

## Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.  
(Also: Part I, Sections 446, 846.)

Rev. Proc. 2019-30

### SECTION 1. PURPOSE

This revenue procedure provides simplified procedures under § 446 of the Internal Revenue Code (Code) and § 1.446-1(e) of the Income Tax Regulations for an insurance company to obtain automatic consent of the Commissioner of Internal Revenue (Commissioner) to change its methods of accounting for discounting unpaid losses and expenses unpaid, estimated salvage recoverable, and unearned premiums attributable to title insurance, as applicable, to comply with § 846 of the Code, as amended by Pub. L. No. 115-97 (131 Stat. 2054, 2152), commonly referred to as the Tax Cuts and Jobs Act (TCJA). For taxable years beginning after December 31, 2017, and ending on or before December 31, 2019, these simplified procedures are the exclusive procedures for a taxpayer within the scope of section 3 of this revenue

procedure to obtain consent of the Commissioner to change a method of accounting described in this revenue procedure.

## SECTION 2. BACKGROUND

### .01 Discounting Rules.

(1) In general, to compute a non-life (property and casualty) insurance company's taxable income for Federal income tax purposes under § 832 of the Code, the insurance company's underwriting income is reduced by the amount of its discounted unpaid losses (as defined in § 846) and increased by the amount of its estimated salvage recoverable for the taxable year.<sup>1</sup> Under § 832(b)(6), unpaid loss adjustment expenses shown on the annual statement are included in unpaid losses and are, therefore, discounted under § 846. Section 832(b)(5) provides that estimated salvage recoverable is determined on a discounted basis in accordance with procedures established by the Secretary of the Treasury or his delegate (Secretary). Section 1.832-4(c) provides that, except as otherwise provided in guidance published by the Commissioner in the Internal Revenue Bulletin, estimated salvage recoverable generally must be discounted by using the discount factors published by the Commissioner for estimated salvage recoverable or, alternatively, by using the loss

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<sup>1</sup> Under § 832, the taxable income of a property and casualty insurance company, including a title insurance company, is the sum of its underwriting income and investment income (as well as gains and other income items), reduced by allowable deductions. Under § 832(b)(3), a property and casualty insurance company's "losses incurred" is a component of the company's underwriting income. Under § 832(b)(5)(A), the change over a taxable year in the company's discounted unpaid losses (as defined in § 846) is a component of its losses incurred for the taxable year. An increase in discounted unpaid losses over the year increases losses incurred and thereby reduces underwriting income. A decrease in discounted unpaid losses over the year decreases losses incurred and thereby increases underwriting income. Section 832(b)(5)(A) also requires that the change in estimated salvage recoverable be taken into account in computing the losses incurred component of underwriting income, with an increase in estimated salvage recoverable reducing losses incurred (and thereby increasing underwriting income) and a decrease in estimated salvage recoverable increasing losses incurred (and thereby reducing underwriting income).

payment pattern for a line of business as the salvage recovery pattern for that line of business and by using the applicable interest rate for calculating unpaid losses under § 846(c).

(2) To compute a life insurance company's taxable income for Federal income tax purposes, all losses incurred during the taxable year on insurance and annuity contracts are deductible under § 805(a)(1) of the Code. Also, under § 807 of the Code, the life insurance company must take into account the change over a taxable year in the company's unpaid losses described in § 807(c)(2).<sup>2</sup> For purposes of §§ 805(a)(1) and 807(c)(2), the amount of unpaid losses (other than losses on life insurance contracts) is the amount of the discounted unpaid losses as defined in § 846.

(3) Section 846 provides that discounted unpaid losses must be separately determined for each accident year of each line of business by applying the annual rate determined under § 846(c) and the appropriate loss payment pattern to the amount of unpaid losses as measured at the end of the taxable year. Section 846(d) directs the Secretary to use the most recent aggregate loss payment data of property and casualty insurance companies to determine and publish a loss payment pattern for each line of business every five years. This loss payment pattern is used to discount unpaid losses for the accident year ending with a determination year and for each of the four succeeding accident years. Discount factors are determined for each line of business

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<sup>2</sup> Under § 807(c)(2), a life insurance company must take into account the unearned premiums and unpaid losses included in total reserves under § 816(c)(2). Under § 816(c)(2), total reserves include unearned premiums and unpaid losses (whether or not ascertained) not included in life insurance reserves. Under § 807(a), a decrease in the items described in § 807(c)(2) over the taxable year is included in life insurance company gross income under § 803(a)(2). Under § 807(b), an increase in the items described in § 807(c)(2) over the taxable year is deductible under § 805(a)(2).

for each accident year using the applicable loss payment pattern and annual rate.

