

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.  
(Also Part I, §§ 167, 168, 446, 481; 1.446-1)

Rev. Proc. 2011-22

#### SECTION 1. PURPOSE

This revenue procedure provides a safe harbor method of accounting for determining the recovery periods for depreciation of certain tangible assets used by wireless telecommunications carriers. This revenue procedure also explains how a taxpayer may obtain automatic consent from the Commissioner of Internal Revenue to change to this method of accounting.

#### SECTION 2. BACKGROUND

.01 Section 167(a) of the Internal Revenue Code provides that there is allowed as a depreciation deduction a reasonable allowance for the exhaustion and wear and tear of property used in a trade or business or held for the production of income. The depreciation deduction provided by § 167(a) for tangible property placed in service after 1986 generally is determined under § 168, which prescribes two methods of accounting

for determining depreciation allowances: (1) the general depreciation system in § 168(a); and (2) the alternative depreciation system in § 168(g). Under either depreciation system, a taxpayer computes the depreciation deduction by using a prescribed depreciation method, recovery period, and convention. The applicable recovery period for purposes of § 168(a) or § 168(g) is determined by reference to class life or by statute.

Rev. Proc. 87-56, 1987-2 C.B. 674, as clarified and modified by Rev. Proc. 88-22, 1988-1 C.B. 785, provides the class lives of property for computing the depreciation allowance under § 168. That revenue procedure establishes two broad categories of depreciable assets: (1) asset classes 00.11 through 00.4, which consist of specific assets used in all business activities; and (2) asset classes 01.1 through 80.0, which consist of assets used in specific business activities.

.02 Taxpayers and the Internal Revenue Service often do not agree which asset class of Rev. Proc. 87-56 includes the tangible assets used by wireless telecommunications carriers to provide wireless telecommunication services. To minimize disputes regarding the depreciation of these assets, this revenue procedure provides a safe harbor method of accounting for determining the recovery periods of these assets.

.03 Except as otherwise expressly provided by the Code or the regulations thereunder, § 446(e) and § 1.446-1(e)(2) of the Income Tax Regulations require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the limitations, terms,

and conditions necessary to permit a taxpayer to obtain consent to change a method of accounting.

### SECTION 3. WIRELESS TELECOMMUNICATION ASSETS

.01 Wireless telecommunication assets include a mobile telephone switching office (MTSO) and cell sites. The functions of the MTSO and cell sites are comparable to those of a wireline telephone central office and the associated land line cables.

.02 The MTSO is a central switching facility that transmits wireless voice and data (including video) communications to and from cell sites and other equipment that comprise the wireless network, and also connects the wireless network to the wireline network (public switched telephone network). The MTSO and its equipment are powered by conventional electrical service with back-up support from electric generators or battery systems.

.03 MTSO equipment typically includes the mobile switching center, base station controllers or generational equivalent, radio network controllers, mobility managers, operations and management platforms, protocol handlers, vocoders, modems, cross-connects, and optical-cross connect bays.

.04 A typical cell site consists of cell site equipment, a self-supporting antenna support structure (also known as a tower) for mounting antennas, and related support and power equipment. Cell site equipment typically includes a base transceiver station or generational equivalent (which may include, for example, vocoders, modems, channel cards, transceivers/amplifiers cards, modulators, demodulators, and combiners), antennas, and alarm and support equipment, and also may include

microwave equipment. In some cases, cell site equipment includes a base station controller.

The antenna system at the cell site generally consists of the antennas (with or without remote electrical tilt functionality (RET)), coaxial and jumper cables from the antennas to the base transceiver station (antenna cables), and RET equipment.

A cell site also may include a small structure (the hut) to house and shelter the cell site equipment that does not have its own weather proof enclosure or cabinet.

#### SECTION 4. SCOPE

This revenue procedure applies to a taxpayer that has a depreciable interest in wireless telecommunication assets (as described in section 3 of this revenue procedure) used primarily to provide wireless telecommunication or broadband services by mobile phones (for example, cell phones or smartphones). This revenue procedure does not apply to a taxpayer that is primarily a cable operator. The determination of whether a taxpayer is within the scope of this revenue procedure is made by each member of a consolidated group, by a partnership, or by an S corporation.

