

26 CFR 601.204: Changes in accounting periods and methods of accounting.  
(Also Part 1, §§ 263A, 446, 447, 448, 460, 471, 1.263A-1, 1.446-1, 1.448-1T, 1.460-1, 1.471-1, 1.481-1.)

Rev. Proc. 2022-9

## SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2019-43, 2019-48 I.R.B. 1107, as modified by Rev. Proc. 2021-34, 2021-35 I.R.B. 337, to provide procedures under § 446 of the Internal Revenue Code (Code) and § 1.446-1(e) of the Income Tax Regulations to obtain automatic consent of the Commissioner of the Internal Revenue (Commissioner) to change methods of accounting to comply with the final regulations under §§ 263A, 448, 460 and 471 of the Code issued on January 5, 2021 (T.D. 9942). This revenue procedure also modifies Rev. Proc. 2018-40, 2018-34 I.R.B. 320, to remove the option of netting the remaining portion of a § 481(a) adjustment that resulted from a prior method change. This revenue procedure also provides procedures for taxpayers to revoke an election made under proposed § 1.448-2(b)(2)(i)(B) for taxable years beginning on or after January 5, 2021, or in the case of taxpayer that early applies the final regulations, for taxable years in which the final regulations are applicable.

## SECTION 2. BACKGROUND

.01 On December 22, 2017, section 13102 of Public Law 115-97, 131 Stat. 2054, 2113, commonly referred to as the Tax Cuts and Jobs Act (TCJA) amended § 448 of the Code by increasing the gross receipts test amount for eligibility to use the cash receipts and disbursement method (cash method) to \$25,000,000 (adjusted for inflation). It also amended § 447 to incorporate by reference the gross receipts test of § 448 and amended §§ 263A, 460, and 471 by modifying the exemptions from the requirements to apply certain method of accounting rules for cost capitalization, long-term contracts, and inventories for eligible taxpayers. The amendments to §§ 263A, 447, 448, and 471 generally apply to taxable years beginning after December 31, 2017. The amendments to § 460 apply to contracts entered into after December 31, 2017, in taxable years ending after December 31, 2017. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted gross receipts test amount is \$26,000,000. See Rev. Proc. 2018-57, 2018-49 I.R.B. 827, Rev. Proc. 2019-44, 2019-47 I.R.B. 1093, and Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, for the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

.02 On August 20, 2018, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) published Rev. Proc. 2018-40, which provides administrative procedures for an eligible taxpayer to obtain the automatic consent of the Commissioner to change its methods of accounting to reflect the TCJA modifications to §§ 263A, 448, 460, and 471. Rev. Proc. 2018-40 also requested comments for future

guidance regarding the implementation of the TCJA modifications to §§ 263A, 448, 460, and 471.

.03 On August 5, 2020, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-132766-18) in the Federal Register (85 FR 47508), correction published in the Federal Register (85 FR 58307) on September 18, 2020, containing proposed regulations under §§ 263A, 448, 460, and 471 (proposed regulations). In response to comments received on Rev. Proc. 2018-40, proposed § 1.448-2(b)(2)(iii)(B) provided an election to use allocations made in the immediately preceding taxable year, instead of the current taxable year's allocations, when determining if more than 35 percent of losses of a venture are allocated to limited partners or limited entrepreneurs for purposes of the syndicate definition under proposed § 1.448-2(b)(2)(i)(B). The election could be revoked only with the written consent of the Commissioner and could not be revoked earlier than the fifth taxable year following the first taxable year for which it was made, absent extraordinary circumstances. The final regulations under § 1.448-2(b)(2)(i)(B) modified the election by making it an irrevocable annual election.

.04 On January 5, 2021, the Treasury Department and the IRS issued final regulations under §§ 263A, 448, 460 and 471 in the Federal Register (86 FR 254), correction published in the Federal Register (86 FR 32185) on June 17, 2021, to implement the statutory amendments made by section 13102 of the TCJA (final regulations). The final regulations under §§ 263A, 448, and 471 are applicable for taxable years beginning on or after January 5, 2021, and the final regulations under

§ 460 are applicable for contracts entered into in taxable years beginning on or after January 5, 2021. However, a taxpayer may apply the final regulations for a taxable year beginning after December 31, 2017, and before January 5, 2021 (or, in the case of final regulations under § 460, for contracts entered into after December 31, 2017, in a taxable year ending after December 31, 2017, and before January 5, 2021), provided that if the taxpayer applies any aspect of the final regulations under a particular Code provision, the taxpayer must follow all the applicable rules contained in the final regulations that relate to that Code provision for such taxable year and all subsequent taxable years, and must follow the administrative procedures for filing a change in method of accounting in accordance with § 1.446-1(e)(3)(ii). For example, a taxpayer that wants to early apply § 1.263A-1(j) to be exempt from capitalizing costs under section 263A must also early apply § 1.448-2 to determine whether it is eligible for the exemption under § 1.263A-1(j) and whether it is eligible to use the cash method under § 448. Alternatively, a taxpayer may rely on the proposed regulations for a taxable year beginning after December 31, 2017, and before January 5, 2021, provided that if the taxpayer relies on any aspect of the proposed regulations under a particular Code provision, the taxpayer must follow all of the applicable rules contained in the proposed regulations that relate to that Code provision for such taxable year, and follow the administrative procedures for filing a change in method of accounting in accordance with § 1.446-1(e)(3)(ii).

.05 Except as otherwise provided by the Code or the regulations, § 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. Sections 263A(i)(3), 448(d)(7), 460(e)(2)(B) and 471(c)(4) of the Code provide that certain changes in method of accounting related to the small business taxpayer exemptions are made with the consent of the Secretary. Nonetheless, a taxpayer still must follow the applicable administrative procedures to make such changes. See, e.g., Capital One Financial Corporation and Subsidiaries v. Commissioner of Internal Revenue, 130 T.C. 147, 157 (2008).

.06 The preamble to the final regulations indicates that the Treasury Department and the IRS intend to issue procedural guidance that specifies the changes in method of accounting under the final regulations that are eligible for automatic consent, potentially including changes in method of accounting that would otherwise be ineligible for automatic consent as a result of the prior 5-year change eligibility limitations in sections 5.01(1)(e) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419. The Treasury Department and the IRS have determined that taxpayers that are optionally changing their methods of accounting are distinguishable from taxpayers that are required by the Code to change their methods of accounting (because they no longer qualify for the small business taxpayer exemptions) and taxpayers that were previously required by the Code to change their methods of accounting, but subsequently requalify for the small business taxpayer exemptions. Accordingly, section 3 of this revenue procedure contains automatic consent procedures with special terms and conditions for taxpayers that are required by the Code to change their methods of accounting and for taxpayers that were required by the Code to change their methods of accounting, but

subsequently requalify for the small business taxpayer exemptions. Section 3 also provides the applicable administrative procedures for taxpayers that are optionally changing their methods of accounting under the final regulations.

