

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part I, §§ 167, 168, 197, 446, 481; 1.446-1)

Rev. Proc. 2012-20

SECTION 1. PURPOSE

This revenue procedure provides the procedures by which a taxpayer may obtain the automatic consent of the Commissioner of Internal Revenue to change to the methods of accounting provided in §§ 1.167(a)-4T, 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T of the temporary Income Tax Regulations for taxable years beginning on or after January 1, 2012.

SECTION 2. BACKGROUND

.01 The Internal Revenue Service (IRS) and the Treasury Department recently issued temporary regulations under §§ 1.167(a)-4T, 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T (T.D. 9564, 76 Fed. Reg. 81,060). Section 1.167(a)-4T provides rules for depreciating or amortizing leasehold improvements. Section 1.168(i)-1T modifies the rules for general asset accounts. Section 1.168(i)-7T provides rules for accounting for property depreciated under § 168 (MACRS property). Section 1.168(i)-8T provides

rules for dispositions of MACRS property. These sections generally are effective for taxable years beginning on or after January 1, 2012.

.02 Except as otherwise expressly provided by the Internal Revenue Code or the regulations thereunder, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes.

.03 Section 1.446-1(e)(2)(ii)(d) sets forth the changes in depreciation or amortization that are changes in a method of accounting and the changes in depreciation or amortization that are not changes in a method of accounting. For purposes of § 1.446-1(e)(2)(ii)(d), § 1.446-1(e)(2)(ii)(d)(4) provides that the item being changed generally is the depreciation treatment of each individual depreciable or amortizable asset. However, the item is the depreciation treatment of each general asset account for a depreciable asset for which the taxpayer has elected general asset account treatment under § 168(i)(4).

.04 Section 1.446-1(e)(2)(ii)(d)(2) provides, in relevant part, that each of the following changes in depreciation or amortization is a change in method of accounting:

(1) A change in the depreciation method or amortization method, period of recovery, or convention of a depreciable or amortizable asset;

(2) A change in the accounting for depreciable or amortizable assets from a single asset account to a multiple asset account (pooling), or vice versa, or from one type of multiple asset account (pooling) to a different type of multiple asset account (pooling);

(3) For depreciable or amortizable assets that are mass assets accounted for in multiple asset accounts or pools, a change in the method of identifying which assets have been disposed; and

(4) Any other change in depreciation or amortization as the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin.

.05 Section 1.446-1(e)(2)(ii)(d)(3) provides, in relevant part, that none of the following changes in depreciation or amortization is a change in method of accounting:

(1) An adjustment in the useful life of a depreciable or amortizable asset for which depreciation is determined under § 167 (other than under § 168, § 1400I, § 1400L(c), former § 168, or an additional first year depreciation deduction provision of the Code (for example, § 168(k), § 1400L(b), or § 1400N(d))). However, if a taxpayer is changing to or from a useful life (or recovery period or amortization period) that is specifically assigned by the Code (for example, § 167(f)(1), § 168(c), § 168(g)(2) or (3), § 197), the regulations thereunder, or other guidance published in the Internal Revenue Bulletin, such a change is a change in method of accounting;

(2) The making of a late depreciation or amortization election or the revocation of a timely valid depreciation or amortization election, except as otherwise expressly provided by the Code, the regulations thereunder, or other guidance published in the Internal Revenue Bulletin;

(3) Any change in the placed-in-service date of a depreciable or amortizable asset, except as otherwise expressly provided by the Code, the regulations thereunder, or other guidance published in the Internal Revenue Bulletin; and

(4) Any other change in depreciation or amortization as the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin.

.06 Section 1.446-1(e)(2)(ii)(d)(5)(iii) provides that except as otherwise expressly provided by the Code, the regulations thereunder, or other guidance published in the Internal Revenue Bulletin, no § 481(a) adjustment is required or permitted for a change from one permissible method of computing depreciation or amortization to another permissible method of computing depreciation or amortization for an asset. Instead, this change is implemented by either a cut-off method (see section 2.06 of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, 338) or a modified cut-off method, as appropriate. Under the modified cut-off method, the adjusted depreciable basis of the asset as of the beginning of the year of change is recovered using the new permissible method of accounting. Section 1.446-1(e)(2)(ii)(d)(5)(iii) also provides that a change from an impermissible method of computing depreciation or amortization to a permissible method of computing depreciation or amortization for an asset results in a § 481 adjustment.