(4) In general, to compute a property and casualty insurance company's taxable income for Federal income tax purposes under § 832, underwriting income is reduced by discounted unearned premiums attributable to title insurance.<sup>3</sup> Under § 832(b)(8), the amount of the discounted unearned premiums attributable to title insurance is the present value of such premiums determined by using the annual rate determined under § 846(c)(2) for the calendar year in which the premiums are received and the applicable statutory premium recognition pattern.

(5) Section 13523 of the TCJA amended § 846 for taxable years beginning after December 31, 2017. Section 13523(a) and (b) amended the definition of annual rate under § 846(c) and the computational rules for loss payment patterns under § 846(d), respectively. Section 13523(c) repealed the election that was previously set forth in § 846(e) to use the insurance company's own historical loss payment pattern instead of the pattern published by the Secretary. Section 846, as amended by the TCJA, is referred to in this revenue procedure as Amended § 846.

(6) Section 13523(e) of the TCJA provides a transition rule for the application of the amendments made by section 13523 to unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) or unpaid losses (as defined in §§ 805(a)(1) and 807(c)(2)). References to unpaid losses hereinafter in this revenue procedure refer to unpaid losses and expenses unpaid (as defined in § 832(b)(5) and (6)) or unpaid losses

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<sup>3</sup> Under § 832(b)(3), a property and casualty insurance company's "premiums earned" is a component of the company's underwriting income. Under § 832(b)(4)(b) and (8), the change over a taxable year in the company's discounted unearned premiums attributable to title insurance is a component of its premiums earned for the taxable year, with an increase in discounted unearned premiums reducing premiums earned (and thereby reducing underwriting income) and a decrease in discounted unearned premiums increasing premiums earned (and thereby increasing underwriting income).

(as defined in §§ 805(a)(1) and 807(c)(2)), as applicable. For the first taxable year beginning after December 31, 2017 (First TCJA Year), the discounted unpaid losses at the end of the preceding taxable year (Pre-TCJA Year) are determined as if the amendments made by section 13523 had applied to such unpaid losses in the Pre-TCJA Year and by using the annual rate and loss payment patterns applicable to accident years ending with calendar year 2018. The resulting adjustment, if any, is included in the insurance company's gross income ratably over an eight-year period, beginning with the First TCJA Year and continuing through the seven succeeding taxable years. Section 13523(e) also provides that, for subsequent taxable years, the amendments made by section 13523 are applied with respect to such unpaid losses by using the annual rate and loss payment patterns applicable to accident years ending with calendar year 2018.

(7) On November 7, 2018, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) published proposed regulations under Amended § 846 (REG-103163-18, 83 FR 55646) (Proposed Regulations). Under the Proposed Regulations, the annual rate determined under Amended § 846(c) is based on a specific range of maturities (from one-half year to seventeen and one-half years) from the corporate bond yield curve.

(8) On January 7, 2019, the Treasury Department and the IRS published Rev. Proc. 2019-06, 2019-02 I.R.B. 284, which prescribes unpaid loss discount factors for the 2018 accident year and earlier accident years for use in computing discounted unpaid losses under Amended § 846. The unpaid loss discount factors also serve as salvage discount factors for the 2018 accident year and earlier accident years for use in

discounting estimated salvage recoverable under § 832. The unpaid loss discount factors (Proposed Discount Factors) prescribed in Rev. Proc. 2019-06 were determined under Amended § 846 and the Proposed Regulations using the annual rate and loss payment patterns applicable to 2018 under the Proposed Regulations. The annual rate for the 2018 calendar year determined under the Proposed Regulations (Proposed Annual Rate) was 3.12 percent, compounded semiannually.

(9) On June 17, 2019, the Treasury Department and the IRS published final regulations under Amended § 846 (T.D. 9863, 84 FR 27947) (Final Regulations). The Final Regulations apply to taxable years beginning after December 31, 2017. Under the Final Regulations, the annual rate determined under Amended § 846(c) is based on a specific range of maturities (from four and one-half years to ten years) from the corporate bond yield curve. The guidance regarding loss payment patterns is the same under the Proposed Regulations and the Final Regulations.