.07 Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures that provide the terms and conditions necessary for a taxpayer to obtain consent to a change in method of accounting. Rev. Proc. 2015-13, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1, Rev. Proc. 2017-59, 2017-48 I.R.B. 543, Rev. Proc. 2021-26, 2021-22 I.R.B. 1163, and Rev. Proc. 2021-34 provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to a change in method of accounting described in the List of Automatic Changes, as defined in section 3.09 of Rev. Proc. 2015-13. Section 6.03(1) of Rev. Proc. 2015-13 sets forth the application procedures for timely filing a change in method of accounting under the automatic change procedures. Such procedural guidance provides that a taxpayer may not request, or otherwise make, a retroactive change in method of accounting on an amended federal income tax return, unless specifically authorized by the Commissioner or by statute. See section 2.05 of Rev. Proc. 2015-13. A taxpayer that chooses to early apply the final regulations under §§ 263A, 448, and 471 to, or rely on the proposed regulations under §§ 263A, 448, and 471 for, a taxable year beginning before January 5, 2021, or, in the case of the proposed and final regulations under § 460, for contracts entered into after December 31, 2017, in a taxable year ending after December 31, 2017, and before January 5, 2021, must follow the rules for changes in

method of accounting under § 446, the accompanying regulations, and the applicable procedural guidance, as described above. Accordingly, such taxpayer cannot change its method(s) of accounting to early apply the final regulations or rely on the proposed regulations on an amended federal income tax return.

.08 As modified, Rev. Proc. 2019-43 contains the current List of Automatic Changes, which includes the modifications made by Rev. Proc. 2018-40. The List of Automatic Changes provides procedures by which a taxpayer may obtain automatic consent of the Commissioner for changes in methods of accounting, including for small business taxpayers to implement the statutory changes made by the TCJA under §§ 263A, 447, 448, 460, and 471.

.09 Section 3 of this revenue procedure modifies Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, to provide:

(1) automatic changes in method of accounting under sections 12.16, 15.18, 19.01, 22.19 and 23.01 for certain small business taxpayers that want to apply a small business taxpayer exemption method under the final regulations;

(2) automatic changes in method of accounting under sections 15.01, 15.04 and 22.21 for taxpayers that no longer qualify to apply a small business taxpayer exemption method under the final regulations, and automatic changes under 12.01 and 12.02 for taxpayers that no longer qualify to apply a small business taxpayer exemption method under the final regulations and wish to change to a UNICAP method specifically described in the regulations;

(3) a modified procedure under section 12.01 for reseller-producers changing

from a permissible simplified resale method to be consistent with other changes under that section by allowing such taxpayers to change only to a permissible UNICAP method specifically described in the regulations;

(4) an automatic change in method of accounting under section 15.01 for taxpayers that want to make a change from a method of accounting that uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense to an overall accrual method;

(5) automatic changes in method of accounting under section 15.18 for certain small business taxpayers that want to make a change to a method of accounting in which a small business taxpayer uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense;

(6) for the removal and reservation of sections 15.03 and 22.03;

(7) simplified procedures for a small business taxpayer by moving certain inventory method changes provided in sections 22.01 through 22.18 into sections 22.19, 22.20 and 22.21, as applicable; and

(8) a new section 22.20 relating to changes within a small business taxpayer's section 471(c) inventory method.

.10 Section 4 of this revenue procedure modifies Rev. Proc. 2018-40 by removing section 3.04 which relates to the option of netting prior § 481(a) adjustments resulting from prior method changes.

.11 Section 5 of this revenue procedure provides procedures to revoke an election



made under proposed § 1.448-2(b)(2)(i)(B) for taxable years beginning on or after January 5, 2021, or in the case of taxpayer that early applies the final regulations, for taxable years in which the final regulations are applicable.

SECTION 3. MODIFICATIONS TO REV. PROC. 2019-43, AS MODIFIED BY REV. PROC. 2021-34.

.01 Modifications to section 12.01 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34.

(1) Section 12.01(1)(a) of Rev. Proc. 2019-43 is modified to remove divisions (i) and (ii) and redesignate existing divisions (iii) through (vii) as divisions (ii) through (vi), respectively, and to add a new division (i) to read as follows:

(i) a reseller that is a former small business taxpayer, or a reseller-producer that is a former small business taxpayer that wants to change from a permissible non-UNICAP inventory capitalization method to a permissible UNICAP method specifically described in the regulations in the first taxable year that it does not qualify as a small business taxpayer;

(2) Newly-redesignated section 12.01(1)(a)(iii) of Rev. Proc. 2019-43 is modified to read as follows:

(iii) a reseller-producer that wants to change from a permissible simplified resale method described in § 1.263A-3(d)(3) for both its production and resale activities to a permissible UNICAP method specifically described in the regulations for both its production and resale activities in the first taxable year that it does not qualify to use a simplified resale method for both its production and resale activities under

§ 1.263A-3(a)(4);

(3) Newly-redesignated section 12.01(1)(a)(v) of Rev. Proc. 2019-43 is modified to read as follows:

(v) a reseller or reseller-producer that wants to change to a UNICAP method (or methods) specifically described in the regulations, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method, in any taxable year other than the first taxable year that it does not qualify as a small business taxpayer; or

(4) Section 12.01(1)(b)(ii)(A) of Rev. Proc. 2019-43 is modified to remove the last sentence.

(5) Section 12.01(1)(b)(v) of Rev. Proc. 2019-43 is modified to read as follows:

(v) Revocation of election under § 263A(d)(3). This change does not apply to a taxpayer that wants to revoke its election under § 263A(d)(3) not to have § 263A apply to certain plants produced by the taxpayer in a farming business. But see Rev. Proc. 2020-13, 2020-11 I.R.B. 515, for the procedures to revoke an election under § 263A(d)(3).

(6) Section 12.01(2)(a) and (b) of Rev. Proc. 2019-43 is modified to read as follows:

(a) Eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to the change described in section 12.01(1)(a)(i) of this revenue procedure.

(b) Eligibility rule temporarily inapplicable. The eligibility rule in section

5.01(1)(f) of Rev. Proc. 2015-13 does not apply to the changes described in section 12.01(1)(a)(ii)-(vi) of this revenue procedure for the taxpayer's first, second or third taxable year ending on or after November 20, 2018.

(7) Section 12.01(3) of Rev. Proc. 2019-43 is modified by removing subparagraphs (b) and (c), redesignating subparagraphs (d) through (i) as subparagraphs (b) through (g), respectively, and adding new subparagraphs (h) and (i) to read as follows:

(h) "Small business taxpayer" means a taxpayer, other than a tax shelter under § 448(d)(3), proposed § 1.448-2(b)(2), or § 1.448-2(b)(2), as applicable, that meets the gross receipts test as provided in section 448(c), proposed § 1.263A-1(j), or § 1.263A-1(j), as applicable. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of \$25,000,000 or less (adjusted for inflation), as described in § 448(c), proposed §§ 1.448-2(c), or § 1.448-2(c), as applicable. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted amount is \$26,000,000. See Rev. Proc. 2018-57, 2018-49 I.R.B. 827, Rev. Proc. 2019-44, 2019-47 I.R.B.1093 and Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, for the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

(i) "Former small business taxpayer" means a taxpayer that no longer qualifies as a small business taxpayer. A former small business taxpayer includes a taxpayer that no longer qualifies as a small business taxpayer for the year of change

because it is a tax shelter under § 448(d)(3), proposed § 1.448-2(b)(2), or § 1.448-2(b)(2), as applicable.

(8) Section 12.01(4) of Rev. Proc. 2019-43 is modified to read as follows:

(4) Section 481(a) adjustment period. Except as otherwise provided in this section 12.01(4), beginning with the year of change, a taxpayer changing its method of accounting for costs under section 12.01(1)(a)(ii) or 12.01(1)(a)(iii) of this revenue procedure generally must take any applicable net positive § 481(a) adjustment for such change into account ratably over the same number of taxable years, not to exceed four, that the taxpayer used its former method of accounting. A taxpayer changing its method of accounting for costs under section 12.01(1)(a)(i), 12.01(1)(a)(iv), 12.01(1)(a)(v), or 12.01(1)(a)(vi) of this revenue procedure must take any applicable net positive § 481(a) adjustment for such change into account as provided in section 7.03 of Rev. Proc. 2015-13.