#### SECTION 5. SAFE HARBOR METHOD OF ACCOUNTING

The Service will not challenge a taxpayer's classification of assets for depreciation purposes as specified in this section 5.

.01 The following wireless telecommunication assets located at the taxpayer's MTSO as included in an asset class of Rev. Proc. 87-56 unless otherwise stated:

(1) MTSO building (including its structural components) as nonresidential real property with a recovery period of 39 years for purposes of § 168(a) and 40 years for purposes of § 168(g);

(2) Cabling (for example, copper T-1 lines or fiber cabling) connecting the MTSO with cell sites or the public switched telephone network as property to which § 168(e)(3)(E)(ii) applies and, therefore, with a recovery period of 15 years for purposes of § 168(a) and 24 years for purposes of § 168(g);

(3) Computer-based switching equipment and related equipment at the MTSO (including the computer-based switching equipment, base station controllers (or generational equivalent), radio network controllers, mobility managers, operations and management platforms, protocol handlers, vocoders, modems, cross-connects, optical-cross connect bays, and associated cables) in asset class 48.121 with a recovery period of 5 years for purposes of § 168(a) and 9.5 years for purposes of § 168(g);

(4) Dedicated heating, ventilation, and air conditioning (HVAC) equipment and dedicated power (including battery backup system) for the computer-based switching equipment and related equipment at the MTSO in asset class 48.121 with a recovery period of 5 years for purposes of § 168(a) and 9.5 years for purposes of § 168(g); and

(5) All other equipment at the MTSO that is not described in asset classes 00.11 through 00.4 as personal property with no class life with a recovery period of 7 years for purposes of § 168(a) and 12 years for purposes of § 168(g).

.02 The following wireless telecommunication assets located at the taxpayer's cell sites as included in an asset class of Rev. Proc. 87-56 unless otherwise stated:

(1) The hut and its foundation:

(a) The hut itself as personal property with no class life with a recovery period of 7 years for purposes of § 168(a) and 12 years for purposes of § 168(g); and

(b) Cement slab or foundation upon which the hut is installed in asset class 00.3 with a recovery period of 15 years for purposes of § 168(a) and 20 years for purposes of § 168(g);

(2) Base station controller (or generational equivalent), base transceiver station (or generational equivalent), their own weather proof enclosure or cabinet (including any equipment integrated into or built into the base station controller or base transceiver station; for example, this equipment might include HVAC and power equipment, alarms, enhanced 911 service equipment, or the RET central control unit (CCU) controller), and associated cables in asset class 48.121 with a recovery period of 5 years for purposes of § 168(a) and 9.5 years for purposes of § 168(g);

(3) Cabling (for example, copper T-1 lines or fiber cabling) connecting the cell site to the MTSO as property to which § 168(e)(3)(E)(ii) applies and, therefore, with a recovery period of 15 years for purposes of § 168(a) and 24 years for purposes of § 168(g);

(4) Dedicated HVAC equipment and dedicated power (including batteries and generators) for the equipment within the hut in asset class 48.121 with a recovery period of 5 years for purposes of § 168(a) and 9.5 years for purposes of § 168(g);

(5) Antenna systems (including the antenna itself, antenna cables, and RET equipment (other than the RET CCU controller described in section 5.02(2) of this revenue procedure) as personal property with no class life with a recovery period of 7 years for purposes of § 168(a) and 12 years for purposes of § 168(g);

(6) Antenna support structure (also known as a tower) affixed to a foundation (for example, a concrete foundation, a building rooftop, or a building wall):

(a) The antenna support structure itself, whether on a building or land, as personal property with no class life with a recovery period of 7 years for purposes of § 168(a) and 12 years for purposes of § 168(g); and