.07 Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the terms, and conditions necessary for a taxpayer to obtain consent to change a method of accounting. Rev. Proc. 2011-14 provides the procedures by which a taxpayer may obtain automatic consent from the Commissioner to change to a method of accounting described in the APPENDIX of Rev. Proc. 2011-14.

.08 Section 5.02 of this revenue procedure modifies the APPENDIX of Rev. Proc. 2011-14 by removing sections 6.24 and 6.25 because they are obsolete. Section 5.03

of this revenue procedure modifies the APPENDIX of Rev. Proc. 2011-14 by adding sections 6.27 through 6.32 to the APPENDIX to provide additional changes in method of accounting that are consistent with § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T.

SECTION 3. SCOPE

This revenue procedure applies to a taxpayer that wants to change its methods of accounting to comply with § 1.167(a)-4T for MACRS property and certain depreciable intangible assets that the taxpayer placed in service after December 31, 1986, or with § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T for MACRS property.

SECTION 4. APPLICATION

A taxpayer within the scope of this revenue procedure may change its method of accounting to comply with § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T for all of the applicable assets, or for any subset of the applicable assets.

SECTION 5. CHANGES IN METHODS OF ACCOUNTING

.01 In general.

(1) Except as provided in section 5.01(2) of this revenue procedure and in § 1.446-1(e)(2)(ii)(d)(3)(iii) (the making of a late depreciation or amortization election or the revocation of a timely valid depreciation or amortization election), a change to comply with § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T is a change in method of accounting to which § 446(e) applies. See § 1.168(i)-1T(m)(2), § 1.168(i)-7T(e)(2), and § 1.168(i)-8T(i)(2). Except as provided in section 5.01(2) of this revenue procedure and in § 1.446-1(e)(2)(ii)(d)(3)(i) (a change in useful life), a change to comply with § 1.167(a)-4T also is a change in method of accounting to which § 446(e) applies. See

§ 1.167(a)-4T(b)(4). A taxpayer that wants to change to a method of accounting described in section 5.03 of this revenue procedure must use the automatic change in method of accounting provisions in Rev. Proc. 2011-14 or its successor, as modified by this revenue procedure.

(2) If a taxpayer placed in service assets in a taxable year ending before December 30, 2003 (pre-2003 assets), the taxpayer may treat the change to comply with § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T for all, or some, of the pre-2003 assets as not a change in method of accounting. In this situation, the taxpayer should file amended federal tax returns for the placed-in-service year of the pre-2003 asset and all subsequent taxable years, limited to the taxable years open under the period of limitation for assessment, to implement the change to comply with § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T for these pre-2003 assets. If the taxpayer files such amended federal tax returns for the pre-2003 assets, neither an adjustment under § 481 or a similar cumulative depreciation adjustment is required or permitted.

.02 Modifications to existing automatic changes.

Sections 6.24 and 6.25 of the APPENDIX of Rev. Proc. 2011-14 are modified to read as follows:

6.24 Reserved.

6.25 Reserved.

.03 New automatic changes.

(1) Rev. Proc. 2011-14 is modified to add new section 6.27 to the APPENDIX to read as follows:

6.27 Depreciation of leasehold improvements (sections 167, 168, and 197).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting to comply with § 1.167(a)-4T for leasehold improvements in which the taxpayer has a depreciable interest at the beginning of the year of change:

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

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

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

(b) Inapplicability. This change does not apply to a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under section 6.27 of this APPENDIX if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable).

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first or second taxable year beginning after

December 31, 2011. If the taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for its first or second taxable year beginning after December 31, 2011, on a single Form 3115 for the same year of change in accordance with section 6.27(4)(b) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

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

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

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

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

(4) Concurrent automatic change.

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

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(5) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.27 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. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as

applicable) on a single Form 3115 for the same year of change in accordance with section 6.27(4)(b) of this APPENDIX, the taxpayer must file a signed copy of that 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.