(9) The first section 12.01(8) of Rev. Proc. 2019-43, entitled "Example", is modified to read as follows:

(8) Example. The following example illustrates the principles of this section 12.01 and 12.16 for small business taxpayers and former small business taxpayers.

X is a C corporation incorporated on January 2, 2017, that adopted a taxable year ending December 31 and an overall accrual method of accounting. X is a reseller of personal property. To determine whether X is a small business taxpayer, as provided in section 12.01(3)(h) of this revenue procedure, X calculated its average annual gross receipts for the three taxable years (or fewer, if applicable) immediately preceding the taxable year being analyzed as shown in the table below, in accordance with § 1.263A-1(j):

Current Taxable	Average Annual Gross Receipts for the Three Taxable Years Immediately Preceding the
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<u>Year</u>	<u>Current Taxable Year</u>
2017	0
2018	24,000,000
2019	27,000,000
2020	27,000,000
2021	25,000,000

Furthermore, X adopted the dollar-value LIFO inventory method and has the following LIFO inventory balances determined without considering the effects of the UNICAP method:

	<u>Beginning</u>	<u>Ending</u>
2017	\$10,000,000	\$11,000,000
2018	11,000,000	12,000,000
2019	12,000,000	13,000,000
2020	13,000,000	14,000,000
2021	14,000,000	15,000,000

X was not required to use the UNICAP method for 2017 and 2018 because its average annual gross receipts for such years made X a small reseller, as described in section 12.01(3)(b) of Rev. Proc. 2019-43, prior to modification by Rev. Proc. 2022-9, 2022-2 I.R.B. \_\_\_\_, for 2017, and a small business taxpayer, as described in section 12.01(3)(h) of this revenue procedure, for 2018. X was required by § 263A to change to the UNICAP method for 2019 because its average annual gross receipts for the three taxable years immediately preceding 2019 were \$27,000,000, which exceeded the \$26,000,000 threshold permitted by the small business taxpayer exemption under § 263A(i). Assume that X was required to capitalize \$800,000 of “additional § 263A costs” to the cost of its 2019 beginning inventory because of this change in inventory method. In addition, X was required to include one-fourth of the § 481(a) adjustment when computing taxable income for each of the four taxable years beginning with 2019. Thus, X was required to include a \$200,000 positive § 481(a) adjustment in its 2019 taxable income.

X elected to use the simplified resale method without a historic absorption ratio election under § 1.263A-3(d)(3) for determining the amount of additional § 263A costs to be capitalized to each LIFO layer. Assume that X was required to add \$100,000 of additional § 263A costs to the cost of its 2019 ending inventory because of the \$1,000,000 increment for 2019.

X's 2019 Ending Inventory:

Beginning Inventory (Without UNICAP costs)	\$12,000,000
2019 Increment	1,000,000

Additional § 263A Costs in Beginning Inventory	800,000
Additional § 263A Costs in 2019 Increment	<u>100,000</u>
Total 2019 Ending Inventory	<u>\$13,900,000</u>

X's Unamortized 2019 § 481(a) Adjustment:

2019 § 481(a) Adjustment	\$800,000
Amount included in 2019 Taxable Income	< <u>200,000</u> >
Unamortized 2019 § 481(a) Adjustment—12/31/19	<u>600,000</u>

Because X's average annual gross receipts of \$27,000,000 for the three taxable years immediately preceding 2020 exceeded the \$26,000,000 threshold, X failed to qualify for the small business taxpayer exemption for 2020 and was required to continue using the UNICAP method for its inventory costs. Furthermore, X was required to include \$200,000 of the unamortized 2019 positive § 481(a) adjustment in its 2020 taxable income. Assume that X was required to add \$100,000 of additional § 263A costs to the cost of its 2020 ending inventory because of the \$1,000,000 increment for 2020.

X's 2020 Ending Inventory:

Beginning Inventory (With UNICAP costs)	\$13,900,000
2020 Increment	1,000,000
Additional § 263A Costs in 2020 Increment	<u>100,000</u>
Total 2020 Ending Inventory	<u>\$15,000,000</u>

X's Unamortized 2019 § 481(a) Adjustment:

Unamortized 2019 § 481(a) Adjustment—12/31/19	\$600,000
Amount Included in 2020 Taxable Income	< <u>200,000</u> >
Unamortized 2019 § 481(a) Adjustment—12/31/20	<u>\$400,000</u>

Because X's average annual gross receipts of \$25,000,000 for the three taxable years immediately preceding 2021 did not exceed the \$26,000,000 threshold, X satisfied the small business taxpayer exemption under section 263A(i) for 2021 and may change voluntarily from the UNICAP method to a method that no longer capitalizes costs under § 263A for 2021, as provided in section 12.16 of this revenue procedure. To reflect the removal of the additional § 263A costs from the cost of its 2021 beginning inventory, X must compute a corresponding § 481(a) adjustment, which is a negative \$1,000,000 (\$14,000,000 - \$15,000,000). The entire amount of this negative § 481(a) adjustment is included in X's taxable income for 2021. In addition, X must take the \$400,000 remaining portion of the unamortized 2019 § 481(a) adjustment into account in its taxable income for 2021, as provided in section 12.16(5) of this revenue procedure.

X's 2021 Ending Inventory:

Beginning Inventory (With UNICAP costs)	\$15,000,000
2021 Increment	1,000,000
2021 § 481(a) Adjustment <Negative>	<u>&lt;1,000,000&gt;</u>
Total 2021 Ending Inventory	<u>\$15,000,000</u>

X's Unamortized 2019 § 481(a) Adjustment:

Unamortized 2019 § 481(a) Adjustment—12/31/20	\$400,000
Amount included in 2021 Taxable Income	<u>&lt;400,000&gt;</u>
Unamortized 2019 § 481(a) Adjustment—12/31/21	<u>\$ 0</u>

X's Unamortized 2021 § 481(a) Adjustment:

2021 § 481(a) Adjustment <Negative>	\$<1,000,000>
Amount included in 2021 Taxable Income	<u>1,000,000</u>
Unamortized 2021 § 481(a) Adjustment—12/31/21	<u>\$ 0</u>

(10) The second section 12.01(8) of Rev. Proc. 2019-43, entitled "Contact information," is modified to renumber the paragraph as new paragraph (9), and redesignated paragraph (9) is modified to read as follows:

(9) Contact information. For further information regarding a change under this section, contact Megan McLaughlin at (202) 317-7007 (not a toll-free number).

.02 Modification to section 12.02 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34.

(1) Section 12.02(1)(a) of Rev. Proc. 2019-43 is modified to read as follows:

(a) Applicability. This change applies to:

(i) a producer as defined in section 12.01(3)(b) of this revenue procedure or a reseller-producer as defined in section 12.01(3)(c) of this revenue procedure that wants to change to a UNICAP method (or methods) specifically

described in the regulations, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method, in any taxable year other than the first taxable year that it does not qualify as a small business taxpayer as defined in section 12.01(3)(h) of this revenue procedure. This change includes a change from not capitalizing a cost subject to § 263A to capitalizing that cost for a producer or a reseller-producer under a UNICAP method (or methods) specifically described in the regulations that the producer or reseller-producer is already using; or

(ii) a producer or reseller-producer that is a former small business taxpayer, as defined in section 12.01(3)(i) of this revenue procedure, that wants to change from not capitalizing costs under § 263A(i) to capitalizing costs under a UNICAP method (or methods) specifically described in the regulations in the first taxable year that the taxpayer does not qualify as a small business taxpayer as defined in section 12.01(3)(h) of this revenue procedure.

