markdowns;

(c) In the case of a retail LCM taxpayer, to computing the cost complement using a method described in § 1.471-8(b)(3), including changes from a method described in § 1.471-8(b)(3) to another method described in § 1.471-8(b)(3); or

(d) In the case of a retail cost taxpayer, from not adjusting to adjusting the denominator of the cost complement for permanent markups and markdowns.

(2) *Effective date and certain eligibility rule temporarily inapplicable.* This section 21.16 is effective for taxable years beginning after December 31, 2014. The eligibility rule in section 5.01(1)(f) of

Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply for a taxpayer’s first or second taxable years beginning after December 31, 2014.

(3) *Multiple changes.* A taxpayer making multiple changes under this section 21.16 for the same year of change should file a single Form 3115.

(4) *Manner of making change.* A taxpayer making a change under this section 21.16 for its first or second taxable year beginning after December 31, 2014, may use either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or implement the change on a cut-off basis. If the taxpayer uses a cut-off basis, the change applies only to the computation of ending inventories after the beginning of the year of change, and a § 481(a) adjustment is neither permitted nor required if a change is made on a cut-off basis.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in methods of accounting under this section 21.16 is “204.”

(6) *Contact information.* For further information regarding a change under this section, contact Natasha M. Mulleneaux at (202) 317-7007 (not a toll-free call).

.17 *Certain changes within the retail inventory method.*

(1) *Description of change.* This change applies to a taxpayer using the retail inventory method that wants to change from including to not including temporary markups and markdowns in determining the retail selling prices of goods on hand at the end of the taxable year.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for changes in methods of accounting under this section 21.17 is “225.”

(3) *Contact information.* For further information regarding a change under this section, contact Natasha M. Mulleneaux at (202) 317-7007 (not a toll-free call).

SECTION 22. LAST-IN, FIRST-OUT (LIFO) INVENTORIES (§ 472)

.01 *Change from the LIFO inventory method.*

(1) *Description of change.*

(a) *In general.* This change applies to a taxpayer that wants to:

(i) change from the LIFO inventory method for all its LIFO inventory or for the entire content of one or more dollar-value pools; and

(ii) change to a permitted method or methods as determined in section 22.01(1)(b) of this revenue procedure.

(b) *Method to be used.*

(i) *Determining the permitted method to be used.* A taxpayer may change to one or more non-LIFO inventory methods for the LIFO inventories that are the subject of this accounting method change, but only if the selected non-LIFO method is a permitted method for the inventory goods to which it will be applied. For example, a heavy equipment dealer may change to the specific identification method for new heavy equipment inventories and the replacement cost method, as described in Rev. Proc. 2006-14, 2006-1 C.B. 350, for heavy equipment parts inventories.

(ii) *Permitted method defined.* For purposes of this section 22.01, an inventory method (identification or valuation, or both) is a permitted method if it is specifically permitted for the inventory goods by the Code, the regulations, or other guidance published in the Internal Revenue Bulletin, or a decision of the United States Supreme Court and if the taxpayer is neither prohibited from using that method nor required to use a different inventory method for those inventory goods.

(iii) *Determining permitted method.* Whether an inventory method is a permitted method is determined without regard to the types and amounts of costs capitalized under the taxpayer’s method of computing inventory cost. See § 263A and the regulations thereunder, which govern the types and amounts of costs required to be included in inventory cost for taxpayers subject to those provisions.

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

taxable year that the taxpayer does not or will not comply with the requirements of § 472(e)(2) because the taxpayer has applied or will apply International Financial Reporting Standards in its financial statements or because the taxpayer has been acquired by an entity that has not or will not use the LIFO method in its financial statements.

(3) *Limitation on LIFO election.* The taxpayer may not re-elect the LIFO inventory method for a period of at least five taxable years beginning with the year of change unless, based on a showing of unusual and compelling circumstances, consent is specifically granted by the Commissioner to change the method of accounting at an earlier time. A taxpayer that wants to re-elect the LIFO inventory method within a period of five taxable years (beginning with the year of change) must file a Form 3115 in accordance with the non-automatic change procedures in Rev. Proc. 2015-13. A taxpayer that wants to re-elect the LIFO inventory method after a period of five taxable years (beginning with the year of change) does not file a Form 3115 using the non-automatic change procedures in Rev. Proc. 2015-13, but, rather, must file a Form 970, *Application To Use LIFO Inventory Method*, in accordance with § 1.472-3.

(4) *Effect of subchapter S election by corporation.* See section 7.03(4)(b) and (c) of Rev. Proc. 2015-13.

(5) *Additional requirements.* The taxpayer must complete the following statements and attach them to its Form 3115. If the taxpayer will use different methods for different inventory goods to which the change applies, the taxpayer must complete the statements for each of those different types of inventory goods.

(a) “The proposed method of identifying [*Insert description of inventory goods*] is the [*Insert method, as appropriate; that is, specific identification; FIFO; retail; etc.*] method.”

(b) “The proposed method of valuing [*Insert description of inventory goods*] is [*Insert method, as appropriate; that is, cost; LCM; etc.*].”

(6) *Pool split and partial termination.* If a taxpayer must remove goods from a LIFO inventory pool because those goods are not within the scope of that pool (*for*

example, removing resale goods from a manufacturing pool), and if the taxpayer wants to change from the LIFO inventory method for those removed goods, the taxpayer may split the pool pursuant to section 22.10 of this revenue procedure and then may change from the LIFO method pursuant to this section 22.01. See section 22.10(2) of this revenue procedure. The taxpayer must file a separate Form 3115 for each such change.

(7) *Section 481(a) adjustment required.*

(a) *General rule.* A taxpayer changing from a LIFO inventory method must compute a § 481(a) adjustment for the year of change. See section 7.02 of Rev. Proc. 2015-13.

(b) *Special rule for changes that would otherwise be implemented on a cut-off basis.* If a taxpayer is changing from the LIFO inventory method to a method of accounting that is implemented on a cut-off basis under another section of this revenue procedure (see, for example, sections 21.07, 21.08, and 21.14 of this revenue procedure), the taxpayer’s § 481(a) adjustment is “the LIFO recapture amount” as defined in § 312(n)(4)(B) and (C). A taxpayer computing the § 481(a) adjustment under this special rule must then compute its ending inventory value for the year of change using the proposed method (that is, treat the deemed change from the first-in, first-out (FIFO) method to the proposed method on a cut-off basis).

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.01 is “56.”

(9) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.02 *Determining current-year cost under the LIFO inventory method.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer using the LIFO inventory method that wants to change its method of determining current-year cost to:

(i) the actual cost of the goods most recently purchased or produced (most-recent-acquisitions method);

(ii) the actual cost of the goods purchased or produced during the taxable year in the order of acquisition (earliest-acquisitions method);

(iii) the average unit cost equal to the aggregate actual cost of all the goods purchased or produced throughout the taxable year divided by the total number of units so purchased or produced. See § 1.472-8(e)(2)(ii);

(iv) the specific identification method; or

(v) a rolling-average method if the taxpayer uses that rolling-average method in accordance with Rev. Proc. 2008-43, 2008-30 I.R.B. 186, as modified by Rev. Proc. 2008-52, 2008-36 I.R.B. 587 (see section 13).

(b) *Inapplicability.* This change does not apply to a taxpayer using the lower of cost or market method to determine current-year cost. A taxpayer using the lower of cost or market method that valued inventory below cost may not change to a proper cost valuation under this section 22.02.

(2) *Manner of making change.* This change is made using a cut-off basis and applies only to the computations of current-year cost after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) *Concurrent change to a rolling-average method.* A taxpayer making both a change to a rolling-average method of determining current-year cost for its LIFO inventory under this section 22.02 and a change to a rolling-average method of accounting for non-LIFO inventories under Rev. Proc. 2008-43 (see section 21.14 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.02 is “57.”

(5) *Contact information.* For further information regarding a change under this

section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.03 *Alternative LIFO inventory method for retail automobile dealers.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a taxpayer engaged in the trade or business of retail sales of new automobiles or new light-duty trucks (“automobile dealer”) that wants to change to the “Alternative LIFO method” described in section 4 of Rev. Proc. 97–36, 1997–2 C.B. 450, as modified by Rev. Proc. 2008–23, 2008–1 C.B. 664, for its LIFO inventories of new automobiles and new light-duty trucks. Light-duty trucks are trucks with a gross vehicle weight of 14,000 pounds or less, which also are referred to as class 1, 2, or 3 trucks.

(b) *Inapplicability.* This change does not apply to an automobile dealer that uses the inventory price index computation (IPIC) method for goods other than new automobiles, new light-duty trucks, parts and accessories, used automobiles, and used trucks.

(2) *Manner of making change.*

(a) *Cut-off basis.* This change is made using a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. See section 5.03(6) of Rev. Proc. 97–36 for more information regarding a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) *Concurrent change from IPIC method.* An automobile dealer using the IPIC method that also has parts and accessories, used automobiles, or used light-duty trucks (other goods) inventory may incorporate a change, using a cut-off basis, from IPIC to another acceptable LIFO method for those other goods into this change. When changing from IPIC to a dollar-value LIFO method for its other goods, the automobile dealer must establish separate inventory pools for new automobiles and new light-duty trucks, unless the automobile dealer also concurrently changes to the Vehicle-Pool Method (see section 22.08 of this revenue procedure). Further, the automobile dealer must establish a separate inventory pool for the parts and accessories. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5

I.R.B. 419, for information on making concurrent changes.

(c) *Additional requirements.* An automobile dealer also must comply with the following:

(i) the conditions in section 5.03 of Rev. Proc. 97–36; and

(ii) for an automobile dealer changing from the IPIC method under this section 22.03, the automobile dealer also must attach to its Form 3115 a schedule setting forth the classes of goods for which the automobile dealer has elected to use the LIFO method and the accounting method changes being made under this section 22.03 for each class of goods.

(3) *Concurrent change to the Vehicle-Pool Method.* A taxpayer making both a change to the Alternative LIFO Method under this section 22.03 and a change to the Vehicle-Pool Method under Rev. Proc. 2008–23 (see section 22.08 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13 for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.03 is “58.”