(6) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to a method of accounting under section 6.27 of this APPENDIX is “175.” See section 6.02(4) of this revenue procedure.

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

(2) Rev. Proc. 2011-14 is modified to add new section 6.28 to the APPENDIX to read as follows:

6.28 Permissible to permissible method of accounting for depreciation of MACRS property (section 168).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.28(3) of this APPENDIX for an asset:

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

(ii) for which the present and proposed methods of accounting are permissible methods of accounting under § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T, as applicable; and

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

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

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under section 6.28 of this APPENDIX if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable); or

(ii) any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting.

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first or second taxable year beginning after December 31, 2011. If the taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for its first or second taxable year beginning after December 31, 2011, on a single Form 3115 for the same year of change in accordance with section 6.28(5)(b) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Changes covered. Section 6.28 of this APPENDIX only applies to the following changes in methods of accounting for depreciation of MACRS property:

(a) for the items of MACRS property for which the taxpayer has not made a valid general asset account election under § 168(i)(4) and the regulations thereunder--

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

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

(iii) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from the specific identification method under § 1.168(i)-8T(f)(1) to the first-in, first-out (FIFO) method of accounting under § 1.168(i)-8T(f)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii);

(iv) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) to the specific identification method under § 1.168(i)-8T(f)(1);

(v) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) to the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii), or vice versa;

(vi) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2)) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from the specific identification method under § 1.168(i)-8T(f)(1) to a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii);

(vii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2)) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) to a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii); and

(viii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2)) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii) to the specific identification method under § 1.168(i)-8T(f)(1), the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i), or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii); and

(b) for the items of MACRS property for which the taxpayer has made a valid general asset account election under § 168(i)(4) and the regulations thereunder--

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

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

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

(iv) a change in the method of identifying which assets have been disposed of from the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) to the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii), or vice versa;

(v) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5)) accounted for in a separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H), a change in the method of identifying which assets have been disposed of from the specific identification method under § 1.168(i)-1T(j)(2)(i) to a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv);

(vi) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5)) accounted for in a separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H), a change in the method of identifying which assets have been disposed of from the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) or the

modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii) to a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv); or

(vii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5)) accounted for in a separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H), a change in the method of identifying which assets have been disposed of from a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv) to the specific identification method under § 1.168(i)-1T(j)(2)(i), the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii), or the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii).

(4) Manner of making change.

(a) The changes in methods of accounting specified in section 6.28(3)(a)(i) and (ii) and section 6.28(3)(b)(i) of this APPENDIX are made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting.

If the change specified in section 6.28(3)(a)(i) of this APPENDIX is a change to a single asset account, the new single asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the asset included in that single asset account.

If the change specified in section 6.28(3)(a)(i) or (ii) of this APPENDIX is a change to a multiple asset account (either a new one or a different grouping), the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the

unadjusted depreciable basis of each multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account.

The change specified in section 6.28(3)(b)(i) of this APPENDIX requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The changes in methods of accounting specified in section 6.28(3)(a)(iii) and (vi) and section 6.28(3)(b)(ii) and (v) of this APPENDIX are made using a cut-off method and apply to dispositions occurring on or after the beginning of the year of change.

(c) Even though the changes in methods of accounting specified in section 6.28(3)(a)(iv), (v), (vii), and (viii) and section 6.28(3)(b)(iii), (iv), (vi), and (vii) of this APPENDIX are changes from one permissible method of accounting to another permissible method of accounting, these changes are made with a § 481(a) adjustment. For the changes in methods of accounting specified in section 6.28(3)(b)(iii), (iv), (vi),

and (vii) of this APPENDIX, the § 481(a) adjustment should be zero except if § 1.168(i)-1T(e)(3) applies to the asset subject to the change.