(2) Section 12.02(4) of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, is modified to redesignate subparagraphs (a) and (b) as (b) and (c), respectively, and add a new subparagraph (a) to read as follows:

(a) Eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a change described in section 12.02(1)(a)(ii) of this revenue procedure.

.03 Modifications to section 12.08 of Rev. Proc. 2019-43. The first sentence of section 12.08(1)(a) of Rev. Proc. 2019-43 is modified to read as follows:

This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to



a producer (as defined in section 12.01(3)(b) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(c) of this revenue procedure) that wants to change to a reasonable allocation method within the meaning of § 1.263A-1(f)(4), other than the methods specifically described in § 1.263A-1(f)(2) or (3), for self-constructed assets produced during the taxable year, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method.

.04 Modifications to section 12.16 of Rev. Proc. 2019-43. Section 12.16 of Rev. Proc. 2019-43 is modified to read as follows:

(1) Description of change. This change applies to a small business taxpayer, as defined in section 12.01(3)(h) of this revenue procedure, that chooses to no longer capitalize costs under § 263A, including for self-constructed assets, pursuant to § 263A(i), proposed § 1.263A-1(j), or § 1.263A-1(j), as applicable.

(2) Inapplicability.

(a) Home construction contracts. This change does not apply to a taxpayer not required by § 460(e)(1) to capitalize costs under § 263A for home construction contracts, and that wants to make a change to no longer capitalize costs under section 263A. See section 19.01 of this revenue procedure to make this change.

(b) Election under § 263A(d)(3). This change does not apply to a small business taxpayer, as defined in section 12.01(3)(h) of this revenue procedure, that elected under § 263A(d)(3) not to have § 263A apply to certain plants produced by the taxpayer in a farming business and wants to revoke its § 263A(d)(3) election and

change to a method of accounting that no longer capitalizes costs under § 263A. But see Rev. Proc. 2020-13, 2020-11 I.R.B. 511.

(3) Eligibility rules.

(a) Eligibility rule inapplicable. For a change described in section 12.16(1) of this revenue procedure, if the taxpayer changed from not capitalizing costs under § 263A in accordance with § 263A(i), proposed § 1.263A-1(j) or § 1.263A-1(j), as applicable, to capitalizing costs under § 263A and the accompanying regulations within the prior five taxable years ending with the year of change, and such change was made in the first taxable year that the taxpayer did not qualify as a small business taxpayer, then such change is disregarded for purposes of section 5.01(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

(b) Eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for the taxpayer's first, second or third taxable year beginning after December 31, 2017. In addition, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a taxpayer's early application year, or, in the case of a taxpayer that does not apply § 1.263A-1(j) in the early application year, the taxpayer's first taxable year beginning on or after January 5, 2021. For purposes of this section 12.16, "early application year" means the taxable year beginning before January 5, 2021, in which a taxpayer first applies § 1.263A-1(j).

(4) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except line 16; and

(e) Part IV, all lines except line 25.

(5) Acceleration of § 481 adjustment. If a taxpayer making a change described in section 12.16(1) of this revenue procedure has a § 481(a) adjustment remaining on a prior change in method of accounting from not capitalizing costs under § 263A in accordance with § 263A(i), proposed § 1.263A-1(j) or § 1.263A-1(j), as applicable, to capitalizing costs under § 263A and the accompanying regulations, then it must take the remaining portion of such prior § 481(a) adjustment into account in the year of change.

(6) Concurrent automatic changes. A small business taxpayer making a change under this section 12.16 and a change under sections 15.18, 22.19 and/or 22.20 of this revenue procedure for the same year of change may file a single Form 3115 for such changes, provided the taxpayer enters the designated automatic accounting method change number for each change on the appropriate line of the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 12.16 is "234."

(8) Contact information. For further information regarding a change under this section, contact Livia Piccolo at (202) 317-7007 (not a toll-free call).

.05 Modifications to section 15.01 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, related to changes in overall method from cash method to an accrual method. Section 15.01 is modified to read as follows:

.01 Change in overall method from the cash method to an accrual method.

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its overall method of accounting from the cash receipts and disbursements method (cash method), as defined in section 15.01(2)(a) of this revenue procedure, to an accrual method, as defined in section 15.01(2)(b) of this revenue procedure. A change under this section 15.01 applies to (1) a taxpayer required to make this change by § 448, any other section of the Code or regulations, or in other guidance published in the Internal Revenue Bulletin (IRB), as well as to (2) a taxpayer that wants to make this change but is not required to do so by § 448, any other section of the Code or regulations, or in other guidance published in the IRB. A taxpayer changing to an overall accrual method because it is prohibited from using the overall cash method under § 448 may use this section 15.01 regardless of whether the year of change is the first taxable year that the taxpayer is required by § 448 to change from the cash method, as defined in § 1.448-1(g)(1) (“first § 448 year”); or a mandatory § 448 year, as defined in proposed § 1.448-2(g)(1) or § 1.448-2(g)(1), as applicable; or a taxable year other than the taxpayer’s first § 448 year or mandatory § 448 year, as applicable. Similarly, a taxpayer changing to an overall accrual method because it is prohibited from using the overall cash method under § 447 may use this section 15.01 regardless of

whether the year of change is the first taxable year that the taxpayer is required by § 447 to change from the cash method or a subsequent taxable year in which the taxpayer is newly subject to § 447 after previously making a change in method of accounting that complies with § 447 (“mandatory § 447 year”), or a taxable year other than a mandatory § 447 year, as applicable.

Additionally, a taxpayer qualifies to change its overall method of accounting from the cash method to an accrual method using this section 15.01 even if the taxpayer is also making one or more of the following changes in method of accounting for the same year of change:

(i) adopting the recurring item exception, as defined in section 15.01(2)(c) of this revenue procedure, for one or more types of recurring items. See § 1.461-5(d);

(ii) adopting or changing to a permissible inventory method of accounting and is either adopting this inventory method or qualifies to change to this inventory method using the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38, 1990-1 C.B. 57, regarding when a taxpayer may adopt a method of accounting;

(iii) adopting or changing to a permissible § 263A method of accounting and is either adopting this § 263A method or qualifies to change to this § 263A method using the automatic change procedures of Rev. Proc. 2015-13 and a

section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38 regarding when a taxpayer may adopt a method of accounting; or

(iv) adopting or changing to any other special method of accounting (as defined in section 15.01(2)(d) of this revenue procedure) and is either adopting this special method or qualifies to change to this special method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38 regarding when a taxpayer may adopt a method of accounting;

Also, a taxpayer qualifies to use this section 15.01 when that taxpayer, in the taxable year immediately preceding the year of change, has used a permissible inventory method for that year, and, if that taxpayer was subject to § 263A for that year, has also used a permissible § 263A method for that year, and the method(s) continue to be used for the year of change.

