

26 CFR 601.204: Changes in accounting periods and in methods of accounting.  
(Also Part I, §§ 168, 446, 481; 1.168(i)-1, 1.168(i)-7, 1.168(i)-8, 1.446-1.)

Rev. Proc. 2014-54

## SECTION 1. PURPOSE

This revenue procedure modifies the procedures in Rev. Proc. 2011-14, 2011-4 I.R.B. 330, and Rev. Proc. 2014-17, 2014-12 I.R.B. 661, regarding certain changes in method of accounting for dispositions of tangible depreciable property. 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 §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 of the Income Tax Regulations. This revenue procedure also allows a late partial disposition election under § 1.168(i)-8 to be treated as a change in method of accounting for a limited period of time. Finally, this revenue procedure also modifies section 10.11 of the APPENDIX of Rev. Proc. 2011-14 regarding a change to the method of accounting described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, for amounts paid to acquire, produce, or improve tangible property.

## SECTION 2. BACKGROUND

.01 The Internal Revenue Service (IRS) and the Treasury Department recently

issued final regulations under §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 (T.D. 9689, 2014-36 I.R.B. 456, 79 Fed. Reg. 48661) (the final regulations). Section 1.168(i)-1 provides rules for general asset accounts. Section 1.168(i)-7 provides rules for accounting for property depreciated under § 168 of the Internal Revenue Code (MACRS property). Section 1.168(i)-8 provides rules for dispositions of MACRS property. The final regulations apply to taxable years beginning on or after January 1, 2014, but also permit a taxpayer to choose to apply the final regulations to taxable years beginning on or after January 1, 2012. Alternatively, the final regulations permit a taxpayer to apply the temporary regulations under §§ 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T (T.D. 9564, 2012-14 I.R.B. 614, 76 Fed. Reg. 81060) to, or to rely on the proposed regulations under §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 (REG-110732-13, 2013-43 I.R.B. 404, 78 Fed. Reg. 57547) for, taxable years beginning on or after January 1, 2012, and beginning before January 1, 2014.

.02 Except as otherwise expressly provided by the 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) provides 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 changes in a method of accounting under § 1.446-1(e)(2)(ii)(d) the item being changed generally is the depreciation treatment of each individual depreciable or amortizable asset. However, for a depreciable asset for which the taxpayer has elected general

asset account treatment under § 168(i)(4), the item is the depreciation treatment of each general asset account.

.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 of; 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),

§ 168(g)(3), or § 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. at 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 of the Commissioner to change to a method of accounting described in the APPENDIX of Rev. Proc. 2011-14.

.08 Section 3.02 of this revenue procedure modifies the APPENDIX of Rev. Proc. 2011-14 by: (1) removing section 6.19 (lessor improvements abandoned at termination of lease) because it is obsolete; (2) revising section 6.29 (disposition of a building or structural component) to provide that such section does not apply to any demolition of a structure to which § 280B and § 1.280B-1 apply; (3) revising sections 6.32 (general asset account elections), 6.34 (revocation of a general asset account election), and 6.35 (partial dispositions of tangible depreciable assets to which the IRS's adjustment pertains) to allow these changes in method of accounting to be made under § 1.168(i)-1 or § 1.168(i)-8; (4) revising section 6.33 (late partial disposition election) to allow a late partial disposition election under § 1.168(i)-8 to be treated as a change in method of accounting for a limited period of time; (5) revising section 6.37 (permissible to permissible method of accounting for depreciation of MACRS property) to provide additional changes in method of accounting that are consistent with § 1.168(i)-1 or § 1.168(i)-8; and (6) revising section 10.11 (tangible property) to clarify that this section of the APPENDIX does not apply to amounts paid or incurred for certain materials and supplies that the taxpayer has elected to capitalize and depreciate under § 1.162-3(d) or § 1.162-3T(d).

.09 Section 3.03 of this revenue procedure also modifies the APPENDIX of Rev. Proc. 2011-14 by adding sections 6.38 through 6.40 to the APPENDIX to provide additional changes in method of accounting that are consistent with § 1.168(i)-1 or § 1.168(i)-8.

.10 Section 4 of this revenue procedure provides charts that summarize the changes in methods of accounting that may be made under Rev. Proc. 2011-14 for dispositions of MACRS property.

### SECTION 3. CHANGES IN METHODS OF ACCOUNTING

#### .01 In general.

(1) Except as provided in section 3.01(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)-1, § 1.168(i)-7, or § 1.168(i)-8 is a change in method of accounting to which § 446(e) applies. See § 1.168(i)-1(m)(5), § 1.168(i)-7(e)(5), and § 1.168(i)-8(j)(5). A taxpayer that wants to change to a method of accounting described in section 3.03 of this revenue procedure must use the automatic change in method of accounting provisions in Rev. Proc. 2011-14, 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 § 1.168(i)-1, § 1.168(i)-7, or § 1.168(i)-8 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 § 1.168(i)-1, § 1.168(i)-7, or § 1.168(i)-8 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.

(1) Section 6.19 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.19 Reserved.

(2) Section 6.29(1)(b) of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

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

(i) A taxpayer making this change for any taxable year beginning before January 1, 2012, or beginning on or after January 1, 2014;

(ii) Any property (or if applicable, a portion thereof) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, under the taxpayer's proposed method of accounting;

(iii) Any property subject to a 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);

(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);

(v) Any disposition of a portion of an asset for which a partial disposition election under Prop. Reg. § 1.168(i)-8(d)(2) is required but for which the taxpayer did not make such election in accordance with Prop. Reg. § 1.168(i)-8(d)(2)(ii) or (iii), as applicable (but see section 6.33 of this APPENDIX for making a late partial disposition election and section 6.35 of this APPENDIX for making a partial disposition election pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii)); or

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

(3) Section 6.32 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.32 General asset account elections (section 168(i)(4); § 1.168(i)-1; § 1.168(i)-1T, and Prop. Reg. § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make:

(i) A late general asset account election under § 168(i)(4) and § 1.168(i)-1, § 1.168(i)-1T, or Prop. Reg. § 1.168(i)-1, for one or more items of property depreciated under § 168 (MACRS property) that is placed in service by the taxpayer in a taxable year beginning before January 1, 2012, and owned by the taxpayer at the beginning of the year of change. 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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(iii) A late election to recognize gain or loss upon the disposition of all of the assets, the last asset, or the remaining portion of the last asset, in a general asset account in accordance with § 1.168(i)-1(e)(3)(ii) or Prop. Reg. § 1.168(i)-1(e)(3)(ii), as applicable. 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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(iv) For an item of MACRS property subject to a 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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable; or

(v) For an item of MACRS property subject to a 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)-1(e)(3)(iii)(B) or Prop. Reg. § 1.168(i)-1(e)(3)(iii)(B),

as applicable) in accordance with § 1.168(i)-1(e)(3)(iii) or Prop. Reg. § 1.168(i)-1(e)(3)(iii), as applicable. 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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. Because of the changes made to the general asset account temporary regulations (§ 1.168(i)-1T) by § 1.168(i)-1, the IRS will treat the 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 treatment does not apply to a taxpayer that makes any election specified in section 6.32(1)(a) of this APPENDIX before or after the time specified in section 6.32(2) of this APPENDIX, and any such 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 any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Scope limitations inapplicable.

(a) In general. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(b) Concurrent automatic change. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014, on a single Form 3115 for the same asset for the same year of change in

accordance with section 6.32(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.

(4) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(5) Manner of making change.

(a) The change specified in section 6.32(1)(a)(i) of this APPENDIX 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), (iii), (iv), or (v) of this APPENDIX is made with a § 481(a) adjustment.

(c) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 24, 25, and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

(d) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(i), (iv), or (v) 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) or one desk costing \$2,000 in 2007 General Asset Account #1 (for a change specified in section 6.32(1)(a)(iv) of this APPENDIX)).