(b) Concrete foundation (including the bolts embedded therein) upon which the antenna support structure is installed in asset class 00.3 with a recovery period of 15 years for purposes of § 168(a) and 20 years for purposes of § 168(g);

(7) Cell site equipment that is not otherwise described in this section 5.02 (including the microwave equipment, alarms, or enhanced 911 service equipment not integrated into or built into a base station controller or base transceiver station, and associated cables) as personal property with no class life with a recovery period of 7 years for purposes of § 168(a) and 12 years for purposes of § 168(g); and

(8) Depreciable land improvements at the cell site not otherwise described in this section 5.02, such as landscaping that is replaced when a related depreciable asset is replaced, fences, and sidewalks in asset class 00.3 with a recovery period of 15 years for purposes of § 168(a) and 20 years for purposes of § 168(g).

## SECTION 6. APPLICATION OF SAFE HARBOR METHOD OF ACCOUNTING

.01 In General. A taxpayer within the scope of this revenue procedure may choose to change to the safe harbor method of accounting in section 5 of this revenue procedure for all of the assets, or one or some of the assets, listed in that section.

.02 Limitation. The safe harbor method of accounting in section 5 of this revenue procedure is limited to the assets described in section 3 of this revenue procedure and

listed in section 5 of this revenue procedure for purposes of determining their classification under § 168(e) solely for depreciation purposes. The Service or taxpayers may not rely upon this safe harbor method of accounting for classifying the same or similar type of assets used in wireline telecommunications or other industries, or for determining whether the same or similar type of assets are inherently permanent structures or real property under other Code sections (for example, §§ 199, 263A, and 856).

## SECTION 7. CHANGE IN METHOD OF ACCOUNTING

### .01 In general.

(1) Except as provided in section 7.01(2) of this revenue procedure, a change to the recovery periods described in section 5 of this revenue procedure and any collateral change to the depreciation methods for all, or some of, the assets listed in that section are a change in method of accounting to which §§ 446(e) and 481 apply. See § 1.446-1(e)(2)(ii)(d)(2). A taxpayer that wants to change to a method of accounting described in this revenue procedure must use the automatic change in method of accounting provisions in Rev. Proc. 2011-14, 2011-4 I.R.B. 330, or its successor, as modified by this revenue procedure.

(2) If a taxpayer placed in service assets listed in section 5 of this revenue procedure in a taxable year ending before December 30, 2003 (pre-2003 assets), the taxpayer may treat the change to the recovery periods described in section 5 of this revenue procedure and any collateral change to the depreciation methods for all, or some of, the pre-2003 assets as not a change in method of accounting and, therefore,

the taxpayer files amended federal tax returns to implement the change in computing depreciation for these pre-2003 assets.

.02 Automatic change. Rev. Proc. 2011-14 is modified to add new section 6.26 to the APPENDIX, to read as follows:

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

(1) Description of change. This change applies to a wireless telecommunications carrier that is within the scope of Rev. Proc. 2011-22 and wants to change to the recovery periods described in section 5 of Rev. Proc. 2011-22 and any collateral change to the depreciation methods for all, or some of, the assets listed in that section.

(2) Waiver of scope limitations. The scope limitations in section 4.02 of this revenue procedure do not apply to a wireless telecommunications carrier that changes to the safe harbor method of accounting provided in section 5 of Rev. Proc. 2011-22 for its first or second taxable year ending after December 30, 2010.

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

included in that Form 3115 generating such adjustment.

(4) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under section 6.26 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT, (Ogden copy) in lieu of filing the national office copy no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and section 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(5) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting provided in Rev. Proc. 2011-22 is “157.” See section 6.02(4) of this revenue procedure.

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

## SECTION 8. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2011-14 is modified and amplified to include the accounting method change in this revenue procedure in section 6 of the Appendix.

## SECTION 9. EFFECTIVE DATE

This revenue procedure is effective for taxable years ending on or after December 31, 2010.

## SECTION 10. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathleen Reed of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Patrick Clinton at (202) 622-4930 (not a toll free call).