Lastly, for a taxable year beginning after December 31, 2017, or December 31, 2018 in the case of specified credit card fees, as defined in § 1.451-3(j)(2), and before January 1, 2021, a taxpayer with an applicable financial statement (AFS) that is changing its overall method of accounting from the cash method to an accrual method qualifies to use this section 15.01 to comply with § 451(b)(1), and, if applicable, § 451(b)(4), or the proposed regulations under § 1.451-3 (REG-104870-18; 84 FR 47191) (proposed § 1.451-3). For a taxable year beginning after December 31, 2017,

or December 31, 2018 in the case of specified credit card fees, a taxpayer with an AFS that is changing its overall method of accounting from the cash method to an accrual method qualifies to use this section 15.01 to comply with § 1.451-3. For purposes of this section 15.01, the term “AFS” is defined under: § 451(b)(3) for a taxpayer making a change to comply with § 451(b); proposed § 1.451-3(c)(1) for a taxpayer making a change to comply with proposed § 1.451-3; or § 1.451-3(b)(5) for a taxpayer making a change to comply with § 1.451-3.

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

(i) a taxpayer that is making a change from a hybrid method of accounting as defined in section 15.01(2)(e) of this revenue procedure;

(ii) a taxpayer that is changing its method of accounting for one or more items of income or expense, but not its overall method of accounting. See section 15.09 of this revenue procedure for a description of accounting method changes from the cash method to an accrual method for specific items that are to be made using the automatic change procedures of Rev. Proc. 2015-13 and that section;

(iii) a taxpayer that is required by the Code, regulations, or other guidance published in the IRB to use a special method such as, for example, an inventory method, a § 263A method, or a long-term contract method, in the year of change and fails to adopt or change to that method;

(iv) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 457A(d)(3) that is attributable to services performed before January 1, 2009;

(v) a taxpayer that is engaged in two or more trades or businesses, unless that taxpayer makes this change for each trade or business so that the identical accrual method is used for each trade or business beginning with the year of change;

(vi) a cooperative organization described in §§ 501(c)(12), 521, or 1381;

(vii) an individual taxpayer, except for activities conducted as a sole proprietorship;

(viii) a taxpayer with an AFS that wants to make a change in method of accounting for allocating transaction price between item(s) of gross income that are subject to § 451 and item(s) of gross income that are subject to a special method of accounting, as defined in § 451(b)(2), proposed § 1.451-3(c)(5) or § 1.451-3(a)(14), as applicable, including a change to comply with the transaction price allocation rules in § 1.451-3(d)(5);

(ix) a taxpayer with an AFS that wants to change to use the AFS cost offset method, as defined in § 1.451-3(c), if the taxpayer receives advance payments from the sale of inventory and does not also make a concurrent change to apply the advance payment cost offset method, as defined in § 1.451-8(e), for the same year of change by using section 16.12 of this revenue procedure, or a taxpayer with an AFS that wants to change to use the advance payment cost offset method if the taxpayer is required to include gross income from the sale of inventory under § 1.451-3 and does not also make a change to apply the AFS cost offset method;

(x) a taxpayer with an AFS that wants to make a change in method



of accounting for specified fees as defined in proposed § 1.451-3(i)(2) or § 1.451-3(j)(2), as applicable, other than specified credit card fees;

(xi) a taxpayer that wants to make a change in method of accounting for payments within the scope of the specified good exception, as defined in § 1.451-8(a)(1)(ii), if the proposed method of accounting is to include such payments in gross income under § 1.451-3 in one or more taxable years following the taxable year of receipt; or

(xii) a taxpayer with an AFS that makes a change to apply § 1.451-3 for a taxable year that begins before January 1, 2021, and fails to comply with the requirements in § 1.451-3(m)(3).

(2) Definitions.

(a) Cash method of accounting is the method identified by § 446(c)(1) and §§ 1.446-1(c)(1)(i), 1.451-1(a), and 1.461-1(a)(1). In addition, solely for purposes of this section 15.01, a method of accounting in which a taxpayer uses an accrual method for purchases and sales of inventories, and uses the cash method for computing all other items of income and expense is deemed to be a cash method of accounting and not a hybrid method of accounting.

(b) Accrual method of accounting is a method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(ii), 1.451-1(a), 1.451-3, and 1.461-1(a)(2). For a taxable year beginning after December 31, 2017, for which the taxpayer has an AFS, the all events test under § 451(b)(1)(C) and § 1.451-1(a) for any item of gross income, or portion

thereof, is met no later than when that item, or portion thereof, is taken into account as AFS revenue. See § 451(b)(1) and § 1.451-3(b).

(c) Recurring item exception is the method described in § 461(h)(3) and § 1.461-5.

(d) Special method of accounting within the meaning of this section 15.01 is a method of accounting, other than the cash method, expressly permitted or required by the Code, regulations, or in other guidance published in the IRB, that deviates from the tax accrual accounting rules of §§ 446, 451, 461, and the regulations thereunder. For purposes of this section 15.01, a deferral method under § 451(c) and the regulations thereunder is deemed to be a special method of accounting. Examples of special methods of accounting include the installment method of accounting under § 453, the mark-to-market method under § 475, and a long-term contract method under § 460. In contrast, application of the all-events test under a specific set of facts is not a special method of accounting. See, for example, Rev. Rul. 69-314, 1969-1 C.B. 139 concerning the treatment of retainages.

(e) Hybrid method of accounting is a combination of the cash and accrual methods under which one or more items of income or expense are reported on the cash method and one or more items of income or expense are reported on an accrual method. For purposes of this section 15.01, a hybrid method of accounting does not include a method of accounting in which a taxpayer uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense.

(3) Manner of making change.

(a) Section 481(a) adjustment.

(i) In general. A taxpayer changing its method of accounting under this section 15.01 must compute a § 481(a) adjustment. This adjustment must reflect the account receivables, account payables, inventory, and any other item determined to be necessary in order to prevent items from being duplicated or omitted. However, the adjustment does not include any item of income accrued but not received that was worthless or partially worthless, within the meaning of § 166(a), on the last day of the year immediately prior to the year of change.

(ii) Temporary rule for certain S corporation revocations. The rules in this section 15.01(3)(a)(ii) apply to an eligible terminated S corporation, as defined in § 481(d)(2), that changes to an overall accrual method of accounting in the C corporation's first taxable year after its revocation of its election under § 1362(a), and such revocation occurs during the two-year period beginning on December 22, 2017.

(A) Required spread period. Pursuant to § 481(d)(1), an eligible terminated S corporation required to change to an overall accrual method as a result of a revocation of its S corporation election that changes its method of accounting under this section 15.01 in the C corporation's first taxable year after such revocation, takes into account the resulting positive or negative adjustment required by § 481(a)(2) ratably during the six-year period beginning with the year of change.

(B) Optional six-year spread period. An eligible terminated S corporation that is permitted to continue to use the overall cash method after the

revocation of its S corporation election, and that changes to an overall accrual method under this section 15.01 in the C corporation's first taxable year after such revocation, may take into account the resulting positive or negative adjustment required by § 481(a)(2) ratably during the six-year period beginning with the year of change instead of using the adjustment periods provided in section 7.03(1) of Rev. Proc. 2015-13. An eligible terminated S corporation that wants to use this six-year spread period must indicate in the statement required by Line 26 of Form 3115 (Rev. December 2018) that it is making the change in method of accounting with the spread period permitted under this section 15.01(3)(a)(ii)(B) on its timely filed Form 3115.