(5) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.04 *Used vehicle alternative LIFO method.*

(1) *Description of change.* This change applies to a taxpayer that sells used automobiles and used light-duty trucks (“used vehicle dealers”) that wants to change to the “Used Vehicle Alternative LIFO Method” as described in Rev. Proc. 2001–23, 2001–1 C.B. 784, as modified by Announcement 2004–16, 2004–1 C.B. 668, and Rev. Proc. 2008–23, 2008–1 C.B. 664.

(2) *Additional requirements.* A taxpayer making this change must comply with the additional conditions set forth in section 5.04 of Rev. Proc. 2001–23.

(3) *Manner of making change.*

(a) *Cut-off basis.* This change is made on a cut-off basis, which requires that the value of the taxpayer’s used automobile and used light-duty truck inventory at the beginning of the year of change must be the same as the value of that inventory at the end of the preceding taxable year, plus cost restorations, if any, required by section 5.04(5) of Rev. Proc. 2001–23. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) *Bargain purchase.* If the taxpayer has previously improperly accounted for a bulk bargain purchase, the taxpayer must, as part of this change, first change its method of accounting to comply with *Hamilton Industries, Inc. v. Commissioner*, 97 T.C. 120 (1991), and compute a § 481(a) adjustment for that part of the change. See Announcement 91–173, 1991–47 I.R.B. 29. Upon examination, if a taxpayer has properly changed under this section 22.04 except for complying with this section 22.04(3)(b), an examining agent may not deny the taxpayer the change. However, the taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, with respect to the improper method of accounting for the bargain purchase. See section 8.02(2) of Rev. Proc. 2015–13. Accordingly, the examining agent may make any necessary adjustments in any year for which the period of limitations on assessment and collection of tax is open to effect compliance with *Hamilton Industries, Inc.*

(c) *New base year.* In effecting a change to the Used Vehicle Alternative LIFO Method under this revenue procedure, the taxpayer must retain any LIFO inventory cost increments previously determined and the value of those increments. Instead of using the earliest taxable year for which the taxpayer adopted LIFO as the base year, the taxpayer must use the year of change as the new base year in determining the value of all existing LIFO cost increments for the year of change and later taxable years. (The cumulative index at the beginning of the year of change is 1.00). The taxpayer must restate the base-year cost of all LIFO cost increments at the beginning of the year of change in terms of new base-year costs, using the year of change as the new base year, and

must recompute the indexes for previously determined inventory increments accordingly. The new base-year cost of a pool is equal to the total current-year cost of all the vehicles in the pool.

(d) *Form 3115*. A completed Form 3115 includes the completion of Part I of Schedule C.

(4) *Concurrent change from IPIC method*. A used vehicle dealer using the IPIC method that also has parts and accessories, new automobiles, or new light-duty trucks (other goods) inventory may incorporate a change, using a cut-off basis, from IPIC to another acceptable LIFO method for those other goods into this change. When changing from IPIC to a dollar-value LIFO method for its other goods, the used vehicle dealer must establish separate inventory pools for new automobiles and new light-duty trucks, unless the used vehicle dealer also concurrently changes to the Vehicle-Pool Method (see section 22.08 of this revenue procedure). Further, the used vehicle dealer must establish a separate inventory pool for the parts and accessories. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) *Concurrent change to the Vehicle-Pool Method*. A taxpayer making both a change to the Used Vehicle Alternative LIFO Method under this section 22.04 and a change to the Vehicle-Pool Method under Rev. Proc. 2008-23 (see section 22.08 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(6) *Designated automatic accounting method change number*. The designated automatic accounting method change number for a change under this section 22.04 is "59."

(7) *Contact information*. For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.05 Determining the cost of used vehicles purchased or taken as a trade-in.

(1) *Description of change*.

(a) *Applicability*. This change applies to a taxpayer using the LIFO inventory method that wants to:

(i) determine the cost of used vehicles acquired by trade-in using the average wholesale price listed by an official used vehicle guide on the date of the trade-in. See Rev. Rul. 67-107, 1967-1 C.B. 115. The taxpayer must consistently use the official used vehicle guide selected unless the taxpayer receives permission to use a different guide;

(ii) use a different official used vehicle guide for determining the cost of used vehicles acquired by trade-in;

(iii) determine the cost of used vehicles purchased for cash using the actual purchase price of the vehicle; or

(iv) reconstruct the beginning-of-the-year cost of used vehicles purchased for cash using values computed by national auto auction companies based on vehicles purchased for cash. The national auto auction company selected must be consistently used.

(b) *Inapplicability*. This change does not apply to a taxpayer that adopted or changed to the Used Vehicle Alternative LIFO Method (see section 22.04 of this revenue procedure).

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

(3) *Designated automatic accounting method change number*. The designated automatic accounting method change number for a change under this section 22.05 is "60."

(4) *Contact information*. For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.06 Change to the inventory price index computation (IPIC) method.

(1) *Description of change*. This change applies to a taxpayer that wants to change:

(a) from a non-IPIC LIFO inventory method to the IPIC method in accordance

with all relevant provisions of § 1.472-8(e)(3); or

(b) from the IPIC method as described in T.D. 7814, 1982-1 C.B. 84, (March 15, 1982) (the old IPIC method) to the IPIC method as described in § 1.472-8(e)(3) (see T.D. 8976, 2002-1 C.B. 421, (January 8, 2002)) (the new IPIC method), which includes the following required changes (if applicable):

(i) from using 80% of the inventory price index (IPI) to using 100% of the IPI to determine the base-year cost and dollar-value of a LIFO pool(s);

(ii) from using a weighted arithmetic mean to using a weighted harmonic mean to compute an IPI for a dollar-value pool(s); and

(iii) from using a components-of-cost method to define inventory items to using a total-product-cost method to define inventory items.

(2) *Manner of making change*. This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(3) *Bargain purchase*. If the taxpayer has previously improperly accounted for a bulk bargain purchase, the taxpayer must, as part of this change, first change its method of accounting to comply with *Hamilton Industries, Inc. v. Commissioner*, 97 T.C. 120 (1991), and compute a § 481(a) adjustment for that part of the change. See Announcement 91-173, 1991-47 I.R.B. 29. Upon examination, if a taxpayer has properly changed under this section 22.06 except for complying with section 22.06(3) of this revenue procedure, an examining agent may not deny the taxpayer the change. However, the taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, with respect to the improper method of accounting for the bargain purchase. See section 8.02(2) of Rev. Proc. 2015-13. Accordingly, the examining agent may make any necessary adjustments in any year for which the period of limitations on assessment and collection of tax is open to effect compliance with *Hamilton Industries, Inc.*

(4) *Concurrent automatic changes*.

(a) A taxpayer making this change and to change its method of determining

current-year cost under section 22.02 of this revenue procedure for the same year of change may file a single Form 3115 for both changes, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(b) A taxpayer making this change and to change its method of pooling to IPIC-method pools described in § 1.472-8(b)(4) or § 1.472-8(c)(2) under section 22.07 of this revenue procedure for the same year of change may file a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(c) A taxpayer making this change and to change its method of pooling under section 22.10 of this revenue procedure for the same year of change may file a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.06 is “61.”

(6) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.07 Changes within the inventory price index computation (IPIC) method.

(1) *Description of change.* This change applies to a taxpayer using the IPIC method described in § 1.472-8(e)(3) as revised by T.D. 8976, 2002-1 C.B. 421, (new IPIC method) that wants to make one or more of the following changes:

(a) change from the double-extension IPIC method to the link-chain IPIC method, or vice versa. See § 1.472-8(e)(3)(iii)(E) for principles concerning the computation of the inventory price

index under the double-extension IPIC method and the link-chain IPIC method;

(b) change to or from the 10 percent method. See § 1.472-8(e)(3)(iii)(C) for principles concerning the assignment of inventory items to Bureau of Labor Statistics (BLS) categories under the IPIC method;

(c) change to IPIC-method pools described in § 1.472-8(b)(4) or § 1.472-8(c)(2), including a change to begin or discontinue applying one or both of the 5 percent pooling rules;

(d) change to combine or separate pools as a result of the application of a 5 percent pooling rule described in § 1.472-8(b)(4) or § 1.472-8(c)(2);

(e) change its selection of BLS table from Table 3 (Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, detailed expenditure categories) of the monthly CPI Detailed Report to Table 9 (Producer price indexes (PPI) and percent changes for commodity and service groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report (formerly, Table 6), or vice versa. See § 1.472-8(e)(3)(iii)(B)(2) for principles concerning the selection of a BLS table under the IPIC method;

(f) change the assignment of one or more inventory items to BLS categories under either Table 3 (CPI-U): U.S. City average, detailed expenditure categories) of the monthly CPI Detailed Report or Table 9 (PPI and percent changes for commodity and service groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report (formerly, Table 6). See § 1.472-8(e)(3)(iii)(C) for principles concerning the assignment of inventory items to BLS categories under the IPIC method. As part of this change, a taxpayer may separate a reassigned item from an inappropriate pool and combine the reassigned item with items in an appropriate pool. See § 1.472-8(g)(2) for principles concerning the manner of combining and separating dollar-value pools;

(g) change the representative month when necessitated because of a change in taxable year or a change in method of determining current-year cost made pursuant to section 22.02 of this revenue procedure. See § 1.472-8(e)(3)(iii)(B) for principles concerning the determination of

a representative month under the IPIC method. A change in method of determining current-year cost and a change of the representative month may be made using a single Form 3115, provided the taxpayer enters the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115;

(h) change from using preliminary BLS price indexes to using final BLS price indexes to compute an inventory price index, or vice versa. See § 1.472-8(e)(3)(iii)(D)(2) for principles concerning the selection of BLS price indexes under the IPIC method; and

(i) change from using a representative appropriate month to using an appropriate month. See § 1.472-8(e)(3)(iii)(B)(3) for principles concerning the selection of an appropriate month.

(2) *Certain eligibility rule inapplicable.* The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the changes described in sections 22.07(1)(d), (f) in the case of a taxpayer using the 10 percent method described in § 1.472-8(e)(3)(iii)(C)(2), and (g) of this revenue procedure.