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

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

(ii) as of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to a change in method of accounting specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX made for the public utility property subject to the change; and

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

(5) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX, the single Form 3115 also should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or

section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(c) A taxpayer that wants to make both a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX for a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto and a change under section 6.29 of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(d) A taxpayer that wants to make both a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX for section 1245 property or a depreciable land improvement and a change under section 6.30 of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(e) A taxpayer that wants to make both a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX and a change under section 6.31 of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(f) A taxpayer that wants to make both a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX and a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. This section 6.28(5)(f) applies only if both changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(g) A taxpayer that wants to make a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX, a change under section 6.31 of this APPENDIX, and a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX for the same year of change should file a single Form 3115 for all such changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on that Form 3115. This section 6.28(5)(g) applies only if all of these changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.28 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. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.28(5)(b) of this APPENDIX, the taxpayer must file a signed copy of that 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.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.28 of this APPENDIX is “176.” See section 6.02(4) of this revenue procedure.

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

(3) Rev. Proc. 2011-14 is modified to add new section 6.29 to the APPENDIX to read as follows:

6.29 Disposition of a building or structural component (section 168).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.29(3) of this APPENDIX pertaining to the disposition of a building or a structural component. These specified changes are consistent with §§ 1.168(i)-8T(b)(1), 1.168(i)-8T(c)(4)(ii)(A), (B), (C), (E), and (F), and 1.168(i)-8T(f). This change also will affect the determination of gain or loss from the disposition of the building or the structural component and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f)) under § 1.263(a)-3T(i).

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

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under section 6.29 of this APPENDIX if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in

conjunction with a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable);

(ii) any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting;

(iii) any property for which the taxpayer made a valid general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.31 of this APPENDIX for making a change for dispositions of tangible depreciable assets subject to a general asset account election); or

(iv) any multiple buildings, condominium units, or cooperative units that are treated as a single building under the taxpayer's present method of accounting, or will be treated as a single building under the taxpayer's proposed method of accounting, pursuant to § 1.1250-1(a)(2)(ii).

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first or second taxable year beginning after December 31, 2011. If the taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for its first or second taxable year beginning after December 31, 2011, on a single Form 3115 for the same year of change in accordance with section 6.29(7)(b) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Covered changes. Section 6.29 of this APPENDIX only applies to the following changes in methods of accounting for a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto:

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

(b) if the taxpayer makes the change specified in section 6.29(3)(a) of this APPENDIX and if the taxpayer disposed of the asset as determined under section 6.29(3)(a) of this APPENDIX in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) if the taxpayer's present method of accounting is in accord with § 1.168(i)-8T(c)(4)(ii)(A), (B), (C), (E), and (F), as applicable, and if the taxpayer disposed of a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition; or

(d) for buildings, condominium units, cooperative units, structural components, or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii) (for example, the last-

in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii), as applicable.

(4) Examples. The following examples illustrate the covered changes specified in section 6.29(3) of this APPENDIX.

(a) Example 1. X, a calendar year taxpayer, acquired and placed in service a building and its structural components in 1990. X depreciates this building and its structural components under § 168. In 2000, X replaced the entire roof of the building. X did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. X also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since 2000. In accordance with section 6.29(3)(a) and (b) of this APPENDIX and solely for purposes of § 1.168(i)-8T(c)(4), X may file a Form 3115 to change to treating the building as an asset and each structural component of the building as a separate asset and also to change from depreciating the original roof to recognizing a loss upon its retirement.

(b) Example 2. Y, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, Y constructed and placed in service an addition to this building. Y depreciates the building, the addition, and their structural components under § 168. In accordance with section 6.29(3)(a) of this APPENDIX and solely for purposes of § 1.168(i)-8T(c)(4), Y may file a Form 3115 to change to treating the original building as an asset, the addition to the building as a separate asset, and each structural component of the original building and the addition as a separate asset.

(5) Manner of making change. A taxpayer making this change must attach to its Form 3115 a statement with the following:

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

(b) If the taxpayer is making a change specified in section 6.29(3)(a) of this APPENDIX, a description of the asset disposed of under the taxpayer's present and proposed methods of accounting;

(c) If the taxpayer is making the change specified in section 6.29(3)(d) of this APPENDIX, a description of the method of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(6) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.29(3)(a) of this APPENDIX is not a determination by the

Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8T(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8T(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8T(c)(4) is permissible.

(7) Concurrent automatic change.