(e) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(ii) or (iii) 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).

(f) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(i) of this APPENDIX must attach to its Form 3115 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 [*Insert, as appropriate, either: § 1.168(i)-1, § 1.168(i)-1T, or Prop. Reg. § 1.168(i)-1*] 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 [*Insert, as appropriate, either: § 1.168(i)-1(c)(1)(iii)(A), (e)(3), (g), or (h), § 1.168(i)-1T(c)(1)(ii)(A), (e)(3), (g), or (h), or Prop. Reg. § 1.168(i)-1(c)(1)(iii)(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.

(g) If any asset is public utility property within the meaning of § 168(i)(10), a taxpayer (including a qualifying 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 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), (iii), (iv), or (v) of this APPENDIX.

(6) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.32(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 making a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX and any change listed in this section 6.32(6)(b)(i)-(ix) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.32(6)(b) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue

procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.28(3)(b) of this APPENDIX;
- (iii) A change under section 6.29 of this APPENDIX;
- (iv) A change under section 6.30 of this APPENDIX;
- (v) A change under section 6.31 of this APPENDIX;
- (vi) A change under section 6.37(4)(b) of this APPENDIX;
- (vii) A change under section 6.38 of this APPENDIX;
- (viii) A change under section 6.39 of this APPENDIX; and
- (ix) A change under section 6.40 of this APPENDIX.

(7) 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 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 6.32 of this APPENDIX is "180." 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) 317-7005 (not a toll-free call).

(4) Section 6.33 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.33 Late partial disposition election (section 168; § 1.168(i)-8 and Prop. Reg. § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make a late partial disposition election under § 1.168(i)-8(d)(2)(i) or Prop. Reg. § 1.168(i)-8(d)(2)(i) for the disposition of a portion of an asset (as determined under § 1.168(i)-8(c)(4) or Prop. Reg. § 1.168(i)-8(c)(4), as applicable) by the taxpayer. This change includes the late partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iv)(B) or in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B). 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), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

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

(i) A taxpayer making a late partial disposition election under Prop. Reg. § 1.168(i)-8(d)(2)(i) but does not apply all the provisions of Prop. Reg. § 1.168(i)-8;

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

(iii) A taxpayer making any late election specified in section 6.33(1)(a) of this APPENDIX after the time specified in section 6.33(3) of this APPENDIX. Any such late

election is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii);  
or

(iv) The partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iii) or in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii), as applicable (but see section 6.35 of this APPENDIX for making this change).

(2) Change in method of accounting. The IRS will treat the making of the late election specified in section 6.33(1) of this APPENDIX as a change in method of accounting only for the time specified in section 6.33(3) of this APPENDIX.

(3) Time for making the change.

(a) If the change under this section 6.33 of the APPENDIX is made pursuant to § 1.168(i)-8(d)(2)(i), this change must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(b) If the change under this section 6.33 of the APPENDIX is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(i), this change must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(c) If the change under this section 6.33 of the APPENDIX is made pursuant to § 1.168(i)-8(d)(2)(iv)(B) or Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B), as applicable, this change must be made for the first or second taxable year succeeding the applicable taxable year (as defined in § 1.168(i)-8(d)(2)(iv) or Prop. Reg. § 1.168(i)-8(d)(2)(iv), as applicable), pursuant to § 1.168(i)-8(d)(2)(iv)(B) or Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B), as applicable.

(4) Scope limitations inapplicable.

(a) In general. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(b) Concurrent automatic change. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year specified in section 6.33(3) of this APPENDIX, as applicable, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.33(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.

(5) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(6) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;

(v) Part IV, lines 25 and 26; and

(vi) Schedule E, line 3.

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

(i) Apply § 1.168(i)-8(h)(1) and (3) or Prop. Reg. § 1.168(i)-8(h)(1) and (3), as applicable (accounting for asset disposed of);

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

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

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

(v) If the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T

for the disposed portion of the asset in a taxable year prior to the year of change, recognize gain or loss for such disposed portion under § 1.168(i)-8 or Prop. Reg. § 1.168(i)-8, as applicable; and

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

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

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

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

(7) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.33(1) 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 6.33(1) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.33(1) 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 making this change and any change listed in this section 6.33(7)(b)(i)-(ii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.33(7)(b) of the APPENDIX applies only if all of these changes are made for any taxable year specified in section 6.33(3) of this APPENDIX, as applicable (for example, for a taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015 if the change under this section 6.33 of the APPENDIX is made pursuant to § 1.168(i)-8(d)(2)(i)). For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX; and
- (ii) A change under section 6.34 of this APPENDIX.

(8) Examples. The following examples illustrate the changes that may be made under this section 6.33.

(a) Example 1. (i) X, a calendar year taxpayer, acquired and placed in service a truck in 2009. The truck is described in asset class 00.242 of Rev. Proc. 87-56. X depreciates the truck under § 168. X does not reasonably expect to replace the engine of the truck more than once during its class life of 6 years. The engine is a major

component of the truck under § 1.263(a)-3T(i)(1)(vi).

(ii) In 2012, X replaced the engine of the truck. X applied § 1.168(i)-8T and § 1.263(a)-3T for its taxable year ended December 31, 2012. Because the truck is the asset for disposition purposes, X did not recognize a loss on the retirement of the engine under § 1.168(i)-8T and continues to depreciate the original engine. Further, X capitalized the new engine as an improvement, classified the new engine under asset class 00.242 of Rev. Proc. 87-56, and depreciates the new engine under § 168.

(iii) X decides to apply § 1.168(i)-8 beginning with its taxable year ending December 31, 2013. X also decides to make the late partial disposition election under this section 6.33 for the truck's original engine that X retired in 2012. Although the truck is the asset for disposition purposes under § 1.168(i)-8(c)(4)(ii)(C), the partial disposition rule under § 1.168(i)-8(d)(2)(i) results in the retirement of the engine being a disposition under § 1.168(i)-8(b)(2). Thus, in accordance with section 6.33 of this APPENDIX, X may file a Form 3115 with its 2013 federal income tax return to make the late disposition election for the engine and change from depreciating the original engine to recognizing a loss upon its retirement.

(b) Example 2. (i) Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building. Y replaced the entire roof in 2010. On its federal income tax return for the taxable year ended December 31, 2010, Y did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating that roof under § 168 since June 2010.

The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is \$11,000, and Y claimed depreciation of \$1,000 for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year.

(ii) In accordance with § 1.168(i)-8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended December 31, 2012, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Y complies with § 1.168(i)-8 beginning with its taxable year ending December 31, 2014. Y also decides to make the late partial disposition election under this section 6.33 for the building's original roof that Y retired in 2010. Although the original building (including its original roof and other original structural components) is the asset for disposition purposes under § 1.168(i)-8(c)(4)(ii)(A), the partial disposition rule under § 1.168(i)-8(d)(2)(i) results in the retirement of the original roof being a disposition under § 1.168(i)-8(b)(2). Thus, in accordance with section 6.33 of this APPENDIX, Y may file a Form 3115 with its 2014 federal income tax return to make a late partial disposition

election for the original roof, treat the original building (including its original roof and other original structural components) as an asset and the replacement roof to the building as a separate asset for disposition purposes, and recognize a loss upon the retirement of the original roof under § 1.168(i)-8.

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

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

(9) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.33 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 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 6.33 of this APPENDIX is "196." 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) 317-7005 (not a toll-free call).

(5) Section 6.34 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

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

(1) Description of change.