(3) *Manner of making change.*

(a) *Cut-off basis.* These changes are made on a cut-off basis and apply only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) *New base year.* A taxpayer that changes pursuant to sections 22.07(1)(a), (b), and (e) of this revenue procedure must establish a new base year in the year of change.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.07 is “62.”

(5) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.08 Changes to the Vehicle-Pool Method.

(1) *Description of change.* This change applies to a retail dealer or wholesale distributor (“reseller”) of cars and light-duty trucks that wants to change to the

“Vehicle-Pool Method” as described in Rev. Proc. 2008–23, 2008–1 C.B. 664.

(2) *Manner of making change.*

(a) *Cut-off basis.* This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. A reseller that changes its method of pooling under Rev. Proc. 2008–23 and this section 22.08 must comply with § 1.472–8(g).

(b) *New base year.* Instead of using the earliest taxable year for which the reseller adopted the LIFO method for any items in a pool, the reseller must use the year of change as the base year when determining the LIFO value of that pool for the year of change and subsequent taxable years (that is, the cumulative index at the beginning of the year of change is 1.00). The reseller must restate the base-year cost of all layers of increment in a pool at the beginning of the year of change in terms of new base-year cost. For an example of establishing a new base year, see § 1.472–8(e)(3)(iv)(B)(1)(ii).

(3) *Concurrent change to the Alternative LIFO Method or the Used Vehicle Alternative LIFO Method.* A reseller making both a change to the Vehicle-Pool Method under this section 22.08 and a change to the Alternative LIFO Method under Rev. Proc. 97–36 (see section 22.03 of this revenue procedure) or the Used Vehicle Alternative LIFO Method under Rev. Proc. 2001–23 (see section 22.04 of this revenue procedure) should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, for information on making concurrent changes.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.08 is “112.”

(5) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.09 *Changes within the used vehicle alternative LIFO method.*

(1) *Description of change.* This change applies to a taxpayer using the “Used Vehicle Alternative LIFO Method” as described in Rev. Proc. 2001–23, 2001–1 C.B. 784, as modified by Announcement 2004–16, 2004–1 C.B. 668, and Rev. Proc. 2008–23, 2008–1 C.B. 664, that wants to change the particular “official used vehicle guide” utilized by the taxpayer in connection with the Used Vehicle Alternative LIFO Method or any change in the precise manner of its utilization (for example, a change in the specific guide category that a taxpayer uses to represent vehicles of average condition for purposes of section 4.02(5)(a) of Rev. Proc. 2001–23).

(2) *Manner of making change.*

(a) *Cut-off basis.* This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) *New base year.* A taxpayer that changes its method pursuant to this section 22.09 must establish a new base year in the year of change.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.09 is “140.”

(4) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

.10 *Changes to dollar-value pools of manufacturers.*

(1) *Description of change.* This change applies to a manufacturer that:

(a) purchases goods for resale (resale goods) and, thus, must reassign resale goods from the pool(s) it maintains for the goods it manufactures to one or more resale pools;

(b) wants to change from using multiple pools described in § 1.472–8(b)(3) to using natural business unit (NBU) pools described in § 1.472–8(b)(1), or *vice versa*; or

(c) wants to reassign items in NBU pools described in § 1.472–8(b)(1) into

the same number or a greater number of NBU pools.

(2) *Manner of making change.* This change is made on a cut-off basis and applies only to the computation of ending inventories after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. A taxpayer that changes its method of pooling pursuant to this section 22.10 must combine or separate pools as required by § 1.472–8(g). If a taxpayer splits a pool into two or more permissible pools pursuant to this section 22.10, which must be implemented on a cut-off basis, the taxpayer then may file a separate Form 3115 to change from the LIFO inventory method for one or more of the resulting pools pursuant to section 22.01 of this revenue procedure, which must be implemented with a § 481(a) adjustment.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 22.10 is “141.”

(4) *Contact information.* For further information regarding a change under this section, contact Leo Nolan at (202) 317-7007 (not a toll-free call).

SECTION 23. MARK-TO-MARKET ACCOUNTING METHOD (§ 475)

.01 *Commodities dealers, securities traders, and commodities traders electing to use the mark-to-market method of accounting under § 475(e) or (f).*

(1) *Description of change.* This change applies to certain taxpayers that have elected to use the mark-to-market method of accounting under § 475(e) or (f). Under § 475(e) and (f) and Rev. Proc. 99–17, 1999–1 C.B. 503, if a taxpayer makes an election under § 475(e) or (f), then beginning with the first taxable year for which the election is effective (election year), mark to market is the only permissible method of accounting for securities or commodities subject to the election. Thus, if the electing taxpayer’s method of accounting for its taxable year immediately preceding the election year is inconsistent with § 475, the taxpayer is required to change its method of accounting to comply with the election. A taxpayer that

makes a § 475(e) or (f) election but fails to change its method of accounting to comply with that election is using an impermissible method. See section 4 of Rev. Proc. 99–17.

(2) *Applicability.* This change applies to a taxpayer if all of the following conditions are satisfied:

(a) the taxpayer is a commodities dealer, securities trader, or commodities trader that has made a valid election under § 475(e) or (f) (see section 5.03(1) of Rev. Proc. 99–17) and that is required to change its method of accounting to comply with the election;

(b) the method of accounting to which the taxpayer changes is in accordance with its election under § 475(e) or (f); and

(c) the year of change is the election year.

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

(4) *Election under Rev. Proc. 99–17.* In accordance with section 5.03(1) of Rev. Proc. 99–17, to make a § 475(e) or (f) election, a taxpayer must file a statement satisfying the requirements in section 5.04 of Rev. Proc. 99–17. The taxpayer must file the statement not later than the due date (without regard to any extension) of the original federal income tax return for the taxable year immediately preceding the election year and must attach the statement either to that return or, if applicable, to a request for an extension of time to file that return. For example, if a calendar year individual taxpayer wants to make a § 475(e) or (f) election for 2014 (the election year), the taxpayer must file the statement on or before April 15, 2014, with the taxpayer’s timely filed (without regard to any extension) federal income tax return for 2013 or the taxpayer’s timely filed request for an extension of time to file the 2013 federal income tax return. On the Form 3115 filed for the year of change, a taxpayer should indicate that the taxpayer has filed the statement in compliance with section 5.03(1) of Rev. Proc. 99–17.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 23.01 is “64.”

(6) *Contact information.* For further information regarding a change under this

section, contact Eric E. Boody at (202) 317-6945 (not a toll-free call).

.02 Taxpayers requesting to change their method of accounting from the mark-to-market method of accounting described in § 475 to a realization method.

(1) *Description of change.* This change applies to any taxpayer requesting permission to change its method of accounting for securities or commodities as defined in § 475 from the mark-to-market method of accounting described in § 475 to a realization method of accounting. For example, this section 23.02 applies when a taxpayer is required to change its method of accounting to a realization method after revoking an election under § 475(e), (f)(1), or (f)(2).

(2) *Exclusive procedure.* The procedure set forth in this section 23.02 is the exclusive procedure for changing a taxpayer’s method of accounting from the mark-to-market method described in § 475 to a realization method. Thus, filing the Notification Statement described in section 23.02(6) of this revenue procedure is the exclusive manner of revoking a § 475(e), (f)(1), or (f)(2) election. Moreover, any taxpayer requesting permission to change to a realization method must follow the procedures described in this section 23.02 and other applicable provisions of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, to request consent to change its method of accounting for securities described in § 475(c)(2) (Section 475 Securities), commodities described in § 475(e)(2) (Section 475 Commodities), or both.

(3) *Applicability.* This change applies to a taxpayer if all of the following conditions in paragraphs (a) through (c) below are satisfied:

(a) the taxpayer is using, properly or improperly, the mark-to-market method of accounting described in § 475;

(b) the taxpayer is requesting permission to change to a realization method of accounting and report gains or losses from the disposition of Section 475 Securities, Section 475 Commodities, or both, under § 1001; and

(c) the taxpayer meets the requirements of this section 23.02, including the requirement that it timely file the Notifica-

tion Statement described in section 23.02(6) of this revenue procedure.

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

(5) *Manner of making change.* This change is made using a cut-off basis and applies only to Section 475 Securities, Section 475 Commodities, or both, that are accounted for using the mark-to-market method of accounting described in § 475 and for which a change in method is requested under this section 23.02. Accordingly, a § 481(a) adjustment is neither permitted nor required.

Under the cut-off basis, a taxpayer must make a final mark of all Section 475 Securities, Section 475 Commodities, or both, that are being marked to market and that are the subject of the accounting method change being requested, on the last business day of the year preceding the year of change. As a result of the final mark, gain or loss attributable to those securities and commodities is also recognized on the last business day of the year preceding the year of change. In the case of any Section 475 Security or Section 475 Commodity that a taxpayer holds on the first day of the year of change, the taxpayer must make proper adjustment in the amount of any subsequently realized gain or loss to take into account adjustments for the gain or loss recognized prior to the first day of the year of change pursuant to the use of the mark-to-market method of accounting described in § 475 in order to prevent amounts from being duplicated or omitted. Any change in value on or after the first day of the year of change will be taken into account using a realization method of accounting unless section 23.02(7) of this revenue procedure permits the taxpayer to resume a mark-to-market method and the taxpayer resumes a mark-to-market method.

(6) *Notification Statement required.* In addition to filing the Form 3115 required under section 6.03(1) of Rev. Proc. 2015–13, to change to a realization method of accounting under this section 23.02, a taxpayer must also file a Notification Statement that satisfies the requirements in section 23.02(6) of this revenue procedure. The Notification Statement must be filed

not later than the due date (without regard to any extension) of the original federal income tax return for the taxable year immediately preceding the year of change and must be attached either to that return or, if applicable, to a request for an extension of time to file that return.