(iii) Section 481(a) adjustment period for changes relating to specified credit card fees. In the case of income from a specified credit card fee, the § 481(a) adjustment period for any qualified change in method of accounting is six taxable years (year of change and next five taxable years). For purposes of this section 15.01(3)(a)(iii), a qualified change in method of accounting is a change in method of accounting for income from a specified credit card fee to a method that is required by § 451(b), as added by section 13221 of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), commonly referred to the Tax Cuts and Jobs Act (TCJA), for such income, but only for the taxpayer's first taxable year beginning after December 31, 2018. Accordingly, a taxpayer that makes a qualified change in method of accounting as part of its overall method change under section 15.01 of this revenue procedure is required to use an adjustment period of six taxable years for the portion of the overall § 481(a) adjustment that is attributable to the qualified change in method of accounting.

The § 481(a) adjustment period for the remainder of the overall § 481(a) adjustment required by section 15.01(3)(a)(i) of this revenue procedure is determined without regard to the qualified change in method of accounting.

(b) Change to comply with § 1.451-3. A taxpayer that uses section 15.01(1)(a) of this revenue procedure to comply with § 1.451-3 must attach a statement to its Form 3115, Application for Change in Accounting Method (Rev. December 2018) that provides a description of the proposed method(s) under § 1.451-3 to which it is changing. For example, a taxpayer that chooses to apply the alternative AFS revenue method in § 1.451-3(b)(2)(ii) must indicate in the statement attached to its Form 3115 that it is choosing to comply with the AFS income inclusion rule in § 1.451-3(b)(1) by applying the alternative AFS revenue method described in § 1.451-3(b)(2)(ii).

(c) Adoption of recurring item exception. The taxpayer must attach to its Form 3115 a statement describing the types of liabilities for which the recurring item exception will be used.

(d) Concurrent automatic change to a special method.

(i) Generally only one Form 3115 required. Except as provided in section 15.01(3)(e)(ii) of this revenue procedure, a taxpayer that is changing from the overall cash method to an overall accrual method under this section 15.01 and changing to one or more special methods, as permitted under section 15.01(1)(a)(ii), (iii), or (iv) of this revenue procedure, must timely file a single Form 3115 for all changes and must enter the designated automatic accounting method change numbers for all changes on the appropriate line of Form 3115. For example, a taxpayer making both a change

from the overall cash method to an overall accrual method under this section 15.01 and a change to the deferral method for advance payments under section 16.07 or 16.12 of this revenue procedure must timely file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(ii) Two Forms 3115 required when a concurrent change is being implemented under section 32.01 of this revenue procedure for short-term obligations.

When a taxpayer subject to § 1281 is changing its method of accounting for interest income on short-term obligations as part of the change to an overall accrual method under this section 15.01, that taxpayer must request the change for the interest income under section 32.01 of this revenue procedure. The taxpayer must timely file individual Forms 3115 for each change requested. This section 15.01 will govern the change to an overall accrual method.

(e) Concurrent change in accounting method not permitted to be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB. A taxpayer that does not qualify to change from the overall cash method to an overall accrual method under this section 15.01 because that taxpayer is concurrently changing to a method of accounting that may not be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other

guidance published in the IRB, must timely request both changes using the non-automatic change procedures in Rev. Proc. 2015-13. See Rev. Proc. 2021-1, 2021-1 I.R.B. 1 (or successor), for more information on whether one Form 3115 is required to request the changes, and for information on the appropriate user fee.

(4) Change made in the taxpayer's first § 448 year or a mandatory § 448 year, as applicable.

(a) First § 448 year. If the year of change is the first § 448 year for a taxpayer that qualifies to make the change from the cash method under the provisions of § 1.448-1(g) and (h) as well as this section 15.01, that taxpayer may choose to comply with the requirements and provisions of §§ 1.448-1(g) and (h) in addition to the requirements and provisions of this section 15.01. For example, if the taxpayer is a hospital, defined in § 1.448-1(g)(2)(ii)(B), and the taxpayer chooses to make its change from the cash method for the first § 448 year, as defined in § 1.448-1(g), using this section 15.01, the applicable § 481(a) adjustment period is provided by § 1.448-1(g)(2)(ii). If a taxpayer chooses not to implement its change from the cash method using this section 15.01, the taxpayer must make the change under the provisions of §§ 1.448-1(g) and (h).

(b) Mandatory § 448 year. For a taxpayer applying proposed § 1.448-2 or § 1.448-2, as applicable, if the year of change is a mandatory § 448 year, as defined in proposed § 1.448-2(g)(1) or § 1.448-2(g)(1), as applicable, such taxpayer makes the change from the cash method to an accrual method under the provisions of this section 15.01, and must comply with all the requirements and provisions of

proposed § 1.448-2(g) or § 1.448-2(g), as applicable, in addition to the requirements and provisions of this section 15.01.

(5) Eligibility rules inapplicable.

(a) Prior change eligibility rule inapplicable. Any prior change to the overall cash method that the taxpayer implemented using the provisions of Rev. Proc. 2001-10, as modified by Rev. Proc. 2011-14, or Rev. Proc. 2002-28, as modified by Rev. Proc. 2011-14, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13. Additionally, for a taxpayer making a change from the cash method in the first § 448 year, a mandatory § 448 year, or a mandatory § 447 year, as applicable, any prior change to the overall cash method is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

(b) Eligibility rule temporarily inapplicable for changes to comply with § 451(b). For a taxpayer with an AFS that changes to an overall accrual method under this section 15.01 that complies with § 451(b)(1), and, if applicable, § 451(b)(4), or proposed § 1.451-3, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to such change for the taxpayer's first, second or third taxable year beginning after December 31, 2017, provided such taxable year begins before January 1, 2021. In addition, for a taxpayer with an AFS that changes to an overall accrual method under this section 15.01 that complies with § 1.451-3 for a taxable year beginning before January 1, 2021, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to such change for such taxable year. For a taxpayer with an AFS that does not apply § 1.451-3 for a taxable year beginning before



January 1, 2021, and changes to an overall accrual method under this section 15.01 that complies with § 1.451-3 for the first taxable year that begins on or after January 1, 2021, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to such change for such taxable year.

(6) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under this section 15.01 is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4). This section 15.01(6) does not apply to a taxpayer with an AFS that is making a change to a method of accounting permissible under proposed § 1.451-3 or § 1.451-3.

(7) Designated automatic accounting method change number.

(a) Change made in the first § 448 year. The designated automatic accounting method change number for a change from the cash method to an accrual method in the first § 448 year is “123.” Entering designated automatic accounting method change number “123” on the appropriate line on the Form 3115 fulfills the requirement of § 1.448-1(h)(2)(i) to type or print “Automatic Change to Accrual Method – Section 448” at the top of page 1 of the Form 3115.

(b) Change made in the mandatory § 448 year. The designated automatic accounting method change number for a change from the cash method to an

accrual method in the mandatory § 448 year is “257.”

(c) Change made for a taxpayer subject to § 447. The designated automatic accounting method change number for a change from the cash method to an accrual method for a taxpayer subject to § 447 under this section 15.01 is “258.”

(d) All other changes from the cash method to an overall accrual method. The designated automatic accounting method change number for all other changes from the cash method to an accrual method under this section 15.01 is “122.”

(8) Contact information. For further information regarding a change under this section, contact Megan McLaughlin at (202) 317-7007 (not a toll-free number).

.06 Modifications to section 15.03 of Rev. Proc. 2019-43, related to taxpayers changing to overall cash method. Section 15.03 of Rev. Proc. 2019-43 is modified to read as follows:

.03 Reserved.