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

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(c) A taxpayer that wants to make both this change and, for a building, condominium unit, cooperative unit, structural component, or an improvement or

addition thereto, a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(8) Section 481(a) adjustment. By following the sampling procedures provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318, a taxpayer changing its method of accounting under section 6.29 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment. Sampling methodologies not described in Rev. Proc. 2011-42 are not permitted.

(9) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.29 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. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.29(7)(b) of this APPENDIX, the taxpayer must file a signed copy of that 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.

(10) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.29 of this APPENDIX is "177." See section 6.02(4) of this revenue procedure.

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

(4) Rev. Proc. 2011-14 is modified to add new section 6.30 to the APPENDIX to read as follows:

6.30 Dispositions of tangible depreciable assets (other than a building or its structural components) (section 168).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.30(3) of this APPENDIX pertaining to the disposition of section 1245 property or a depreciable land improvement. These specified changes are consistent with §§ 1.168(i)-8T(c)(4)(i), 1.168(i)-8T(c)(4)(ii)(D), (E), and (F), and 1.168(i)-8T(f). 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 (as determined under § 1.263(a)-3T(e) or (f)) under § 1.263(a)-3T(i).

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

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under section 6.30 of this APPENDIX if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable);

(ii) any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting;

(iii) any building, condominium unit, cooperative unit, structural component, or improvement or addition thereto (but see section 6.29 of this APPENDIX for making this change); or

(iv) any property for which the taxpayer made a valid general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.31 of this APPENDIX for making a change for dispositions of tangible depreciable assets subject to a general asset account election).

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first or second taxable year beginning after December 31, 2011. If the taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for its first or second taxable year beginning after December 31, 2011, on a single Form 3115 for the same year of change in accordance with section 6.30(6)(b) of this APPENDIX,

the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Covered changes. Section 6.30 of this APPENDIX only applies to the following changes in methods of accounting for a section 1245 property, a depreciable land improvement, or an improvement or addition thereto:

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

(b) if the taxpayer makes the change specified in section 6.30(3)(a) of this APPENDIX and if the taxpayer disposed of the asset as determined under section 6.30(3)(a) of this APPENDIX in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) if the taxpayer's present method of accounting is in accord with § 1.168(i)-8T(c)(4)(i) or (ii), as applicable, for the section 1245 property, the depreciable land improvement, or the improvement or addition thereto and if the taxpayer disposed of such asset in a taxable year prior to the year of change but continues to deduct depreciation for this disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition; or

(d) for section 1245 property, depreciable land improvements, or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii), as applicable.

(4) Manner of making change. A taxpayer making this change must attach to its Form 3115 a statement with the following:

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

(b) If the taxpayer is making a change specified in section 6.30(3)(a) of this APPENDIX, a description of what asset is disposed of under the taxpayer's present and proposed methods of accounting and a statement as to whether or not the taxpayer, under its proposed method of accounting, is treating each of an asset's components as the asset in accordance with § 1.168(i)-8T(c)(4)(ii)(F);

(c) If the taxpayer is making the change specified in section 6.30(3)(d) of this APPENDIX, a description of the method of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(5) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.30(3)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8T(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8T(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8T(c)(4) is permissible.

(6) Concurrent automatic change.

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

such positive adjustment. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(c) A taxpayer that wants to make both this change and, for a section 1245 property or a depreciable land improvement that is depreciated under § 168, a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(7) Section 481(a) adjustment. By following the sampling procedures provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318, a taxpayer changing its method of accounting under section 6.30 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment. Sampling methodologies not described in Rev. Proc. 2011-42 are not permitted.

(8) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.30 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. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.30(6)(b) of this APPENDIX, the taxpayer must file a signed copy of that 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.

(9) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.30 of this APPENDIX is "178." See section 6.02(4) of this revenue procedure.

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

(5) Rev. Proc. 2011-14 is modified to add new section 6.31 to the APPENDIX to read as follows:

6.31 Dispositions of tangible depreciable assets in a general asset account (section 168(i)(4)).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.31(3) of this APPENDIX pertaining to the disposition of an asset for which the taxpayer made a valid general asset account election under § 168(i)(4) and the regulations thereunder. These specified changes are consistent with §§ 1.168(i)-1T(e)(1), 1.168(i)-1T(e)(2)(viii), and 1.168(i)-1T(j). This change also may affect the determination of gain or loss from the disposition of the asset and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f)) under § 1.263(a)-3T(i).