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

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

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

(b) Inapplicability. Because of the changes made to the general asset account temporary regulations (§ 1.168(i)-1T) by § 1.168(i)-1, the IRS will treat the revocation of the elections specified in section 6.34(1)(a) of this APPENDIX as a change in method of accounting only for the time specified in section 6.34(2) of this APPENDIX. Accordingly,

this treatment does not apply to a taxpayer that makes any revocation specified in section 6.34(1)(a) of this APPENDIX before or after the time specified in section 6.34(2) of this APPENDIX. Any such revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii). The elections specified in section 6.34(1)(a) of this APPENDIX are irrevocable except as provided in § 1.168(i)-1(c)(1)(ii)(A), (e)(3), (g), or (h), § 1.168(i)-1T(c)(1)(ii)(A), (e)(3), (g), or (h), or Prop. Reg. § 1.168(i)-1(c)(1)(ii)(A), (e)(3), (g), or (h), as applicable.

(2) Time for making the change. The change under section 6.34 of this APPENDIX must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(3) Scope limitations inapplicable.

(a) In general. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(b) Concurrent automatic change. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.34(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. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.34(7)(c) of this

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

(4) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

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

(6) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

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

(i) Attach to its Form 3115 a statement with a description of the asset(s) to which this change applies (for example, all general asset accounts established pursuant to a Form 3115 filed under section 6.32(1)(a)(i) of this APPENDIX for the year of change beginning January 1, 2012 (for a change specified in section 6.34(1)(a)(i) of this APPENDIX); one desk costing \$2,000 in 2012 General Asset Account #1 (for a change specified in section 6.34(1)(a)(ii) of this APPENDIX));

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

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

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

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

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

(7) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.34(1)(a) of this APPENDIX, the single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A taxpayer making this change and any change listed in this section 6.34(7)(b)(i)-(iv) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.34(7)(b) of the APPENDIX applies only if all of these changes are made for

any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

(i) A change under section 6.01 of this APPENDIX;

(ii) A change under section 6.33 of this APPENDIX made pursuant to § 1.168(i)-8(d)(2)(i);

(iii) A change under section 6.38 of this APPENDIX; and

(iv) A change under section 6.39 of this APPENDIX.

(c) A taxpayer making this change, any change listed in section 6.34(7)(b)(i), (iii), or (iv) of the APPENDIX, and any change listed in this section 6.34(7)(c)(i)-(iii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.34(7)(c) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

(i) A change under section 6.29 of this APPENDIX;

(ii) A change under section 6.30 of this APPENDIX; and

(iii) A change under section 6.33 of this APPENDIX made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(i).

(8) Examples. The following examples illustrate the changes that may be made under this section 6.34.

(a) Example 1. (i) On its federal tax return for the taxable year ended December 31, 2012, X made a general asset account election under § 1.168(i)-1T to apply § 1.168(i)-1T to all of its assets placed in service during 2012. No such assets were disposed of during 2012. X decides to apply §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending December 31, 2013. Because of the change in the definition of a qualifying disposition under § 1.168(i)-1(e)(3)(iii), X does not want its assets placed in service during 2012 in general asset accounts. In accordance with this section 6.34, X files with its federal tax return for the taxable year ending December 31, 2013, a Form 3115 to revoke the general asset account election for all assets placed in service during 2012 and include such assets in one multiple asset account in accordance with § 1.168(i)-7. Because the adjusted depreciable basis of the assets is not changed as a result of this change, a § 481(a) adjustment is neither required nor permitted.

(b) Example 2. (i) Y, a calendar year taxpayer, acquired and placed in service three used trucks in 2011. The trucks are described in asset class 00.242 of Rev. Proc. 87-56, 1987-2 C.B. 674. Of the three trucks, one truck costs \$20,000 and the other two trucks cost a total of \$30,000. Y depreciates the trucks under § 168. In 2012, Y sold the truck that cost \$20,000 to an unrelated party for \$12,000. The adjusted depreciable basis of the truck at the time of its disposition (taking into account the applicable convention) is \$12,800 (cost of \$20,000 less depreciation of \$7,200 for 2011 and 2012).

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a)(i) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to make a late general asset account election to include the three trucks in one general

asset account. Because a sales transaction is a qualifying disposition under § 1.168(i)-1T(e)(3)(iii)(B), Y also elected to apply § 1.168(i)-1T(e)(3)(iii) for the sale of the truck in 2012. As a result, Y removed this truck from the general asset account and, on its 2012 federal tax return, recognized a loss of \$800 under § 1.168(i)-8T (sales proceeds of \$12,000 less the adjusted depreciable basis of \$12,800 for the truck).

(iii) Y complies with §§ 1.168(i)-1 and 1.168(i)-8 beginning with its taxable year ending December 31, 2014. Because a sales transaction is not a qualifying disposition under § 1.168(i)-1(e)(3)(iii)(B), Y should have recognized all of the sales proceeds of \$12,000 from the sale of the truck in 2012 as ordinary income and continued to deduct depreciation for this truck in the general asset account. As a result and in accordance with sections 6.34 and 6.39(4)(i) of this APPENDIX, Y files with its 2014 federal tax return a Form 3115 to revoke the general asset account election for the three trucks placed in service in 2011, include the two unsold trucks in one multiple asset account in accordance with § 1.168(i)-7, and recognize the loss of \$800 upon the sale of the truck in 2012 under § 1.168(i)-8.

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

Loss on sale of truck on 2012 return under § 1.168(i)-8T	\$ 800
Loss on sale of truck under § 1.168(i)-8	<u>(800)</u>
Net § 481(a) adjustment for the asset	<u>\$ 0</u>

(c) Example 3. (i) Z, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Z depreciates this building and its structural components under § 168. The roof is a structural component of the building.

Z replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, Z did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Z also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is \$11,000, and Z claimed depreciation of \$1,000 for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year. Also the 12-month allowable depreciation deduction for the original roof is \$500 for the 2012 taxable year.

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Z filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to: (1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, Z removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Z decides to apply §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending

December 31, 2013, but decides not to make any late partial disposition election under section 6.33 of this APPENDIX. In accordance with sections 6.34 and 6.38(4)(a) of this APPENDIX, Z files a Form 3115 with its 2013 federal income tax return to revoke the general asset account election for the building (including its structural components) placed in service in 2000 and for the replacement roof, and to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. The net positive § 481(a) adjustment for this change is \$9,500 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$500 for the original roof for 2012) and is included in Z's taxable income for 2013.

(9) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.34 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 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 6.34 of this APPENDIX is "197." 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) 317-7005 (not a toll-free call).

(6) Section 6.35 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

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

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that is described in § 1.168(i)-8(d)(2)(iii) or Prop. Reg. § 1.168(i)-8(d)(2)(iii) and, pursuant to § 1.168(i)-8(d)(2)(iii) or Prop. Reg. § 1.168(i)-8(d)(2)(iii), that wants to make the partial disposition election specified in § 1.168(i)-8(d)(2)(i) or Prop. Reg. § 1.168(i)-8(d)(2)(i) to the disposition of a portion of an asset to which the IRS's adjustment (as described in § 1.168(i)-8(d)(2)(iii) or Prop. Reg. § 1.168(i)-8(d)(2)(iii), as applicable) pertains.

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

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

(ii) The partial disposition election specified in § 1.168(i)-8(d)(2)(i) that is made pursuant to § 1.168(i)-8(d)(2)(iv) or specified in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv) (but see section 6.33 of this APPENDIX for making this change).

(2) Change in method of accounting. The IRS will treat the making of the late election specified in section 6.35(1) of this APPENDIX as a change in method of accounting.

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

(4) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(5) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

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

(i) Apply § 1.168(i)-8(h)(1) and (3) or Prop. Reg. § 1.168(i)-8(h)(1) and (3), as applicable (accounting for asset disposed of);

(ii) If the asset (as determined under § 1.168(i)-8(c)(4) or Prop. Reg. § 1.168(i)-

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

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

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

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

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

(B) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory

body having jurisdiction over the public utility property subject to the application; and

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

(6) Concurrent automatic change. A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.35(1) 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 6.35(1) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.35(1) 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.

(7) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.35 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 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 6.35 of this APPENDIX is “198.” 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) 317-7005 (not a toll-free call).