.07 Modifications to section 15.04 of Rev. Proc. 2019-43, related to nonaccrual-experience method. Section 15.04(3) of Rev. Proc. 2019-43 is modified to read as follows:

(3) Concurrent change to overall accrual method and a NAE method of accounting. A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and an automatic change to an overall accrual method under section 15.01 of this revenue procedure (whether or not it is the taxpayer’s first § 448 year or mandatory § 448 year), must file a single Form 3115 for both changes. The taxpayer must complete all applicable sections of Form 3115,

including sections that apply to the change to an overall accrual method and to the change to a NAE method, and must enter the automatic accounting method change numbers for both changes on Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and a required change to an overall accrual method under § 448 for the taxpayer's first § 448 year, and is either not eligible to make the change to an overall accrual method under section 15.01 of this revenue procedure or chooses to make the change to an overall accrual method using the procedures of § 1.448-1(h)(2) for the taxpayer's first § 448 year, must make both changes (change to, from, or within a NAE method and change to an overall accrual method) on a single Form 3115. The taxpayer must follow the automatic change procedures of Rev. Proc. 2015-13 and this section 15.04 for the NAE change, and the procedures of § 1.448-1(h)(2) for the change to an overall accrual method for the taxpayer's first § 448 year except that entering the designated automatic accounting method change number "34" on the Form 3115 fulfills the requirement of § 1.448-1(h)(2) to type or print "Automatic Change to Accrual – Section 448" at the top of page 1 of the Form 3115. The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to the NAE method and must enter the designated automatic accounting method changes numbers for both changes on Form 3115.

.08 Modifications to section 15.18 of Rev. Proc. 2019-43, related to small business

taxpayer changing to overall cash method. Section 15.18 of Rev. Proc. 2019-43 is modified to read as follows:

.18 Small business taxpayer changing to overall cash method, or to a method of accounting in which a small business taxpayer uses an accrual method for purchases and sales of inventories and uses the cash method for computing all other items of income and expense.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 15.18(4)(a) of this revenue procedure, that wants to make a change in method of accounting described in section 15.18(2) of this revenue procedure. This change includes a change to account for any exempt construction contracts described in § 1.460-3(b)(1)(ii) under the cash method or, in the case of an exempt construction contract described in § 1.460-3(b)(1)(ii) that includes the sale of inventory, a method of accounting that uses an accrual method for purchases and sales of such inventory and the cash method for computing all other items of income and expense from such contract. A small business taxpayer may be required to use a method of accounting other than the cash method for one or more items of income or expense under certain provisions of the Code or regulations, including, for example §§ 475 and 1272.

(2) Applicability. This change applies to a small business taxpayer that wants to:

(a) change from an overall accrual method of accounting to the overall cash method of accounting for a trade or business, and is otherwise not prohibited from

using the overall cash method or required to use another overall method of accounting;

(b) change from an overall accrual method of accounting for a trade or business to an accrual method for purchases and sales of inventories (inventories) and the cash method for computing all other items of income and expense, and is otherwise not prohibited from using the cash method under § 448 or required to use another overall method of accounting, such as an accrual method under § 447; or

(c) change from the overall cash method of accounting for a trade or business to an accrual method for purchases and sales of inventories (inventories) and the cash method for computing all other items of income and expense and is otherwise not prohibited from using the cash method under § 448 or required to use another overall method of accounting, such as an accrual method under § 447.

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

(a) Banks changing to hybrid method. This change does not apply to a bank described in section 15.12(2)(a) of this revenue procedure. However, such a bank may be eligible to change to the overall cash/hybrid method under section 15.12 of this revenue procedure if it meets the requirements of that section.

(b) Farmers changing to overall cash method. This change does not apply to a farming business changing to the overall cash method. See, however, section 15.13 of this revenue procedure.

(4) Special rules for open accounts receivable. Notwithstanding § 1001 and the accompanying regulations, a small business taxpayer that uses the overall cash method for a trade or business includes amounts attributable to open accounts

receivable, as defined in section 15.18(5)(c) of this revenue procedure, in income as the amounts are actually or constructively received on the receivables.

(5) Definitions.

(a) Small business taxpayer. “Small business taxpayer” means a taxpayer, other than a tax shelter under § 448(d)(3), proposed § 1.448-2(b)(2), or § 1.448-2(b)(2), as applicable, that meets the § 448(c) gross receipts test.

(b) Section 448(c) gross receipts test. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of \$25,000,000 or less (adjusted for inflation), as described in § 448(c), proposed §§ 1.448-2(c), proposed § 1.460-3(b)(3), § 1.448-2(c) or § 1.460-3(b)(3), as applicable. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted amount is \$26,000,000. See Rev. Proc. 2018-57, 2018-49 I.R.B. 827, Rev. Proc. 2019-44, 2019-47 I.R.B.1093 and Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, for the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

(c) Open accounts receivable. For purposes of this section 15.18, an open accounts receivable is any receivable that is due in full in 120 days or less and that is not subject to § 475.

(6) Eligibility rules.

(a) Eligibility rule inapplicable. For a change described in section 15.18(2) of this revenue procedure, any prior change in method of accounting to an overall accrual method that was made in the taxpayer’s first § 448 year (as defined in

section 15.01(1)(a) of this revenue procedure), a mandatory § 448 year (as defined in proposed § 1.448-2(g)(1) or § 1.448-2(g)(1), as applicable)), or a mandatory § 447 year (as defined in section 15.01(1)(a) of this revenue procedure), as applicable, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

(b) Eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2017. In addition, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to a taxpayer's early application year, or, in the case of a taxpayer that does not apply § 1.448-2 in the early application year, the taxpayer's first taxable year beginning on or after January 5, 2021. For purposes of this section 15.18, "early application year" means the taxable year beginning before January 5, 2021, in which a taxpayer first applies § 1.448-2.

(7) Manner of making change.

(a) Acceleration of § 481(a) adjustment. If a taxpayer making a change to the cash method under this section 15.18 has a § 481(a) adjustment remaining on a prior overall change in method of accounting to an accrual method, then it must take the remaining portion of such prior § 481(a) adjustment into account in the year of change.

(b) Cut-off basis for exempt long-term contracts. A change to account for exempt construction contracts described in § 1.460-3(b)(1)(ii) under this section 15.18 is made on a cut-off basis and applies only to contracts entered into on or after the first day of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(8) Concurrent automatic changes. A small business taxpayer making a change under this section 15.18 and a change under section 12.16, 22.19 and/or 22.20 of this revenue procedure for the same year of change may file a single Form 3115 for such changes, provided the taxpayer enters the designated automatic accounting method change numbers for each change on the appropriate line of Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(9) Designated automatic accounting method change number.

(a) Change to overall cash method. The designated automatic accounting method change number for a change under section 15.18(2)(a) of this revenue procedure is “233.”

(b) Change to a method of accounting that uses an accrual method for inventories, and the cash method for computing all other items of income and expense. The designated automatic accounting method change number for a change under section 15.18(2)(b) or (c) of this revenue procedure is “259.”

(10) Contact information. For further information regarding a change under this section, contact Anna Gleysteen at (202) 317-7007 (not a toll-free number).

.09 Modifications to section 19.01 of Rev. Proc. 2019-43, related to small business taxpayer exceptions from requirement to account for certain long-term contracts under § 460 or to capitalize costs under § 263A for certain home construction contracts.

