

Calendar	Section 467 rent	Section 467 interest	Payments	Section 467 loan balance
2000	\$224,041.38	\$0	\$450,000	\$(225,958.62)
2001	224,041.38	(22,595.86)	450,000	(474,513.10)
2002	224,041.38	(47,451.31)	0	(297,923.03)
2003	224,041.38	(29,792.30)	100,000	(203,673.95)
2004	224,041.38	(20,367.43)	0	0

(iv) Section 1.467-4(b)(3) incorporates the conventions of § 1.467-1(j)(2) in determining when amounts are treated as payable for purposes of determining the section 467 loan balance. Section 1.467-1(j)(2)(i)(C) treats amounts payable during the first half of any rental period except the first rental period as payable on the last day of the preceding rental period. Therefore, because June 15, 2002, occurs in the first half of 2002, in determining the section 467 loan balance at the beginning of 2002 under the amended terms of the rental agreement, the \$200,000 payment due on June 15, 2002, is treated as payable on December 31, 2001.

(v) Under paragraph (g)(2)(ii)(B) of this section, if the recomputed section 467 loan balance is less than the section 467 loan balance immediately before the modification, the difference is taken into account as a reduction of the rent previously taken into account by the lessor and the lessee. In this example, the recomputed section 467 loan balance immediately after the modification is negative \$474,513.10 and the section 467 loan balance immediately before the modification is negative \$282,837.29. However, the section 467 loan balance immediately before the modification does not take into account the \$200,000 payment originally payable on July 15, 2002, whereas, under the conventions of § 1.467-1(j)(2)(i)(C), the recomputed section 467 loan balance immediately after the modification takes into account that \$200,000 payment because it is now payable in the first half of the rental period (June 15). Under these circumstances, if the recomputed section 467 loan balance immediately after the modification is treated as negative \$474,513.10 for purposes of applying paragraph (g)(2)(ii)(B) of this section, K's gross income and J's deductions attributable to the section 467 rental agreement will be understated by \$200,000. Therefore, under paragraph (h)(1) of this section, only for purposes of applying paragraph (g)(2)(ii)(B) of this section, the \$200,000 payment due on June 15, 2002, should not be taken into account in determining the recomputed section 467 loan balance immediately after the modification.

[T.D. 8820, 64 FR 26867, May 18, 1999]

§ 1.467-8 Automatic consent to change to constant rental accrual for certain rental agreements.

(a) *General rule.* For the first taxable year ending after May 18, 1999, a taxpayer may change to the constant rental accrual method, as described in § 1.467-3, for all of its section 467 rental agreements described in paragraph (b) of this section. A change to the constant rental accrual method is a change in method of accounting to which the provisions of sections 446 and 481 and the regulations thereunder apply. A taxpayer changing its method of accounting in accordance with this section must follow the automatic change in accounting method provisions of Rev. Proc. 98-60 (see § 601.601(d)(2) of this chapter) except, for purposes of this paragraph (a), the scope limitations in section 4.02 of Rev. Proc. 98-60 are not applicable. Taxpayers changing their method of accounting in accordance with this section must do so for all of their section 467 rental agreements described in paragraph (b) of this section.

(b) *Agreements to which automatic consent applies.* A section 467 rental agreement is described in this paragraph (b) if—

(1) The property subject to the section 467 rental agreement is financed with an “exempt facility bond” within the meaning of section 142;

(2) The facility subject to the section 467 rental agreement is described in section 142(a)(1), (2), (3), or (12);

(3) The section 467 rental agreement does not include a specific allocation of fixed rent within the meaning of § 1.467-1(c)(2)(ii)(A)(2); and

(4) The section 467 rental agreement was entered into on or before May 18, 1999.

[T.D. 8820, 64 FR 26875, May 18, 1999]