(a) *Notification Statement contents.* The Notification Statement must contain (1) the name of the taxpayer that will change its method of accounting (that is, the applicant), and, if applicable, the filer (for example, its parent corporation); (2) a statement that the taxpayer is requesting to change its method of accounting from the mark-to-market method of accounting described in § 475 to a realization method; (3) the year of change (both the beginning and ending dates); and (4) the types of instruments subject to the method change, that is, Section 475 Securities, Section 475 Commodities, or both. If a taxpayer has made an election under § 475(e), (f)(1), or (f)(2), the taxpayer must also include a statement revoking the taxpayer's section 475 election or elections for the Section 475 Securities, Section 475 Commodities, or both, for which a change in accounting method is sought.

(b) *Effect of filing Notification Statement.* Once the taxpayer files a Notification Statement for the year of change, a realization method of accounting is the only permissible method of accounting for Section 475 Securities, Section 475 Commodities, or both, described in the Notification Statement for the entire year of change and all subsequent years (unless section 23.02(7)(a) of this revenue procedure applies). A taxpayer that files the Notification Statement described in this section 23.02 but fails to change its method of accounting using the procedures described in Rev. Proc. 2015-13 and this section 23.02 is using an impermissible method.

(c) *Limited § 301.9100 relief.* Section 301.9100 relief for failure to comply with the requirements of this section 23.02(6) will be granted only in unusual and compelling circumstances.

(7) *Additional requirements.*

(a) *Resuming the mark-to-market method of accounting.* A taxpayer may not use the automatic change procedures in Rev. Proc. 2015-13 and section 23.01 of this revenue procedure to resume using

the mark-to-market method of accounting described in § 475 for the Section 475 Securities, Section 475 Commodities, or both, that are the subject of the method change being requested using this section 23.02 during any of the five taxable years beginning with the year of change. To resume using the mark-to-market method of accounting described in § 475 during this 5-year period, a taxpayer must: (i) request the change using the non-automatic change procedures in Rev. Proc. 2015-13, (ii) request the change by the date an election for the year of change would be due under section 5.03 of Rev. Proc. 99-17, 1999-1 C.B. 503, and (iii) include a statement that satisfies all applicable requirements of section 5.04 of Rev. Proc. 99-17.

(b) *Copy of Notification Statement.* A taxpayer must attach a copy of the Notification Statement required in section 23.02(6) of this revenue procedure to its Form 3115 filed under this section 23.02.

(c) *No audit protection for valuation.* A taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 for the method of valuation used by the taxpayer to determine the fair market value of the taxpayer's Section 475 Securities, Section 475 Commodities, or both, for a taxable year prior to the year of change, or for a failure to comply with the requirements in Rev. Proc. 99-17 to properly elect the mark-to-market method. See section 8.02(2) of Rev. Proc. 2015-13.

(8) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 23.02 is "218".

(9) *Contact information.* For further information regarding a change under this section, contact Eric E. Boody at (202) 317-6945 (not a toll-free call).

SECTION 24. BANK RESERVES FOR BAD DEBTS (§ 585)

.01 *Changing from the § 585 reserve method to the § 166 specific charge-off method.*

(1) *Description of change.*

(a) *Applicability.* This change applies to a bank (as defined in § 581, including a bank for which a qualified subchapter S subsidiary (Qsub) election is filed) that

wants to change its method of accounting for bad debts from the § 585 reserve method to the § 166 specific charge-off method.

(b) *Inapplicability.* This change does not apply to a large bank as defined in § 585(c)(2).

(2) *Certain eligibility rule inapplicable.* A bank that changed from the § 593 reserve method under § 593(g) to the § 585 reserve method is not prohibited under section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, from changing its method of accounting for bad debts under this section 24.01 solely because of the § 593(g) change. A bank for which a Qsub election is filed will not be prohibited under section 5.01(1)(f) of Rev. Proc. 2015-13 from changing its method of accounting for bad debts under this section 24.01 solely because of the deemed liquidation of the bank arising from a Qsub election.

(3) *Section 481(a) adjustment.* Generally, the amount of the § 481(a) adjustment for a change in method of accounting under this section 24.01 is the amount of the bank's reserve for bad debts as of the close of the taxable year immediately before the year of change. However, the amount of the § 481(a) adjustment does not include the amount of a bank's pre-1988 reserves (as described in § 593(g)(2)(A)(ii), without taking into account § 593(g)(2)(B)) if the bank changed in a prior year from the § 593 reserve method to the § 585 reserve method and § 593(g) applied to that change. The deemed liquidation of a bank occurring solely because its parent makes a Qsub election does not accelerate the § 481(a) adjustment. In accordance with section 7.03(4)(a) of Rev. Proc. 2015-13, a bank that ceases to be a bank under § 581 must accelerate its § 481(a) adjustment.

(4) *Change from § 585 required when electing S corporation status.*

(a) *General rule.* A bank electing S corporation status (or a bank for which a Qsub election is filed) cannot use the § 585 reserve method. The filing by a bank of a Form 2553, *Election by a Small Business Corporation*, or the filing by a bank's parent of Form 8869, *Qualified Subchapter S Subsidiary Election*, with respect to the bank will constitute an agreement by the bank to change its

method of accounting for bad debts from the § 585 reserve method to the § 166 specific charge-off method effective as of the taxable year for which the S corporation election or Qsub election is effective (year of change) in accordance with all of the automatic change procedures of Rev. Proc. 2015–13 and this section 24.01. The resulting § 481(a) adjustment is recognized built-in gain under § 1374, unless the bank elects under § 1361(g) and section 24.01(4)(b) of this revenue procedure to take the § 481(a) adjustment into account in determining taxable income for the taxable year immediately preceding the year of change. See § 1.1374–4(d).

(b) *Election to include § 481(a) adjustment in taxable year immediately preceding the year of change.*

(i) *Election requirements.* A bank that changes its method of accounting for bad debts under this section 24.01, from the § 585 reserve method to the § 166 specific charge-off method for the first taxable year for which the bank's S corporation election is effective (year of change) may elect under § 1361(g) to take into account the amount of the resulting § 481(a) adjustment in determining taxable income for the taxable year immediately preceding the year of change. To make this election, a bank must (1) file an original and copy of Form 3115 under section 6.03(1) of Rev. Proc. 2015–13 (and any other copy required under section 6.03) for the year of change, (2) file an additional copy of the Form 3115 with its original (or amended) federal income tax return for the taxable year immediately preceding the year of change filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015–13 (and any other copy required under section 6.03) and (3) include the amount of the § 481(a) adjustment in gross income for the taxable year immediately preceding the year of change. The bank must attach a statement to the original and both copies of Form 3115 stating that the bank elects under § 1361(g) to take the § 481(a) adjustment into account in determining taxable income for the taxable year immediately preceding the year of change.

(ii) *Special rule for Qsub banks.* In the case of a Qsub bank, the S corporation parent must file an original and copy of

Form 3115 under section 6.03(1) of Rev. Proc. 2015–13 for the year of change. The Qsub bank must file an additional copy of the Form 3115 with its original (or amended) federal income tax return for the taxable year immediately preceding the year of change filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015–13, and include the amount of the § 481(a) adjustment in gross income for the taxable year immediately preceding the year of change. In the case of a Qsub bank, the Form 3115 should indicate that the “filer” is the S corporation parent and the “applicant” is the Qsub bank.

(iii) The following example illustrates the principles of section 24.01(4)(b) of this revenue procedure.

Example. X, a calendar year taxpayer, is a calendar year bank as defined in § 581 and is not a large bank as defined in § 585(c)(2). For taxable years before 2015, X accounted for its bad debts under the § 585 reserve method. By March 15, 2015, X properly filed a Form 2553 electing to be an S corporation effective January 1, 2015. Pursuant to section 24.01(4)(a) of this revenue procedure, the filing of the Form 2553 constituted an agreement by X to change from the § 585 reserve method to the § 166 specific charge-off method for 2015 in accordance with all of the automatic change procedures of Rev. Proc. 2015–13, and the applicable provisions of this section 24.01. Thus, for example, X must file a Form 3115 for this 2015 change in duplicate, in accordance with section 6.03(1) of Rev. Proc. 2015–13, by attaching the original Form 3115 to X's timely filed (including any extension) original federal income tax return for 2015 and filing a copy of the Form 3115 with the Covington, KY, office. The amount of X's § 481(a) adjustment for the change is the amount of X's bad debt reserve as of the close of December 31, 2014. X wishes to elect under § 1361(g) to include the § 481(a) adjustment in income in the taxable year ending December 31, 2014, the taxable year immediately preceding the year of change. To make this election, X must (1) file an original and copy of Form 3115 for the 2015 change under section 6.03(1) of Rev. Proc. 2015–13, (2) file an additional copy of that Form 3115 with its original (or amended) federal income tax return for 2014 filed no later than the date the original Form 3115 is properly filed under section 6.03(1) of Rev. Proc. 2015–13, and (3) include the amount of its § 481(a) adjustment in gross income in its return for 2014. X must attach a statement to the original and both copies of Form 3115 stating that X elects under § 1361(g) to take the § 481(a) adjustment into account in determining taxable income for 2014, the taxable year immediately preceding the year of change.

(5) *Designated automatic accounting method change number.* The designated automatic accounting method change

number for a change under this section 24.01 is “66.”

(6) *Contact information.* For further information regarding a change under this section, contact K. Scott Brown at (202) 317-6945, Laura Fields at (202) 317-6850 or Adrienne Mikolashek at (202) 317-6850 (not a toll-free call).

SECTION 25. INSURANCE COMPANIES (§§ 816, 832, 833)

.01 *Safe harbor method of accounting for premium acquisition expenses.*

(1) *Description of change.* Rev. Proc. 2002–46, 2002–2 C.B. 105, sets forth a safe harbor method of accounting for premium acquisition expenses of certain non-life insurance companies. Under this method, an insurance company is permitted to treat as premium acquisition expenses incurred for the taxable year an amount equal to the sum of (a) the amount of premium acquisition expenses paid during the taxable year; (b) the difference between the unpaid premium acquisition expenses shown on the company's annual statement for the taxable year and the unpaid premium acquisition expenses shown on the company annual statement for the preceding taxable year; and (c) the difference between the amount of the insurance company's pro forma premium acquisition expenses at the end of the taxable year and the company's pro forma premium acquisition expenses at the end of the preceding taxable year. The amount taken into account as a net increase in the pro forma premium acquisition expenses, however, cannot exceed the insurance company's unearned premium reserve offset amount for that year. A special rule applies to premium acquisition expenses with respect to certain contracts with installment premiums. See Rev. Proc. 2002–46.

