

# Instructions for Form 3115

(Rev. March 2012)

(Use with the December 2009 revision of Form 3115)

## Application for Change in Accounting Method



Department of the Treasury  
Internal Revenue Service

Section references are to the Internal Revenue Code unless otherwise noted.

All references to Rev. Proc. 97-27 are to Rev. Proc. 97-27, 1997-1 C.B. 680 (as modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, as amplified and clarified by Rev. Proc. 2002-54, 2002-2 C.B. 432), as modified by Rev. Proc. 2007-67, 2007-2 C.B. 1072), as clarified and modified by Rev. Proc. 2009-39, 2009-2 C.B. 371 and as clarified and modified by Rev. Proc. 2011-14, 2011-4 I.R.B. 330, or its successor.

All references to Rev. Proc. 2011-14 are to Rev. Proc. 2011-14, 2011-4 I.R.B. 330, or its successor. (**Note.** Rev. Proc. 2011-14 amplified, clarified, modified, and, in part, superceded Rev. Proc. 2008-52, 2008-36 I.R.B. 587.)

All references to Rev. Proc. 2012-1 are to Rev. Proc. 2012-1, 2012-1 I.R.B. 1, or its successor (updated annually).

## General Instructions

### What's New

**Future developments.** The IRS has created a page on IRS.gov for information about Form 3115 at [www.irs.gov/form3115](http://www.irs.gov/form3115). Information about any future developments affecting Form 3115 (such as legislation enacted after we release it) will be posted to that page.

### Purpose of Form

File Form 3115 to request a change in either an overall method of accounting or the accounting treatment of any item.

Two procedures exist under which an applicant may request a change in method of accounting.

**Automatic change request procedures.** Unless otherwise provided in published guidance, you **must** file under the automatic change request procedures if (a) the change in method of accounting is included in those procedures for the requested year of change, and (b) you are within the scope of those procedures for the requested year of change. See *Automatic Change Request Scope Limitations*, later. A Form 3115 filed under these procedures may be reviewed by the IRS and you will be notified if information in addition to that requested on Form 3115 is required or if your request is denied. No user fee is required. An applicant that timely files and complies with an automatic change request procedure is granted consent to change its accounting method, subject to review by the IRS National Office and operating division director. See the instructions for Part I and the *List of Automatic Accounting Method Changes*, later.

Ordinarily, a taxpayer is required to file a separate Form 3115 for each change in method of accounting. However, in some cases you are required or permitted to file a single Form 3115 for particular concurrent changes in method of accounting. Further, in some cases you are required or permitted to file a statement in lieu of a Form 3115 for particular changes in method of accounting. See section 6.02(1)(a) and (b) of Rev. Proc. 2011-14 for more information.

**Advance consent request procedures.** If you are not within the scope of any automatic change request procedures for the requested year of change or the accounting method change you are requesting is not included in those procedures for the requested year of change, you may be able to file under the advance consent request procedures. See *Advance Consent*

*Request Scope Limitations*, later. If the requested change is approved, the filer will receive a letter ruling on the requested change. File a separate Form 3115 for each unrelated item or submethod. A user fee is required. See the instructions for Part III later for more information.

For general rules on changing an accounting method under:

Automatic change request procedures . . .	See generally Rev. Proc. 2011-14.
Advance consent request procedures . . .	See Rev. Proc. 97-27, as amplified, clarified and modified by Rev. Proc. 2002-19, Rev. Proc. 2002-54, Rev. Proc. 2007-67, Rev. Proc. 2009-39, and Rev. Proc. 2011-14.

For more information, see Rev. Proc. 2012-1 (or its successor), particularly section 9.



**CAUTION** When filing Form 3115, you must determine if the IRS has published any new revenue procedure, revenue ruling, notice, regulation, or other published guidance relating to the specific method the applicant is requesting to change. This guidance is published in the *Internal Revenue Bulletin*. For the latest information, visit [IRS.gov](http://IRS.gov).

### Who Must File

The entity or person required to file Form 3115, whether on its own behalf or on behalf of another entity, is the **filer**. The entity, trade or business, or person on whose behalf the change in method of accounting is being requested is the **applicant**. For example, the common parent corporation of a consolidated group is the filer when requesting a change in method of accounting for another member of that consolidated group (or a separate and distinct trade or business of that member), and the other member (or trade or business) on whose behalf the Form 3115 is filed is the applicant. For information on the difference between a filer and an applicant, see *Name(s) and Signature(s)*, later.

An applicant is an entity or a person, or a separate and distinct trade or business of an entity or a person (for purposes of Regulations section 1.446-1(d)), whose method of accounting is being changed.

For a consolidated group of corporations, the common parent corporation must file Form 3115 for a change in method of accounting for itself or any member of the consolidated group.

For a CFC or 10/50 corporation without a U.S. trade or business, Form 3115 must be filed by the designated (controlling domestic) shareholder who retains the jointly executed consent described in Regulations section 1.964-1(c)(3)(ii). If the controlling domestic shareholder is a member of a consolidated group, the common parent corporation must file Form 3115 for the controlling domestic shareholder on behalf of the foreign corporation. For an automatic change, the controlling domestic shareholder(s) (or its common parent) must attach a copy of the Form 3115 to its income tax return for its tax year with or within which the CFCs or 10/50 corporation's year of change tax year ends.

Generally, a filer must file a separate Form 3115 for each applicant seeking consent to change a method of accounting. For example, a filer must file a separate Form 3115 for each

File Form 3115 at the applicable IRS address listed below.

	<b>For applicants (other than exempt organizations) filing . . .</b>		
	<b>An advance consent request</b>	<b>The National Office copy of an automatic change request</b>	<b>Ogden, Utah copy</b>
Delivery by mail	Internal Revenue Service Attn: CC:PA:LPD:DRU P.O. Box 7604 Benjamin Franklin Station Washington, DC 20044	Internal Revenue Service Automatic Rulings Branch P.O. Box 7604 Benjamin Franklin Station Washington, DC 20044	Internal Revenue Service 1973 North Rulon White Blvd. Mail Stop 4917 Ogden, UT 84404
Delivery by private delivery service	Internal Revenue Service Attn: CC:PA:LPD:DRU Room 5336 1111 Constitution Ave., NW Washington, DC 20224	Internal Revenue Service Automatic Rulings Branch Room 5336 1111 Constitution Ave., NW Washington, DC 20224	Internal Revenue Service 1973 North Rulon White Blvd. Mail Stop 4917 Ogden, UT 84404

<b>For exempt organizations filing an advance consent request or the National Office copy of an automatic change request</b>		<b>Ogden, Utah copy</b>
By mail	Internal Revenue Service Tax Exempt & Government Entities P.O. Box 2508 Cincinnati, OH 45201	Internal Revenue Service 1973 North Rulon White Blvd. Mail Stop 4917 Ogden, UT 84404
By private delivery service	Internal Revenue Service Tax Exempt & Government Entities 550 Main Street, Room 4024 Cincinnati, OH 45202	Internal Revenue Service 1973 North Rulon White Blvd. Mail Stop 4917 Ogden, UT 84404

corporation (with a single trade or business) that is part of a related group of corporations. A filer also must file a separate Form 3115 for each separate and distinct trade or business (including a QSub or single-member LLC) of each corporation or other entity, even if the requested change in method of accounting will be used by all separate and distinct trades or businesses of an entity.

Each partnership entity must file on its own behalf even if multiple related or tiered partnership entities are filing for identical changes in method of accounting.

There are three limited exceptions to the requirement to file a separate Form 3115 for each applicant seeking consent to change a method of accounting. The filer may file a single Form 3115 for multiple applicants in each of the 3 following situations (separately, but not in any combination):

- A common parent of a consolidated group or other entity requesting an identical change in method of accounting for two or more (a) members of that consolidated group, or (b) separate and distinct trades or businesses (for purposes of Regulations section 1.446-1(d)) of that entity or members of the consolidated group, including a QSub or single-member LLC.
- A common parent of a consolidated group requesting an identical change in method of accounting on behalf of two or more controlled foreign corporations (CFCs) or noncontrolled section 902 corporations (10/50 corporations), or separate and distinct trades or businesses of a CFC or 10/50 corporation, that do not engage in a trade or business within the United States where all controlling U.S. shareholders of the CFC and all majority domestic corporate shareholders of the 10/50 corporations are members of the consolidated group.
- A taxpayer requesting an identical change in method of accounting on behalf of two or more CFCs or 10/50 corporations, or separate and distinct trades or businesses of a CFC or 10/50 corporation, that do not engage in a trade or business within the United States for which the taxpayer is the sole controlling U.S. shareholder of the CFCs or the sole domestic corporate shareholder of the 10/50 corporation (or any separate and distinct trade or businesses of any such CFC or 10/50 corporation).

For information on what is an identical change in method of accounting, see section 15.07(4) of Rev. Proc. 2012-1.

## When and Where To File

**Automatic change requests.** Except as otherwise specifically provided, you must file a Form 3115 under the automatic change request procedures in duplicate as follows.

- Attach the **original** to the filer's timely filed (including extensions) federal income tax return for the year of change.
- Attach an **original** filed on behalf of a CFC or 10/50 corporation to the filer's timely filed federal income tax return for the tax year of the filer with or within which the CFCs or 10/50 corporation's year of change tax year ends.

File a **copy** of the Form 3115 with the IRS National Office, unless the Appendix of Rev. Proc. 2011-14 or other published guidance requires you to file the copy with the IRS office in Ogden, UT, instead of the IRS National Office. File the copy no earlier than the first day of the year of change and no later than the date the original is filed with the federal income tax return for the year of change (or if applicable, for the tax year in which the CFCs or 10/50 corporation's year of change tax year ends).

If you are making more than one change in method of accounting on the same Form 3115 (when permitted) and (1) one method change requires you to file a copy of the Form 3115 with the IRS Office in Ogden, UT, and (2) the other method change(s) being requested requires you to file a copy of Form 3115 with the IRS National Office, file only one copy of the Form 3115 with the IRS Office in Ogden, UT. However, if Rev. Proc. 2011-14 or other published guidance describing the requested change in method of accounting specifically requires you to file a copy of the Form 3115 with both the IRS National Office and the IRS office in Ogden, UT, you **must** file a copy with each office. See section 3.06 of the Appendix of Rev. Proc. 2011-14 for an example of when published guidance specifically requires you to file a copy with both offices.

**Example:** You are requesting consent for a change in method of accounting described in section 6.01 of the Appendix of Rev. Proc. 2011-14 and for a concurrent change to a UNICAP method, as permitted in section 6.01(7)(b) of the Appendix of Rev. Proc. 2011-14. File the copy of the Form 3115 with the IRS office in Ogden, UT.

In specified circumstances you are required to send **additional copies** of the Form 3115 to another IRS address.

For example, you must file additional copies if the applicant is under examination, before an Appeals office, and/or before Federal Court. See section 6.03(c) of Rev. Proc. 2011-14 for more information. See also *Late Application* below, and, if the applicant is under examination for purposes of Rev. Proc. 2011-14, the instructions for Part II, lines 4d and 4e.

**Advance consent requests.** You must file Form 3115 under the advance consent request procedures during the tax year for which the change is requested, unless otherwise provided by other published guidance. For example, see Regulations section 1.381(c)(4)-1(d)(2)(iii) and 1.381(c)(5)-1(d)(2)(iii), which provide different deadlines for filing a Form 3115 in the year of a section 381 transaction. If the tax year for which the change is requested is a short period, file Form 3115 by the last day of the short period unless other published guidance provides another deadline. File the Form 3115 with the IRS National Office (see below). File Form 3115 as early as possible during the year of change to provide adequate time for the IRS to respond prior to the due date of the filer's return for the year of change (or if applicable, for the tax year of the filer in which the CFCs or 10/50 corporation's year of change tax year ends). See *Late Application* below and, if the applicant is under examination for purposes of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, and Rev. Proc. 2011-14, and the instructions for Part II, lines 4d and 4e.

The IRS normally sends an acknowledgment of receipt within 60 days after receiving a Form 3115 filed under the advance consent request procedures of Rev. Proc. 97-27. If the filer does not receive an acknowledgment of receipt for an advance request within 60 days, the filer can inquire to:

Internal Revenue Service, Control Clerk, CC:IT&A, Room 4516, 1111 Constitution Ave., NW, Washington, DC 20224.

**Note:** The IRS does not send acknowledgments of receipt for automatic change requests.

## Late Application

In general, a taxpayer that fails to timely file a Form 3115 will not be granted an extension of time to file except in unusual and compelling circumstances. See Regulations section 301.9100-3 for the standards that must be met. For information on the period of limitations, see section 5.03(2) of Rev. Proc. 2012-1.

However, a limited 6-month extension of time to file Form 3115 may be available for automatic change requests. For details, see section 6.02(3)(d) of Rev. Proc. 2011-14 and Regulations section 301.9100-2.

A taxpayer submitting a ruling request for an extension of time to file Form 3115 must pay a user fee for its extension request and, in the case of an advance consent request, also a separate user fee for its accounting method change request. For the schedule of user fees, see (A)(3)(b), (A)(4), and (A)(5)(d) in Appendix A of Rev. Proc. 2012-1.

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## Specific Instructions

### Name(s) and Signature(s)

Enter the name of the filer on the first line of page 1 of Form 3115. For an automatic change request, the filer must send a signed and dated copy of the Form 3115 to the IRS National Office and/or Ogden, UT, office and, in some cases, to an additional IRS office. For each of these copies, submit either the copy with an original signature or a photocopy of the original signed Form 3115. The Form 3115 attached to the income tax return (including any additional statements) does not need to be signed. The name and signature requirements are discussed below.

In general, the filer of the Form 3115 is the applicant. However, in circumstances where the Form 3115 is filed on behalf of the applicant, enter the filer's name and identification number on the first line of Form 3115 and enter the applicant's name and identification number on the fourth line. If Form 3115

is filed for multiple applicants in a consolidated group of corporations, multiple CFCs, or multiple separate and distinct trades or businesses of a taxpayer (including QSubs, or single-member LLCs), attach a schedule listing each applicant and its identification number (where applicable). This schedule may be combined with the information requested for Part III, line 23a (regarding the user fee) and Part IV (section 481(a) adjustment). If multiple names and signatures are required (for example, in the case of CFCs—see instructions below), attach a schedule labeled "SIGNATURE ATTACHMENT" to the Form 3115, signed under penalties of perjury using the same language as in the declaration on page 1 of Form 3115. Receivers, trustees, or assignees must sign any Form 3115 they are required to file.

**Individuals.** If Form 3115 is filed for a husband and wife who file a joint income tax return, enter the names of both spouses on the first line and the signatures of both spouses on the signature line.

**Partnerships.** Enter the name of the partnership on the first line of Form 3115. In the signature section, enter the signature of one of the general partners or limited liability company members who has personal knowledge of the facts and who is authorized to sign. Enter that person's name and title below the signature. If the authorized partner is a member of a consolidated group, then an authorized officer of the common parent corporation with personal knowledge of the facts must sign.

**Non-consolidated corporations, personal service corporations, S corporations, cooperatives, and insurance companies.** Enter the name of the filer on the first line of Form 3115. In the signature section, enter the signature of the officer who has personal knowledge of the facts and authority to bind the filer in the matter. Enter that officer's name and official title below the signature.

**Consolidated group of corporations.** Enter the name of the common parent corporation on the first line of Form 3115. Also enter the name(s) of the applicant(s) on the fourth line if a member of the consolidated group other than, or in addition to, the parent corporation is requesting a change in method of accounting. In the signature section, enter the signature of the officer of the common parent corporation who has personal knowledge of the facts and authority to bind the common parent corporation in the matter, and that officer's name and official title below the signature.

**Separate and distinct trade or business of an entity.** Enter the name of the entity (or common parent corporation if the entity is a member of a consolidated group) on the first line of Form 3115. Also enter the name of the separate and distinct trade or business requesting a change in method of accounting on the fourth line. In the signature section, enter the signature of the individual who has personal knowledge of the facts and authority to bind the separate and distinct trade or business of the entity in the matter, and that person's name and official title below the signature.