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

(i) a taxpayer that is required under § 263A and the regulations thereunder to capitalize the costs with respect to which the taxpayer wants to change its method of accounting under section 6.31 of this APPENDIX if the taxpayer is not capitalizing these costs, unless the taxpayer concurrently changes its method to capitalize these costs in conjunction with a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable);

(ii) any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting; or

(iii) any property for which the taxpayer did not make a valid general asset account election under § 168(i)(4) and the regulations thereunder (but see sections 6.29 and 6.30 of this APPENDIX for making a change for dispositions of tangible depreciable assets not subject to a general asset account election).

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first or second taxable year beginning after December 31, 2011. If the taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of the APPENDIX (as applicable) for its first or second taxable year beginning after December 31, 2011, on a single Form 3115 for the same year of change in accordance with section 6.31(6)(b) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Covered changes. Section 6.31 of this APPENDIX only applies to the following changes in methods of accounting for an asset for which the taxpayer made a valid general asset account election under § 168(i)(4) and the regulations thereunder:

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

(b) a change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv), as applicable.

(4) Manner of making change. A taxpayer making this change must attach to its Form 3115 a statement with the following:

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

(b) If the taxpayer is making the change specified in section 6.31(3)(a) of this APPENDIX, a description of what asset is disposed of by the taxpayer under the taxpayer's present and proposed methods of accounting and a statement as to whether or not the taxpayer, under its proposed method of accounting, is treating each of an asset's components as the asset in accordance with § 1.168(i)-1T(e)(2)(viii)(B)(6);

(c) If the taxpayer is making the change specified in section 6.31(3)(b) of this APPENDIX, a description of the method of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(5) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.31(3)(a) of this APPENDIX is not a determination by the

Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-1T(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-1T(e)(2)(viii). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-1T(e)(2)(viii) is permissible.

(6) Concurrent automatic change.

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

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(c) A taxpayer that wants to make both this change and a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX for the same year of change

should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(d) A taxpayer that wants to make both this change and a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. This section 6.31(6)(d) applies only if both changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(e) A taxpayer that wants to make this change, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX, and a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX for the same year of change should file a single Form 3115 for all such changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on that Form 3115. This section 6.31(6)(e) applies only if all of these changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(7) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.31 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. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01 or 11.02 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.31(6)(b) of this APPENDIX, the taxpayer must file a signed copy of that 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.

(8) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.31 of this APPENDIX is “179.” See section 6.02(4) of this revenue procedure.

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

(6) Rev. Proc. 2011-14 is modified to add new section 6.32 to the APPENDIX to read as follows:

6.32 General asset account elections (section 168(i)(4)).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make:

(i) A late general asset account election under §§ 168(i)(4), 1.168(i)-1, and 1.168(i)-1T for one or more items of MACRS property placed in service by the taxpayer in a taxable year beginning before January 1, 2012. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f)) under §1.263(a)-3T(i);

(ii) A late election to recognize gain or loss upon the disposition of all of the assets, or the last asset, in a general asset account in accordance with § 1.168(i)-1T(e)(3)(ii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f)) under §1.263(a)-3T(i); or

(iii) For an item of MACRS property for which the taxpayer 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 (as defined in § 1.168(i)-1T(e)(3)(iii)(B)) in accordance with § 1.168(i)-1T(e)(3)(iii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f)) under § 1.263(a)-3T(i).

(b) Inapplicability. Because of the changes made to the existing general asset account regulations (§ 1.168(i)-1) by § 1.168(i)-1T, the Service will treat the making of the late elections specified in section 6.32(1)(a) of this APPENDIX as a change in method of accounting only for the time specified in section 6.32(2) of this APPENDIX. Accordingly, this change does not apply to a taxpayer that makes any late election specified in section 6.32(1)(a) of this APPENDIX after the time specified in section

6.32(2) of this APPENDIX, in which case the making of such late election is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(2) Time for making the change. The change under section 6.32 of this APPENDIX must be made for the taxpayer's first or second taxable year beginning after December 31, 2011.