(10) Rev. Proc. 2019-31, 2019-33 I.R.B. \_\_\_\_\_, published in the same edition of the Internal Revenue Bulletin as this revenue procedure, provides revised unpaid loss discount factors for the 2018 accident year and earlier accident years, determined under Amended § 846 and the Final Regulations (Revised Discount Factors). The Revised Discount Factors were determined using the same loss payment patterns as in Rev. Proc. 2019-06, but a different annual rate. The Revised Discount Factors were determined using the annual rate for the 2018 calendar year determined under the Final Regulations (Revised Annual Rate), which is 2.94 percent, compounded semiannually.

(11) An insurance company must use the Revised Discount Factors for all lines of business for the 2018 accident year and earlier accident years for purposes of

discounting both unpaid losses and estimated salvage recoverable for taxable years ending on or after June 17, 2019. See sections 1 and 6 of Rev. Proc. 2019-06. In any taxable year beginning after December 31, 2017, and ending before June 17, 2019, an insurance company must consistently use either the Revised Discount Factors or the Proposed Discount Factors for all lines of business for all accident years for purposes of discounting both unpaid losses and estimated salvage recoverable.

(12) An insurance company must use the Revised Annual Rate to determine the amount of discounted unearned premiums attributable to title insurance with respect to premiums received in the 2018 calendar year for taxable years ending on or after June 17, 2019. In any taxable year beginning after December 31, 2017, and ending before June 17, 2019, an insurance company may use either the Revised Annual Rate or the Proposed Annual Rate to determine the amount of discounted unearned premiums attributable to title insurance with respect to premiums received in the 2018 calendar year. However, in any such taxable year, an insurance company must either use the Revised Discount Factors for purposes of discounting unpaid losses or estimated salvage recoverable and the Revised Annual Rate for purposes of determining the amount of discounted unearned premiums attributable to title insurance in that year, or must use the Proposed Discount Factors and the Proposed Annual Rate for such purposes.

.02 Changes in Methods of Accounting.

(1) A change in method of discounting unpaid losses, estimated salvage recoverable, or unearned premiums attributable to title insurance to comply with Amended § 846 changes the proper time for the inclusion of the item in income or the

taking of the item as a deduction and is a change in method of accounting subject to § 446(e) and § 1.446-1.

(2) Section 446(e) and § 1.446-1(e)(2)(i) state that, except as otherwise provided, a taxpayer must secure the consent of the Commissioner before changing a method of accounting for any item for Federal income tax purposes. Under § 1.446-1(e)(3), to obtain the Commissioner's consent to change a method of accounting, a taxpayer generally must file a Form 3115, Application for Change in Accounting Method, during the taxable year for which the taxpayer desires to make the proposed change in method of accounting (year of change). Section 1.446-1(e)(3) provides that the Commissioner may prescribe terms and conditions for effecting a change in method of accounting. 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, as modified by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and as modified by Rev. Proc. 2019-1, 2019-1 I.R.B. 1, provides the current general procedures, including terms and conditions by which a taxpayer may obtain consent of the Commissioner to change its method of accounting through the filing of a Form 3115. Unless specifically authorized by the Commissioner or by statute, a taxpayer may not change an established method of accounting by amending any prior Federal income tax return. See Rev. Rul. 90-38, 1990-1 C.B. 57.

(3) Section 481(a) provides that in computing a taxpayer's taxable income for any taxable year, if such computation is under a method of accounting different from the method under which the taxpayer's taxable income for the preceding taxable year was computed, those adjustments that are determined to be necessary solely by reason of the change in order to prevent amounts from being duplicated or omitted must be taken

into account. The § 481(a) adjustment is computed as of the beginning of the year of change and taken into account over the § 481(a) adjustment period provided in the applicable administrative guidance.

(4) The timing of the issuance of the Proposed Regulations and Final Regulations implementing the amendments to § 846 made by section 13523 of the TCJA poses unique challenges for taxpayers subject to the discounting rules of § 846 in making changes in methods of accounting to comply with Amended § 846. In the interest of sound tax administration and in order to reduce the administrative and tax compliance burdens on taxpayers affected by the amendments to § 846 made by section 13523 of the TCJA, this revenue procedure provides simplified procedures for an insurance company to obtain consent of the Commissioner to change its methods of accounting for discounting unpaid losses and expenses unpaid, estimated salvage recoverable, and unearned premiums attributable to title insurance, as applicable, to comply with Amended § 846. For example, this revenue procedure provides that the requirement of § 1.446-1(e)(3) to file a Form 3115 is waived for a taxpayer making a change in method of accounting under this revenue procedure.