**CFC or 10/50 Corporation.** For a CFC or 10/50 corporation with a U.S. trade or business, follow the same rules as for other corporations. For a CFC or 10/50 corporation that does not have a U.S. trade or business, the Form 3115 filed on behalf of its controlling domestic shareholder(s) (or common parent) must be signed by an authorized officer of the designated (controlling domestic) shareholder that retains the jointly executed consent as provided for in Regulations section 1.964-1(c)(3)(ii). If there is more than one shareholder, the statement described in Regulations section 1.964-1(c)(3)(ii) must be attached to the application. Also, the controlling domestic shareholder(s) must provide the written notice required by Regulations section 1.964-1(c)(3)(iii). If the designated (controlling domestic) shareholder is a member of a consolidated group, then an authorized officer of the common parent corporation must sign.

**Estates or trusts.** Enter the name of the estate or trust on the first line of Form 3115. In the signature section, enter the signature of the fiduciary, personal representative, executor,

administrator, etc., who has personal knowledge of the facts and legal authority to bind the estate or trust in the matter, and that person's official title below the signature.

**Exempt organizations.** Enter the name of the organization on the first line of Form 3115. In the signature section, enter the signature of a principal officer or other person who has personal knowledge of the facts and authority to bind the exempt organization in the matter, and that person's name and official title below the signature.

**Preparer (other than filer/applicant).** If the individual preparing the Form 3115 is not the filer or applicant, the preparer also must sign. However, for an automatic change request, the preparer need not sign the original Form 3115 attached to the income tax return.

## Identification Number

Enter the filer's taxpayer identification number on the first line of Form 3115 as follows.

- Individuals enter their social security number (SSN) (or individual taxpayer identification number (ITIN) for a resident or nonresident alien). If the Form 3115 is for a husband and wife who file a joint return, enter the identification numbers of both.
- All others, enter the employer identification number (EIN).
- If the filer is the common parent corporation of a consolidated group of corporations, enter the EIN of the common parent on the first line of Form 3115. Enter the EIN of the applicant on the fourth line if a member of the consolidated group other than, or in addition to, the common parent is requesting the change in method of accounting.
- If the common parent is filing the Form 3115 on behalf of multiple applicants in a consolidated group of corporations, multiple CFCs or 10/50 corporations, or multiple and distinct trades or businesses of a member (including QSubs, or single-member LLCs), attach a schedule listing each applicant and its identification number (if applicable).
- If the applicant is a foreign entity that is not otherwise required to have or obtain an EIN, enter "Not applicable" in the space provided for the identifying number.

## Principal Business Activity Code

If the filer is a business, enter the six-digit principal business activity (PBA) code of the filer. The principal business activity of the filer is the activity generating the largest percentage of its total receipts. See the instructions for the filer's income tax return for the filer's PBA code and definition of total receipts.

**Note.** An applicant requesting to change its accounting method under designated automatic accounting method change numbers 33 and/or 51 in the *List of Automatic Accounting Method Changes* must also attach to Form 3115 the detailed NAICS code for the applicant's principal business activity. See Rev. Proc. 2002-28, 2002-1 C.B. 815, for further guidance.

## Address

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the filer has a P.O. box, show the box number instead of the street address.

## Contact Person

The contact person must be an individual authorized to sign Form 3115, or the filer's authorized representative. If this person is someone other than an individual authorized to sign Form 3115, you must attach Form 2848, Power of Attorney and Declaration of Representative.

## Form 2848, Power of Attorney and Declaration of Representative

Authorization to represent the filer before the IRS, to receive a copy of the requested letter ruling, or to perform any other

act(s), must be properly reflected on Form 2848. For further details for an authorized representative and a power of attorney, see sections 9.03(8) and (9) of Rev. Proc. 2012-1.

A Form 2848 must be attached to Form 3115 in order for the Service to discuss a Form 3115 with a taxpayer's representative, even if the taxpayer's representative prepared and/or signed the Form 3115.

## Option to Receive Correspondence by Fax

A filer that wants to receive, or wants its authorized representative to receive, correspondence regarding its Form 3115 (for example, additional information letters or the letter ruling) by fax must attach to the Form 3115 a statement requesting this service. The attachment must also list the authorized name(s) and fax number(s) of the person(s) who are to receive the fax. The listed person(s) must be either authorized to sign Form 3115, or an authorized representative of the filer that is included on Form 2848. For further details on the fax procedures, see section 9.04(3) of Rev. Proc. 2012-1.

## Type of Accounting Method Change Requested

Check the appropriate box described below indicating the type of change being requested.

- **Depreciation or amortization.** Check this box for a change in (a) depreciation or amortization (for example, the depreciation method or recovery period), (b) the treatment of salvage proceeds or costs of removal, (c) the method of accounting for retirements of depreciable property, or (d) the treatment of depreciable property from a single asset account to a multiple asset account (pooling), or vice versa).
- **Financial products and/or financial activities of financial institutions.** Check this box for a change in the treatment of a financial product (for example, accounting for debt instruments, derivatives, mark-to-market accounting, etc.), or in the financial activities of a financial institution (for example, a lending institution, a regulated investment company, a real estate investment trust, a real estate mortgage investment conduit, etc.)).
- **Other.** For advance consent requests, check this box if neither of the above boxes applies to the requested change. In the space provided, enter a short description of the change and the most specific applicable Code section(s) for the requested change (for example, change within section 263A costs; deduction of warranty expenses, section 461; change to the completed contract method for long-term contracts, section 460; etc.). For automatic change requests, this informational requirement is satisfied by properly completing Part I, line 1 of Form 3115.



*You must follow the instructions below to correctly complete Form 3115.*

- *Applicants requesting a change in method of accounting using the automatic change request procedures must complete Parts I, II, and IV.*
- *Applicants requesting a change in method of accounting using the advance consent request procedures must complete Parts II, III, and IV.*
- *All applicants must complete Schedules A, B, C, D, and E, as applicable, for the requested change in method of accounting.*
- *If more room is needed to respond to any line, attach a schedule providing the applicable information and label it with the line number.*
- *Attachments submitted with Form 3115 must show the filer's name and identification number. Also, indicate that the information is an attachment to Form 3115.*
- *Report amounts in U.S. dollars, and if applicable, in the functional currency with a statement of exchange rates used.*

## Part I—Information For Automatic Change Request

### Automatic Change Request Scope Limitations

An applicant is not eligible to use the automatic change request procedures of Rev. Proc. 2011-14 (either in the Appendix or included by reference in other published guidance) if any of the following six scope limitations (section 4.02 of Rev. Proc. 2011-14) apply, unless the applicable section of the Appendix of Rev. Proc. 2011-14 or other published guidance states that the particular scope limitation does not apply to the applicant's requested change. The scope limitations (unless waived) apply at the time the copy of Form 3115 would be filed with the IRS National Office or Ogden, UT.

1. The applicant is under examination, except as provided in section 4.02(1) of Rev. Proc. 2011-14. If the applicant is a CFC or 10/50 corporation that is not required to file a federal income tax return, the applicant is under examination if any of its controlling domestic shareholders is under examination for a taxable year(s) in which it was a U.S. shareholder of the CFC or 10/50 corporation, except as provided in section 4.02(1) of Rev. Proc. 2011-14.

2. The applicant is (or was formerly) a member of a consolidated group that is under examination for a tax year(s) the applicant was a member of the group. For more information, see section 4.02(2) of Rev. Proc. 2011-14.

3. The applicant is an entity treated as a partnership or S corporation and the accounting method to be changed is an issue under consideration in an examination with respect to a partner, member, or shareholder of the applicant. For more information, see section 4.02(3) of Rev. Proc. 2011-14.

4. The applicant engages in a transaction to which section 381(a) applies within the proposed tax year of change. For more information, including exceptions to this limitation, see section 4.02(4) of Rev. Proc. 2011-14.

5. The applicant is in the final tax year of its trade or business as described in sections 4.02(5) and 5.04(3)(c) of Rev. Proc. 2011-14.

6. The applicant made or applied to make a change in method of accounting for the same item (or for its overall method) within the last 5 tax years, including the year of change. For more information, see section 4.02(6) and 4.02(7) of Rev. Proc. 2011-14.

**Line 1.** Enter the designated automatic accounting method change number on line 1(a). These numbers may be found in the *List of Automatic Accounting Method Changes*, or in subsequently published guidance. Also see the Appendix of Rev. Proc. 2011-14. In general, enter a number for only one change. However, the numbers for two or more changes may be entered on line 1(a) if specifically permitted in applicable published guidance. See section 6.02(1)(b) of Rev. Proc. 2011-14.



*Do not enter an Internal Revenue Code section on line 1(a). Enter the applicable change number listed in the instructions or other applicable published guidance.*

If the accounting method change is not included in the *List of Automatic Accounting Method Changes* or assigned a number in the published guidance providing the automatic accounting method change, check the box for line 1(b) and identify the revenue procedure or other published guidance under which the automatic accounting method change is being requested.

**Line 2.** Review the applicable accounting method change section in the Appendix of Rev. Proc. 2011-14 (rather than Rev. Proc. 2008-52 as indicated on line 2 of Form 3115), or the procedures in other published guidance, if applicable, to determine whether the scope limitations of section 4.02 of Rev. Proc. 2011-14, apply to the specific change in accounting method requested. In general, the scope limitations of section 4.02 of Rev. Proc. 2011-14 apply to the requested change unless the Appendix of Rev. Proc. 2011-14 or other applicable

published guidance specifically states that one or more scope limitation(s) do not apply to the requested change.

If any of the scope limitations apply to the requested change in method of accounting and apply to the applicant, automatic consent is not available to the applicant for the requested accounting method change. However, the applicant may be eligible to request its change under the advance consent request procedures. See *Part III—Information For Advance Consent Request*, later in these instructions to determine if these procedures apply to the applicant.

## Part II—Information For All Requests

**Line 3.** Ordinarily, the IRS will not consent to a request for a change in method of accounting for the applicant's final tax year. If the applicant ceases to engage in the trade or business to which the desired change in accounting method relates or terminates its existence in the year of change, the applicant is ordinarily not eligible to make the change under automatic change request procedures unless the applicable section of the Appendix of Rev. Proc. 2011-14 or other applicable published guidance states that section 4.02(5) of Rev. Proc. 2011-14 does not apply to the requested change in method of accounting. If the change is requested under the advance consent procedures, the IRS National Office will consider the reasons for the change in the applicant's final year (see Part III, line 21) in determining whether to approve the requested change.

**Note:** For lines 4a, 4b, 4c, 5a, 5c, and 6, the reference to "applicant" includes the applicant and any present or former consolidated group in which the applicant was a member during the applicable tax year(s). A reference to "applicable tax years" includes any tax years for which the applicant's present or former consolidated group is under examination, before an Appeals office, and/or before a federal court if the applicant was a member of the group in those tax years. For each of the applicable lines (4a, 4b, 4c, 5a, 5c, and/or 6), attach to Form 3115 a list of the beginning and ending dates of the tax year(s) that the applicant (including its present and former consolidated group) is under examination, before an Appeals office, and/or before a Federal court. If the method of accounting the applicant is requesting to change is an issue either under consideration, placed in suspense, or pending for any tax year under examination, or if the method of accounting the applicant is requesting to change is an issue under consideration by an Appeals office or by a Federal court, indicate the applicable tax year(s).

**Line 4a.** The applicant is under examination if it has a federal income tax return under examination (including while the taxpayer has a refund or credit under review by the Joint Committee on Taxation, and while the taxpayer participates in the Compliance Assurance Process) on the date the Form 3115 is (or would be) filed. For more information, see sections 3.07 and 4.02(2) of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39, and Rev. Proc. 2011-14; or sections 3.08 and 4.02(1) of Rev. Proc. 2011-14, as applicable.

**Line 4b.** The applicant's method of accounting is an issue under consideration if the examining agent has given the applicant (or filer) written notification specifically citing the treatment of the item as an issue under consideration (or for a CFC or 10/50 corporation, if any controlling domestic shareholder receives notification that the treatment of a distribution or deemed distribution from the foreign corporation, or the amount of its earnings and profits or foreign taxes deemed paid is an issue under consideration). For further details, see section 3.08 of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, and Rev. Proc. 2011-14, or section 3.09 of Rev. Proc. 2011-14, as applicable. The applicant's method of accounting is an issue placed in suspense if the examining agent has given the applicant (or filer) written notification that the issue is placed in suspense. Answering Line 4b satisfies the requirement in section 6.01(2)(b) or 6.01(3)(b) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, if applicable, to attach a separate statement.

**Line 4c.** The applicant's method of accounting is an issue pending if the IRS has given the applicant (or filer, or in the case of a CFC or 10/50 corporation, any controlling domestic shareholders of a CFC or 10/50 corporation) written notification indicating that an adjustment is being made or will be proposed with respect to the applicant's method of accounting for the tax year(s) under examination. See section 6.03(6) of Rev. Proc. 2011-14. Attach a copy of this written notification to Form 3115. For further details, see section 6.01(5) of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, and Rev. Proc. 2009-39, or section 6.03(6) of Rev. Proc. 2011-14, as applicable.

**Line 4d.** A filer may request to change a method of accounting for an applicant that is under examination if the director consents to the filing of Form 3115. (See section 1.01(3) of Rev. Proc. 2012-1 for the definition of director.) The director will consent to the filing of Form 3115 unless, in the opinion of the director, the method of accounting to be changed would ordinarily be included as an item of adjustment in the year(s) for which the applicant is under examination. Submit a request for the consent of the director to the examining agent. If the director consents to the filing of Form 3115, attach the consent to the Form 3115 filed with the IRS National Office or the Ogden, UT office. Also, submit the director copy of Form 3115 to the examining agent no later than the date the Form 3115 is filed with the IRS National Office or the Ogden, UT office. When filing under the automatic change request procedures, attach to the original Form 3115 (which is attached to the filer's income tax return) a written statement certifying that (a) the written consent was obtained from the director and (b) the applicant will retain a copy of the consent for inspection by the IRS. For further details, see section 6.01(4) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, or section 6.03(4) of Rev. Proc. 2011-14, as applicable.

**Line 4e.** The following exceptions apply to the under examination scope limitations:

- **90-day window period.** A Form 3115 may be filed under Rev. Proc. 97-27 or Rev. Proc. 2011-14 for an applicant under examination during the first 90 days of any tax year if the applicant has been under examination for at least 12 consecutive months as of the first day of the tax year. The 90-day window period does not apply if the method the applicant is requesting to change is an issue under consideration or placed in suspense by the examining agent. For further details, including special rules for CFCs and 10/50 corporations, see section 6.01(2) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, or section 6.03(2) of Rev. Proc. 2011-14, as applicable.
- **120-day window period.** A Form 3115 may be filed under Rev. Proc. 97-27 or Rev. Proc. 2011-14 for an applicant under examination during the 120-day period following the date an examination ends regardless of whether a subsequent examination has commenced. For the definition of when an examination ends, see section 3.07 of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39 and Rev. Proc. 2011-14, or section 3.08 of Rev. Proc. 2011-14, as applicable. The 120-day window period does not apply if the method the applicant is requesting to change is an issue under consideration or placed in suspense by the examining agent. Enter the ending date of the examination that qualifies the applicant to file under the 120-day window. For further details, including special rules for CFCs and 10/50 corporations, see section 6.01(3) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39, or sections 6.03(3) and 3.08(1)(c) of Rev. Proc. 2011-14, as applicable.

**Line 5a.** If the applicant has any federal income tax return before an Appeals office and/or a Federal court, refer to sections 6.02 and 6.03 of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39 and Rev. Proc. 2011-14, or sections 6.04 and 6.05 of Rev. Proc. 2011-14, as applicable.

**Line 5c.** Except as otherwise provided in IRS published guidance, an applicant that is requesting to change a method of accounting that is an issue under consideration by an Appeals office and/or a Federal court does not receive audit protection for the requested change. For further details, see sections 6.02 and 6.03 of Rev. Proc. 97-27, as modified by Rev. Proc.