(7) Section 6.37 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.37 Permissible to permissible method of accounting for depreciation of MACRS property (section 168; §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.37(4) 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)-1, § 1.168(i)-7, or § 1.168(i)-8, as applicable; and

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

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

(2) Certain scope limitations inapplicable.

(a) In general. The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer making this change.

(b) Special rules.

(i) The scope limitations in section 4.02(1), (2), (3), (4), (6), and (7) of this revenue procedure do not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(ii) If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.37(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. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.37(6)(c) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(3) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue

procedure.

(4) Changes covered. Section 6.37 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 not subject to a general asset account election under § 168(i)(4) and the regulations thereunder--

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

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

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

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

(v) a change in the method of identifying which assets in multiple asset accounts or which portions of assets have been disposed of by the taxpayer from the FIFO

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

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

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

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

(ix) if § 1.168(i)-8(f)(2) applies (disposition of an asset in a multiple asset account) and it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the asset disposed of, a change in the method of determining the unadjusted depreciable basis of all assets in the same multiple asset account from one reasonable method to another reasonable method; or

(x) if § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is

impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of all disposed portions of the asset from one reasonable method to another reasonable method; and

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

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

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

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

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

(v) a change in the method of identifying which mass assets (as defined in § 1.168(i)-1(b)(6)) or which portions of mass assets that are in a separate general asset

account in accordance with § 1.168-1(c)(2)(ii)(H), have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-1(j)(2)(i)(A) to a mortality dispersion table in accordance with § 1.168(i)-1(j)(2)(i)(D);

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

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

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

(5) Manner of making change.

(a) The changes in methods of accounting specified in section 6.37(4)(a)(i) and (ii) and section 6.37(4)(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.

(i) If the change specified in section 6.37(4)(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.

(ii) If the change specified in section 6.37(4)(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.

(iii) The change specified in section 6.37(4)(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 6.37(4)(a)(iii), (vi), (ix), and (x) and section 6.37(4)(b)(ii), (v), and (viii) 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 6.37(4)(a)(iv), (v), (vii), and (viii) and section 6.37(4)(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 6.37(4)(b)(iii), (iv), (vi), and (vii) of this APPENDIX, the § 481(a) adjustment should be zero unless § 1.168(i)-1(e)(3) applies to the asset subject to the change.

(d) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);

(iv) Part II, all lines except lines 11, 13, 14, 15, and 17;

(v) Part IV, lines 24, 25, and 26; and

(vi) Schedule E, lines 3, 4a, 4b, and 4c.

(e) If any asset subject to this change is public utility property within the meaning of § 168(i)(10), a taxpayer (including a qualifying 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 6.37(4)(a)(iv), (v), (vii), or (viii) or section 6.37(4)(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.

(6) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.37(4)(a)(iv), (v), (vii), or (viii) or section 6.37(4)(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 6.37(4)(a)(iv), (v), (vii), or (viii) or section 6.37(4)(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 6.37(4)(a)(iv), (v), (vii), or (viii) or section 6.37(4)(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 making this change and any change listed in this section 6.37(6)(b)(i)-(iv) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this Appendix;
- (ii) A change under section 6.38 of this APPENDIX;
- (iii) A change under section 6.39 of this APPENDIX; and
- (iv) A change under section 6.40 of this APPENDIX.

(c) A taxpayer making a change under section 6.37(4)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX (certain permissible to permissible changes for general asset accounts) and a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX (certain late general asset account elections) and/or any change listed in

this section 6.37(6)(c)(i)-(vii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.37(6)(c) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.29 of this APPENDIX;
- (iii) A change under section 6.30 of this APPENDIX;
- (iv) A change under section 6.31 of this APPENDIX;
- (v) A change under section 6.38 of this APPENDIX;
- (vi) A change under section 6.39 of this APPENDIX; and
- (vii) A change under section 6.40 of this APPENDIX.

(7) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.37 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 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 6.37 of this APPENDIX is “200.” 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) 317-7005 (not a toll-free call).

(8) Section 10.11(1)(b)(ii) of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

(ii) Amounts paid or incurred for certain materials and supplies that the taxpayer has elected to capitalize and depreciate under § 1.162-3(d) or § 1.162-3T(d);

.03 New automatic changes.

(1) Rev. Proc. 2011-14 is modified to add new section 6.38 to the APPENDIX to read as follows:

6.38 Disposition of a building or structural component (section 168; § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.38(4) of this APPENDIX for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in § 1.168(i)-8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)-8(b)(2), 1.168(i)-8(c)(4)(ii)(A), (B), and (D), 1.168(i)-8(f), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from disposing of the building, the structural component, or the portion of the building (including its structural components) and may affect whether

the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3(e) or (f)) under § 1.263(a)-3(k).

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

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

(ii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.40 of this APPENDIX for making a change in method of accounting for dispositions of tangible depreciable assets subject to a general asset account election);

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

(iv) Any disposition of a portion of an asset for which a partial disposition election under § 1.168(i)-8(d)(2) is required but for which the taxpayer did not make such election in accordance with § 1.168(i)-8(d)(2)(ii) or (iii), as applicable (but see section 6.33 of this APPENDIX for making a late partial disposition election and section 6.35 of this APPENDIX for making a partial disposition election pursuant to § 1.168(i)-8(d)(2)(iii)); or

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

(2) Certain scope limitations inapplicable.

(a) In general. The scope limitation in section 4.02(5) of this revenue procedure

does not apply to a taxpayer making this change.

(b) Special rules.

(i) The scope limitations in section 4.02(1), (2), (3), (4), (6), and (7) of this revenue procedure do not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(ii) If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.38(10)(b) or (c) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(3) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(4) Covered changes. Section 6.38 of this APPENDIX only applies to the following changes in methods of accounting for a building (including its structural components), condominium unit (including its structural components), cooperative unit (including its structural components), or an improvement or addition (including its structural components) thereto:

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

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

(b) If the taxpayer makes the change specified in section 6.38(4)(a) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.38(4)(a) of this APPENDIX or disposed of a portion of such asset in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for such disposed asset or such disposed portion, a change from depreciating the disposed asset or disposed portion to recognizing gain or loss upon disposition;

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

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

(ii), or (iii), as applicable;

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

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

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

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

(i) A change from recognizing gain or loss under § 1.168(i)-8T upon the disposition of an asset (as determined under § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable) included in a general asset account to recognizing gain or loss upon the disposition of the same asset under § 1.168(i)-8 if: (A) the taxpayer makes the change specified in section 6.34 of this APPENDIX (revocation of a general asset account election); (B) the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of such asset; (C) the taxpayer's present method of accounting for such asset is in accord with § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable; and (D) the taxpayer recognized a gain or loss under § 1.168(i)-8T upon the disposition of such asset in a taxable year prior to the year of change.

(5) Examples. The following examples illustrate the covered changes specified in section 6.38(4) of this APPENDIX.

(a) Example 1. X, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, X constructed and placed in service an addition to this building. X depreciates the building, the addition, and their structural components under § 168. A change by X to treating the original building (including its structural components) as an asset and the addition to the building (including the structural components of such addition) as a separate asset for disposition purposes is a change described in section 6.38(4)(a) of this APPENDIX solely for purposes of § 1.168(i)-8(c)(4).

(b) Example 2. Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 1990. Y depreciates this building and its

structural components under § 168. In 2000, a tornado damaged the roof and, as a result, Y replaced the entire roof of the building. Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since 2000. Because the original roof was disposed of as a result of a casualty event described in § 165, a change by Y from depreciating the original roof to recognizing a loss upon its retirement is a covered change described in section 6.38(4)(c) of this APPENDIX solely for purposes of § 1.168(i)-8.