### SECTION 3. SCOPE

#### .01 Discounted Unpaid Losses and Estimated Salvage Recoverable.

This revenue procedure applies to any property and casualty insurance company that changes its method of accounting for discounting unpaid losses under § 846, discounting salvage recoverable under § 832, or both to comply with Amended § 846, and to any life insurance company that changes its method of accounting for discounting unpaid losses to comply with Amended § 846, provided the taxpayer

(whether a life insurance company or property and casualty insurance company) has a taxable year beginning after December 31, 2017, and ending before June 17, 2019, and satisfies the conditions set forth in section 3.01(1) or (2) of this revenue procedure.

(1) Taxpayer using Revised Discount Factors in First TCJA Year.

(a) The taxpayer uses the Revised Discount Factors to determine, as applicable, its discounted unpaid losses under § 846 (as of the end of both the First TCJA Year and the Pre-TCJA Year) and its estimated salvage recoverable under § 832 (as of the end of the First TCJA Year) on its timely filed (including any extension) Federal income tax return for its First TCJA Year, or on an amended Federal income tax return for its First TCJA Year filed on or before the date the taxpayer timely files (including any extension) its Federal income tax return for the succeeding taxable year (Second TCJA Year); and

(b) The taxpayer takes into account the § 481(a) adjustment described in section 6.01(1) of this revenue procedure in the manner prescribed in section 6.02(1) of this revenue procedure and follows the procedures prescribed in section 7 of this revenue procedure.

(2) Taxpayer using Proposed Discount Factors in First TCJA Year and Revised Discount Factors in Second TCJA Year.

(a) The taxpayer uses the Proposed Discount Factors to determine, as applicable, its discounted unpaid losses under § 846 (as of the end of both the First TCJA Year and the Pre-TCJA Year) and estimated salvage recoverable under § 832 (as of the end of the First TCJA Year) on its timely filed (including any extension) Federal income tax return for its First TCJA Year;

(b) The taxpayer uses the Revised Discount Factors to determine its discounted unpaid losses under § 846 (as of the end of both the Second TCJA Year and the First TCJA Year) and estimated salvage recoverable under § 832 (as of the end of both the Second TCJA Year and the First TCJA Year), as applicable, on its timely filed (including any extension) Federal income tax return for its Second TCJA Year; and

(c) The taxpayer takes into account the § 481(a) adjustments described in section 6.01(2) of this revenue procedure in the manner prescribed in section 6.02(2) of this revenue procedure and follows the procedures prescribed in section 7 of this revenue procedure.

.02 Discounted Unearned Premiums Attributable to Title Insurance.

This revenue procedure applies to any property and casualty insurance company that changes its method of accounting for discounted unearned premiums attributable to title insurance under § 832(b)(8) to comply with Amended § 846, provided the taxpayer has a taxable year beginning after December 31, 2017, and ending before June 17, 2019, and satisfies the conditions set forth in section 3.02(1) or (2) of this revenue procedure.

(1) Taxpayer using Revised Annual Rate in First TCJA Year. The taxpayer uses the Revised Annual Rate to determine its discounted unearned premiums attributable to title insurance under § 832 for its First TCJA Year on its timely filed (including any extension) Federal income tax return, or on an amended Federal income tax return for its First TCJA Year filed on or before the date the taxpayer timely files (including any extension) its Federal income tax return for its Second TCJA Year, and follows the procedures prescribed in section 7 of this revenue procedure.

(2) Taxpayer using Proposed Annual Rate in First TCJA Year and Revised Annual Rate in Second TCJA Year.

(a) The taxpayer uses the Proposed Annual Rate to determine its discounted unearned premiums attributable to title insurance under § 832 for its First TCJA Year on its timely filed (including any extension) Federal income tax return;

(b) The taxpayer uses the Revised Annual Rate to determine its discounted unearned premiums attributable to title insurance under § 832 for its Second TCJA Year on its timely filed (including any extension) Federal income tax return; and

(c) The taxpayer takes into account the § 481(a) adjustment described in section 6.01(4) of this revenue procedure in the manner prescribed in section 6.02(3) of this revenue procedure and follows the procedures prescribed in section 7 of this revenue procedure.