2002-19, Rev. Proc. 2009-39, and Rev. Proc. 2011-14 or sections 6.04 and 6.05 of Rev. Proc. 2011-14, as applicable.

**Line 6.** The information requested on line 6 may be provided in an attachment that includes the information requested on line 4f and/or line 5a, as applicable.

**Line 7.** If yes is answered to the question on line 7, attach an explanation. The applicant may not be eligible to make the change (for example, if the issue is under consideration for a tax year under examination). If eligible to make the change, the applicant may not receive audit protection with the change (for example, if the issue is under consideration for a tax year before either an Appeals office or a Federal court). See sections 4.02(6), 6.01, 6.02, and 6.03 of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19 and Rev. Proc. 2011-14, or sections 6.03, 6.04 and 6.05 of Rev. Proc. 2011-14, as applicable.

**Line 8.** A taxpayer does not receive audit protection under certain circumstances described in sections 6.01(5), 6.02, 6.03, or 9.02 of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39, Rev. Proc. 2011-14 or in sections 4.02(7)(b), 6.03(5), 6.03(6), 6.04, 6.05, or 7.02 of Rev. Proc. 2011-14. If filing under the automatic change request procedures, also review the applicable accounting method change section in the Appendix of Rev. Proc. 2011-14, or the procedures in other IRS published guidance, if applicable, to determine if the applicable section of the Appendix of Rev. Proc. 2011-14 or other available IRS published guidance states that the applicant does not receive audit protection with the requested change. If "Yes" is answered to the question on line 8, attach an explanation, including the applicable provision of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39 and Rev. Proc. 2011-14, or Rev. Proc. 2011-14, that prevents audit protection.

**Line 9.** For further details, see section 9.03(6)(a) of Rev. Proc. 2012-1, and either section 8.05 of Rev. Proc. 97-27 or sections 4.02(6) and 4.02(7) of Rev. Proc. 2011-14, as applicable.

**Line 10.** For further details, see section 9.03(6)(b) of Rev. Proc. 2012-1.

**Line 12.** A special method of accounting for an item is a method of accounting, other than the cash method or an accrual method, expressly permitted by the Code, regulations, or guidance published in the IRB that deviates from the rules of sections 451 and 461 (and the regulations thereunder) that is applicable to the taxpayer's overall method of accounting (proposed overall method if being changed). For example, the installment method of accounting under section 453 is a special method of accounting. See section 14.01(3)(e) of the Appendix of Rev. Proc. 2011-14 for additional examples of special methods.

If the applicant prepared a Schedule M-3 with its last filed tax return or expects to file a Schedule M-3 with its next tax return, please state whether applicant's proposed change in method of accounting for federal income tax purposes is related to the applicant's adoption of the International Financial Reporting Standards ("IFRS") for financial statement purposes. (Note: There is a box on Schedule M-3, Part I, line 4, to indicate the accounting standard used for financial reporting.)

**Line 13.** For each applicant, including each member of a consolidated group, each separate and distinct trade or business of each member of a consolidated group or other entity (even if the change is for all of a member's or other entity's trades or businesses), and each eligible CFC or 10/50 corporation filing a single Form 3115 requesting the identical accounting method change, attach (i) a schedule describing its trade(s) or business(es) for each separate and distinct trade or business, including any QSub or single-member LLC, and (ii) the Principal Business Activity code. For guidance on what is a separate and distinct trade or business, see Regulations section 1.446-1(d). For each trade or business, use the most specific Principal Business Activity code listed in the instructions for the applicant's federal tax return (or the filer's federal tax return, if applicable).

**Line 14.** Insurance companies must also state whether the proposed method of accounting will be used for annual statement accounting purposes.

**Line 16.** For details on requesting and scheduling a conference, see sections 9.04(4) and 10 of Rev. Proc. 2012-1.

## Part III—Information For Advance Consent Request

### Advance Consent Request Scope Limitations

An applicant may not use the advance consent request procedures if any of the following four scope limitations apply at the time the Form 3115 would be filed with the IRS National Office. See Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39, and Rev. Proc. 2011-14.

1. The change in accounting method is required to be made according to a published automatic change procedure, such as Rev. Proc. 2011-14. For more information, see section 4.02(1) of Rev. Proc. 97-27.

2. The applicant is under examination, except as provided in section 4.02(2) of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, Rev. Proc. 2009-39, and Rev. Proc. 2011-14.

3. The applicant is (or was formerly) a member of a consolidated group that is under examination, or before an Appeals office, or before a Federal court for the tax year(s) the applicant was a member of the group. For more information, see section 4.02(5) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39.

4. In the case of a partnership or S corporation, the accounting method the applicant is requesting to change is an issue under consideration in an examination, or by an Appeals office, or before a Federal court with respect to a partner, member, or shareholder of the applicant. For more information, see section 4.02(6) of Rev. Proc. 97-27, as modified by Rev. Proc. 2009-39.

**Line 18.** If the requested change is covered by an automatic change request procedure, and that procedure applies to the applicant for the requested year of change, the applicant is not eligible to file an advance consent request. If the requested change is covered by an automatic change request procedure, attach an explanation describing why the applicant is eligible to file a request under advance consent request procedures.

**Line 19.** For further details on what is to be included in the attachment, see sections 9.03(1) (facts and other information), 9.03(4) (analysis of material facts), 7.01(8) and 9.03(1) (statement of supporting authorities), 9.03(2) (statement of contrary authorities), and 9.03(7) (statement identifying pending legislation) of Rev. Proc. 2012-1.

**Line 20.** Attach true copies of all contracts, agreements, and other documents directly related to the proposed change in method of accounting. See section 9.03(3) of Rev. Proc. 2012-1.

**Line 21.** For further details on what is to be included in the attachment, see section 7.01(1)(d) and 9.03(1) of Rev. Proc. 2012-1.

**Line 23.** Taxpayers filing under the advance consent request procedures must pay a user fee for each Form 3115 and for each applicant, if applicable. See section 15 and Appendix A of Rev. Proc. 2012-1.

**Note:** Taxpayers filing under an automatic change request procedure do not pay a user fee.

The applicable user fee must accompany each Form 3115 filed with the National Office under Rev. Proc. 97-27. The user fee for a Form 3115 is the regular user fee provided in section (A)(3)(b) of Appendix A of Rev. Proc. 2012-1, unless one (or both) of the following exceptions apply:

- The filer qualifies for a reduced user fee provided in section (A)(4) of Appendix A of Rev. Proc. 2012-1 because the filer has gross income less than the specified amount. For the definition of gross income, see sections (B)(2), (3), and (4) in Appendix A of Rev. Proc. 2012-1.

- The filer is permitted to file a single Form 3115 for multiple applicants. See *Who Must File*, earlier. The filer must pay a separate user fee for each applicant. For each Form 3115 requesting an identical change in method of accounting, the filer pays the regular user fee in section (A)(3)(b) (or the reduced user fee in section (A)(4), if applicable) of Appendix A of Rev. Proc. 2012-1 for the first applicant and the lesser user fee in section (A)(5)(b) of Appendix A of Rev. Proc. 2012-1 for each additional applicant.

**Example 1.** The filer is the common parent of a consolidated group of corporations. The parent is filing a Form 3115 on behalf of itself and 3 other members of the consolidated group. The parent is engaged in one trade or business. The 3 other included member corporations are engaged in one trade or business each. All the trades or businesses are requesting an identical change in method of accounting. There are 4 applicants for the Form 3115. The filer must submit the regular user fee in section (A)(3)(b) (or the reduced fee in section (A)(4), if applicable) of Appendix A of Rev. Proc. 2012-1 for the first applicant (that is, the common parent) and the lesser user fee in section (A)(5)(b) of Appendix A of Rev. Proc. 2012-1 for each of the other 3 applicants (that is, the 3 other members of the consolidated group).

**Example 2.** The filer is the common parent of a consolidated group of corporations. The parent is filing a Form 3115 on behalf of itself and 3 other members of the consolidated group. The parent is engaged in one trade or business. Each of the 3 other included member corporations are engaged in two trades or businesses. All of the trades or businesses are requesting an identical change in method of accounting. There are 7 applicants for the Form 3115. The filer must submit the regular user fee in section (A)(3)(b) (or the reduced fee in section (A)(4), if applicable) of Appendix A of Rev. Proc. 2012-1 for the first applicant (that is, the parent's trade or business) and the lesser user fee in section (A)(5)(b) of Appendix A of Rev. Proc. 2012-1 for each of the 6 applicants (that is the other 6 trades or businesses of the 3 other consolidated group members).

**Example 3.** The filer is the common parent of a consolidated group of corporations. Another member of the consolidated group is the controlling domestic shareholder of a CFC that does not engage in a trade or business within the United States. The CFC has 4 separate and distinct trades or businesses, all requesting an identical change in method of accounting. The filer is the common parent of the consolidated group. There are 4 applicants for the Form 3115. The filer must submit the regular user fee in section (A)(3)(b) (or the reduced fee in section (A)(4), if applicable) of Appendix A of Rev. Proc. 2012-1 for the first applicant (that is, the first trade or business of the CFC) and the lesser user fee in section (A)(5)(b) of Appendix A of Rev. Proc. 2012-1 for each of the 3 other applicants (that is, the other 3 trades or businesses of the CFC). **Note.** Because the filer is not changing its accounting method, it does not pay a fee on the account of itself.

For information on user fees for tax-exempt organizations, see Rev. Proc. 2012-8, 2012-1 I.R.B. 235 (or its successor).

The user fee (check or money order payable to the Internal Revenue Service) must be attached to any Form 3115 filed under Rev. Proc. 97-27 that is filed with the IRS National Office.

## Part IV—Section 481(a) Adjustment

**Line 24.** Ordinarily, an adjustment under section 481(a) is required for changes in method of accounting. However, for certain changes in method of accounting, the taxpayer must make the change on a cut-off basis. In those cases, there is no section 481(a) adjustment.

If the accounting method change is an automatic accounting method change in functional currency under section 985 (see section 29.01 of the Appendix to Rev. Proc. 2011-14), the adjustments required under Regulations section 1.985-5 must be made on the last day of the taxable year ending before the year of change. Any gain or loss that is not required to be recognized under Regulations section 1.985-5 is not subject to

section 481. Attach a schedule showing the adjustment required under Regulations section 1.985-5. The schedule should include the amount of the adjustment required pursuant to Regulations section 1.985-5, a summary of the computation of such adjustment, and an explanation of any other adjustments required by Regulations section 1.985-5.

**Line 25.** In computing the net section 481(a) adjustment, a taxpayer must take into account all relevant accounts. For some changes (for example, a change that affects multiple accounts), the section 481(a) adjustment is a net section 481(a) adjustment. See example 2, below, and the example in Schedule A, Part 1, line 1h, later.

Attach a schedule showing the (net) section 481(a) adjustment for each change in method of accounting for each applicant included in the Form 3115. Include a summary of how the (net) section 481(a) adjustment was computed and an explanation of the methodology used to determine it. The summary of computation and explanation must be sufficient to demonstrate that the (net) section 481(a) adjustment is computed correctly. If the applicant is a CFC or 10/50 corporation, or a trade or business of a CFC or 10/50 corporation, and if its functional currency is not the U.S. dollar, state the (net) section 481(a) adjustment in that functional currency. This schedule may be combined with the information requested on the fourth line on page 1 (list of applicants and their identification numbers) and on line 23 (user fee).

**Example 1.** Under its present method, XYZ Corporation is deducting certain costs that are required to be capitalized into inventory under section 263A. XYZ Corporation is proposing to change its method of accounting to properly capitalize such costs. The computation of the section 481(a) adjustment with respect to the change in method of accounting is demonstrated as follows:

Beginning inventory for year of change under proposed method . . . . .	\$120,000
Beginning inventory for year of change under present method . . . . .	100,000
Section 481(a) adjustment (positive) . . . . .	\$20,000

**Example 2.** WXY Corporation, a calendar year taxpayer, is a producer and capitalizes costs that are required to be capitalized into inventory under section 263A. Each February, WXY Corporation pays a salary bonus to each employee who remains in its employment as of January 31 for the employee's services provided in the prior calendar year. Under its present method, WXY Corporation treats these salary bonuses as incurred in the tax year the employee provides the related services. For 2011, WXY Corporation proposes to change its method of accounting to treat salary bonuses as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay the salary bonuses and the amount of the liability can be determined with reasonable accuracy, pursuant to section 19.01(2) of the Appendix of Rev. Proc. 2011-14. The computation of WXY Corporation's net section 481(a) adjustment for the change in method of accounting for salary bonuses is demonstrated as follows:

Salary bonuses treated as incurred under the present method, but not incurred under the proposed method . . . . .	\$40,000
Beginning inventory as of Jan. 1, 2011, with capitalized salary bonuses computed under the present method . . . . .	\$100,000
Beginning inventory as of Jan. 1, 2011, with capitalized salary bonuses, computed under the proposed method . . . . .	92,000
Decrease in beginning inventory as of Jan. 1, 2011 . . . . .	(8,000)
Net section 481(a) adjustment (positive) . . . . .	\$32,000

**Line 26.** See section 7.03(1) of Rev. Proc. 97-27, as modified by Rev. Proc. 2002-19, or section 5.04(3)(a) of Rev. Proc. 2011-14, as applicable.

## Schedule A—Change in Overall Method of Accounting

### Part I—Change in Overall Method

All applicants filing to change their overall method of accounting must complete Schedule A, Part I, including applicants filing under designated automatic accounting method change numbers 32, 33, 34, 122, 123, 126, 127, and 128 in the *List of Automatic Accounting Method Changes*.

**Lines 1a through 1g.** Enter the amounts requested on lines 1a through 1g, even though the calculation of some amounts may not have been required in determining taxable income due to the applicant's present method of accounting.

**Note:** Do not include amounts that are not attributable to the change in method of accounting, such as amounts that correct a math or posting error or errors in calculating tax liability. In addition, for a bank changing to an overall cash/hybrid method of accounting, do not include any amounts attributable to a special method of accounting (as described in section 14.12(2)(b) of the Appendix of Rev. Proc. 2011-14—automatic change number 127).

**Line 1b.** Enter amounts received or reported as income in a prior year that were not earned as of the beginning of the year of change. For example, an advance payment received in a prior year for goods that were not delivered by the beginning of the year of change may be reported upon delivery if the taxpayer qualifies under Regulations section 1.451-5. If any amounts entered on line 1b are for advance payments, complete Schedule B.

**Line 1h.** Enter the net amount, which is the net section 481(a) adjustment, on line 1h. Also, enter the net section 481(a) adjustment on page 3, Part IV, line 25.

The following example illustrates how an applicant calculates the section 481(a) adjustment when changing to an accrual method, a nonaccrual-experience method, and the recurring item exception.

**Example.** ABC Corporation, a calendar year taxpayer using the cash method of accounting, has the following items of unreported income and expense on December 31, 2010.

Accrued income . . . . .	\$250,000
Uncollectible amounts based on the nonaccrual-experience method . . . . .	50,000
Accrued amounts properly deductible (economic performance has occurred) . . . . .	75,000
Expenses eligible for recurring item exception . . . . .	5,000

ABC Corporation changes to an overall accrual method, a nonaccrual-experience method, and the recurring item exception for calendar year 2011. The section 481(a) adjustment is calculated as of January 1, 2011, as follows.

Accrued income . . . . .	\$250,000
<b>Less:</b>	
Uncollectible amount . . . . .	50,000
Net income accrued but not received . . . . .	\$200,000
<b>Less:</b>	
Accrued expenses . . . . .	75,000
Expenses deducted as recurring item . . . . .	5,000
Total expenses accrued but not paid . . . . .	80,000
<b>Section 481(a) adjustment . . . . .</b>	<b>\$120,000</b>

**Line 2.** If an applicant is requesting to use the recurring item exception (section 461(h)(3)), the section 481(a) adjustment must include the amount of the additional deduction that results from using the recurring item exception.