(2) *Applicability.* The automatic change in this section 25.01 applies to any insurance company that is subject to tax under § 831(a) and determines its premiums earned for insurance contracts during the taxable year under § 832(b)(4) in accordance with the provisions of § 1.832–4. The automatic change does not apply to an existing Blue Cross or Blue Shield organization or any other organization to which § 833 applies.

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

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 25.01 is “67.”

(5) *Contact information.* For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.02 Certain changes in method of accounting for organizations to which § 833 applies

(1) *Description of change.* This change applies to an existing Blue Cross or Blue Shield organization within the meaning of § 833(c)(2), or an organization described in § 833(c)(3), that is required to change its method of accounting for unearned premiums by reason of failing to meet the Medical Loss Ratio (MLR) requirements of § 833(c)(5), or by reason of meeting the MLR requirements of § 833(c)(5) after failing to meet those requirements in a prior year. *See* Notice 2011–4, 2011–2 I.R.B. 282.

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

(3) *Accelerated § 481(a) adjustment period in certain situations.* In addition to the circumstances set forth in section 7.03(4) of Rev. Proc. 2015–13, the § 481 adjustment period provided in section 7.03 of Rev. Proc. 2015–13 will be accelerated in the event a taxpayer with a remaining balance of a § 481(a) adjustment that arose by reason of a change in method of accounting described in this section 25.02 is required to effect another change in method of accounting described in this section 25.02. Thus, for example, a taxpayer that fails to satisfy the requirements of § 833(c)(5) and as a result has a positive § 481(a) adjustment, is required to accelerate the remaining balance, if any, of that adjustment in a subsequent taxable year in which the taxpayer meets the requirements of § 833(c)(5).

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 25.02 is “155.”

(5) *Contact information.* For further information regarding this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

.03 Change in qualification as life/nonlife insurance company under § 816(a).

(1) *Description of change.* This change applies to a taxpayer that changes its qualification under § 816(a) to move from a life insurance company taxable under part I of subchapter L to a non-life insurance company taxable under part II of subchapter L, or *vice versa*. Whether an insurance company is taxed under § 801 as a life insurance company is determined using the statutory requirements of § 816(a). This section requires that a company’s life insurance reserves (as defined in § 816(b)), plus unearned premiums and unpaid losses on noncancellable life, accident, and health insurance contracts not included in life insurance reserves, be compared to its total reserves (as defined in § 816(c)). The comparison mandated by § 816(a) is referred to as the qualification fraction. An insurance company is a life insurance company if the sum of the life insurance reserves and unearned premiums and unpaid losses (whether or not ascertained) on noncancellable life, accident, or health policies not included in life insurance reserves comprise more than 50% of total reserves.

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

(3) *No audit protection or ruling on qualification as a life insurance company.* The taxpayer does not receive either: (a) any audit protection under section 8.01 of Rev. Proc. 2015–13 or (b) ruling reliance under section 10 of Rev. Proc. 2015–13 in connection with the consent granted under section 9 of Rev. Proc. 2015–13 for a change under this section 25.03 regarding whether the taxpayer qualifies as a life insurance company. The director will as-

certain whether the taxpayer qualifies as a life insurance company.

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 25.03 is “219.”

(5) *Contact information.* For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

SECTION 26. DISCOUNTED UNPAID LOSSES (§ 846)

.01 Composite method for discounting unpaid losses.

(1) *Description of change.* Section 846 defines “discounted unpaid losses” for purposes of computing the insurance company taxable income of certain insurance companies. Notice 88–100, 1988–2 C.B. 439, section V, sets forth a composite method for computing unpaid losses with respect to accident years not separately stated on the NAIC annual statement. Rev. Proc. 2002–74, 2002–2 C.B. 980, section 3.01, clarifies that the composite method of Notice 88–100, section V, is permitted, but not required; section 3.02 sets forth an alternative method for those taxpayers that do not use the composite method of section 3.01. An insurance company using a method provided in section 3.01 or 3.02 of Rev. Proc. 2002–74 to compute discounted unpaid losses, must use the same method to compute discounted estimated salvage recoverable. An insurance company that currently uses a permissible method of accounting for discounted unpaid losses may change its method of accounting to or from the composite method of Notice 88–100, section V, without the consent of the Commissioner. This change applies to insurance companies that are required to discount unpaid losses under § 846. *See* Rev. Proc. 2002–74.

(2) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 26.01 is “68.”

(3) *Contact information.* For further information regarding a change under this section, contact Rebecca L. Baxter at (202) 317-6995 (not a toll-free call).

SECTION 27. REAL ESTATE
MORTGAGE INVESTMENT
CONDUIT (REMIC) (§§ 860A–860G)

.01 *REMIC inducement fees.*

(1) *Description of change.* A taxpayer that receives an inducement fee in connection with becoming the holder of a non-economic residual interest in a REMIC must take that fee into account over the remaining expected life of the applicable REMIC in accordance with § 1.446–6. This change applies to a taxpayer that seeks to change from any method of accounting for such inducement fees to one of the safe harbor methods provided under § 1.446–6(e)(1)–(2). See Rev. Proc. 2004–30, 2004–1 C.B. 950, for additional guidance relating to this change.

(2) *Manner of making change.* A taxpayer making this change must identify the specific safe harbor method under § 1.446–6(e) to which the taxpayer is changing.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 27.01 is “79.”

(4) *Contact information.* For further information regarding a change under this section, contact John W. Rogers, III at (202) 317-6895 (not a toll-free call).

SECTION 28. FUNCTIONAL
CURRENCY (§ 985)

.01 *Change in functional currency.*

(1) *Description of change.* This change applies to a taxpayer that wants to change its functional currency or the functional currency of a qualified business unit (QBU) of the taxpayer. The preceding sentence does not apply to a QBU of a taxpayer described in § 1.985–1(b)(1)(iii).

(2) *Manner of making change.* A taxpayer making this change must make all necessary adjustments required by such change. See §§ 1.985–5, 1.985–8(c). A taxpayer must attach a statement to the Form 3115 representing that it has made the adjustments set forth in § 1.985–5 or § 1.985–8(c). The statement must also provide the amount of any unrealized exchange gain or loss required to be taken into account pursuant to § 1.985–5 or § 1.985–8(c) and the date on which a

taxpayer took such amount into account. Finally, the statement must provide a detailed and complete description of any other adjustments required pursuant to § 1.985–5 or § 1.985–8(c).

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 28.01 is “70.”

(4) *Contact information.* For further information regarding a change under this section, contact Peter Merkel at (202) 317-4919 (not a toll-free call).

SECTION 29. ORIGINAL ISSUE
DISCOUNT (§§ 1272, 1273)

.01 *De minimis original issue discount (OID).*

(1) *Description of change.* This change applies to a taxpayer that wants to change to the principal-reduction method of accounting described in section 5 of Rev. Proc. 97–39, 1997–2 C.B. 485. The principal-reduction method of accounting is an aggregate method of accounting for de minimis OID (discount) on certain loans originated by the taxpayer.

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

(3) *Description.* The principal-reduction method of accounting is a permissible method for use by taxpayers to account for discount on one or more categories of loans described in section 4.02 or 4.03 of Rev. Proc. 97–39. If the principal-reduction method is used to account for any loans in a category of loans, the method must be used for the entire category of loans. The principal-reduction method applies only to loans described in section 3 of Rev. Proc. 97–39.

(4) *Manner of making change.*

(a) This change is made on a cut-off basis and applies only to loans described in section 3 of Rev. Proc. 97–39 that were acquired on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) The taxpayer must maintain books and records sufficient to satisfy the director that old and new loans have been adequately segregated.

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

(a) identify the categories of loans to which the proposed method will apply; and

(b) describe any “additional categories” permitted under section 4.03 of Rev. Proc. 97–39.

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

(7) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 29.01 is “72.”

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

.02 *Proportional method of accounting for OID on a pool of credit card receivables.*

(1) *Description of change.* This change applies to a taxpayer that wants to change to the proportional method of accounting for OID on a pool of credit card receivables as described in Rev. Proc. 2013–26, 2013–22 I.R.B. 1160.

(2) *Manner of making change.* This change is made on a cut-off basis. Accordingly, a § 481(a) adjustment is neither required nor permitted. The unaccrued OID for the pool as of the beginning of the first period in the year of change is equal to the unaccrued OID for the pool as of the end of the preceding year under the taxpayer’s previous method of accounting for the pool.

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 29.02 is “183.”

(4) *Contact information.* For further information regarding this section, please contact Charles W. Culmer at (202) 317-6945 (not a toll-free call).

SECTION 30. MARKET DISCOUNT BONDS (§ 1278)

.01 Revocation of § 1278(b) election.

(1) *Description of change.* This change applies to a taxpayer that wants to change its method of accounting for market discount bonds by revoking its § 1278(b) election. Under § 1278(b), a taxpayer may elect a method of accounting under which market discount is currently included in gross income for the taxable years to which the discount is attributable. See Rev. Proc. 92-67, 1992-2 C.B. 429, for the procedures to make a § 1278(b) election (including a deemed § 1278(b) election). The procedures for revoking a § 1278 election were formerly provided in section 7 of Rev. Proc. 92-67.

(2) *Revocation of election.* The revocation of a § 1278(b) election applies to all market discount bonds that are held by the taxpayer on the first day of the first taxable year for which the revocation is effective (year of change), and to all market discount bonds that are subsequently acquired by the taxpayer. If a § 1278(b) election is revoked, then for purposes of § 1278(a), accrued market discount with respect to any bond previously subject to the election means accrued market discount as defined in § 1276(b) less any market discount included in income while the bond was subject to the § 1278(b) election.