#### SECTION 4. CONSENT TO CHANGE

Under § 1.446-1(e)(2)(i), the consent of the Commissioner is hereby granted to any taxpayer within the scope of section 3 of this revenue procedure to change its methods of accounting for discounting unpaid losses, estimated salvage recoverable, and unearned premiums attributable to title insurance, as applicable, to comply with Amended § 846, provided the taxpayer complies with the provisions of this revenue procedure.

#### SECTION 5. APPLICABILITY OF REV. PROC. 2015-13

.01 Except as otherwise provided in this revenue procedure, the provisions of Rev. Proc. 2015-13 apply to a taxpayer within the scope of section 3 of this revenue procedure.

.02 The limitations in section 5 of Rev. Proc. 2015-13 do not apply to a change in method of accounting made under this revenue procedure. Therefore, a taxpayer within the scope of this revenue procedure is eligible to make a change in method of accounting under this revenue procedure even if the requested year of change is the final year of the taxpayer's trade or business as described in section 5.03(1) of Rev. Proc. 2015-13 or the taxpayer engages in a liquidation or reorganization transaction to which § 381 applies as described in section 5.02(1) of Rev. Proc. 2015-13.

## SECTION 6. TERMS AND CONDITIONS OF CHANGE

### .01 Year of Change and Section 481(a) Adjustment.

(1) Taxpayer using Revised Discount Factors in First TCJA Year. For a taxpayer described in section 3.01(1) of this revenue procedure, the First TCJA Year is the year of change, and the § 481(a) adjustment is the TCJA Adjustment described in section 6.01(1)(a) of this revenue procedure, the Salvage Adjustment described in section 6.01(1)(b) of this revenue procedure, or both, as applicable. The taxpayer must take the § 481(a) adjustment into account in the manner provided in section 6.02(1) of this revenue procedure.

(a) The TCJA Adjustment is the difference between the amount of discounted unpaid losses at the end of the Pre-TCJA Year determined using the Revised Discount Factors and the amount of discounted unpaid losses at the end of the Pre-TCJA Year reported on the taxpayer's Pre-TCJA Year Federal income tax return.

(b) The Salvage Adjustment is determined as follows:

(i) If the taxpayer, for its First TCJA Year, determines estimated salvage recoverable at the end of its Pre-TCJA Year using the Revised Discount Factors, the

Salvage Adjustment is the difference between that amount and the amount of estimated salvage recoverable at the end of its Pre-TCJA Year reported on its Pre-TCJA Year Federal income tax return; or

(ii) If the taxpayer, for its First TCJA Year, determines estimated salvage recoverable at the end of its Pre-TCJA Year using the amount reported on its Pre-TCJA Year Federal income tax return, the Salvage Adjustment is zero because no amounts will be duplicated or omitted by reason of the change in the First TCJA Year to use the Revised Discount Factors to discount estimated salvage recoverable.

(2) Taxpayer using Proposed Discount Factors in First TCJA Year and Revised Discount Factors in Second TCJA Year. For a taxpayer described in section 3.01(2) of this revenue procedure, the First TCJA Year is the first year of change. The § 481(a) adjustment for the First TCJA Year is the Partial TCJA Adjustment, described in section 6.01(2)(a) of this revenue procedure, the Partial Salvage Adjustment, described in section 6.01(2)(b) of this revenue procedure, or both, as applicable. The Second TCJA Year is the second year of change. The § 481(a) adjustment for the Second TCJA Year is the sum of the Remainder TCJA Adjustment and the Supplemental Adjustment, described in section 6.01(2)(c) and (d) of this revenue procedure, respectively. The taxpayer must take the § 481(a) adjustment into account in the manner provided in section 6.02(2) of this revenue procedure.

(a) The Partial TCJA Adjustment is the difference between the amount of discounted unpaid losses at the end of the Pre-TCJA Year determined using the Proposed Discount Factors and the amount of discounted unpaid losses at the end of

the Pre-TCJA Year reported on the taxpayer's Pre-TCJA Year Federal income tax return.