## Part II—Change to the Cash Method For Advance Consent Request

**Limits on cash method use.** Except as provided below, C corporations and partnerships with a C corporation as a partner may not use the cash method of accounting. Tax shelters, also, are precluded from using the cash method. For this purpose, a trust subject to tax on unrelated business income under section 511(b) is treated as a C corporation with respect to its unrelated trade or business activities.

The limit on the use of the cash method under section 448 does not apply to:

1. Farming businesses as defined in section 448(d)(1).
2. Qualified personal service corporations as defined in section 448(d)(2).
3. C corporations and partnerships with a C corporation as a partner if the corporation or partnership has gross receipts of \$5 million or less. See section 448(b)(3) and (c) to determine if the applicant qualifies for this exception.

For farming corporations and partnerships with a C corporation as a partner, see section 447 for limits on the use of the cash method.

Use of the cash method is also limited under Regulations sections 1.471-1 and 1.446-1(c)(2)(i) if the applicant purchases, produces, or sells merchandise that is an income-producing factor in its business. However, for exceptions to this limitation, see section 14.03 in the Appendix of Rev. Proc. 2011-14.

## Schedule B—Change to the Deferral Method for Advance Payments

In general, advance payments must be included in gross income in the tax year of receipt for federal income tax purposes. However, an applicant may be entitled to defer the inclusion in income of certain advance payments, as defined in section 4.01 of Rev. Proc. 2004-34, 2004-1 C.B. 991, or in Regulations section 1.451-5(a)(1).

**Line 1.** Rev. Proc. 2004-34, as modified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443 allows applicants using an accrual method, in certain circumstances, to defer the inclusion in income of advance payments to the next tax year. Applicants requesting to change to the Deferral Method for allocable 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, must file under the advance consent procedures of Rev. Proc. 97-27. All other applicants generally must file under the automatic change procedures of Rev. Proc. 2011-14 (rather than Rev. Proc. 2008-52, as indicated on line 1b of Form 3115).

**Line 2.** Regulations section 1.451-5 allows applicants using an accrual method, in certain circumstances, to defer the inclusion in income of advance payments for goods or items in accordance with the applicant's financial reports.

## Schedule C—Changes Within the LIFO Inventory Method

Use this schedule to request a change from one LIFO inventory method or submethod to another LIFO inventory method or submethod. All applicants changing within the LIFO inventory method or submethods must complete Part I. Complete Part II only if applicable.

### Part I—General LIFO Information

**Line 6.** Applicants changing to the IPIC method must use this method for all LIFO inventories. This includes applicants requesting designated automatic accounting method change numbers 61 or 62 in the *List of Automatic Accounting Method Changes*, later.

## Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets

### Part I—Change in Reporting Income From Long-Term Contracts

**Line 2a.** Under section 460(f), the term long-term contract means any contract for the manufacture, building, installation, or construction of property that is not completed in the tax year in which it is entered into. However, a manufacturing contract will not qualify as long-term unless the contract involves the manufacture of (a) a unique item not normally included in finished goods inventory or (b) any item that normally requires more than 12 calendar months to complete.

Generally, long-term contracts that do not meet the exceptions under section 460(e) must be accounted for using the percentage of completion method. See section 460 and the related regulations.

**Line 2b.** To qualify for the contract exceptions under section 460(e), the contract must be:

1. A home construction contract as defined in section 460(e)(6)(A), or
2. Any other construction contract entered into by the applicant if, at the time the contract is entered into, it is expected to be completed within 2 years and the applicant's average annual gross receipts determined under section 460(e)(2) for the 3-year period preceding the tax year the contract was entered into did not exceed \$10 million.

**Line 4b.** Under the simplified cost-to-cost method, only certain costs are used in determining both (a) costs allocated to the contract and incurred before the close of the tax year and (b) estimated contract costs. These costs are: (1) direct material costs; (2) direct labor costs; and (3) allowable deductions for depreciation, amortization, and cost recovery allowances on equipment and facilities directly used to construct or produce the subject matter of the long-term contract. See Regulations section 1.460-5(c).

### Part II—Change in Valuing Inventories Including Cost Allocation Changes

If the applicant is currently using a LIFO inventory method or submethod and is changing to another LIFO inventory method or submethod, Schedule D, Part II is not applicable. Use Schedule C, Changes Within the LIFO Inventory Method.

**Line 3.** If an applicant is subject to, but not in compliance with, section 263A, generally on the same Form 3115 the applicant must first comply with section 263A before changing an inventory valuation method. The applicant must complete Schedule D, Part III, Method of Cost Allocation. For exceptions, see Regulations section 1.263A-7(b)(2).

**Line 5a.** If the applicant properly elected the LIFO inventory method but is unable to furnish a copy of Form(s) 970, Application to Use a LIFO Inventory Method, attach the following statement to Form 3115:

"I certify that to the best of my knowledge and belief (name of applicant) properly elected the LIFO inventory method by filing Form 970 with its return for the tax year(s) ended (insert date(s)) and otherwise complied with the provisions of section 472(d) and Regulations section 1.472-3."

**Line 5c.** Attach the two statements required by section 22.01(5) in the Appendix of Rev. Proc. 2011-14 (rather than Rev. Proc. 2008-52, as indicated on line 5c of Form 3115).

### Part III—Method of Cost Allocation

Applicants requesting to change their method of accounting for any property (produced or acquired for resale) subject to section 263A or any long-term contracts as described in section 460 must complete this schedule.

If the change is for noninventory property that is subject to section 263A, attach a detailed description of the types of property involved.

There are several methods available for allocating and capitalizing costs under section 263A, and for allocating and, where appropriate, capitalizing costs properly allocable to long-term contracts. A change to or from any of these methods is a change in accounting method that requires IRS consent. Using the applicable regulations and notice listed below, the applicant should verify which methods are presently being used and the proposed methods that will be used before completing Schedule D, Part III. These methods are as follows:

### 1. Allocating Direct and Indirect Costs

- Specific identification method—Regulations sections 1.263A-1(f)(2) and 1.460-5.
- Burden rate method—Regulations sections 1.263A-1(f)(3)(i) and 1.460-5.
- Standard cost method—Regulations sections 1.263A-1(f)(3)(ii) and 1.460-5.
- Any other reasonable allocation method—Regulations sections 1.263A-1(f)(4) and 1.460-5.

### 2. Allocating Mixed Service Costs

- Direct reallocation method—Regulations section 1.263A-1(g)(4)(iii)(A).
- Step-allocation method—Regulations section 1.263A-1(g)(4)(iii)(B).
- Simplified service cost method:
  - Using the labor-based allocation ratio—Regulations section 1.263A-1(h)(4).
  - Using the production cost allocation ratio—Regulations section 1.263A-1(h)(5).
- Any other reasonable allocation method—Regulations section 1.263A-1(f)(4).

### 3. Capitalizing Additional Section 263A Costs

- Simplified production method:
  - Without historic absorption ratio election—Regulations section 1.263A-2(b)(3).
  - With historic absorption ratio election—Regulations section 1.263A-2(b)(4).
- Simplified resale method:
  - Without historic absorption ratio election—Regulations section 1.263A-3(d)(3).
  - With historic absorption ratio election—Regulations section 1.263A-3(d)(4).
- U.S. ratio method—Notice 88-104, 1988-2 C.B. 443.
- Any other reasonable allocation method—Regulations section 1.263A-1(f)(4) (including the methods listed above under *Allocating Direct and Indirect Costs*).

## Schedule E—Change in Depreciation or Amortization

All applicants requesting to change their method of depreciation or amortization must complete Schedule E of Form 3115. Applicants changing their method of accounting for depreciation or amortization under the automatic change request procedures should see the depreciation changes in the *List of Automatic Accounting Method Changes* below.

**Do not** file Form 3115:

1. To make an election under sections 167, 168, 179, 1400I, 1400L(b), 1400L(c), or 1400N(d), or former section 168;
2. To revoke an election made under one of those sections;
3. To make or revoke an election under section 13261(g)(2) or (3) of the Revenue Reconciliation Act of 1993 (relating to section 197 intangibles);
4. To change the placed-in-service date;
5. To change the salvage value (except for a change in salvage value to zero when the salvage value is expressly treated as zero by the Code, the regulations, or other published guidance); or

6. To change a useful life under section 167 (except for a change to or from a useful life, recovery period, or amortization period that is specifically assigned by the Code, the regulations, or other published guidance).

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## List of Automatic Accounting Method Changes

Listed below are automatic accounting method changes providing for the filing of Form 3115. This list includes regulatory automatic changes, changes provided for in the Appendix of Rev. Proc. 2011-14, and automatic changes provided for in other guidance. These automatic changes may be modified or supplemented with additional automatic changes by subsequently published guidance.

The list provides a brief description of the automatic changes in method of accounting made using Form 3115. A filer/applicant may not rely on the list or the descriptions of accounting method changes in the list as authority for making an accounting method change. A filer/applicant that is within the scope of, and complies with, all the applicable provisions of the published guidance that authorizes each listed change may rely on the applicable published guidance as authority for its automatic accounting method change. If any information in the list conflicts with published guidance, the published guidance applies. Each automatic method change described in the Appendix of Rev. Proc. 2011-14, as modified, contains a contact person you may call if you need additional information concerning the change (not a toll-free call).

Each item in the list below:

- Designates an automatic accounting method change number for each change for entry on line 1a of Form 3115.
- Briefly describes the accounting method change and its primary Code section(s).
- Indicates in some cases which schedules of Form 3115 to complete.
- Provides a reference to the basic published guidance (for example, revenue procedure) that provides for the automatic change, which filers should review prior to completing Part I, Information For Automatic Change Request, on page 1 of Form 3115.

1. **Commodity Credit Corporation loans (section 77)**—for loans received from the Commodity Credit Corporation, **from** including the loan amount in gross income for the tax year in which the loan is received **to** treating the loan amount as a loan. See section 2.01 in the Appendix of Rev. Proc. 2011-14.

2. **Lawyers handling cases on a contingent fee basis (section 162)**—**from** treating advances of money to their clients for litigation costs as deductible business expenses **to** treating those advances as loans. See section 3.01 in the Appendix of Rev. Proc. 2011-14.

3. **ISO 9000 costs (section 162)**—**to** treating the costs as deductible, except to the extent they result in the creation or acquisition of an asset having a useful life substantially beyond the tax year. See section 3.02 in the Appendix of Rev. Proc. 2011-14.

4. **Restaurant smallwares costs (section 162)**—**to** the smallwares method described in Rev. Proc. 2002-12, 2002-1 C.B. 374 (that is, as materials and supplies that are not incidental under Regulations section 1.162-3). See section 3.03 in the Appendix of Rev. Proc. 2011-14.

5. **Bad debts (section 166)**—for an applicant other than a bank, **from** accounting for bad debts using a reserve or other improper method **to** a specific charge-off method that complies with section 166. See section 4.01 in the Appendix of Rev. Proc. 2011-14.

6. **Bad debt conformity for banks (section 166)**—for banks other than new banks, **to** the method that conforms to Regulations section 1.166-2(d)(3) for the first time the bank makes this change, or **to** involuntarily revoke this method. This change does not fall under the procedures of Rev. Proc. 2011-14. Instead, see Regulations section 1.166-2(d)(3).

**7. Depreciation or amortization (impermissible) (sections 56, 167, 168, 197, 1400I, 1400L, 1400N, and former section 168)**—from an impermissible method to a permissible method for changes allowed under Regulations section 1.446-1(e)(2)(ii)(d), and for depreciable property owned at the beginning of the year of change. Complete Schedule E of Form 3115. An applicant changing its method of accounting for depreciation because of a change described in designated automatic accounting method change number 10 (sale or lease transactions) must file Form 3115 according to the designated automatic accounting method change number 10. See section 6.01 in the Appendix of Rev. Proc. 2011-14.

**8. Depreciation (permissible) (sections 56 and 167)**—from a permissible method to another permissible method listed in section 6.02 in the Appendix of Rev. Proc. 2011-14. Complete Schedule E of Form 3115. See section 6.02 in the Appendix of Rev. Proc. 2011-14.

**9. Obsolete.**

**10. Sale, lease or financing transactions (sections 61, 162, 167, 168, and 1012)**—from treating property as sold, leased or, financed to another permissible method described in section 6.03 in the Appendix of Rev. Proc. 2011-14. See section 6.03 in the Appendix of Rev. Proc. 2011-14.

**11. Modern golf course greens (sections 167, 168, and former section 168)**—either to capitalization of land preparation costs undertaken in the construction of modern golf course greens that are closely associated with depreciable assets or to the addition to basis of land for earth moving costs inextricably associated with the land. Complete Schedule E of Form 3115. See Rev. Rul. 2001-60, 2001-2 C.B. 587, and section 6.04 in the Appendix of Rev. Proc. 2011-14.

**12. Original and replacement tire costs (section 168)**—for qualifying vehicles, to the original tire capitalization method provided in Rev. Proc. 2002-27, 2002-1 C.B. 802. Complete Schedule E of Form 3115. See section 6.05 in the Appendix of Rev. Proc. 2011-14.

**13. Depreciation of gas pump canopies (sections 167, 168, and former section 168)**—for depreciation of certain stand-alone gasoline pump canopies and their supporting concrete footings, to classifying the gasoline pump canopies in asset class 57.1 of Rev. Proc. 87-56, 1987-2 C.B. 674, and to classifying the supporting concrete footings in asset class 57.1 of Rev. Proc. 87-56. Complete Schedule E of Form 3115. See section 6.06 in the Appendix of Rev. Proc. 2011-14.

**14. Depreciation of utility assets (sections 167, 168, and former section 168)**—for depreciation of assets owned by a utility used in general business operations, to classifying assets under Rev. Proc. 87-56, 1987-2 C.B. 674, to conform with Rev. Rul. 2003-81, 2003-2 C.B. 126. Complete Schedule E of Form 3115. See section 6.07 in the Appendix of Rev. Proc. 2011-14.

**15. Depreciation of cable TV fiber optics (sections 167 and 168)**—for depreciation of fiber optic node and trunk line of a cable television distribution system, to the safe harbor method in Rev. Proc. 2003-63, 2003-2 C.B. 304, for classifying the unit of property either as providing one-way communication services or two-way communication services. Complete Schedule E of Form 3115. See section 6.08 in the Appendix of Rev. Proc. 2011-14.

**16. Amortizable bond premium (section 171)**—from amortizing bond premium to not amortizing the premium (revoking the section 171(c) election). See section 5.01 in the Appendix of Rev. Proc. 2011-14.

**17. Research and experimental expenditures (section 174)**—from the capitalization method to another permissible method, from the expense method to another permissible method, from the deferred expense method to another permissible method, or from the current period of amortization to a different period of amortization under the deferred expense method. See section 7.01 in the Appendix of Rev. Proc. 2011-14.

**18. Computer software expenditures (sections 162 and 167)**—for costs of developed, acquired, leased or licensed computer software, to deductible expenses or capital expenditures and amortization (for developed software), to capital expenditures and depreciation or amortization (for

acquired computer software), or to deductible expenses under Regulations section 1.162-11 (for leased or licensed computer software). Complete Schedule E of Form 3115 for changes relating to acquired computer software or developed computer software if the change is to capital expenditures and amortization. See section 9.01 in the Appendix of Rev. Proc. 2011-14.

**19. Package design costs (section 263)**—to the capitalization method, to the design-by-design capitalization and 60-month amortization method, or to the pool-of-cost capitalization and 48-month amortization method. See section 10.01 in the Appendix of Rev. Proc. 2011-14.

**20. Line pack gas or cushion gas costs (section 263)**—to treating the costs as capital expenditures, the costs of recoverable amounts as not depreciable, and the costs of unrecoverable amounts as depreciable. A taxpayer that changes its method for the costs of unrecoverable amounts also must change to a permissible method of depreciation for those costs. Complete Schedule E of Form 3115 for changes relating to the costs of unrecoverable amounts. See section 10.02 in the Appendix of Rev. Proc. 2011-14.