(3) Scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(4) Manner of making change.

(a) The change specified in section 6.32(1)(a)(i) of this APPENDIX is made with a § 481(a) adjustment. However, if the taxpayer makes the change specified in section 6.32(1)(a)(i) of this APPENDIX for one or more items of MACRS property owned by the taxpayer at the beginning of the year of change, such change for that property is made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting. This change requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The change specified in section 6.32(1)(a)(ii) or (iii) of this APPENDIX is made with a § 481(a) adjustment.

(c) A taxpayer making the change specified in section 6.32(1)(a)(i) or (iii) of this APPENDIX must attach to its Form 3115 a statement with a description of the asset(s) to which this change applies (for example, all 5-year property placed in service in 2009 in Holmdel, New Jersey facility (for a change specified in section 6.32(1)(a)(i) of this APPENDIX); one desk costing \$2,000 in 2007 General Asset Account #1 (for a change specified in section 6.32(1)(a)(iii) of this APPENDIX)).

(d) A taxpayer making the change specified in section 6.32(1)(a)(ii) of this APPENDIX must attach to its Form 3115 a statement with a description of the general asset account(s) to which this change applies (for example, General Asset Account #2 – all 2008 5-year property additions).

(e) If a taxpayer is making the change specified in section 6.32(1)(a)(i) of this APPENDIX, a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) The taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 and § 1.168(i)-1T to the assets that are subject to the election specified in section 6.32(1)(a)(i) of this APPENDIX; and

(ii) Except as provided in § 1.168(i)-1T(c)(1)(ii)(A), (e)(3), (g), or (h), the election made by the taxpayer under section 6.32(1)(a)(i) of this APPENDIX is irrevocable and will be binding on the taxpayer for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

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

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

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

(iii) as of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application. This additional term and condition only has to be included in the statement by a taxpayer making the change specified in section 6.32(1)(a)(ii) or (iii) of this APPENDIX.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.32(1)(a) of this APPENDIX, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.32(1)(a) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.32(1)(a) of this APPENDIX in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative

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

(b) A taxpayer that wants to make both a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX and a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. This section 6.32(5)(b) applies only if both changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(c) A taxpayer that wants to make both a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX and a change under section 6.31 of this APPENDIX for the same year of change should file a single Form 3115 for both changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. This section 6.32(5)(c) applies only if both changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(d) A taxpayer that wants to make a change under section 6.32(1)(a)(ii) or (iii) of this APPENDIX, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), or (vii) of this APPENDIX, and a change under section 6.31 of this APPENDIX for the same year of

change should file a single Form 3115 for all such changes, in which case the taxpayer must enter the designated automatic accounting method change numbers for all of these changes on the appropriate line on that Form 3115. This section 6.32(5)(d) applies only if all of these changes are made for the taxpayer's first or second taxable year beginning after December 31, 2011. For guidance on filing a single application for two or more changes, see section 6.02(b)(ii) of Rev. Proc. 2011-14.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.32 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.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.32 of this APPENDIX is "180." See section 6.02(4) of this revenue procedure.

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

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2011-14 is modified and clarified.

SECTION 7. EFFECTIVE DATE

This revenue procedure is effective for any taxable year beginning on or after January 1, 2012.

SECTION 8. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1551. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this revenue procedure are in sections 5.03. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The collections of information are required for a taxpayer to obtain consent to change its method of accounting. The likely respondents are the following: individuals, farms, business or other for-profit institutions, nonprofit institutions, and small businesses or organizations.

The estimated total annual reporting and/or recordkeeping burden is 1,200 hours.

The estimated annual burden per respondent/recordkeeper varies from $\frac{1}{4}$ hour to 1.5 hours, depending on individual circumstances, with an estimated average of $\frac{3}{4}$ hour. The estimated number of respondents is 1,600. The estimated annual frequency of responses is on occasion.

SECTION 9. 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 of the Office of Associate Chief Counsel (Income Tax & Accounting) at (202) 622-4930 (not a toll free call).