(c) Example 3. The facts are the same as in Example 2, except a tornado did not occur, but Y still replaced the entire roof of the building in 2000. Because the original roof was not disposed of as a result of any of the events described in § 1.168(i)-8(d)(1) that require a partial disposition, a partial disposition election must be made to change from depreciating the original roof to recognizing a loss upon its retirement. Pursuant to section 6.38(1)(b)(iv) of this APPENDIX, section 6.38 does not apply to the disposition of the original roof in 2000. But see section 6.33 of this APPENDIX for making the late partial disposition election under § 1.168(i)-8(d)(2)(i) for the original roof.

(6) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.38(6)(b) of this APPENDIX) making this change must attach to its Form 3115 a statement with the following:

- (i) A description of the assets to which this change applies;
- (ii) If the taxpayer is making a change specified in section 6.38(4)(a) of this APPENDIX, a description of the assets for disposition purposes under the taxpayer's

present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.38(4)(d) of this APPENDIX, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.38(4)(f) or (h) of this APPENDIX, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following

information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(7) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.38(4)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8(c)(4) is permissible.

(8) Section 481(a) adjustment. A taxpayer changing its method of accounting under section 6.38 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(9) Section 481(a) adjustment period.

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

(i) If the taxpayer is making the change specified in section 6.38(4)(a) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the

disposition of the asset (or if applicable, a portion thereof) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.38(4)(i) of this APPENDIX.

(b) If section 6.38(9)(a) of this APPENDIX does not apply, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(c) Example. (i) Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building. Y replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. The adjusted depreciable basis of the original roof at the time of its retirement in 2010 (taking into account the applicable convention) is \$11,000, and Y claimed depreciation of \$1,000 for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year. Also the 12-month allowable depreciation deduction for the original roof is \$500 for the 2012 taxable year and \$500 for the 2013 taxable year.

(ii) In accordance with § 1.168(i)-8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended December 31, 2012, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to

change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) Y complies with § 1.168(i)-8 beginning with its taxable year ending December 31, 2014, but decides not to make any late partial disposition election under section 6.33 of this APPENDIX. In accordance with section 6.38(4)(a) of this APPENDIX, Y files a Form 3115 with its 2014 federal income tax return to change to treating the original building (including its original roof and other original structural components) as an asset and the replacement roof as a separate asset for disposition purposes. Because Y is not making a late partial disposition election for the original roof, Y does not recognize the net loss of \$10,000 upon the retirement of the original roof under § 1.168(i)-8 and Y will continue to depreciate the original roof. Thus, the net positive § 481(a) adjustment for this change is \$9,000 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$1,000 for the original roof for 2012 and 2013) and is included in Y's taxable income for 2014.

(10) Concurrent automatic change.

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

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

(b) A taxpayer making this change and any change listed in this section 6.38(10)(b)(i)-(iv) of the APPENDIX for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.37 of this APPENDIX;
- (iii) A change under section 6.39 of this APPENDIX; and
- (iv) A change under section 6.40 of this APPENDIX.

(c) A taxpayer making this change and a change under section 6.34 of this APPENDIX (revocation of a general asset account election) and/or any change listed in this section 6.38(10)(c)(i)-(iii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.38(10)(c) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. For guidance on filing a single application for two or

more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.37(4)(a) of this APPENDIX; and
- (iii) A change under section 6.39 of this APPENDIX.

(11) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.38 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 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(12) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.38 of this APPENDIX is “205.” See section 6.02(4) of this revenue procedure.

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

(2) Rev. Proc. 2011-14 is modified to add new section 6.39 to the APPENDIX to read as follows:

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

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.39(4) of this APPENDIX for disposing of section 1245 property or a depreciable land improvement or disposing of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in § 1.168(i)-8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)-8(c)(4)(i), 1.168(i)-8(c)(4)(ii)(C) and (D), 1.168(i)-8(f), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from disposing of the section 1245 property, the depreciable land improvement, or a portion of the section 1245 property or depreciable land improvement, and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f) , or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

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

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

(ii) Any building (including its structural components), condominium unit (including its structural components), cooperative unit (including its structural components), or an improvement or addition (including its structural components) thereto (but see section 6.38 of this APPENDIX for making this change);

(iii) Any asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.40 of this APPENDIX for making a change

for dispositions of tangible depreciable assets subject to a general asset account election); or

(iv) Any disposition of a portion of an asset for which a partial disposition election under § 1.168(i)-8(d)(2) is required but for which the taxpayer did not make such election in accordance with § 1.168(i)-8(d)(2)(ii) or (iii), as applicable (but see section 6.33 of this APPENDIX for making a late partial disposition election and section 6.35 of this APPENDIX for making a partial disposition election pursuant to § 1.168(i)-8(d)(2)(iii)).

(2) Certain scope limitations inapplicable.

(a) In general. The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer making this change.

(b) Special rules.

(i) The scope limitations in section 4.02(1), (2), (3), (4), (6), and (7) of this revenue procedure do not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(ii) If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.39(9)(b) or (c) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(3) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration

by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with this change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(4) Covered changes. Section 6.39 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)-8(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), as applicable;

(b) If the taxpayer makes the change specified in section 6.39(4)(a) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.39(4)(a) of this APPENDIX or disposed of a portion of such asset in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset or such disposed portion, as applicable, under the taxpayer's present method of accounting, a change from depreciating the disposed asset or disposed portion, as applicable, to recognizing gain or loss upon disposition;

(c) If the taxpayer's present method of accounting for the section 1245 property, the depreciable land improvement, or the improvement or addition thereto is in accord with § 1.168(i)-8(c)(4)(i) or (ii), as applicable, and if the taxpayer disposed of such asset or a portion of such asset in a taxable year prior to the year of change but under its present method of accounting continues to deduct depreciation for this disposed asset or disposed portion, as applicable, a change from depreciating the disposed asset or

disposed portion, as applicable, to recognizing gain or loss upon disposition;

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

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

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

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

(h) If § 1.168(i)-8(f)(3) applies (disposition of a portion of an asset) and it is

impracticable from the taxpayer's records to determine the unadjusted depreciable basis of the disposed portion of the asset, a change in the method of determining the unadjusted depreciable basis of the disposed portion of the asset from an unreasonable method (for example, discounting the cost of the replacement portion of the asset to its placed-in-service year cost using the Consumer Price Index) to a reasonable method; or

(i) A change from recognizing gain or loss under § 1.168(i)-8T upon the disposition of a section 1245 property, depreciable land improvement, or improvement or addition thereto included in a general asset account to recognizing gain or loss upon the disposition of the same asset under § 1.168(i)-8 if: (A) the taxpayer makes the change specified in section 6.34 of this APPENDIX (revocation of a general asset account election); (B) the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of such asset; (C) the taxpayer's present method of accounting for such asset is in accord with § 1.168(i)-8(c)(4)(i) or (ii), as applicable; and (D) the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of such asset in a taxable year prior to the year of change.

(5) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.39(5)(b) of this APPENDIX) making this change must attach to its Form 3115 a statement with the following:

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

(ii) If the taxpayer is making a change specified in section 6.39(4)(a) of this APPENDIX, a description of the assets for disposition purposes under the taxpayer's

present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.39(4)(d) of this APPENDIX, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.38(4)(f) or (h) of this APPENDIX, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following

information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(6) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.39(4)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8(c)(4) is permissible.

(7) Section 481(a) adjustment. A taxpayer changing its method of accounting under section 6.39 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(8) Section 481(a) adjustment period.

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

(i) If the taxpayer is making the change specified in section 6.39(4)(a) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the

disposition of the section 1245 property, depreciable land improvement, or improvement or addition thereto (or if applicable, a portion of such asset) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.39(4)(i) of this APPENDIX.

(b) If section 6.39(8)(a) of this APPENDIX does not apply, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(9) Concurrent automatic change.

(a) A taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of Rev. Proc. 2011-14.