**21. Removal costs (section 263)**—for certain costs incurred in the retirement and removal of depreciable assets, to a method that conforms with Rev. Rul. 2000-7, 2000-1 C.B. 712. See section 10.03 in the Appendix of Rev. Proc. 2011-14.

**22. Certain uniform capitalization methods used by resellers and reseller-producers (section 263A)**—for qualifying applicants, to a qualifying method or methods. Complete Schedule D, Parts II and III, of Form 3115. See section 11.01 in the Appendix of Rev. Proc. 2011-14.

**23. Certain uniform capitalization methods used by producers and reseller-producers (section 263A)**—for qualifying applicants, to a qualifying method or methods. Complete Schedule D, Parts II and III, of Form 3115. See section 11.02 in the Appendix of Rev. Proc. 2011-14.

**24. Research and experimental expenditures under uniform capitalization methods (section 263A)**—from capitalizing research and experimental expenditures to inventory to no longer capitalizing these costs to inventory. Complete Schedule D, Part II, of Form 3115, as applicable. See section 11.03 in the Appendix of Rev. Proc. 2011-14.

**25. Impact fees (section 263A)**—for impact fees incurred in connection with the new construction or expansion of a residential building, to treating the costs as capital expenditures allocable to the building. Complete Schedule E of Form 3115 if the building is depreciable. See section 11.04 in the Appendix of Rev. Proc. 2011-14.

**26. Related party transactions (section 267)**—for losses, expenses, and qualified stated interest incurred in transactions between related parties, to disallowing or deferring certain deductions attributable to such transactions in accordance with section 267. See section 12.01 in the Appendix of Rev. Proc. 2011-14.

**27. Deferred compensation determination (section 404)**—for determining whether an item of compensation is deferred compensation or when the item is paid, from making the determination by reference to when the item is secured to making the determination by reference to when the item is actually received. See section 13.01 in the Appendix of Rev. Proc. 2011-14.

**28. Bonus or vacation pay deferred compensation (section 404)**—for bonuses that are deferred compensation, from treating as deductible or capitalizable when accrued, to treating as deductible or capitalizable in the year in which includible in the employee's income, and for vacation pay that is deferred compensation, from treating as deductible or capitalizable when accrued to treating as deductible or capitalizable in the year in which paid to the employee. See section 13.02 in the Appendix of Rev. Proc. 2011-14.

**29. Grace period contributions (section 404)**—for contributions made to a section 401(k) qualified cash or deferred arrangement or matching contributions under section 401(m), from treating contributions made after the end of the tax year but before the due date of the tax return as being on account of the tax year without regard to when the underlying

compensation is earned **to** treating such contributions as not being on account of the tax year if they are attributable to compensation earned after the end of that tax year. See section 13.03 in the Appendix of Rev. Proc. 2011-14.

**30. Obsolete.**

**31. Multi-year insurance policies for multi-year service warranty contracts (section 446)**—for a manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods accounting for multi-year insurance policies for multi-year service warranty contracts, **to** capitalizing and amortizing the costs. See section 14.02 in the Appendix of Rev. Proc. 2011-14.

**32. Overall cash method (\$1 million) (section 446)**—for qualifying applicants changing **to** the overall cash method. Complete Schedule A, Part I, of Form 3115. Also, complete Schedule D, Parts II and III, as applicable. See section 14.03 in the Appendix of Rev. Proc. 2011-14.

**33. Overall cash method (\$10 million) (section 446)**—for qualifying applicants changing **to** the overall cash method. Complete Schedule A, Part I, of Form 3115. Also, complete Schedule D, Parts II and III, as applicable. See section 14.03 in the Appendix of Rev. Proc. 2011-14.

**34. Overall accrual method (section 448)**—for an applicant required by section 448 to change from the cash method for its first section 448 year **to** an overall accrual method that does not meet the scope requirements of Rev. Proc. 2011-14. Complete Schedule A, Part I, of Form 3115. Also, complete Schedule D, Parts II and III, as applicable. This change does not fall under the procedures of Rev. Proc. 2011-14. Instead, see Regulations section 1.448-1. (See automatic method change 123 for taxpayers within the scope of Rev. Proc. 2011-14).

**35. Nonaccrual-experience method (section 448)**—for an applicant changing: **to** a safe harbor method provided in section 1.448-2(f)(1) (the revenue-based moving average method), (f)(2) (the actual experience method), (f)(3) (the modified Black Motor method), (f)(4) (the modified moving average method), or (f)(5) (the alternative nonaccrual-experience method); **to** a periodic system; **from** a NAE method **to** a specific charge-off method; **from** a sub-method of its current NAE method provided in section 1.448-2 regarding applicable periods **to** another sub-method regarding applicable periods that is permitted under section 1.448-2, other than a change to exclude tax years from an applicable period under section 1.448-2(d)(6); **from** a sub-method of its current NAE method provided in section 1.448-2 regarding tracing of recoveries **to** another sub-method regarding tracing of recoveries permitted under section 1.448-2(f)(2)(iii); or, **to** the NAE book safe harbor method described in section 5.01 of Rev. Proc. 2011-46, 2011-42 I.R.B. 518. Note: an applicant using the NAE book safe harbor method that wants to make certain changes within the NAE book safe harbor method (as described in sections 5.02 and 5.03 of Rev. Proc. 2011-46) must attach a statement to its Federal income tax return in lieu of filing a Form 3115. See Rev. Proc. 2011-46, section 14.04 in the Appendix of Rev. Proc. 2011-14, and Rev. Proc. 2006-56, 2006-2 C.B. 1169.

**36. Interest accrual on non-performing loans (section 451)**—for an accrual method bank accounting for qualified stated interest on non-performing loans, **to** the method whereby interest is accrued until either the loan is worthless under section 166 and is charged off as a bad debt or the interest is determined to be uncollectible. See section 15.01 in the Appendix of Rev. Proc. 2011-14.

**37. Advance rentals (section 451)**—for advance rentals other than advance rentals subject to section 467, **to** inclusion in gross income in the tax year received. See section 15.02 in the Appendix of Rev. Proc. 2011-14.

**38. State or local income or franchise tax refunds (section 451)**—for an accrual method applicant with state or local income or franchise tax refunds, **to** accrue these items in the tax year the applicant receives payments or notice of approval of its refund claim (whichever is earlier), according to Rev. Rul. 2003-3, 2003-1 C.B. 252. See section 15.03 in the Appendix of Rev. Proc. 2011-14.

**39. Capital cost reduction (CCR) payments (section 451)**—for CCR payments (as defined in Rev. Proc. 2002-36,

2002-1 C.B. 993) made by vehicle lessees, **to** the method that excludes these payments from the applicant's gross income and from the applicant's bases in the purchased vehicles. See section 15.04 in the Appendix of Rev. Proc. 2011-14.

**40. Exclusion for certain returned magazines, paperbacks, or records (section 458)**—for an accrual method applicant electing to exclude from gross income some or all of the income attributable to qualified sales during the tax year of magazines, paperbacks, or records that are returned before the close of the applicable merchandise return period for that tax year. The applicant's Form 3115 need contain only the information listed in Regulations section 1.458-2(d). This election does not fall under the procedures of Rev. Proc. 2011-14. Instead, see Regulations section 1.458-2.

**41. Percentage-of-completion (section 460)**—for an applicant not required by section 460 to use the percentage-of-completion method to account for its long-term contracts, **from** an exempt-contract method properly applied **to** the percentage-of-completion method. Complete Schedule D, Parts I and III, of Form 3115. See section 18.01 in the Appendix of Rev. Proc. 2011-14.

**42. Timing of incurring employee medical benefits liabilities (section 461)**—for an applicant with an obligation to pay an employee's medical expenses (including medical expenses for retirees and employees who filed claims under a workers' compensation act) that is neither insured nor paid from a welfare benefit fund, **to** treatment as a liability incurred in the tax year in which the applicant's employee files the claim with the applicant; or, if the applicant has a liability to pay a third party for medical services to its employees, **to** treatment as a liability as incurred in the tax year in which the services are provided. See section 19.01(1) in the Appendix of Rev. Proc. 2011-14.

**43. Timing of incurring real property taxes, personal property taxes, state income taxes, and state franchise taxes (section 461)**—for a qualifying applicant, **to** treating these taxes as incurred in the tax year in which the taxes are paid, or **to** account for these taxes under the recurring item exception to the economic performance rules, or **to** revoke the ratable accrual election under section 461(c). See section 19.02 in the Appendix of Rev. Proc. 2011-14.

**44. Timing of incurring workers' compensation act, tort, breach of contract, or violation of law liabilities (section 461)**—for a qualifying applicant accounting for self-insured liabilities arising under any workers' compensation act or out of any tort, breach of contract, or violation of law, **to** treating the liability as incurred in the tax year in which (a) all the events have occurred establishing the fact of the liability, (b) the amount of the liability can be determined with reasonable accuracy, and (c) payment is made to the person to which the liability is owed. See section 19.03 in the Appendix of Rev. Proc. 2011-14.

**45. Timing of incurring certain payroll tax liabilities (section 461)**—for FICA and FUTA taxes, state unemployment taxes, and railroad retirement taxes, **to** the method under which the applicant may deduct in Year 1 its otherwise deductible FICA and FUTA taxes, state unemployment taxes, and railroad retirement taxes imposed with respect to year-end wages properly accrued in Year 1, but paid in Year 2, if the requirements of the recurring item exception are met; or, for state unemployment taxes and railroad retirement taxes, **to** the method stated above where the applicant already uses that method of accounting for FICA and FUTA taxes; or for FICA and FUTA taxes **to** the safe harbor method provided in Rev. Proc. 2008-25, 2008-1 C.B. 686. See section 19.04 in the Appendix of Rev. Proc. 2011-14.

**46. Cooperative advertising (section 461)**—**to** incurring a liability in the tax year in which these services are performed, provided the manufacturer is able to reasonably estimate this liability even though the retailer does not submit the required claim form until the following year. See section 19.05 in the Appendix of Rev. Proc. 2011-14.

**47. Distributor commissions (section 263)**—**from** deducting distributor commissions **to** capitalizing and amortizing distributor commissions using the distribution fee

period method, the 5-year method, or the useful life method. Complete Schedule E of Form 3115. See section 10.04 in the Appendix of Rev. Proc. 2011-14.

48. **Cash discounts (section 471)**—for cash discounts granted for timely payment, when such discounts 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 **to** a method of reducing the cost of the goods by the cash discounts and deducting as an expense any discounts not taken, or vice versa. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.01 in the Appendix of Rev. Proc. 2011-14.

49. **Estimating inventory shrinkage (section 471)**—**from** the present method of estimating inventory shrinkage in computing ending inventory **to** the retail safe harbor method in section 4 of Rev. Proc. 98-29, 1998-1 C.B. 857, or **to** a method other than the retail safe harbor method, provided (a) the applicant's present method of accounting does not estimate inventory shrinkage and (b) the applicant's new method of accounting (that estimates inventory shrinkage) clearly reflects income under section 446(b). Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.02 in the Appendix of Rev. Proc. 2011-14.

50. **Small taxpayer (\$1 million) inventory exception (section 471)**—for a qualifying applicant with average annual gross receipts of \$1,000,000 or less (see Rev. Proc. 2001-10, 2001-1 C.B. 272), **from** the present method of accounting for inventoriable items (including, if applicable, the method of capitalizing costs under section 263A) **to** treating inventoriable items in the same manner as materials and supplies that are not incidental under Regulations section 1.162-3. Complete Schedule A, Part I, and Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.03 in the Appendix of Rev. Proc. 2011-14.

51. **Small taxpayer (\$10 million) inventory exception (section 471)**—for a qualifying applicant with average annual gross receipts of \$10,000,000 or less (see Rev. Proc. 2002-28, 2002-1 C.B. 815), **from** the present method of accounting for inventoriable items (including, if applicable, the method of capitalizing costs under section 263A) **to** treating inventoriable items in the same manner as materials and supplies that are not incidental under Regulations section 1.162-3. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.03 in the Appendix of Rev. Proc. 2011-14.

52. **Obsolete.**

53. **Qualifying volume-related trade discounts (section 471)**—**to** treating qualifying volume-related trade discounts as a reduction in the cost of merchandise purchased at the time the discount is recognized in accordance with Regulations section 1.471-3(b). Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.04 in the Appendix of Rev. Proc. 2011-14.

54. **Impermissible methods of inventory identification and valuation (section 471)**—**from** an impermissible method described in Regulations sections 1.471-2(f)(1) through (5), including a LIFO taxpayer restoring a write down of inventory below cost or discontinuing maintaining an inventory reserve; **from** a gross profit method; or **from** a method of determining market that is not in accordance with section 1.471-4; or changing **from** a method that is not in accordance with section 1.471-2(c) for determining the value of "subnormal goods;" **to** a permitted inventory method (identification or valuation, or both). Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.05 in the Appendix of Rev. Proc. 2011-14.

55. **Core Alternative Valuation Method for remanufactured and rebuilt motor vehicle parts (section 471)**—for remanufacturers and rebuilders of motor vehicle parts and resellers of remanufactured and rebuilt motor vehicle parts that use the lower of cost or market method to value their inventory of cores, **to** the safe harbor method of accounting (the Core Alternative Valuation method) to value inventories of cores as provided for in Rev. Proc. 2003-20, 2003-1 C.B. 445. Complete Schedule D, Parts II and III, of Form 3115, as

applicable. See section 21.06 in the Appendix of Rev. Proc. 2011-14.

56. **Change from LIFO inventory method (section 472)**—for an applicant changing **from** the LIFO inventory method for its entire LIFO inventory, or for one or more dollar-value pools within its LIFO inventory, **to** the permitted method as described in section 22.01(1)(b) in the Appendix of Rev. Proc. 2011-14. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 22.01 in the Appendix of Rev. Proc. 2011-14.

57. **Determining current-year cost under the LIFO inventory method (section 472)**—for an applicant changing its method of determining current-year cost: **to**: (a) the actual cost of the goods most recently purchased or produced (most-recent acquisitions method); (b) the actual cost of the goods purchased or produced during the tax year in the order of acquisition (earliest-acquisitions method); (c) the average unit cost equal to the aggregate actual cost of all the goods purchased or produced throughout the tax year divided by the total number of units so purchased or produced; (d) the specific identification method; or (e) a rolling-average method if the applicant 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, 2008-2 C.B. 587. Complete Schedule C, Part I, of Form 3115. See section 22.02 in the Appendix of Rev. Proc. 2011-14.

58. **Alternative LIFO inventory method (section 472)**—for a qualifying applicant that sells new automobiles or new light-duty trucks, **to** the Alternative LIFO Method described in Rev. Proc. 97-36, 1997-2 C.B. 450, as modified by Rev. Proc. 2008-23, 2008-1 C.B. 664. Complete Schedule C of Form 3115, as applicable. See section 22.03 in the Appendix of Rev. Proc. 2011-14.

59. **Used vehicle alternative LIFO method (section 472)**—for a qualifying applicant that sells used automobiles and used light-duty trucks, **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. Complete Schedule C, Part I, of Form 3115. See section 22.04 in the Appendix of Rev. Proc. 2011-14.

60. **Determining the cost of used vehicles purchased or taken as a trade-in (section 472)**—for a qualifying applicant, **to** a method of (a) determining the cost of used vehicles acquired by trade-in using the average wholesale price listed by a consistently used official used car guide on the date of the trade-in; (b) using a different official used vehicle guide for determining the cost of used vehicles acquired by trade-in; (c) determining the cost of used vehicles purchased for cash using the actual purchase price of the vehicle; or (d) reconstructing 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, where the national auto auction company selected is consistently used. Complete Schedule C, Part I, of Form 3115. See section 22.05 in the Appendix of Rev. Proc. 2011-14.