(3) *Manner of making change.* This change is made on a cut-off basis and applies only to market discount accruing on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required. Market discount accruing on a bond prior to the year of change was currently included in income and market discount accruing on the bond on and after the first day of the year of change is included in income generally upon disposition of the bond. See § 1276(a). Because a cut-off basis is prescribed for this change, the basis of any bond, adjusted for amounts previously included in income during the period of the election, is not affected by the revocation.

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

(a) the reason(s) for revoking the § 1278(b) election (or deemed § 1278(b) election);

(b) a description of the method by which, and the date on which, the taxpayer made the § 1278(b) election (or deemed § 1278(b) election) that is being revoked; and

(c) a statement that, after the revocation, the taxpayer will not make a constant interest rate election for any bond that has been subject to the § 1278(b) election (or deemed § 1278(b) election) being revoked and for which a constant interest rate election was not effective in the year of acquisition.

(5) *Audit protection.* A taxpayer may receive audit protection, as provided in section 8.01 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, in connection with this change. Any audit protection applicable to this change under section 8.01 of Rev. Proc. 2015-13 does not preclude the Commissioner from examining the method used by the taxpayer to determine the amount of accrued market discount under § 1276(b) for a taxable year prior to the year of change.

(6) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 30.01 is "73."

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

SECTION 31. SHORT-TERM OBLIGATIONS (§ 1281)

.01 Interest income on short obligations.

(1) Description of change.

(a) This change applies to a taxpayer that wants to change its method of accounting to comply with § 1281 for interest income on short-term obligations.

(b) Under § 1281, a holder of certain short-term obligations, including a bank as defined in § 581, must include in gross income any accrued interest income on such obligations, regardless of the holder's overall method of accounting. Section 1281 applies to all types of interest income, including acquisition discount, original issue discount (OID), and stated interest. See S. Rep. No. 99-313, 99th

Cong., 2d Sess. 903 (1986), 1986-3 (Vol. 3) C.B. 903.

(c) Section 1283(a)(1) generally defines a short-term obligation as any bond, debenture, note, certificate, or other evidence of indebtedness that matures in one year or less from its issue date.

(d) Under §§ 1281(a) and 1283(c), a holder of a short-term obligation subject to § 1281 must include in gross income an amount equal to the sum of the daily portions of the acquisition discount or OID, whichever is applicable, on the obligation for each day during the taxable year that the obligation is held by the holder. See § 1283(b), as modified by § 1283(c), to determine the daily portions of acquisition discount or OID. In addition, § 1281(a) requires the holder to include in gross income any stated interest that is payable on the short-term obligation (other than stated interest taken into account to determine the amount of the acquisition discount or OID) as it accrues.

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

(3) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 31.01 is "74."

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

.02 Stated interest on short-term loans of cash method banks.

(1) *Description of change.* This change applies to a bank that uses the cash receipts and disbursements (cash) method of accounting as its overall accounting method and that wants to change its method of accounting from accruing stated interest on short-term loans made in the ordinary course of business to using the cash method for that interest. For example, see *Security State Bank v. Commissioner*, 214 F.3d 1254 (10th Cir. 2000), *aff'g* 111 T.C. 210 (1998), *acq.*, 2001-1 C.B. xix; and *Security Bank Minnesota v. Commissioner*, 994 F.2d 432 (8th Cir. 1993), *aff'g* 98 T.C. 33 (1992), in which the courts held that § 1281 does not apply to short-term loans made by a cash

method bank in the ordinary course of its business.

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

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

(4) *Designated automatic accounting method change number.* The designated automatic accounting method change number for a change under this section 31.02 is “75.”

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

EFFECTIVE DATE

.01 *In general.* Except as otherwise provided under this EFFECTIVE DATE section, this revenue procedure is effective for a Form 3115 filed on or after May 5, 2016, for a year of change ending on or after September 30, 2015, that is filed under the automatic change procedures of Rev. Proc. 2015–13, 2015–5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015–33, 2015–24 I.R.B. 1067, and as modified by Rev. Proc. 2016–1, 2016–1 I.R.B. 1.

.02 *Transition rules.* The following transition rules apply:

(1) *Limited time period to convert a Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015–13.* If before May 5, 2016, a taxpayer properly filed a Form 3115 under the non-automatic change procedures in Rev. Proc. 2015–13 requesting the Commissioner’s consent for a change in method of accounting described in this revenue procedure, and the Form 3115 is pending with the national office on May 5, 2016, the taxpayer may choose to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015–13 if the taxpayer is otherwise eligible to use this revenue procedure and the automatic change procedures in Rev. Proc. 2015–13. The taxpayer must notify the national office contact person (if unknown, see section 9.08(6) of Rev. Proc. 2016–1, 2016–1 I.R.B. 1, 48 (or succes-

sor)) for the Form 3115 of the taxpayer’s intent to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015–13 before the later of (a) June 6, 2016, or (b) the issuance of a letter ruling granting or denying consent for the change. The notification should indicate that the taxpayer chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015–13. If the taxpayer timely notifies the national office that it chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015–13, the national office will send a letter to the taxpayer acknowledging its request and will return the user fee submitted with the Form 3115.

A taxpayer converting a Form 3115 to the automatic change procedures in Rev. Proc. 2015–13 for a change in method of accounting described in this revenue procedure must resubmit a Form 3115 that conforms to the automatic change procedures, with a copy of the national office letter sent acknowledging the taxpayer’s request attached, to the IRS in Covington, KY by the earlier of (a) the 30th calendar day after the date of the national office’s letter acknowledging the taxpayer’s request, or (b) the date the taxpayer is required to file the Duplicate copy of the Form 3115 under SECTION 6.03(1)(a)(i)(B) of Rev. Proc. 2015–13. See SECTION 6.03(3) of Rev. Proc. 2015–13 regarding additional required copies of Form 3115.

For purposes of the eligibility rules in SECTION 5 of Rev. Proc. 2015–13, the Duplicate copy of the timely resubmitted Form 3115 will be considered filed as of the date the taxpayer originally filed the converted Form 3115 under the non-automatic change procedures in Rev. Proc. 2015–13. This paragraph (1) does not extend the date the taxpayer must file the original (converted) Form 3115 under SECTION 6.03(1)(a)(i)(A) of Rev. Proc. 2015–13.

A Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015–13 before May 5, 2016, for a change in method of accounting described in this revenue procedure, will be disregarded for purposes of the prior five year change rules in SECTIONS 5.04 and 5.05 of Rev. Proc. 2015–13 if the taxpayer

converts the Form 3115 pursuant to this paragraph (1).

(2) *Forms 3115 for changes in methods of accounting that can no longer be filed under the automatic change procedures.* The following transition rules apply to the changes in methods of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015–13. Such changes are described in subsection .01(1), (4), and (7) of the SIGNIFICANT CHANGES section of this revenue procedure.

(a) For changes described in subsection .01(1) and (4) of the SIGNIFICANT CHANGES section of this revenue procedure:

(i) If before May 5, 2016, a taxpayer properly filed the original, or the Duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015–13 for a change in method of accounting described in subsection .01(1) or (4) of the SIGNIFICANT CHANGES section of this revenue procedure, the taxpayer may make that change under the automatic change procedures in Rev. Proc. 2015–13 for the year of change.

(ii) If before May 5, 2016, a taxpayer did not properly file the original, or the Duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015–13 for a change in method of accounting described in subsection .01(1) or (4) of the SIGNIFICANT CHANGES section of this revenue procedure, the taxpayer must make that change under the non-automatic change procedures in Rev. Proc. 2015–13. Notwithstanding § 1.446–1(e)(3)(i), the taxpayer may file a Form 3115 to request the Commissioner’s consent to change the method of accounting under the non-automatic change procedures in Rev. Proc. 2015–13 for the taxpayer’s last taxable year ending before May 5, 2016, on or before the due date of the federal income tax return for that taxable year. Solely for purposes of this paragraph (2)(a)(ii), the due date of the taxpayer’s federal income tax return includes extensions, notwithstanding that the taxpayer may not have extended the due date.

(b) For the change described in subsection .01(7) of the SIGNIFICANT CHANGES section of this revenue procedure:

(i) If before June 6, 2016, a taxpayer properly filed the original, or the Duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in subsection .01(7) of the SIGNIFICANT CHANGES section of this revenue procedure, the taxpayer may make that change under the automatic change procedures in Rev. Proc. 2015-13 for the year of change.

(ii) If before June 6, 2016, a taxpayer did not properly file the original, or the Duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in subsection .01(7) of the SIGNIFICANT CHANGES section of this revenue procedure, the taxpayer must make that change under the non-automatic change procedures in Rev. Proc. 2015-13. Notwithstanding § 1.446-1(e)(3)(i), the taxpayer may file a Form 3115 to request the Commissioner's consent to change the method of accounting under the non-automatic change procedures in Rev. Proc. 2015-13 for the taxpayer's last taxable year ending before June 6, 2016, on or before the due date of the federal income tax return for that taxable year. Solely for purposes of this paragraph (2)(b)(ii), the due date of the taxpayer's federal income tax return includes extensions, notwithstanding that the taxpayer may not have extended the due date.

EFFECT ON OTHER DOCUMENTS

.01 This revenue procedure amplifies and modifies Rev. Proc. 2015-14, 2015-5 I.R.B. 450, as modified by Rev. Proc. 2015-20, 2015-9 I.R.B. 694. Rev. Proc. 2015-14, as amplified and modified is superseded in part. The third sentence in the subsection .01 under the EFFECT ON OTHER DOCUMENTS section of Rev. Proc. 2015-14 remains in effect. All other sections of Rev. Proc. 2015-14 are superseded.

.02 Rev. Proc. 2011-46, 2011-42 I.R.B. 518, is modified as follows:

(1) Section 5.02(3)(a) is modified to remove the first two sentences in the Manner of Making Change section and to substitute the following three new sentences in its place:

(a) In accordance with § 1.446-1(e)(3)(ii), the requirement under

§ 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, the statement in lieu of a Form 3115 that is permitted under this paragraph 5.02(3)(a) is considered a Form 3115 for purposes of the automatic consent procedures in Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived.