(b) A taxpayer making this change and any change listed in this section 6.39(9)(b)(i)-(iv) of the APPENDIX for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section

6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.37 of this APPENDIX;
- (iii) A change under section 6.38 of this APPENDIX; and
- (iv) A change under section 6.40 of this APPENDIX.

(c) A taxpayer making this change and a change under section 6.34 of this APPENDIX (revocation of a general asset account election) and/or any change listed in this section 6.39(9)(c)(i)-(iii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.39(9)(c) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

- (i) A change under section 6.01 of this APPENDIX;
- (ii) A change under section 6.37(4)(a) of this APPENDIX; and
- (iii) A change under section 6.38 of this APPENDIX.

(10) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.39 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 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(11) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.39 of this APPENDIX is “206.” See section 6.02(4) of this revenue procedure.

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

(3) Rev. Proc. 2011-14 is modified to add new section 6.40 to the APPENDIX to read as follows:

6.40 Dispositions of tangible depreciable assets in a general asset account  
(section 168(i)(4); § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change, as described in Rev. Proc. 2014-54, 2014-41 I.R.B., applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.40(4) of this APPENDIX for disposing of an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder. These specified changes are consistent with §§ 1.168(i)-1(e)(1), 1.168(i)-1(e)(2)(viii), and 1.168(i)-1(j), as applicable. This change also may affect the determination of gain or loss from disposing of the asset and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as

applicable.

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

(i) Any asset (as determined under § 1.168(i)-1(e)(2)(viii)) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, proposed method of accounting; or

(ii) Any asset not subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see sections 6.38 and 6.39 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) In general. The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer making this change.

(b) Special rules.

(i) The scope limitations in section 4.02(1), (2), (3), (4), (6), and (7) of this revenue procedure do not apply to a taxpayer making this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(ii) If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.40(8)(b) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change. If a taxpayer makes both a change under this section of this APPENDIX and a change under section 6.01 of this APPENDIX for any taxable

year beginning on or after January 1, 2012, and beginning before January 1, 2014, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.40(8)(c) of this APPENDIX, the scope limitations in section 4.02 of this revenue procedure do not apply to the taxpayer for either change.

(3) Audit protection limited. If a method of accounting to be changed is (a) an issue pending for any taxable year under examination, (b) an issue under consideration by an appeals office, or (c) an issue under consideration by a federal court, the taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with that change. See sections 6.03(6), 6.04, and 6.05 of this revenue procedure.

(4) Covered changes. Section 6.40 of this APPENDIX only applies to the following changes in methods of accounting for an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder:

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

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

(c) If § 1.168(i)-1(j)(3) applies (basis of disposed asset or disposed portion of an asset) and it is practicable from the taxpayer's records to determine the unadjusted

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

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

(5) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.40(5)(b) of this APPENDIX) making this change must attach to its Form 3115 a statement with the following:

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

(ii) If the taxpayer is making the change specified in section 6.40(4)(a) of this APPENDIX, a description of the assets for disposition purposes under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.40(4)(b) of this APPENDIX, a description of the methods of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.40(4)(d) of this

APPENDIX, a description of the methods of determining the unadjusted depreciable basis of the disposed asset or disposed portion of the asset, as applicable, under the taxpayer's present and proposed methods of accounting; and

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

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

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

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

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;

(v) Part IV, lines 25 and 26; and

(vi) Schedule E, line 3.

(6) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.40(4)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-1(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-1(e)(2)(viii). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-1(e)(2)(viii) is permissible.

(7) Section 481(a) adjustment period.

(a) If a taxpayer makes the change specified in section 6.40(4)(a) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, on the disposition of a portion of the asset in a taxable year prior to the year of change, the taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change.

(b) If section 6.40(7)(a) of this APPENDIX does not apply, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(c) Example. (i) X, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. X depreciates this building and its structural components under § 168. The roof is a structural component of the building. X replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, X did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. X also capitalized the cost of the replacement

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

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, X filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to: (1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, X removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of \$10,000 (adjusted depreciable basis of \$11,000 for the original roof at the time of its retirement (taking into account the applicable convention) less depreciation of \$1,000 claimed for such roof after its retirement (taking into account the applicable convention) and before the 2012 taxable year).

(iii) X complies with § 1.168(i)-1 beginning with its taxable year ending December 31, 2014. In accordance with section 6.40(4)(a) of this APPENDIX, X files a Form 3115 with its 2014 federal income tax return to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an

asset and the replacement roof as a separate asset for disposition purposes. As a result, X must include the original roof that X retired in 2010 in the general asset account. Thus, the net positive § 481(a) adjustment for this change is \$9,000 (net loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$1,000 for the original roof for 2012 and 2013) and is included in X's taxable income for 2014.

(8) Concurrent automatic change.

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

(b) A taxpayer making this change and any change listed in this section 6.40(8)(b)(i)-(iv) of the APPENDIX for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

(i) A change under section 6.01 of this APPENDIX;

(ii) A change under section 6.37 of this APPENDIX;

(iii) A change under section 6.38 of this APPENDIX; and

(iv) A change under section 6.39 of this APPENDIX.

(c) A taxpayer making this change and any change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX (certain late general asset account elections) or any change listed in this section 6.40(8)(c)(i)-(ii) of the APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.40(8)(c) of the APPENDIX applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure. The listed changes are:

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

(ii) A change under section 6.37(4)(b) of this APPENDIX.

(9) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.40 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 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 6.40 of this APPENDIX is “207.” 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) 317-7005 (not a toll-free call).

#### SECTION 4. SUMMARY OF CHANGES IN METHODS OF ACCOUNTING RELATED TO DISPOSITIONS OF MACRS PROPERTY

.01 Final regulations. The following chart summarizes the changes in methods of accounting under § 1.167(a)-4, § 1.168(i)-1, § 1.168(i)-7, and § 1.168(i)-8 that a taxpayer may make under Rev. Proc. 2011-14.

FINAL REGULATION SECTION	SECTION # in APPENDIX in REV. PROC. 2011-14	DESIGNATED CHANGE NUMBER (DCN)	FOR MORE INFORMATION SEE
§ 1.167(a)-4, Depreciation of leasehold improvements	6.36	199	Section 3.03(4) of Rev. Proc. 2014-17
<i>General Asset Accounts:</i>			
a. § 1.168(i)-1(c), Change in grouping assets	6.37	200	Section 3.02(7) of Rev. Proc. 2014-54
b. § 1.168(i)-1(e)(2)(viii), Change in determining asset disposed of	6.40	207	Section 3.03(3) of Rev. Proc. 2014-54
c. § 1.168(i)-1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from one method to another method specified in § 1.168(i)-1(j)(2)	6.37	200	Section 3.02(7) of Rev. Proc. 2014-54
d. § 1.168(i)-1(j)(2), Change in method of identifying which assets or portions of assets have been disposed of from a method not specified in § 1.168(i)-1(j)(2) to a method	6.40	207	Section 3.03(3) of Rev. Proc. 2014-54

specified in § 1.168(i)-1(j)(2)			
e. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.37	200	Section 3.02(7) of Rev. Proc. 2014-54
f. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from not using to using the taxpayer's records when it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.40	207	Section 3.03(3) of Rev. Proc. 2014-54
g. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.40	207	Section 3.03(3) of Rev. Proc. 2014-54
<i>Single Asset Accounts or Multiple Asset Accounts for MACRS Property:</i>			
a. § 1.168(i)-7, Change from single asset accounts to multiple asset accounts, or vice versa	6.37	200	Section 3.03(5) of Rev. Proc. 2014-17, as modified by section 3.02(7) of Rev. Proc. 2014-54