(b) The Partial Salvage Adjustment is determined as follows:

(i) If the taxpayer, for its First TCJA Year, determines estimated salvage recoverable at the end of its Pre-TCJA Year using the Proposed Discount Factors, the Partial Salvage Adjustment is the difference between that amount and the amount of estimated salvage recoverable at the end of its Pre-TCJA Year reported on its Pre-TCJA Year Federal income tax return.

(ii) If the taxpayer, for its First TCJA Year, determines estimated salvage recoverable at the end of its Pre-TCJA Year using the amount reported on its Pre-TCJA Year Federal income tax return, the Partial Salvage Adjustment is zero because no amounts will be duplicated or omitted by reason of the change in the First TCJA Year to using the Proposed Discount Factors to discount estimated salvage recoverable.

(c) The Remainder TCJA Adjustment is the difference between the Partial TCJA Adjustment described in section 6.01(2)(a) of this revenue procedure and the TCJA Adjustment described in section 6.01(1)(a) of this revenue procedure.

(d) The Supplemental Adjustment is the adjustment necessary to prevent amounts from being duplicated or omitted by reason of the change from using the Proposed Discount Factors in the First TCJA Year to using the Revised Discount Factors in the Second TCJA Year. For example, the Supplemental Adjustment generally would reflect: (i) the difference between the discounted unpaid losses at the end of the First TCJA Year computed using the Proposed Discount Factors and computed using the Revised Discount Factors, adjusted to account for amounts

reflected in the Remainder TCJA Adjustment, and (ii) the difference between estimated salvage at the end of the First TCJA Year computed using the Revised Discount Factors and computed using the Proposed Discount Factors.

(3) Taxpayer using Revised Annual Rate in First TCJA Year. For a taxpayer described in section 3.02(1) of this revenue procedure, the First TCJA Year is the year of change. The change in method of accounting for discounting unearned premiums attributable to title insurance is made using a cut-off method and applies to premiums received in the 2018 calendar year or a later calendar year. Accordingly, a § 481(a) adjustment is neither required nor permitted.

(4) Taxpayer using Proposed Annual Rate in First TCJA Year and Revised Annual Rate in Second TCJA Year. For a taxpayer described in section 3.02(2) of this revenue procedure, the First TCJA Year is the first year of change. The change in method of accounting for discounting unearned premiums attributable to title insurance to initially implement the provisions of the TCJA and the Proposed Regulations in the First TCJA Year is made using a cut-off method and applies to premiums received in the 2018 calendar year. Accordingly, a § 481(a) adjustment is neither required nor permitted for this change in method of accounting. The Second TCJA Year is the second year of change. A § 481(a) adjustment is necessary for the Second TCJA Year to prevent amounts from being duplicated or omitted by reason of the change from using the Proposed Annual Rate in the First TCJA Year to determine discounted unearned premiums attributable to title insurance for title insurance premiums received in 2018 to using the Revised Annual Rate in the Second TCJA Year for that purpose.

The taxpayer must take the § 481(a) adjustment (Title Adjustment) into account in the manner provided in section 6.02(3) of this revenue procedure.

.02 Section 481(a) Adjustment Period.

(1) Taxpayers using Revised Discount Factors in First TCJA Year. The § 481(a) adjustment periods set forth in section 6.02(1)(a) and (b) of this revenue procedure apply to any taxpayer described in section 3.01(1) of this revenue procedure.

(a) The § 481(a) adjustment period for the TCJA Adjustment is eight taxable years (the First TCJA Year and the seven succeeding taxable years).

(b) The § 481(a) adjustment period for the Salvage Adjustment, if any, is one taxable year (the First TCJA Year) for a negative § 481(a) adjustment and four taxable years (the First TCJA Year and the three succeeding taxable years) for a positive § 481(a) adjustment.

(2) Taxpayer using Proposed Discount Factors in First TCJA Year and Revised Discount Factors in Second TCJA Year. The § 481(a) adjustment periods set forth in section 6.02(2)(a), (b), (c), and (d) of this revenue procedure apply to any taxpayer described in section 3.01(2) of this revenue procedure.

(a) The § 481(a) adjustment period for the Partial TCJA Adjustment is eight taxable years (the First TCJA Year and the seven succeeding taxable years).

(b) The § 481(a) adjustment period for the Partial Salvage Adjustment, if any, is one taxable year (the First TCJA Year) for a negative § 481(a) adjustment and four taxable years (the First TCJA Year and the three succeeding taxable years) for a positive § 481(a) adjustment.