(2) Section 5.03(2)(a) is modified to remove the first two sentences in the Manner of Making Change section and to substitute the following three new sentences in its place:

(a) In accordance with § 1.446-1(e)(3)(ii), the requirement under § 1.446-1(e)(3)(i) to file a Form 3115 is waived and a statement in lieu of a Form 3115 is authorized for this change. Notwithstanding the definition of Form 3115 in section 3.07 of Rev. Proc. 2015-13, the statement in lieu of a Form 3115 that is permitted under this paragraph 5.03(2)(a) is considered a Form 3115 for purposes of the automatic consent procedures in Rev. Proc. 2015-13. However, the requirement to file the Duplicate copy, under section 6.03(1)(a) of Rev. Proc. 2015-13, is waived.

.03 Rev. Rul. 2004-62, 2004-1 C.B. 1072, is modified to remove the second sentence in the CHANGE IN METHOD OF ACCOUNTING section and to substitute the following new two sentences in its place:

A taxpayer that wants to change its method of accounting to comply with this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein. The eligibility rules in section 5.01(1) of Rev. Proc. 2015-13 (or successor) apply to a change in method of accounting described in section 3.04 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880 (or successor).

.04 Rev. Rul. 2000-7, 2000-9 C.B. 712, is modified to remove the fourth sentence of the paragraph in the APPLICATION section and to substitute the following new fourth sentence:

A taxpayer that wants to change its method of accounting to conform with the holding in this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein, except that the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 (or successor) does not apply to a change described in section 11.03 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880 (or successor).

.05 Rev. Rul. 2000-4, 2000-1 C.B. 331, is modified to remove the second sentence of the paragraph in the APPLICATION section, and to substitute the following two new sentences in that paragraph in its place:

A taxpayer that wants to change its method of accounting to conform with the holding in this revenue ruling must follow the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) if the taxpayer is eligible to request such consent under the automatic change procedures therein. The eligibility rules in section 5.01(1) of Rev. Proc. 2015-13 (or successor) apply to a change in method of accounting under section 3.02 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880 (or successor).

.06 Rev. Proc. 2007-48, 2007-2 C.B. 110, is modified to remove section 5.06(1) and to substitute it with the following sentence:

The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, (or successor) does not apply to a change in method of accounting described in section 5.06 of Rev. Proc. 2007-48, and made under section 21.09 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880 (or successor).

PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1551. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this revenue procedure are in sections 3, 5, 6, 7, 8, 9, 11, 12, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 28, 29, and 30. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The collections of information are required for the taxpayer to obtain consent to change its method of accounting. The likely respondents are the following: individuals, farms, business or other for-profit institutions, nonprofit institutions, and small businesses or organizations.

The estimated total annual reporting and/or recordkeeping burden is 30,580 hours.

The estimated annual burden per respondent/recordkeeper varies from 1/6 hour to 8 1/2 hours, depending on individual circumstances, with an estimated average of 1 1/4 hours. The estimated number of respondents is 27,336. The estimated annual frequency of responses is on occasion.

SIGNIFICANT CHANGES

.01 Significant changes to the List of Automatic Changes in Rev. Proc. 2015-14 include:

(1) Section 6.01, relating to impermissible to permissible methods of depreciation or amortization, is amplified and modified to provide that a taxpayer can not make a change under this section for any property for which the taxpayer has claimed a federal income tax credit. This change in method of accounting must be made under the non-automatic change procedures in Rev. Proc. 2015-13. Previously, section 6.01 did not apply to property for which the taxpayer claimed the rehabilitation credit under § 47 and is reclassifying under § 168(e);

(2) Section 6.10, relating to late partial disposition elections under § 168, and section 6.12, relating to partial dispositions of tangible depreciable assets to which the IRS's adjustment pertains, are modified to remove all references to Prop. Reg. § 1.168(i)-8 because it is obsolete;

(3) Section 6.20, relating to the revocation of a partial disposition election under the remodel-refresh safe harbor described in Rev. Proc. 2015-56, 2015-49 I.R.B. 827, is modified to provide that

such revocation must be made, and the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply, for any taxable year beginning after December 31, 2013, and ending before December 31, 2016. Previously, this revocation of the partial disposition election had to be made, and these eligibility rules did not apply for a change, under section 6.20 for the first or second taxable year beginning after December 31, 2013;

(4) Section 11.08, relating to changes for tangible property, is modified to provide that this section does not apply to amounts paid or incurred for repair and maintenance costs that the taxpayer is changing from capitalizing to deducting and for which the taxpayer has claimed a federal income tax credit or elected to apply § 168(k)(4). This change in method of accounting must be made under the non-automatic change procedures in Rev. Proc. 2015-13;

(5) Section 11.10, relating to the remodel-refresh safe harbor described in Rev. Proc. 2015-56, is modified to provide that the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply for any taxable year beginning after December 31, 2013, and ending before December 31, 2016. Previously, these eligibility rules did not apply for a change under section 11.10 for the first or second taxable year beginning after December 31, 2013;

(6) Section 13.01, relating to changes to comply with the requirements of § 267, is modified to provide that the eligibility rules in sections 5.01(1)(e) and (f) of Rev. Proc. 2015-13 do not apply to changes to comply with § 267(a)(3);

(7) Section 18.01 of Rev. Proc. 2015-14, relating to changes for long-term contracts to the percentage-of-completion method described in § 1.460-4(b), is removed from the revenue procedure in its entirety. This change in method of accounting must be made under the non-automatic change procedures in Rev. Proc. 2015-13;

(8) Section 21.05, relating to impermissible methods of identification and valuation of inventory, is amplified and modified to provide that a taxpayer can make a change under this section if the taxpayer is changing from an impermissible method of accounting under § 471.

This change was previously limited to a taxpayer changing from an impermissible method of accounting described in §§ 1.471-2(f)(1) through (5);

(9) The following sections are added to the List of Automatic Changes in this revenue procedure to provide additional changes in method of accounting to be made under the automatic change procedures:

(a) Section 10.01, relating to changes for start-up expenditures under § 195;

(b) Section 12.14, relating to changes for interest capitalization under § 263A; and

(c) Section 21.17, relating to certain changes within the retail inventory method under § 471;

(10) The waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 is extended one year to any taxable year beginning before January 1, 2016, for the following sections:

(a) Section 6.13, relating to depreciation of leasehold improvements under § 1.167(a)-4;

(b) Section 6.14, relating to a change from a permissible to another permissible method of accounting for depreciation of MACRS property under §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8;

(c) Section 6.15, relating to dispositions of a building or structural component under § 1.168(i)-8;

(d) Section 6.16, relating to dispositions of tangible depreciable assets (other than a building or its structural components) under § 1.168(i)-8;

(e) Section 6.17, relating to dispositions of tangible depreciable assets in a general asset account under § 1.168(i)-1; and

(f) Section 11.08, relating to changes for tangible property under the final tangible property regulations; and

(11) The following sections of Rev. Proc. 2015-14 are obsolete and are removed from the revenue procedure in their entirety:

(a) Section 6.08, relating to depreciation of cable TV fiber optics under the safe harbor method of accounting provided in Rev. Proc. 2003-63, 2003-2 C.B. 304;

(b) Section 6.27, relating to depreciation of leasehold improvements under § 1.167(a)-4T;

(c) Section 6.28, relating to a change from a permissible to another permissible method of accounting for depreciation of MACRS property under §§ 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T, and Prop. Reg. §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8;

(d) Section 6.29, relating to dispositions of a building or structural component under § 1.168(i)-8T and Prop. Reg. § 1.168(i)-8;

(e) Section 6.30, relating to dispositions of tangible depreciable assets (other than a building or its structural components) under § 1.168(i)-8T and Prop. Reg. § 1.168(i)-8;

(f) Section 6.31, relating to dispositions of tangible depreciable assets in a

general asset account under § 1.168(i)-1T and Prop. Reg. § 1.168(i)-1;

(g) Section 6.32, relating to general asset account elections under § 1.168(i)-1, § 1.168(i)-1T, and Prop. Reg. § 1.168(i)-1; and

(h) Section 10.11(3)(b), relating to changes for tangible property under the temporary tangible property regulations.

DRAFTING INFORMATION

The principal author of this revenue procedure is Charles Magee of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Mr. Magee at (202) 317-7005 (not a toll-free number).

For further information regarding a specific change in method of accounting in this revenue procedure, contact the individual listed in the "Contact Person(s)" section located at the end of each section of the revenue procedure (calls are not toll-free) or see the CONTACT LIST at the end of this revenue procedure. The contact person is with one of the following Offices of Associate Chief Counsel: Corporate (CORP), Financial Institutions and Products (FI&P), Income Tax & Accounting (IT&A), International (INTL), Passthroughs and Special Industries (P&SI), or Tax Exempt and Government Entities (TEGE).