b. § 1.168(i)-7(c), Change in grouping assets in multiple asset accounts	6.37	200	Section 3.03(5) of Rev. Proc. 2014-17, as modified by section 3.02(7) of Rev. Proc. 2014-54
<i>Dispositions of MACRS Property (not in a general asset account):</i>			
a. § 1.168(i)-8(c)(4), Change in determining asset disposed of	6.38 (Building or structural component)	205	Section 3.03(1) of Rev. Proc. 2014-54
	6.39 (Property other than a building or structural component)	206	Section 3.03(2) of Rev. Proc. 2014-54
b. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from one reasonable method to another reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.37	200	Section 3.02(7) of Rev. Proc. 2014-54
c. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from not using to using the taxpayer's records when it is practicable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.38 (Building or structural component)	205	Section 3.03(1) of Rev. Proc. 2014-54
	6.39 (Property other than a building or structural component)	206	Section 3.03(2) of Rev. Proc. 2014-54

d. § 1.168(i)-8(f)(2) or (3), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account or disposed portion of an asset from an unreasonable method to a reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset or disposed portion of asset	6.38 (Building or structural component)	205	Section 3.03(1) of Rev. Proc. 2014-54
	6.39 (Property other than a building or structural component)	206	Section 3.03(2) of Rev. Proc. 2014-54
e. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from one method to another method specified in § 1.168(i)-8(g)(1) or (2)	6.37	200	Section 3.02(7) of Rev. Proc. 2014-54
f. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account or portions of assets have been disposed of from a method not specified in § 1.168(i)-8(g)(1) or (2) to a method specified in § 1.168(i)-8(g)(1) or (2)	6.38 (Building or structural component)	205	Section 3.03(1) of Rev. Proc. 2014-54
	6.39 (Property other than a building or structural component)	206	Section 3.03(2) of Rev. Proc. 2014-54
g. § 1.168(i)-8(h)(1), Change from depreciating a disposed asset or disposed portion of an asset to recognizing gain or loss upon disposition when a taxpayer continues to depreciate the asset or portion that the taxpayer disposed of prior to the year of change	6.38 (Building or structural component)	205	Section 3.03(1) of Rev. Proc. 2014-54
	6.39 (Property other than a building or structural component)	206	Section 3.03(2) of Rev. Proc. 2014-54
h. § 1.168(i)-8(d)(2)(iii), Partial disposition election for the disposition of a portion of an asset to which the IRS's adjustment pertains	6.35	198	Section 3.02(6) of Rev. Proc. 2014-54

.02 Late elections or revocation of a general asset account election. The following chart summarizes the late elections under § 1.168(i)-1, § 1.168(i)-8, Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-8, or § 1.168(1)-1T that are treated as a change in method of accounting for a limited period of time. The chart includes the revocation of a general asset account election that also is treated as a change in method of accounting for a limited period of time.

ELECTION OR REVOCATION	TIME PERIOD FOR TREATING ELECTION OR REVOCATION AS A METHOD CHANGE	SECTION # IN APPENDIX IN REV. PROC. 2011-14, AND DCN	FOR MORE INFORMATION SEE
<i>General Asset Accounts:</i>			
a. Late general asset account election under § 1.168(i)-1, Prop. Reg. § 1.168(i)-1, or § 1.168(1)-1T	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2014	6.32 DCN 180	Section 3.02(9) of Rev. Proc. 2014-17, as modified by section 3.02(3) of Rev. Proc. 2014-54
b. Late election to recognize gain or loss upon disposition of all assets, the last asset, or the remaining portion of the last asset under § 1.168(i)-1(e)(3)(ii) or Prop. Reg. § 1.168(i)-1(e)(3)(ii)	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2014	6.32 DCN 180	Section 3.02(9) of Rev. Proc. 2014-17, as modified by section 3.02(3) of Rev. Proc. 2014-54
c. Late election to recognize gain or loss upon disposition of all assets or the last asset under § 1.168(1)-1T(e)(3)(ii)	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2014	6.32 DCN 180	Section 3.02(9) of Rev. Proc. 2014-17, as modified by section 3.02(3) of Rev. Proc. 2014-54
d. Late election to recognize gain or loss upon disposition of an asset in a	Taxable year beginning on or after 1/1/2012 and	6.32 DCN 180	Section 3.02(9) of Rev. Proc. 2014-17, as

qualifying disposition under § 1.168(i)-1(e)(3)(iii), Prop. Reg. § 1.168(i)-1(e)(3)(iii), or § 1.168(1)-1T(e)(3)(iii)	beginning before 1/1/2014		modified by section 3.02(3) of Rev. Proc. 2014-54
e. Revocation of a general asset account election made under § 1.168(i)-1, Prop. Reg. § 1.168(i)-1, or § 1.168(1)-1T, or made under section 6.32 in Appendix in Rev. Proc. 2011-14	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2015	6.34 DCN 197	Section 3.03(2) of Rev. Proc. 2014-17, as modified by section 3.02(5) of Rev. Proc. 2014-54
<i>Late Partial Disposition Election for MACRS Property (not in a general asset account):</i>			
a. Late partial disposition election made under § 1.168(i)-8(d)(2)(iv)(B)	First or second taxable succeeding the applicable taxable year as defined in § 1.168(i)-8(d)(2)(iv)	6.33 DCN 196	Section 3.02(4) of Rev. Proc. 2014-54
b. Other late partial disposition elections made under § 1.168(i)-8(d)(2)(i)	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2015	6.33 DCN 196	Section 3.02(4) of Rev. Proc. 2014-54
c. Late partial disposition election made under Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B)	First or second taxable succeeding the applicable taxable year as defined in Prop. Reg. § 1.168(i)-8(d)(2)(iv)	6.33 DCN 196	Section 3.03(1) of Rev. Proc. 2014-17, as modified by section 3.02(4) of Rev. Proc. 2014-54
d. Other late partial disposition elections made under Prop. Reg. § 1.168(i)-8(d)(2)(i)	Taxable year beginning on or after 1/1/2012 and beginning before 1/1/2014	6.33 DCN 196	Section 3.03(1) of Rev. Proc. 2014-17, as modified by section 3.02(4) of Rev. Proc. 2014-54

.03 Temporary and proposed regulations. If a taxpayer applies § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, § 1.168(i)-8T, Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8 for a taxable year beginning on or after January

1, 2012, and beginning before January 1, 2014, the following chart summarizes the changes in methods of accounting under those regulation sections that the taxpayer may make under Rev. Proc. 2011-14.

TEMPORARY OR PROPOSED REGULATION SECTION	SECTION # in APPENDIX in REV. PROC. 2011-14	DCN	FOR MORE INFORMATION SEE
§ 1.167(a)-4T, Depreciation of leasehold improvements	6.27	175	Section 3.02(4) of Rev. Proc. 2014-17
<i>General Asset Accounts:</i>			
a. § 1.168(i)-1T(c) or Prop. Reg. § 1.168(i)-1(c), Change in grouping assets	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
b. § 1.168(i)-1T(e)(2)(viii) or Prop. Reg. § 1.168(i)-1(e)(2)(viii), Change in determining asset disposed of	6.31	179	Section 3.02(8) of Rev. Proc. 2014-17
c. § 1.168(i)-1T(j)(2) or Prop. Reg. § 1.168(i)-1(j)(2), Change in method of identifying which assets have been disposed of from one method to another method specified in § 1.168(i)-1T(j)(2), or from one method to another method specified in Prop. Reg. § 1.168(i)-1(j)(2)	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
d. § 1.168(i)-1T(j)(2) or Prop. Reg. § 1.168(i)-1(j)(2), Change in method of identifying which assets have been disposed of from a method not specified in § 1.168(i)-1T(j)(2) to a method specified in § 1.168(i)-1T(j)(2), or from a method not specified in Prop. Reg. § 1.168(i)-1(j)(2) to a method specified in Prop. Reg. § 1.168(i)-1(j)(2)	6.31	179	Section 3.02(8) of Rev. Proc. 2014-17
e. § 1.168(i)-1T(j)(3), Change in determining unadjusted depreciable basis of disposed asset from one reasonable method to another reasonable method	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
f. Prop. Reg. § 1.168(i)-1(j)(3), Change in determining unadjusted depreciable basis of disposed asset or	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17