61. **Change to IPIC inventory method (section 472)**—for a qualifying applicant, **from** a non-inventory price index computation (IPIC) LIFO inventory method **to** the IPIC method in accordance with all relevant provisions of Regulations section 1.472-8(e)(3); or, **from** the IPIC method as described in T.D. 7814, 1982-1 C.B. 84 (the old IPIC method) **to** the IPIC method as described in T.D. 8976, 2002-1 C.B. 421 (the new IPIC method), which includes the following required changes (if applicable): **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); **from** using a weighted arithmetic mean **to** using a weighted harmonic mean to compute an IPI for a dollar-value pool(s); and **from** using a components-of-cost method to define inventory items **to** using a total-product-cost method to define inventory items. Complete Schedule C of Form 3115, as applicable. See section 22.06 in the Appendix of Rev. Proc. 2011-14.

62. **Changes within IPIC inventory method (section 472)**—for one or more of the following changes within IPIC:

(a) **from** the double-extension IPIC method **to** the link-chain IPIC method, or vice versa; (b) **to** or **from** the 10 percent method; (c) **to** a pooling method described in Regulations section 1.472-8(b)(4) or Regulations section 1.472-8(c)(2), including a change to begin or discontinue applying one or both of the 5 percent pooling rules; (d) combine or separate pools as a result of the application of a 5 percent pooling rule described in Regulations section 1.472-8(b)(4) or Regulations section 1.472-8(c)(2); (e) change the selection of BLS tables **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 6 (Producer price indexes and percent changes for commodity groupings and individual items, not seasonally adjusted) of the monthly PPI Detailed Report, or vice versa; (f) change the assignment of one or more inventory items to BLS categories under either Table 3 of the monthly CPI Detailed Report or Table 6 of the monthly PPI Detailed Report; (g) change the representative month when necessitated because of a change in tax year or a change in method of determining current-year cost made pursuant to section 22.02 in the Appendix of Rev. Proc. 2011-14; or (h) change from using preliminary BLS price indexes to using final BLS price indexes to compute an inventory price index, or vice versa. Complete Schedule C of Form 3115, as applicable. See section 22.07 in the Appendix of Rev. Proc. 2011-14.

63. **Replacement cost method for automobile dealers' parts inventory (sections 471 and 472)**—**to** the replacement cost method for automobile dealers' parts inventory described in Rev. Proc. 2002-17, 2002-1 C.B. 676. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.07 in the Appendix of Rev. Proc. 2011-14.

64. **Mark-to-market (section 475)**—for accounting for securities or commodities by commodities dealers, securities traders, and commodities traders, **to** the mark-to-market method under section 475(e) or (f). An election statement must be filed earlier than the due date of Form 3115. See Rev. Proc. 99-17, 1999-1 C.B. 503, for rules relating to this statement. See section 23.01 in the Appendix of Rev. Proc. 2011-14.

65. **Dealer status changes (section 475)**—for an applicant electing out of certain exemptions from securities dealer status, **to** the mark-to-market method. This change does not fall under the procedures of Rev. Proc. 2011-14. Instead, see Rev. Proc. 97-43, 1997-2 C.B. 494.

66. **Bank reserves for bad debts (section 585)**—for a bank (as defined in section 581, including a bank for which a qualified subchapter S subsidiary (QSub) election is filed) to change **from** the section 585 reserve method **to** the section 166 specific charge-off method. See section 24.01 in the Appendix to Rev. Proc. 2011-14.

67. **Insurance company premium acquisition expenses (section 832)**—for certain insurance companies, **to** a safe harbor method of accounting for premium acquisition expenses set forth in Rev. Proc. 2002-46, 2002-2 C.B. 105. See section 25.01 in the Appendix of Rev. Proc. 2011-14.

68. **Discounted unpaid losses (section 846)**—for insurance companies other than life insurance companies computing discounted unpaid losses, **to** the composite method or **to** alternative methods set forth in Notice 88-100, 1988-2 C.B. 439, and Rev. Proc. 2002-74, 2002-2 C.B. 980. See section 26.01 in the Appendix of Rev. Proc. 2011-14.

69. **Obsolete.**

70. **Functional currency (section 985)**—**to** the use of another functional currency for the applicant or its qualified business unit (QBU), other than a QBU described in Regulation section 1.985-1(b)(1)(iii). See section 29.01 in the Appendix of Rev. Proc. 2011-14.

71. **Rule of 78s (section 1272)**—for stated interest on certain short-term consumer loans, **from** the Rule of 78s method **to** the constant yield method. See section 14.05 in the Appendix of Rev. Proc. 2011-14.

72. **Original issue discount (sections 1272 and 1273)**—**to** the principal-reduction method for *de minimis* original issue discount (OID). See section 31.01 in the Appendix of Rev. Proc. 2011-14.

73. **Market discount bonds (section 1278)**—**from** including market discount currently in income for the tax year to which the discount is attributable **to** including market discount in income for the tax year of disposition or partial principal payment (revoking the section 1278(b) election). See section 32.01 in the Appendix of Rev. Proc. 2011-14.

74. **Interest income on short-term obligations (section 1281)**—**to** currently including accrued interest and discount in income (to comply with section 1281). See section 33.01 in the Appendix of Rev. Proc. 2011-14.

75. **Stated interest on short-term loans (section 1281)**—for a bank using the cash receipts and disbursements method of accounting, **from** accruing stated interest on short-term loans made in the ordinary course of business **to** using the cash method to report such interest. See section 33.02 in the Appendix of Rev. Proc. 2011-14.

76. **Sales of mortgage loans (section 1286)**—for accounting for certain sales of mortgage loans in which the seller also enters into a contract to service the mortgages in consideration for amounts received from interest payments, **from** a method that is inconsistent with Rev. Rul. 91-46, 1991-2 C.B. 358, **to** a method that is consistent with Rev. Rul. 91-46. However, the change is only an automatic accounting method change for certain taxpayers who are under examination. This change does not fall under the procedures of Rev. Proc. 2011-14. Instead, see Rev. Proc. 91-51, 1991-2 C.B. 779.

77. **Environmental remediation costs (section 263A)**—for costs incurred to clean up land that a taxpayer contaminated with hazardous waste from the taxpayer's manufacturing operations, **to** capitalizing such costs in inventory costs under section 263A. See section 11.05 in the Appendix of Rev. Proc. 2011-14.

78. **Costs of intangibles and certain transactions (section 263(a))**—for amounts paid or incurred to acquire or create intangibles, or to facilitate an acquisition of a trade or business, a change in the capital structure of a business entity, and certain other transactions, **to** a method of accounting provided in Regulations sections 1.263(a)-4, 1.263(a)-5, and 1.167(a)-3(b). Complete Schedule E of Form 3115 for changes to a method of accounting provided in Regulations section 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, and section 10.05 in the Appendix of Rev. Proc. 2011-14.

79. **REMIC inducement fees (sections 860A-860G)**—for an inducement fee received in connection with becoming the holder of a noneconomic residual interest in a REMIC, **to** a safe harbor method provided under Regulations section 1.446-6(e)(1) or (e)(2). See Rev. Proc. 2004-30, 2004-1 C.B. 950, and section 27.01 in the Appendix of Rev. Proc. 2011-14.

80. **All events test method for credit card annual fees (section 451)**—**to** a method that satisfies the all events test in accordance with Rev. Rul. 2004-52, 2004-1 C.B. 973. See section 15.05 in the Appendix of Rev. Proc. 2011-14.

81. **Ratable inclusion method for credit card annual fees (section 446)**—**to** the ratable inclusion method for credit card annual fees. See section 15.05 in the Appendix of Rev. Proc. 2011-14.

82. **Credit card late fees (section 451)**—**to** a method that treats credit card late fees as interest income that creates or increases OID on the pool of credit card loans to which the fees relate. See section 15.06 in the Appendix of Rev. Proc. 2011-14.

83. **Full inclusion method for certain advance payments (section 451)**—**to** the full inclusion method as described in section 5.01 of Rev. Proc. 2004-34, 2004-1 C.B. 991. The applicant must be using, or changing to, an overall accrual method of accounting. See section 15.07 in the Appendix of Rev. Proc. 2011-14.

84. **Deferral method for certain advance payments (section 451)**—**to** the deferral method as described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991 (except as provided in section 8.03 and 8.04(2) of Rev. Proc. 2004-34). The applicant must be using, or changing to, an overall accrual method of accounting. See section 15.07 in the Appendix of

Rev. Proc. 2011-14, Rev. Proc. 2004-34, as modified and clarified by Rev. Proc. 2011-18, 2011-5 I.R.B. 443.

**85. Film producer's treatment of certain creative property costs (section 446)**—to account for creative property costs under the safe harbor method provided in Rev. Proc. 2004-36, 2004-1 C.B. 1063. See section 14.06 in the Appendix of Rev. Proc. 2011-14.

**86. Timber fertilization costs (section 162)**—for costs incurred by a timber grower for the post-establishment fertilization of an established timber stand, **to** treat such costs as ordinary and necessary business expenses deductible under section 162. See section 3.04 in the Appendix of Rev. Proc. 2011-14.

**87. Change in general asset account treatment due to a change in the use of MACRS property (section 168)**—to the method of accounting provided in Regulations sections 1.168(i)-1(c)(2)(ii)(E) and 1.168(i)-1(h)(2) (as in effect before January 1, 2012). Complete Schedule E of Form 3115. See Regulations section 1.168(i)-1(l)(2)(ii) (as in effect before January 1, 2012) and section 6.09 in the Appendix of Rev. Proc. 2011-14.

**88. Change in method of accounting for depreciation due to a change in the use of MACRS property (section 168)**—to the method of accounting provided in Regulations section 1.168(i)-4 or to revoke the election provided in Regulations section 1.168(i)-4(d)(3)(ii) to disregard a change in use of MACRS property. Complete Schedule E of Form 3115. See Regulations section 1.168(i)-4(g)(2) and section 6.10 in the Appendix of Rev. Proc. 2011-14.

**89. Depreciation of qualified non-personal use vans and light trucks (section 280F)**—for certain vehicles placed in service before July 7, 2003, **to** a method of accounting in accordance with Regulations section 1.280F-6(f)(2)(iv). Complete Schedule E of Form 3115. See Regulations section 1.280F-6(f)(2)(iv) and section 6.11 in the Appendix of Rev. Proc. 2011-14.

**90. Insurance companies' incentive payments to health care providers (section 446)**—for deducting provider incentive payments, **to** the method of including those payments in discounted unpaid losses without regard to section 404. See section 14.07 in the Appendix of Rev. Proc. 2011-14.

**91. Up-front network upgrade payments received by utilities (section 61)**—to a safe harbor method provided in Rev. Proc. 2005-35, 2005-2 C.B. 76. See section 1.01 in the Appendix of Rev. Proc. 2011-14.

**92. Allocation of environmental remediation costs to production (section 263A)**—to a method that allocates under section 263A environmental remediation costs to the inventory produced during the tax year such costs are incurred. See Rev. Rul. 2005-42, 2005-2 C.B. 67, and section 11.06 in the Appendix of Rev. Proc. 2011-14.

**93. Obsolete.**

**94. Credit card cash advance fees (section 451)**—to a method that treats credit card cash advance 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. See section 15.08 in the Appendix of Rev. Proc. 2011-14.

**95. Obsolete.**

**96. Replacement cost method for heavy equipment dealers' parts inventory (sections 471 and 472)**—to the replacement cost method for heavy equipment dealers' parts inventory described in Rev. Proc. 2006-14, 2006-1 C.B. 350. Complete Schedule D, Parts II and III, of Form 3115, as applicable. See section 21.08 in the Appendix of Rev. Proc. 2011-14.

**97. Depreciation of qualified revitalization building in the expanded area of a renewal community (section 14001)**—for a qualified revitalization building that is placed in service by the applicant after December 31, 2001, in the area of a renewal community that was expanded by the U.S. Department of Housing and Urban Development and for which the applicant receives a retroactive commercial revitalization expenditure allocation. This change applies only if the applicant filed the federal tax return for the placed-in-service year of that building on or before the date the applicant received the retroactive

commercial revitalization expenditure allocation. Complete Schedule E of Form 3115. See section 6.12 in the Appendix of Rev. Proc. 2011-14.

**98. Insurance contracts acquired in an assumption reinsurance transaction (section 197)**—for an applicant's first tax year ending after April 10, 2006, for certain insurance contracts acquired in an assumption reinsurance transaction, **to** comply with Regulations section 1.197-2(g)(5). See Regulations section 1.197-2(g)(5) and section 6.13 in the Appendix of Rev. Proc. 2011-14.

**99. Obsolete.**

**100. Obsolete.**

**101. Obsolete.**

**102. Obsolete.**

**103. Obsolete.**

**104. Obsolete.**

**105. Obsolete.**

**106. Timing of incurring certain liabilities for services or insurance (section 461)**—for an applicant that is currently treating the mere execution of a contract for services or insurance as establishing the fact of the liability under section 461 and wants to change **from** that method for liabilities for services or insurance **to** comply with Rev. Rul. 2007-3, 2007-1 C.B. 350. See section 19.06 in the Appendix of Rev. Proc. 2011-14.

**107. Impermissible to permissible method of accounting for depreciation or amortization for disposed depreciable or amortizable property (sections 167, 168, 197, 14001, 1400L(b), 1400L(c), or 1400N(d) or former 168)**—for an item of certain depreciable or amortizable property that has been disposed of by the applicant and for which the applicant did not take into account any depreciation allowance or did take into account some depreciation but less than the depreciation allowable, **from** using an impermissible method of accounting for depreciation **to** using a permissible method of accounting for depreciation. Complete Schedule E of Form 3115. See section 6.17 in the Appendix of Rev. Proc. 2011-14.

**108. Change by bank for uncollected interest (section 446)**—for a bank (as defined in Regulation section 1.166-2(d)(4)(i)) that uses an accrual method of accounting; is subject to supervision by Federal authorities, or by state authorities maintaining substantially equivalent standards; and has six or more years of collection experience to change to the safe harbor method of accounting for uncollected interest (other than interest described in Regulation section 1.446-2(a)(2)) set forth in section 4 of Rev. Proc. 2007-33, 2007-1 C.B. 1289. See section 14.08 in the Appendix of Rev. Proc. 2011-14.

**109. Rotable spare parts (section 263(a))**—for an applicant 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 **to** the safe harbor method provided in Rev. Proc. 2007-48, 2007-2 C.B. 110. Complete Schedule E of Form 3115. See section 10.06 in the Appendix of Rev. Proc. 2011-14.

**110. Rotable spare parts (section 471)**—**from** the safe harbor method (or a similar method) of treating rotatable spare parts as depreciable assets, in accordance with Rev. Proc. 2007-48, 2007-2 C.B. 110, **to** treating rotatable spare parts as inventoriable items. See section 21.09 in the Appendix of Rev. Proc. 2011-14.

**111. Advance trade discount method (section 471)**—for an accrual method applicant required to use an inventory method of accounting and maintaining inventories, as provided in section 471, that receives advance trade discounts **to** the Advance Trade Discount Method described in Rev. Proc. 2007-53, 2007-2 C.B. 233. See section 21.10 in the Appendix of Rev. Proc. 2011-14.

**112. Changes to the Vehicle-Pool Method (section 472)**—for a retail dealer or wholesaler distributor (reseller) of cars and light-duty trucks **to** the Vehicle-Pool Method as described in Rev. Proc. 2008-23, 2008-1 C.B. 664. See section 22.08 in the Appendix of Rev. Proc. 2011-14.

**113. Payroll tax liabilities (section 461)**—for an accrual method applicant that wants to change its method for FICA and FUTA taxes **to** the safe harbor method provided in Rev. Proc.

2008-25, 2008-1 C.B. 686, which provides that, solely for the purposes of the recurring item exception, an applicant will be treated as satisfying the requirement in Regulation section 1.461-5(b)(1)(i) for its payroll tax liability in the same tax year in which all events have occurred that establish the fact of the related compensation liability and the amount of the related compensation liability can be determined with reasonable accuracy. See section 19.04 in the Appendix to Rev. Proc. 2011-14.