LIST OF AUTOMATIC CHANGES CONTACT LIST

Section Number	Designated Automatic Accounting Change Number	Contact Name	Telephone Number	Office
1.01	91	William E. Blanchard	(202) 317-3900	FI&P
2.01	1	William Ruane	(202) 317-4718	IT&A
3.01	2	Peter Ford	(202) 317-7011	IT&A
3.02	3	Peter Ford	(202) 317-7011	IT&A
3.03	4	Peter Ford	(202) 317-7011	IT&A
3.04	86	Peter Ford	(202) 317-7011	IT&A
3.05	See § 11.08	See § 11.08	See § 11.08	IT&A
3.06	See § 11.08	See § 11.08	See § 11.08	IT&A
3.07	158	Lewis Saideman	(202) 317-5100	IT&A
3.08	159	Lewis Saideman	(202) 317-5100	IT&A
3.09	160	Lewis Saideman	(202) 317-5100	IT&A
3.10	182	Lewis Saideman	(202) 317-5100	IT&A
3.11	208, 209	Merrill Feldstein	(202) 317-5100	IT&A
4.01	5	Charles Gorham	(202) 317-7003	IT&A
4.02	211	K. Scott Brown	(202) 317-6945	FI&P
5.01	16	William E. Blanchard	(202) 317-3900	FI&P
5.02	212	Joseph Vetting	(202) 317-4960	INTL
6.01	7	Charles Magee	(202) 317-7005	IT&A
6.02	8	Charles Magee	(202) 317-7005	IT&A
6.03	10	Edward Schwartz	(202) 317-7006	IT&A
6.04	87	Elizabeth Binder	(202) 317-7005	IT&A
6.05	88	Elizabeth Binder	(202) 317-7005	IT&A
6.06	89	Bernard Harvey	(202) 317-7005	IT&A
6.07	107	Charles Magee	(202) 317-7005	IT&A
6.08	145	Elizabeth Binder	(202) 317-7005	IT&A
6.09	157	Charles Magee	(202) 317-7005	IT&A
6.10	196	Patrick Clinton	(202) 317-7005	IT&A
6.11	197	Patrick Clinton	(202) 317-7005	IT&A

Section Number	Designated Automatic Accounting Change Number	Contact Name	Telephone Number	Office
6.12	198	Patrick Clinton	(202) 317-7005	IT&A
6.13	199	Patrick Clinton	(202) 317-7005	IT&A
6.14	200	Patrick Clinton	(202) 317-7005	IT&A
6.15	205	Patrick Clinton	(202) 317-7005	IT&A
6.16	206	Patrick Clinton	(202) 317-7005	IT&A
6.17	207	Patrick Clinton	(202) 317-7005	IT&A
6.18		Summary of changes related to dispositions of MACRS property		
6.19	210	Charles Magee	(202) 317-7005	IT&A
6.20	221	Elizabeth Binder	(202) 317-7003	IT&A
7.01	17	Elizabeth Binder	(202) 317-7005	IT&A
8.01	152	Jennifer Bernardini	(202) 317-6853	P&SI
9.01	18	Charles Magee	(202) 317-7005	IT&A
10.01	223	Elizabeth Binder	(202) 317-7005	IT&A
11.01	19	Jason Kristall	(202) 317-7003	IT&A
11.02	20	Jason Kristall	(202) 317-7003	IT&A
11.03	21	Jason Kristall	(202) 317-7003	IT&A
11.04	47	Jason Kristall	(202) 317-7003	IT&A
11.05	78	Jason Kristall	(202) 317-7003	IT&A
11.06	109	Jason Kristall	(202) 317-7003	IT&A
11.07	121	Jason Kristall	(202) 317-7003	IT&A
11.08	184–193	Lewis Saideman	(202) 317-5100	IT&A
11.09	213	Charles Gorham	(202) 317-7003	IT&A
11.10	222	Merrill Feldstein	(202) 317-5100	IT&A
12.01	22	Natasha Mulleneaux	(202) 317-7007	IT&A
12.02	23	Natasha Mulleneaux	(202) 317-7007	IT&A
12.03	25	Natasha Mulleneaux	(202) 317-7007	IT&A
12.04	77	Sean Dwyer	(202) 317-7005	IT&A
12.05	92	Sean Dwyer	(202) 317-7005	IT&A
12.06	150, 151	Natasha Mulleneaux	(202) 317-7007	IT&A
12.07	181	Patrick Clinton	(202) 317-7005	IT&A
12.08	194	Natasha Mulleneaux	(202) 317-7007	IT&A
12.09	195	Sue-Jean Kim	(202) 317-7007	IT&A
12.10	201	Sean Dwyer	(202) 317-7005	IT&A
12.11	202	Sean Dwyer	(202) 317-7005	IT&A
12.12	214	Sean Dwyer	(202) 317-7005	IT&A
12.13	215	Sean Dwyer	(202) 317-7005	IT&A
12.14	224	Steven Gee	(202) 317-7007	IT&A
13.01	26	Steven Gee	(202) 317-7007	IT&A
		Joseph Vetting	(202) 317-4960	INTL
14.01	28	Maryellen Furr	(202) 317-5600	TEGE
14.02	29	David Zeigler	(202) 317-8629	EP
		Carlton Watkins	(202) 317-8631	EP
15.01	122, 123	Cheryl Oseekey	(202) 317-7007	IT&A
15.02	31	Timothy Azarchs	(202) 317-5100	IT&A

Section Number	Designated Automatic Accounting Change Number	Contact Name	Telephone Number	Office
15.03	32,33	Megan Kirmil	(202) 317-7007	IT&A
15.04	34, 35	Sean Dwyer	(202) 317-7005	IT&A
15.05	71	William E. Blanchard	(202) 317-3900	FI&P
15.06	85	Bernard Harvey	(202) 317-7005	IT&A
15.07	90	Rebecca L. Baxter	(202) 317-6995	FI&P
15.08	108	K. Scott Brown	(202) 317-6945	FI&P
15.09	124	Douglas Kim	(202) 317-7003	IT&A
15.10	125	Timothy Azarchs	(202) 317-5100	IT&A
15.11	126	Megan Kirmil	(202) 317-7007	IT&A
15.12	127	K. Scott Brown	(202) 317-6945	FI&P
15.13	128	Maxine Woo-Garcia	(202) 317-7011	IT&A
		Christina Glendening	(202) 317-7003	IT&A
15.14	129	David H. McDonnell	(202) 317-4137	P&SI
15.15	148	Charles W. Culmer	(202) 317-6945	FI&P
16.01	36	K. Scott Brown	(202) 317-6945	FI&P
16.02	37	Daniel Cassano	(202) 317-7011	IT&A
16.03	38	Sandra Cheston	(202) 317-7011	IT&A
16.04	39	Bill Ruane	(202) 317-4718	IT&A
16.05	80, 81	Kate Sleeth	(202) 317-7053	FI&P
16.06	82	Kate Sleeth	(202) 317-7053	FI&P
16.07	83, 84, 216	Peter Ford	(202) 317-7011	IT&A
16.08	94	Kate Sleeth	(202) 317-7053	FI&P
16.09	130, 217	Peter Cohn	(202) 317-7011	IT&A
16.10	153	Ronald Goldstein	(202) 317-7003	IT&A
17.01	131	William E. Blanchard	(202) 317-3900	FI&P
18.01	132	Patrick Clinton	(202) 317-7005	IT&A
19.01	42, 133, 134	Sandra Cheston	(202) 317-7011	IT&A
19.02	43	Kari Fisher	(202) 317-5100	IT&A
19.03	44	Kari Fisher	(202) 317-5100	IT&A
19.04	45, 113	Mon Lam	(202) 317-5100	IT&A
19.05	46	Mon Lam	(202) 317-5100	IT&A
19.06	106	Christina M. Glendening	(202) 317-7003	IT&A
19.07	135	Mon Lam	(202) 317-5100	IT&A
19.08	149	Daniel Cassano	(202) 317-7011	IT&A
19.09	154	Christina M. Glendening	(202) 317-7003	IT&A
19.10	156	Christina M. Glendening	(202) 317-7003	IT&A
19.11	161	Christina M. Glendening	(202) 317-7011	IT&A
19.12	220	David Christensen	(202) 317-7011	IT&A
20.01	136	William Ruane	(202) 317-4718	IT&A
21.01	48	Steven Gee	(202) 317-7007	IT&A
21.02	49	Steven Gee	(202) 317-7007	IT&A
21.03	50, 51	Natasha Mulleneaux	(202) 317-7007	IT&A
21.04	53	Steven Gee	(202) 317-7007	IT&A

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21.05	54	Natasha Mulleneaux	(202) 317-7007	IT&A
21.06	55	Andrew Braden	(202) 317-7007	IT&A
21.07	63	Andrew Braden	(202) 317-7007	IT&A
21.08	96	Andrew Braden	(202) 317-7007	IT&A
21.09	110	Jason Kristall	(202) 317-7003	IT&A
21.10	111	Steven Gee	(202) 317-7007	IT&A
21.11	137	Steven Gee	(202) 317-7007	IT&A
21.12	138	Andrew Braden	(202) 317-7007	IT&A
21.13	139	Andrew Braden	(202) 317-7007	IT&A
21.14	114	Leo Nolan	(202) 317-7007	IT&A
21.15	203	Sean Dwyer	(202) 317-7005	IT&A
21.16	204	Natasha M. Mulleneaux	(202) 317-7007	IT&A
21.17	225	Natasha M. Mulleneaux	(202) 317-7007	IT&A
22.01	56	Leo Nolan	(202) 317-7007	IT&A
22.02	57	Leo Nolan	(202) 317-7007	IT&A
22.03	58	Leo Nolan	(202) 317-7007	IT&A
22.04	59	Leo Nolan	(202) 317-7007	IT&A
22.05	60	Leo Nolan	(202) 317-7007	IT&A
22.06	61	Leo Nolan	(202) 317-7007	IT&A
22.07	62	Leo Nolan	(202) 317-7007	IT&A
22.08	112	Leo Nolan	(202) 317-7007	IT&A
22.09	140	Leo Nolan	(202) 317-7007	IT&A
22.10	141	Leo Nolan	(202) 317-7007	IT&A
23.01	64	Eric E. Boody	(202) 317-6945	FI&P
23.02	218	Eric E. Boody	(202) 317-6945	FI&P
24.01	66	K. Scott Brown	(202) 317-6945	FI&P
		Laura Fields	(202) 317-6850	P&SI
		Adrienne Mikolashek	(202) 317-6850	P&SI
25.01	67	Rebecca L. Baxter	(202) 317-6995	FI&P
25.02	155	Rebecca L. Baxter	(202) 317-6995	FI&P
25.03	219	Rebecca L. Baxter	(202) 317-6995	FI&P
26.01	68	Rebecca L. Baxter	(202) 317-6995	FI&P
27.01	79	John W. Rogers, III	(202) 317-6895	FI&P
28.01	70	Peter Merkel	(202) 317-4919	INTL
29.01	72	William E. Blanchard	(202) 317-3900	FI&P
29.02	183	Charles W. Culmer	(202) 317-6945	FI&P
30.01	73	William E. Blanchard	(202) 317-3900	FI&P
31.01	74	William E. Blanchard	(202) 317-3900	FI&P
31.02	75	William E. Blanchard	(202) 317-3900	FI&P