(c) The § 481(a) adjustment period for the Remainder TCJA Adjustment is seven taxable years (the Second TCJA Year and the six succeeding taxable years).

(d) The § 481(a) adjustment period for the Supplemental Adjustment is either one taxable year (the Second TCJA Year) or seven taxable years (the Second TCJA Year and the six succeeding taxable years). The taxpayer may choose the adjustment period to use.

(3) Taxpayer using Proposed Annual Rate for First TCJA Year and Revised Annual Rate for Second TCJA Year. For a taxpayer described in section 3.02(2) of this revenue procedure, the § 481(a) adjustment period for the Title Adjustment is one taxable year (the Second TCJA Year) for a negative § 481(a) adjustment and four taxable years (the Second TCJA Year and the three succeeding taxable years) for a positive § 481(a) adjustment.

(4) General rules. For purposes of this revenue procedure, with respect to any § 481(a) adjustment described in section 6.01 of this revenue procedure:

(a) Except as otherwise provided in this revenue procedure, the taxpayer must take the § 481(a) adjustment into account ratably over the applicable § 481(a) adjustment period described in section 6.02(1), (2), or (3) of this revenue procedure.

(b) If the year of change or any other taxable year during the applicable § 481(a) adjustment period described in section 6.02(1), (2), or (3) of this revenue procedure is a short taxable year, the taxpayer must take the applicable § 481(a) adjustment described in section 6.01 of this revenue procedure into account as if that short taxable year were a full 12-month year. See Rev. Rul. 78-165, 1978-1 C.B.

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(c) The applicable § 481(a) adjustment period described in section 6.02(1), (2), or (3) of this revenue procedure may not be shortened under the provisions of section 7.03(3) of Rev. Proc. 2015-13.

(d) The applicable § 481(a) adjustment period described in section 6.02(1), (2), or (3) of this revenue procedure is accelerated in the situations described in section 7.03(4)(a) and (d) of Rev. Proc. 2015-13.

## SECTION 7. PROCEDURE FOR MAKING THE CHANGE

In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived for a taxpayer making a change in method of accounting under this revenue procedure, provided the taxpayer satisfies all of the applicable terms and conditions set forth in section 6 of this revenue procedure; properly reports the amount of any adjustment described in section 6.01 of this revenue procedure, as applicable, on its Federal income tax returns; and, except as otherwise provided in this revenue procedure, satisfies all of the applicable terms and conditions set forth in Rev. Proc. 2015-13.

## SECTION 8. AUDIT PROTECTION

Except as otherwise provided herein, the IRS will not require a taxpayer that makes a change in method of accounting for discounting unpaid losses, estimated salvage recoverable, or unearned premiums attributable to title insurance under this revenue procedure to change its method of accounting for the same item (that is, discounting of unpaid losses, estimated salvage recoverable, or unearned premiums attributable to title insurance, as applicable) for taxable years prior to the year of change, provided the taxpayer complies with the provisions of this revenue procedure.

The IRS may change a taxpayer's method of accounting for the same item that is the subject of a change in method of accounting made under this revenue procedure if the taxpayer's method of accounting for the same item (that is, discounting of unpaid losses, estimated salvage recoverable, or unearned premiums attributable to title insurance, as applicable) is an issue under consideration (whether under examination, before an Appeals office, or before a federal court), within the meaning of section 3.08 of Rev. Proc. 2015-13, on July 22, 2019. The exceptions in section 8.02 of Rev. Proc. 2015-13 do not apply to a taxpayer within the scope of section 3 of this revenue procedure with respect to the taxpayer's method of accounting for the same item that is the subject of a change in method of accounting made under this revenue procedure (that is, discounting of unpaid losses, estimated salvage recoverable, or unearned premiums attributable to title insurance, as applicable).

#### SECTION 9. EFFECT ON OTHER REVENUE PROCEDURES

Section 26.04(1) of Rev. Proc. 2018-31, 2018-22 I.R.B. 637 (as modified by Rev. Proc. 2019-10, 2019-02 I.R.B. 296), is modified to provide that section 26.04 of Rev. 2018-31 is inapplicable to any change in method of accounting made under this revenue procedure.

#### SECTION 10. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning after December 31, 2017, and ending on or before December 31, 2019.

#### SECTION 11. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathryn M. Sneade of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information

regarding this revenue procedure contact Ms. Sneade at (202) 317-6995 (not a toll free call).