**114. Rolling-average method of accounting for inventories (sections 471 and 472)**—for an applicant required to account for inventories under section 471 and that uses a rolling-average method to value inventories for financial accounting purposes **to** the same rolling-average method to value inventories for federal income tax purposes, in accordance with Rev. Proc. 2008-43, 2008-30 I.R.B.186. See section 21.14 in the Appendix to Rev. Proc. 2011-14.

**115. Kansas additional first year depreciation**—for qualified Recovery Assistance property placed in service by the applicant on or after May 5, 2007, during the tax year that includes May 5, 2007, **to** claim the Kansas additional first year depreciation deduction for a class of property for which the taxpayer did not claim the Kansas additional first year depreciation deduction on the taxpayer's timely filed federal tax return for the tax year that includes May 5, 2007, provided the taxpayer did not make an election not to deduct the Kansas additional first year depreciation for the class of property. Complete Schedule E of Form 3115. See section 6.22 in the Appendix to Rev. Proc. 2011-14.

**116. Depreciation of MACRS property acquired in a like-kind exchange or as a result of an involuntary conversion (section 168)**—**to** apply the provisions of Regulations section 1.168(i)-6 or rely on prior guidance by the Service for determining the depreciation deductions of replacement MACRS property and relinquished MACRS property, for a like-kind exchange or an involuntary conversion of MACRS property for which the time of disposition, the time of replacement, or both occur on or before February 27, 2004 or, **to** apply Regulations section 1.168(i)-6(i)(2) to the relinquished property and the replacement property for which the time of disposition, the time of replacement, or both occur on or before February 26, 2007, if the replacement property replaces relinquished property for which the taxpayer made a valid election under section 168(f)(1) to exclude it from the application of section 168. Complete Schedule E of Form 3115. See Regulations sections 1.168(i)-6 and 1.168(i)-6(i)(2), and section 6.18 in the Appendix of Rev. Proc. 2011-14.

**117. Lessor improvements abandoned at termination of lease (section 168)**—for an applicant that is a lessor, **from** depreciating under section 168 an improvement described in section 168(i)(8)(B)(i) and (ii) after the improvement was irrevocably disposed of or abandoned by the lessor at the termination of the applicable lease by the lessee **to** complying with section 168(i)(8)(B) by recognizing gain or loss upon disposition or abandonment of the improvement. See section 168(i)(8)(B), and section 6.19 in the Appendix of Rev. Proc. 2011-14.

**118. Repairable and reusable spare parts (section 168)**—for repairable and reusable spare parts, **from** item accounting **to** multiple asset accounting (pooling) in accordance with section 6.20(2) in the Appendix of Rev. Proc. 2011-14, or **to** using a permissible method of identifying disposed repairable and reusable spare parts, as described in section 6.20(3) in the Appendix of Rev. Proc. 2011-14. Complete Schedule E of Form 3115. See section 6.20 in the Appendix of Rev. Proc. 2011-14, as modified by section 4.02(14) of Rev. Proc. 2012-19. This change is only available for spare parts that have been placed in service by the taxpayer after 1986 and before taxable years beginning after December 31, 2011.

**119. Land (sections 167 and 168)**—**from** depreciating land **to** not depreciating land, or **from** depreciating a nondepreciable land improvement **to** not depreciating a nondepreciable land improvement. See section 6.21 in the Appendix of Rev. Proc. 2011-14.

**120. Obsolete.**

**121. Repairable and reusable spare parts (section 263(a))**—**to** treat certain repairable and reusable spare parts as depreciable property in accordance with the holding in Rev. Rul. 69-200, 1969-1 C.B. 60, or Rev. Rul. 69-201, 1969-1 C.B. 60. Complete Schedule E of Form 3115. See section 10.07 in the Appendix of Rev. Proc. 2011-14, as modified by section 4.02(15) of Rev. Proc. 2012-19. This change is only available for spare parts that have been placed in service by the taxpayer in taxable years beginning before January 1, 2012.

**122. Overall accrual method other than for the first section 448 year (section 446)**—for a qualifying applicant for other than its first section 448 year, **from** the overall cash receipts and disbursements method **to** an overall accrual method, or **to** an overall accrual method in conjunction with the recurring item exception under 461(h)(3). Complete Schedule A, Part I, of Form 3115. Also complete Schedule D, Parts II and III, as applicable. See section 14.01 in the Appendix of Rev. Proc. 2011-14.

**123. Change in overall method from the cash method to an accrual method for the first section 448 year (section 446)**—for an applicant that is required by section 448 to change **from** the overall cash method **to** an overall accrual method and the applicant qualifies to make the change under the automatic consent procedures of Regulation sections 1.448-1(g) and (h)(2) as well as Rev. Proc. 2011-14 for a year of change that is the applicant's first section 448 year. See Regulation sections 1.448-1(g) and (h)(2), and section 14.01 in the Appendix to Rev. Proc. 2011-14.

**124. Change from the cash method to an accrual method for specific items (section 446)**—for a qualifying applicant using an overall accrual method and accounting for one or more identified specific items of income and expense on the cash method **to** an accrual method of accounting for the identified specific item or items. See section 14.09 in the Appendix to Rev. Proc. 2011-14.

**125. Multi-year service warranty contracts (section 446)**—for an eligible accrual method manufacturer, wholesaler, or retailer of motor vehicles or other durable consumer goods that wants to change **to** the service warranty income method described in section 5 of Rev. Proc. 97-38, 1997-2 C.B. 479. See Rev. Proc. 97-38 and section 14.10 in the Appendix to Rev. Proc. 2011-14.

**126. Overall cash method for specified transportation industry taxpayers (section 446)**—for "specified transportation industry taxpayers," as defined in section 14.11(2) of Rev. Proc. 2011-14, with average annual gross receipts of more than \$10,000,000 and not in excess of \$50,000,000 **to** the overall cash receipts and disbursements method. See section 14.11 in the Appendix to Rev. Proc. 2011-14.

**127. Change to overall cash/hybrid method for certain banks (section 446)**—for an eligible bank, as defined in section 14.12(2)(a) in the Appendix to Rev. Proc. 2011-14, **to** an overall cash/hybrid method described in section 14.12(2)(b) in the Appendix to Rev. Proc. 2011-14. See section 14.12 in the Appendix to Rev. Proc. 2011-14.

**128. Change to overall cash method for farmers (section 446)**—for a qualifying applicant engaged in the trade or business of farming **to** the overall cash receipts and disbursements method. See section 14.13 in the Appendix to Rev. Proc. 2011-14.

**129. Nonshareholder contributions to capital under section 118 (section 446)**—**from** excluding from gross income under section 61 certain payments or the fair market value of property received (including customer connection fees received by a regulated public utility described in section 118(c)), by characterizing the payments or the fair market value of property as nontaxable contributions to capital under section 118(a), **to** including the payments or the fair market value of property in gross income under section 61. This change also applies to a regulated public utility described in section 118(c) that changes **from** including in gross income under section 61 payments or fair market value of property received that are contributions in aid of construction under section 118(c) and Regulation section 1.118-2 and that meet the requirements of sections 118(c)(1)(B)



and 118(c)(1)(C) to excluding from income the payments or the fair market value of the property as nontaxable contributions to capital under sections 118(a). See section 14.14 in the Appendix to Rev. Proc. 2011-14.

130. **Retainages (section 451)**—for an accrual method applicant's retainages under section 451 to a method consistent with the holding in Rev. Rul. 69-314, 1969-1 C.B. 139. This change does not apply to retainages under long-term contracts as defined in section 460(f). An applicant changing its method of accounting under this section must treat all retainages (receivables and payables) in the same manner. See section 15.10 in the Appendix to Rev. Proc. 2011-14.

131. **Series E, EE, or I U.S. savings bonds (section 454)**—for a cash method taxpayer changing the taxpayer's method of accounting for interest income on Series E, EE, or I U.S. savings bonds from reporting as interest income the increase in redemption price on a bond occurring in a tax year to reporting this income in the tax year in which the bond is redeemed, disposed of, or finally matures, whichever is earliest. A statement in lieu of a Form 3115 is authorized for this change. See section 16.01 in the Appendix to Rev. Proc. 2011-14.

132. **Prepaid subscription income (section 455)**—for an accrual method applicant changing its method of accounting for prepaid subscription income to the method described in section 455 and the related regulations, including an eligible applicant that wants to make the "within 12 months" election under Regulations section 1.455-2. A statement in lieu of a Form 3115 is authorized for this change. See section 17.01 in the Appendix to Rev. Proc. 2011-14.

133. **Timing of incurring liabilities for bonuses (section 461)**—to treat bonuses as incurred in the tax 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 section 19.01(2) in the Appendix to Rev. Proc. 2011-14.

134. **Timing of incurring liabilities for vacation pay (section 461)**—to treat vacation pay as incurred in the tax year in which all events have occurred that establish the fact of the liability to pay vacation pay, and the amount of the liability can be determined with reasonable accuracy. The applicant may make this change if the vacation pay vests in that tax year and the vacation pay is received by the employee by the 15th day of the 3rd calendar month after the end of that tax year. See section 19.01(3) in the Appendix to Rev. Proc. 2011-14.

135. **Rebates and allowances (section 461)**—for an accrual method applicant's liability for rebates and allowances to the recurring item exception method under section 461(h)(3) and Regulation section 1.461-5. See section 19.07 in the Appendix to Rev. Proc. 2011-14.

136. **Change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation (section 467)**—for an applicant that is a party to a section 467 rental agreement; and is changing its method for its fixed rent to the rent allocation method provided in Regulation section 1.467-1(d)(2)(iii). See section 20.01 in the Appendix to Rev. Proc. 2011-14.

137. **Permissible methods of inventory identification and valuation (section 471)**—for an applicant changing from one permissible method of identifying and valuing inventories to another permissible method of identifying and valuing inventories that is not a change described in another section in the Appendix to Rev. Proc. 2011-14 or in other guidance published in the IRB. See section 21.11 in the Appendix to Rev. Proc. 2011-14.

138. **Change in the official used vehicle guide utilized in valuing used vehicles (section 471)**—for a used vehicle dealer from not using an official used vehicle guide for valuing used vehicles to using an official used vehicle guide for valuing used vehicles; or from using an official used vehicle guide for valuing used vehicles to using a different official used vehicle guide for valuing used vehicles. See section 21.12 in the Appendix to Rev. Proc. 2011-14.

139. **Invoiced advertising association costs for new vehicle retail dealerships (section 471)**—for an applicant

engaged in the trade or business of retail sales of new automobiles or new light-duty trucks (dealership) from capitalizing certain advertising costs as acquisition costs under Regulation section 1.471-3(b) to deducting the advertising costs under section 162 as the advertising services are provided to the dealership. See Regulation section 1.461-4(d)(2)(i), and section 21.13 in the Appendix to Rev. Proc. 2011-14.

140. **Changes within the Used Vehicle Alternative LIFO Method (section 472)**—for 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, to use a different "official used vehicle guide" in conjunction with the Used Vehicle Alternative LIFO Method, or to a different precise manner of using an official used vehicle guide (for example, a change in the specific guide category that an applicant uses to represent vehicles of average condition for purposes of section 4.02(5)(a) of Rev. Proc. 2001-23). See section 22.09 in the Appendix to Rev. Proc. 2011-14.

141. **Changes to dollar-value pools of manufacturers (section 472)**—for a manufacturer that 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, and the manufacturer wants to change from using multiple pools described in Regulation section 1.472-8(b)(3) to using natural business unit (NBU) pools described in Regulation section 1.472-8(b)(1), or vice versa; or wants to reassign items in NBU pools described in Regulation section 1.472-8(b)(1) into the same number or a greater number of NBU pools. See section 22.10 in the Appendix to Rev. Proc. 2011-14.

142. **Obsolete.**

143. **Materials and supplies (section 162)**—for an applicant changing to the method of accounting described in Regulations section 1.162-3 (reserved) to treat materials and supplies as a deferred expense to be taken into account in the taxable year in which they are actually consumed and used in operation. See section 3.05 in the Appendix to Rev. Proc. 2011-14, as reserved by section 4.01(1) of Rev. Proc. 2012-19. This change is only available for amounts paid or incurred in taxable years beginning before January 1, 2012.

144. **Repair and maintenance costs (section 162)**—for an applicant changing from capitalizing under section 263(a) costs paid or incurred to repair and maintain tangible property (including network assets) to treating the repair and maintenance costs as ordinary and necessary business expenses under section 162 and Regulations section 1.162-4. See section 3.06 in the Appendix to Rev. Proc. 2011-14, as reserved by section 4.01(1) of Rev. Proc. 2012-19. This change applies only to taxable years beginning before January 1, 2012.

145. **Tenant construction allowances (section 168)**—for an applicant changing from improperly treating the applicant as having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes to properly treating the applicant as not having a depreciable interest in such property for federal income tax purposes; or from improperly treating the applicant as not having a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes to properly treating the applicant as having a depreciable interest in such property for federal income tax purposes. See section 6.23 in the Appendix to Rev. Proc. 2011-14.

146. **Dispositions of structural components of a building (section 168)**—for an applicant changing to a unit of property that is permissible under applicable legal authority for determining when the applicant has disposed of a building and its structural components for depreciation purposes. This change will also affect the determination of gain or loss from the disposition of the building (including its structural components). See section 6.24 in the Appendix to Rev. Proc. 2011-14. Obsolete for tax years beginning on or after January 1, 2012. For taxable years beginning on or after January 1, 2012, see change number 177.

147. **Dispositions of tangible depreciable assets (other than a building or its structural components) (section 168)**—for an applicant changing to a unit of property that is permissible under applicable legal authority for determining when the applicant has disposed of a section 1245 property a depreciable land improvement for depreciation purposes. This change will also affect the determination of gain or loss from the disposition of the section 1245 property or the depreciable land improvement. See section 6.25 in the Appendix to Rev. Proc. 2011-14. Obsolete for taxable years beginning on or after January 1, 2012. For taxable years beginning on or after January 1, 2012, see change 178.

148. **Debt issuance costs (section 446)**— for an applicant changing its method of accounting to comply with Regulation section 1.446-5, which provides rules for allocating the costs over the term of the debt. See section 14.15 in the Appendix to Rev. Proc. 2011-14.

149. **Ratable accrual of real property taxes (section 461)**—for an accrual method applicant for real property taxes that relate to a definite period of time to the method described in section 461(c) and section 1.461-1(c)(1) (ratable accrual election) for a taxable year other than the applicant's first taxable year in which real property taxes are incurred. See section 19.08 in the Appendix to Rev. Proc. 2011-14.

150. **Retail sales facility safe harbor for a motor vehicle dealership (section 263A)**—for a motor vehicle dealership to treat its sales facility as a retail sales facility as described in section 5.01 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811. See section 11.07 in the Appendix of Rev. Proc. 2011-14.

151. **Reseller without production activities safe harbor for a motor vehicle dealership (section 263A)**—for a motor vehicle dealership to be treated as a reseller without production activities as described in section 5.02 of Rev. Proc. 2010-44, 2010-49 I.R.B. 811. See section 11.07 in the Appendix of Rev. Proc. 2011-14.

152. **Deduction for energy efficient commercial buildings (section 179D)**—for an applicant changing to deduct under section 179D amounts paid or incurred for the installation of energy efficient commercial building property, subject to the limits of section 179D(b), in the year the property is placed in service. See section 8.04 in the Appendix of Rev. Proc. 2011-14.

153. **Advance payments—change in applicable financial statements (Rev. Proc. 2004-34)**—for an applicant using the deferral method for including advance payments in gross income in accordance with its applicable financial statement (AFS) to change its method to recognize advance payments in gross income under Rev. Proc. 2004-34 consistent with a changed manner for recognizing advance payments for its AFS. Although the requirement to file a copy of the application with the IRS National Office is waived for this application, a taxpayer may nevertheless file a copy of the application with the IRS National Office, for example, under the 90-day or 120-day window in section 6.03(2) or 6.03(3) of Rev. Proc. 2011-14. In all cases, the requirement in section 6.02(3)(c) of Rev. Proc. 2001-14 to provide an additional copy of the application to the examining agent(s), appeals officer(s) and counsel to the government, if applicable, applies to this application. See section 15.11 in the Appendix of Rev. Proc. 2011-14.