disposed portion of an asset from one reasonable method to another reasonable method			
<i>Single Asset Accounts or Multiple Asset Accounts for MACRS Property:</i>			
a. § 1.168(i)-7T or Prop. Reg. § 1.168(i)-7, Change from single asset accounts to multiple asset accounts, or vice versa	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
b. § 1.168(i)-7T(c), Change in grouping assets in multiple asset accounts	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
<i>Dispositions of MACRS Property (not in a general asset account):</i>			
a. § 1.168(i)-8T(c)(4) or Prop. Reg. § 1.168(i)-8(c)(4), Change in determining asset disposed of	6.29 (Building or structural component)	177	Section 3.02(6) of Rev. Proc. 2014-17, as modified by section 3.02(2) of Rev. Proc. 2014-54
	6.30 (Property other than a building or structural component)	178	Section 3.02(7) of Rev. Proc. 2014-17
b. § 1.168(i)-8T(e)(2) or Prop. Reg. § 1.168(i)-8(f)(2), Change in determining unadjusted depreciable basis of disposed asset in a multiple asset account from one reasonable method to another reasonable method when it is impracticable from the taxpayer's records to determine the unadjusted depreciable basis of disposed asset	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
c. Prop. Reg. § 1.168(i)-8(f)(3), Change in determining unadjusted depreciable basis of disposed portion of an asset from one reasonable method to another reasonable method	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17
d. § 1.168(i)-8T(f) or Prop. Reg. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account have been disposed of from one method to another method specified in § 1.168(i)-8T(f)(1) or (2),	6.28	176	Section 3.02(5) of Rev. Proc. 2014-17

or from one method to another method specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2)			
e. § 1.168(i)-8T(f) or Prop. Reg. § 1.168(i)-8(g), Change in method of identifying which assets in a multiple asset account have been disposed of from a method not specified in § 1.168(i)-8T(f)(1) or (2) to a method specified in § 1.168(i)-8T(f)(1) or (2), or from a method not specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2) to a method specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2)	6.29 (Building or structural component)  6.30 (Property other than a building or structural component)	177  178	Section 3.02(6) of Rev. Proc. 2014-17, as modified by section 3.02(2) of Rev. Proc. 2014-54  Section 3.02(7) of Rev. Proc. 2014-17
f. § 1.168(i)-8T(g)(1) or Prop. Reg. § 1.168(i)-8(h)(1), Change from depreciating a disposed asset or disposed portion of an asset to recognizing gain or loss upon disposition when a taxpayer continues to depreciate the asset or portion that the taxpayer disposed of prior to the year of change	6.29 (Building or structural component)  6.30 (Property other than a building or structural component)	177  178	Section 3.02(6) of Rev. Proc. 2014-17, as modified by section 3.02(2) of Rev. Proc. 2014-54  Section 3.02(7) of Rev. Proc. 2014-17
g. Prop. Reg. § 1.168(i)-8(d)(2)(iii), Partial disposition election for the disposition of a portion of an asset to which the IRS's adjustment pertains	6.35	198	Section 3.03(3) of Rev. Proc. 2014-17, as modified by section 3.02(6) of Rev. Proc. 2014-54

## SECTION 5. EFFECTIVE DATE

.01 In general. This revenue procedure is effective September 18, 2014.

.02 Transition rules. The following transition rules apply:

(1) Form 3115 filed under Rev. Proc. 97-27.

(a) Conversion to change under this revenue procedure. If before September 18, 2014, a taxpayer properly filed a Form 3115 under Rev. Proc. 97-27, 1997-1 C.B. 680, requesting consent for a change in method of accounting described in section 3 of this

revenue procedure, and the Form 3115 is pending with the national office on September 18, 2014, the taxpayer may choose to make the change under this revenue procedure if the taxpayer is otherwise eligible under this revenue procedure. The taxpayer must notify the national office of its intent to make the change under this revenue procedure prior to the issuance of a letter ruling granting or denying consent for the change. If the taxpayer timely notifies the national office that it will make the change under this revenue procedure, the national office ordinarily will return the Form 3115 to the taxpayer to make the necessary modifications to comply with the applicable provisions of this revenue procedure and will refund the user fee submitted with the Form 3115.

(b) Filing requirements. A Form 3115 that is returned to the taxpayer for necessary modifications will be converted to a Form 3115 under this revenue procedure if the taxpayer resubmits the Form 3115 with the necessary modifications, along with a copy of the national office letter sent with the returned Form 3115, to the IRS in Ogden, UT (mailing address is provided in section 5.02(2)(c)(iv) of this revenue procedure) within the later of (a) the due date specified in section 6.02(3) of Rev. Proc. 2011-14, or (b) 30 calendar days after the date of the IRS's letter returning the Form 3115 to the taxpayer.

(2) Form 3115 filed under Rev. Proc. 2014-17.

(a) Scope. This section 5.02(2) applies to a taxpayer that properly filed a Form 3115 to make a change in method of accounting under Rev. Proc. 2014-17, 2014-12 I.R.B. 661, to:

(i) Apply § 1.168(i)-1T, § 1.168(i)-7T, § 1.168(i)-8T, Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8, for a taxable year beginning on or after

January 1, 2012, and beginning before January 1, 2014; or

(ii) Apply § 1.168(i)-7 for a taxable year beginning on or after January 1, 2012.

(b) General rule. If a taxpayer within the scope of this section 5.02(2) properly filed the Form 3115 with the IRS in Ogden, UT (Ogden Copy) under Rev. Proc. 2014-17 to make a change in method of accounting described in section 3.02(5) (permissible to permissible method of accounting for depreciation of MACRS property under § 1.168(i)-7T or Prop. Reg. § 1.168(i)-7), 3.02(9) (late general asset account elections), 3.03(1) (late partial disposition election), 3.03(2) (revocation of a general asset account election), 3.03(3) (partial dispositions of tangible depreciable assets to which the IRS's adjustment pertains), or 3.03(5) (permissible to permissible method of accounting for depreciation of MACRS property under § 1.168(i)-7) of Rev. Proc. 2014-17 and the Form 3115 was either post-marked or received by the IRS on or before September 18, 2014, the taxpayer makes the change under Rev. Proc. 2014-17.

(c) Option to file an amended Form 3115. If on or before September 18, 2014, a taxpayer within the scope of this section 5.02(2) properly filed a Form 3115 under Rev. Proc. 2014-17, the taxpayer may choose to file an amended Form 3115 under this revenue procedure for the same year of change on the Form 3115 filed under Rev. Proc. 2014-17 if, on or before December 31, 2014, the taxpayer (i) files an amended federal income tax return using the new method of accounting pursuant to this revenue procedure, (ii) attaches the original of the amended Form 3115 filed under this revenue procedure to its amended federal income tax return for the year of change, (iii) writes on the top of page 1 of the Ogden Copy of the amended Form 3115 "FILED UNDER SECTION 5.02(2) OF REV. PROC. 2014-54"; and (iv) sends the Ogden Copy of the

amended Form 3115 to the following address no later than the date the amended Form 3115 is filed with the amended federal income tax return: Internal Revenue Service, 1973 North Rulon White Blvd., Mail Stop 4917, Ogden, UT 84404.

#### SECTION 6. EFFECT ON OTHER DOCUMENTS

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

.02 Sections 3.02(6), 3.02(9), 3.03(1), 3.03(2), and 3.03(5) of Rev. Proc. 2014-17 are modified.

.03 Section 3.02(1) of Rev. Proc. 2014-16 is modified.

#### SECTION 7. PAPERWORK REDUCTION ACT

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

The collections of information in this revenue procedure are in sections 3.03 and 5.02(2)(c) of this revenue procedure. 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 8. 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) 317-7005 (not a toll free call).