

26 CFR 601.204: Changes in accounting periods and in methods of accounting.  
(Also Part I, §§ 404A, 446, 481; 1.446-1, 1.481-1, 1.481-4.)

Rev. Proc. 2017-59

#### SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1. Rev. Proc. 2015-13 provides procedures for obtaining the consent of the Commissioner of Internal Revenue (Commissioner) to change a method of accounting for federal income tax purposes. With respect to elections under § 404A of the Internal Revenue Code (Code), which are treated as changes in method of accounting for purposes of § 481, this revenue procedure specifies the § 481 adjustment period.

## SECTION 2. BACKGROUND

.01 Rev. Proc. 2015-13 contains procedures under § 446(e) and § 1.446-1(e) of the Income Tax Regulations to obtain the consent of the Commissioner to change an accounting method for federal income tax purposes. Rev. Proc. 2015-13 provides both the procedures to obtain the non-automatic consent of the Commissioner to change a method of accounting and the procedures to obtain the automatic consent of the Commissioner to change a method of accounting described in Rev. Proc. 2017-30, 2017-18 I.R.B. 1131, (or successor) (List of Automatic Changes).

.02 Section 7.01 of Rev. Proc. 2015-13 generally provides that a change in method of accounting must be implemented pursuant to the terms and conditions provided in that revenue procedure and either the List of Automatic Changes (in the case of an automatic change) or the letter ruling for the change in method of accounting (in the case of a non-automatic change).

.03 Section 7.02 of Rev. Proc. 2015-13 generally provides that a taxpayer making a change in method of accounting must compute an adjustment as required by § 481(a) and take into account this § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015-13.

.04 Section 7.03(1) of Rev. Proc. 2015-13 generally provides that except as otherwise provided in that revenue procedure, the List of Automatic Changes (in the case of an automatic change), a letter ruling to the taxpayer (in the case of a non-automatic change), or other guidance published in the Internal Revenue Bulletin, the § 481(a) adjustment period is one taxable year (year of change) when the § 481(a)

adjustment is negative and four taxable years (year of change and next three taxable years) when the § 481(a) adjustment is positive. Section 7.03 also provides additional rules regarding a § 481(a) adjustment period, such as when there is a shortened or accelerated adjustment period.

.05 Section 404A(g)(5) provides that, for purposes of § 481, an election under § 404A is treated as a change in method of accounting; an election under § 404A is made under § 404A(e)(3), and, if applicable, § 404A(f)(2). Section 404A(g)(5) further provides that, in applying § 481 with respect to any such election, the period for taking into account any increase or decrease in accumulated profits, earnings and profits, or taxable income resulting from the application of § 481(a)(2) shall be the year for which the election is made and the fourteen succeeding years. Accordingly, this revenue procedure modifies Rev. Proc. 2015-13 to specify that the § 481 adjustment period with respect to an election under § 404A is fifteen taxable years for a positive § 481(a) adjustment and fifteen taxable years for a negative § 481(a) adjustment.

### SECTION 3. MODIFICATION OF REV. PROC. 2015-13

Section 7.03 of Rev. Proc. 2015-13 is modified to add section 7.03(5) to read as follows:

(5) Elections under § 404A. Pursuant to § 404A(g)(5), the § 481(a) adjustment period with respect to an election under § 404A is fifteen taxable years (year of change and next fourteen taxable years) for a positive § 481(a) adjustment and fifteen taxable years (year of change and next fourteen taxable years) for a negative § 481(a) adjustment.

#### SECTION 4. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2015-13 is modified.

#### SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for Forms 3115 filed under Rev. Proc. 2015-13 on or after November 13, 2017.

#### SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Kari Fisher of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information relating to Rev. Proc. 2015-13, please contact Ms. Fisher at (202) 317-7007 (not a toll-free call), or for further information relating to § 404A, contact Jeremy Lamb of the Office of Associate Chief Counsel (Tax Exempt and Government Entities) at (202) 317-6799 (not a toll-free call).