154. **California franchise taxes (Rev. Rul. 2003-90)**—for an accrual method applicant changing to recognizing its California franchise tax liability in the tax year following the tax year in which the tax is incurred under the Cal. Rev. & Tax Code. See section 19.09 in the Appendix of Rev. Proc. 2011-14.

155. **Unearned premiums (section 833)**—for a Blue Cross or Blue Shield organization within the meaning of section 833(c)(2) or an organization described in section 833(c)(3) required to change its method of accounting for unearned premiums because it fails to meet the MLR requirements of section 833(c)(5). See section 25.02 in the Appendix of Rev. Proc. 2011-14.

156. **Gift cards issued as a refund (Rev. Proc. 2011-17)**—for an accrual method applicant who issues gift cards as a refund for returned goods changing to treat the transaction as the payment of a cash refund and sale of a gift

card in the amount of the gift card, as provided in Rev. Proc. 2011-17, 2011-5 I.R.B. 441. See section 19.10 in the Appendix of Rev. Proc. 2011-14.

157. **Classification of wireless telecommunications assets used by wireless telecommunications carriers (sections 167 and 168)**—for applicants that have a depreciable interest in wireless telecommunication assets (as defined in Rev. Proc. 2011-22, 2011-8 I.R.B. 737) used primarily to provide wireless telecommunications or broadband services by mobile phones that are changing to the method described in Rev. Proc. 2011-22 to determine the recovery periods for depreciation of certain tangible assets used by wireless telecommunications carriers. See Rev. Proc. 2011-22, adding section 6.26 to the Appendix of Rev. Proc. 2011-14.

158. **Wireline network property (section 263(a))**—for certain applicants that have depreciable interest in wireline network assets (as described in section 4 of Rev. Proc. 2011-27, 2011-8 I.R.B. 740) used primarily to provide wireline telecommunication or broadband services that are changing to (a) the wireline network assets maintenance allowance method described in section 5 of Rev. Proc. 2011-27, or (b) the adoption of all, or some, of the units of property described in section 6 of Rev. Proc. 2011-27, to determine whether expenditures to maintain, replace, or improve wireline network assets must be capitalized under section 263(a). See Rev. Proc. 2011-27, adding section 3.07 to the Appendix of Rev. Proc. 2011-14.

159. **Wireless network property (section 263(a))**—for certain applicants that have a depreciable interest in wireless network assets (as described in section 4 of Rev. Proc. 2011-28, 2011-8 I.R.B. 743) used primarily to provide wireless telecommunications or broadband services by mobile phones that are changing to (a) the wireless network asset maintenance allowance method described in section 5 of Rev. Proc. 2011-28, or (b) the adoption of all, or some, of the units of property described in section 6 of Rev. Proc. 2011-28, to determine whether expenditures to maintain, replace or improve wireless network assets must be capitalized under section 263(a). See Rev. Proc. 2011-28, adding section 3.08 to the Appendix of Rev. Proc. 2011-14.

160. **Electric transmission and distribution property (section 263(a))**—for certain applicants that have a depreciable interest in electric transmission or distribution property (as described in section 4 of Rev. Proc. 2011-43, 2011-37 I.R.B. 326) used primarily to transport, deliver, or sell electricity that are changing to the method described in Rev. Proc. 2011-43, to determine whether expenditures incurred to maintain, replace, or improve transmission and distribution property are deductible repairs under section 162 or capitalizable improvements under section 263(a). See Rev. Proc. 2011-43, adding section 3.09 to the Appendix of Rev. Proc. 2011-14.

161. **Timing of incurring liabilities under the recurring item exception to the economic performance rules (section 461(h)(3))**—for an applicant changing to a method of accounting to conform to any of the holdings in Rev. Rul. 2012-1, 2012-2 I.R.B. 255, which addresses the “not material” and “better matching” requirements of the recurring item exception and distinguishes contracts for the provision of services from insurance and warranty contracts.

162. **Deducting repair and maintenance costs (section 162)**—for an applicant changing from capitalizing under section 263(a) amounts paid or incurred for tangible property to deducting these amounts as repair and maintenance costs under section 162 and Regulations section 1.162-4T and for an applicant changing its units of property under Regulations section 1.263(a)-3T(e) solely for purposes of determining whether amounts paid or incurred improve a unit of property under Regulations section 1.263(a)-3T. See section 4.02(1) of Rev. Proc. 2012-19, adding section 3.10 to the Appendix of Rev. Proc. 2011-14.

163. **Change to the regulatory accounting method (section 162)**—for a regulated applicant changing its method of accounting for amounts paid or incurred to repair or maintain tangible property to follow its method of accounting for

regulatory accounting purposes to determine whether an amount paid or incurred improves property under Regulations section 1.263(a)-3T, consistent with Regulations section 1.263(a)-3T(k). See section 4.02(2) of Rev. Proc. 2012-19, adding section 3.11 to the Appendix of Rev. Proc. 2011-14.

**164. Deducting non-incident materials and supplies when used or consumed (section 162)**—for an applicant changing its method of accounting for non-incident materials and supplies **to** the method of deducting such amounts in the taxable year in which they are actually used or consumed, consistent with Regulations section 1.162-3T. See section 4.02(3) of Rev. Proc. 2012-19, adding section 3.12 to the Appendix of Rev. Proc. 2011-14. This change applies only to the amounts paid or incurred in taxable years beginning on or after January 1, 2012.

**165. Deducting incidental materials and supplies when paid or incurred (section 162)**—for an applicant that wants to change its method of accounting for incidental materials and supplies **to** the method of deducting such amounts in the taxable year in which they are paid or incurred, consistent with Regulations section 1.162-3T. See section 4.02(4) of Rev. Proc. 2012-19, adding section 3.13 to the Appendix of Rev. Proc. 2011-14. This change applies only to amounts paid or incurred in taxable years beginning on or after January 1, 2012.

**166. Deducting non-incident rotatable and temporary spare parts when disposed (section 162)**—for an applicant changing its method of accounting for costs to acquire or produce non-incident rotatable and temporary spare parts **to** the method of deducting such costs in the taxable year in which the taxpayer disposes of the parts, consistent with Regulations section 1.162-3T. See section 4.02(5) of Rev. Proc. 2012-19, adding section 3.14 to the Appendix of Rev. Proc. 2011-14. This change applies only to amounts paid or incurred in taxable years beginning on or after January 1, 2012.

**167. Change to the optional method for rotatable and temporary spare parts (section 162)**—for an applicant changing its method of accounting for rotatable and temporary spare parts **to** the optional method of accounting for rotatable and temporary spare parts (described in Regulations section 1.162-3T(e)), consistent with Regulations section 1.162-3T. See section 4.02(6) of Rev. Proc. 2012-19, adding section 3.15 to the Appendix of Rev. Proc. 2011-14.

**168. Deducting dealer expenses that facilitate the sale of property (section 162)**—for an applicant that is a dealer in property changing its method of accounting for commissions and other costs paid or incurred to facilitate the sale of tangible property **to** the method of treating such costs as ordinary and necessary business expenses, consistent with Regulations section 1.263(a)-1T(d)(1). See section 4.02(7) of Rev. Proc. 2012-19, adding section 3.16 to the Appendix of Rev. Proc. 2011-14.

**169. Deducting de minimis amounts (section 263(a))**—for an applicant changing its method of accounting for amounts paid or incurred to acquire or produce (including any amounts paid or incurred to facilitate the acquisition and production of) a unit of property **to** the method of applying the de minimis rule under Regulations sections 1.263(a)-2T(g) and 1.263A-1T(b)(14) to such amounts, consistent with Regulations section 1.263(a)-2T. See section 4.02(8) of Rev. Proc. 2012-19, adding section 3.17 to the Appendix of Rev. Proc. 2011-14. This change applies only to amounts paid or incurred in taxable years beginning on or after January 1, 2012.

**170. Deducting certain costs for investigating or pursuing the acquisition of property (section 162)**—for an applicant changing its method of accounting **from** capitalizing **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 Regulations section 1.263(a)-2T(f)(2)(iii) or the acquisition of real or personal property if the amounts are for employee compensation or overhead costs under Regulations section 1.263(a)-2T(f)(2)(iv), consistent with section 1.263(a)-2T. See section 4.04(9) of Rev. Proc. 2012-19, adding section 3.18 to the Appendix of Rev. Proc. 2011-14. This change applies only

to amounts paid or incurred in taxable years beginning on or after January 1, 2012.

**171. Change to the safe harbor routine maintenance on property other than buildings (section 162)**—for an applicant changing its method of accounting for amounts paid or incurred for routine maintenance performed on a unit of property **to** the method of treating such amounts as amounts that do not improve the unit or property, consistent with Regulations section 1.263(a)-3T(g). See section 4.01(10) of Rev. Proc. 2012-19, adding section 3.19 to the Appendix of Rev. Proc. 2011-14.

**172. Non-dealer expense to facilitate the sale of property (section 162)**—for an applicant that is not a dealer in property changing its method of accounting for commissions and other costs paid or incurred to facilitate the sale of property **to** the method of capitalizing such costs, consistent with Regulations section 1.263(a)-1T(d)(1). See section 4.01(11) of Rev. Proc. 2012-19, adding section 10.08 to the Appendix of Rev. Proc. 2011-14.

**173. Capitalizing acquisition or production costs (section 263(a))**—for an applicant changing its method of accounting **to** capitalizing amounts paid or incurred to acquire or produce property under Regulations section 1.263(a)-2T and, if depreciable, to depreciating such property under section 168. See section 4.01(12) of Rev. Proc. 2012-19, adding section 10.09 to the Appendix of Rev. Proc. 2011-14.

**174. Capitalizing improvements to tangible property (section 263(a))**—for an applicant changing its method of accounting **to** capitalizing amounts paid or incurred for improvements to units of property consistent with Regulations sections 1.263(a)-1T and 1.263(a)-3T and, if depreciable, to depreciating such improvements under section 168. See section 4.01(13) of Rev. Proc. 2012-19, adding section 10.10 to the Appendix of Rev. Proc. 2011-14.

**175. Depreciation of leasehold improvements (sections 167, 168, and 197)**—for leasehold improvements in which the applicant has a depreciable interest at the beginning of the year of change, **from** improperly depreciating or amortizing these leasehold improvements over the term of the lease (including renewals, if applicable) **to** properly depreciating or amortizing these leasehold improvements under section 167(f)(1), 168, or 197, as applicable. This change applies only to taxable years beginning on or after January 1, 2012. Complete Schedule E of Form 3115. See section 6.27 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(1) of Rev. Proc. 2012-20 (creating new section 6.27).

**176. Depreciation of MACRS property (permissible) (section 168)**—for MACRS property, **from** a permissible method **to** another permissible method listed in section 6.28(3) in the Appendix of Rev. Proc. 2011-14. This change applies only to taxable years beginning on or after January 1, 2012. Complete Schedule E of Form 3115. See section 6.28 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(2) of Rev. Proc. 2012-20 (creating new section 6.28).

**177. Dispositions of a building or a structural component (section 168)**—for an applicant changing **to** an asset that is permissible under Regulations section 1.168(i)-8T(c)(4) for determining what building, condominium unit, cooperative unit, or structural components has been disposed of by the applicant for depreciation purposes; **or from** a method not specified in Regulations section 1.168(i)-8T(f)(1), (f)(2)(i), (f)(2)(ii), or (f)(2)(iii) **to** a method specified in Regulations section 1.168(i)-8T(f)(1), (f)(2)(i), (f)(2)(ii), or (f)(2)(iii), as applicable, for identifying which buildings, condominium units, cooperative units, or structural components in multiple asset accounts have been disposed of by the applicant. This change also will affect the determination of gain or loss from the disposition of the building, condominium unit, cooperative unit, or the structural component and may affect whether the applicant must capitalize amounts paid to restore a unit of property under Regulations section 1.263(a)-3T(i). This change applies only to taxable years beginning on or after January 1, 2012. See section 6.29 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(3) of Rev. Proc. 2012-20 (creating new section 6.29).

178. **Dispositions of tangible assets (other than a building or its structural components) (section 168)**—for an applicant changing to an asset that is permissible under Regulations section 1.168(i)-8T(c)(4) for determining what section 1245 property or depreciable land improvement has been disposed of by the applicant for depreciation purposes; or from a method not specified in Regulations section 1.168(i)-8T(f)(1), (f)(2)(i), (f)(2)(ii), or (f)(2)(iii) to a method specified in Regulations section 1.168(i)-8T(f)(1), (f)(2)(i), (f)(2)(ii), or (f)(2)(iii), as applicable, for identifying which section 1245 property or depreciable land improvements in multiple asset accounts have been disposed of by the applicant. This change also will affect the determination of gain or loss from the disposition of the section 1245 property or the depreciable land improvement and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property under the Regulations section 1.263(a)-3T(i). This change applies only to taxable years beginning on or after January 1, 2012. See section 6.30 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(4) of Rev. Proc. 2012-20 (creating new section 6.30).

179. **Dispositions of tangible depreciable assets in a general account (section 168)**—for MACRS property for which the applicant made a valid general asset election, changing to an asset that is permissible under Regulations section 1.168(i)-1T(e)(2)(viii) for determining what asset has been disposed of by the applicant for depreciation purposes; or from a method not specified in Regulations section 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv) to a method specified in Regulations section 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv), as applicable, for identifying which assets have been disposed of

by the applicant. This change also may affect the determination of gain or loss from the disposition of the asset and may affect whether the applicant must capitalize amounts paid to restore a unit of property under Regulations section 1.263(a)-3T(i). This change applies only to taxable years beginning on or after January 1, 2012. See section 6.31 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(5) of Rev. Proc. 2012-20 (creating new section 6.31).

180. **General asset account elections (section 168)**—for an applicant making a late general asset account election under section 168(i)(4) and Regulations sections 1.168(i)-1 and 1.168(i)-1T for MACRS property placed in service by the applicant in a taxable year beginning before January 1, 2012; or a late election to recognize gain or loss upon the disposition of all the assets, or the last asset, in a general asset account in accordance with Regulation section 1.168(i)-1T(3)(ii); or for an item of MACRS property for which the applicant made a valid general asset account election, a late election to recognize gain or loss upon the disposition of that item in a qualifying disposition in accordance with Regulations section 1.168(i)-1T(e)(3)(iii). This change also may affect the determination of gain or loss from the disposition of the asset and may affect whether the applicant must capitalize amounts paid to restore a unit of property under Regulations section 1.263(a)-3T(i). This change applies only to the applicant's first or second taxable year beginning after December 31, 2011. See section 6.32 in the Appendix to Rev. Proc. 2011-14, as modified by section 5.03(6) of Rev. Proc. 2012-20 (creating new section 6.32).

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. Section 446(e) says that you must obtain IRS approval before you change your method of accounting, except where otherwise provided. To obtain this approval, you are required to provide the information requested on this form. This information will be used to ensure that you are complying with the applicable laws, and to figure and collect the right amount of tax. Failure to provide all of the information requested may delay or prevent processing of this form. Providing false information may subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and to U.S. commonwealths and possessions for use in the administration of their tax laws. We may also disclose this information to other countries under a tax treaty, to Federal and state agencies to enforce Federal non-tax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
3115	38 hr., 29 min.	19 hr., 54 min.	23 hr., 48 min.
Sch. A	3 hr., 21 min.	1 hr., 51 min.	3 hr., 11 min.
Sch. B	1 hr., 25 min.	30 min.	33 min.
Sch. C	5 hr., 1 min.	45 min.	2 hr., 4 min.
Sch. D	27 hr., 30 min.	1 hr., 59 min.	2 hr., 31 min.
Sch. E	3 hr., 49 min.	1 hr., 59 min.	2 hr., 8 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the tax form to this office. Instead, see **When and Where To File** earlier.