(1) Section 19.01(1) of Rev. Proc. 2019-43 is modified to read as follows:

(1) Description of change. This change applies to a taxpayer that (a) wants to change its method of accounting for exempt long-term construction contracts



described in § 460(e)(1)(B) from the percentage-of-completion method of accounting described in § 1.460-4(b) to an exempt contract method of accounting described in § 1.460-4(c); or (b) chooses to stop capitalizing costs under § 263A for home construction contracts described in § 460(e)(1)(A) and meets the requirements of § 460(e)(1)(B)(i) and (ii).

(2) Section 19.01(2) of Rev. Proc. 2019-43 is removed in its entirety, and sections 19.01(3) through 19.01(8) are redesignated as sections 19.01(2) through 19.01(7), respectively.

(3) Newly-redesignated section 19.01(2) of Rev. Proc. 2019-43 is modified to read as follows:

(2) Inapplicability. A taxpayer can use a method of accounting for its exempt long-term contracts that is different from the method used for contracts that are not exempt. Thus, a taxpayer must use the percentage-of-completion method of accounting for nonresidential long-term construction contracts that do not meet the requirements of § 460(e)(1)(B), proposed §1.460-3(b)(1)(ii), or §1.460-3(b)(1)(ii), as applicable, in the first taxable year it enters into such a contract, but must continue to use its exempt contract method of accounting for its existing exempt long-term construction contracts. Similarly, in the first taxable year that a taxpayer enters into a nonresidential long-term construction contract that meets the requirements of § 460(e)(1)(B), proposed §1.460-3(b)(1)(ii), or §1.460-3(b)(1)(ii), as applicable, the taxpayer can use a permissible exempt contract method of accounting for such a contract. Rev. Rul. 92-28, 1992-1 C.B. 153. Accordingly, only a taxpayer who

previously adopted the percentage-of-completion method of accounting for exempt long-term construction contracts and wants to change to another permissible exempt contract method of accounting is required to request consent to change under this section 19.01. Similarly, a taxpayer that enters into a home construction contract described in § 460(e)(1)(A) and that meets the requirements of § 460(e)(1)(B)(i) and (ii) requires consent to change its method of accounting to not capitalize costs under § 263A only if the taxpayer has previously applied § 263A to home construction contracts exempt from the capitalization requirement under § 460(e)(1).

(4) Newly-redesignated section 19.02(3) of Rev. Proc. 2019-43 is modified to read as follows:

(3) Manner of making change. This change is made on a cut-off basis and applies only to long-term construction contracts entered into on or after the first day of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

.10 Modification to section 22.01 of Rev. Proc. 2019-43, related to cash discounts. Section 22.01 of Rev. Proc. 2019-43 is modified to redesignate sections 22.01(2) through 22.01(5) as sections 22.01(3) through (6), respectively, and to add new section 22.01(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.11 Modification to section 22.02 of Rev. Proc. 2019-43, related to estimating inventory “shrinkage”. Section 22.02 of Rev. Proc. 2019-43 is modified to redesignate 22.02(2) through 22.02(4) as 22.02(3) through 22.02(5), respectively, and to add new section 22.02(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.12 Modifications to section 22.03 of Rev. Proc. 2019-43, related to small taxpayer exception from requirement to account for inventories under § 471. Section 22.03 of Rev. Proc. 2019-43 is modified to read as follows:

.03 Reserved.

.13 Modifications to section 22.04 of Rev. Proc. 2019-43, related to qualifying volume-related trade discounts. Section 22.04 of Rev. Proc. 2019-43 is modified to redesignate sections 22.04(2) through (4) as sections 22.04(3) through (5), respectively, and to add to new section 22.04(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.14 Modification to section 22.05 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, related to impermissible methods of identification and valuation of inventories.

Section 22.05(1)(b)(iii) of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, is modified to read as follows:

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure) or to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b);

.15 Modification to section 22.06 of Rev. Proc. 2019-43, related to core alternative valuation method. Section 22.06(1)(b) of Rev. Proc. 2019-43 is modified to read as follows:

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

(i) values its inventory of cores at cost, including a taxpayer using the LIFO inventory method, unless the taxpayer concurrently changes, under section 6.02 of Rev. Proc. 2003-20, from cost to the LCM method for its cores, including labor and overhead related to the cores in raw materials, work-in-process, and finished goods; or

(ii) accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.16 Modification to section 22.07 of Rev. Proc. 2019-43, related to replacement cost for automobile dealers' parts inventory. Section 22.07 of Rev. Proc. 2019-43 is modified to redesignate sections 22.07(2) through (4) as sections 22.07(3) through (5), respectively, and to add new section 22.07(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.17 Modification to section 22.08 of Rev. Proc. 2019-43, related to replacement cost for heavy equipment dealers' parts inventory. Section 22.08 of Rev. Proc. 2019-43 is modified to redesignate sections 22.08(2) through (5) as sections 22.08(3) through (6), respectively, and to add new section 22.08(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.18 Modification to section 22.09 of Rev. Proc. 2019-43, related to rotatable spare parts. Section 22.09 of Rev. Proc. 2019-43 is modified to redesignate sections 22.09(2) through (4) as sections 22.09(3) through (5), respectively, and to add to new section 22.09(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b),

or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.19 Modification to section 22.10 of Rev. Proc. 2019-43, related to advance trade discount method. Section 22.10 of Rev. Proc. 2019-43 is modified to redesignate sections 22.10(3) through (4) as sections 22.10(4) through (5), respectively, and to add new section 22.10(3) to read as follows:

(3) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.20 Modification to section 22.11 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, related to permissible methods of identification and valuation of inventories. Section 22.11(1)(b)(iii) of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, is modified to read as follows:

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure) or to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b); or

.21 Modification to section 22.12 of Rev. Proc. 2019-43, related to change in the official used vehicle guide utilized in valuing used vehicles. Section 22.12 of Rev. Proc. 2019-43 is modified to redesignate sections 22.12(2) through (3) as sections 22.12(3) through (4), respectively, and to add new section 22.12(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.22 Modification to section 22.13 of Rev. Proc. 2019-43, related to invoiced advertising association costs for new vehicle retail dealerships. Section 22.13 of Rev. Proc. 2019-43 is modified to redesignate sections 22.13(2) through (3) as sections 22.13(3) through (4), respectively, and to add new section 22.13(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.23 Modification to section 22.14 of Rev. Proc. 2019-43, related to rolling-average method of accounting for inventories. Section 22.14(1) of Rev. Proc. 2019-43 is modified to redesignate sections 22.14(2) through (4) as sections 22.14(3) through (5), respectively, and to add new section 22.14(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b),

or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b). See, however, section 22.18 of this revenue procedure for certain changes.

.24 Modification to section 22.15 of Rev. Proc. 2019-43, related to sales-based vendor chargebacks. Section 22.15 of Rev. Proc. 2019-43 is modified to redesignate sections 22.15(2) through (4) as sections 22.15(3) through (5), respectively, and to add new section 22.15(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.25 Modification to section 22.16 of Rev. Proc. 2019-43, related to certain changes to the cost complement of the retail inventory method. Section 22.16 of Rev. Proc. 2019-43 is modified to redesignate sections 22.16(2) through (6) as sections 22.16(3) through (7), respectively, and to add new section 22.16(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.26 Modification to section 22.17 of Rev. Proc. 2019-43, related to certain changes within the retail inventory method. Section 22.17 of Rev. Proc. 2019-43 is modified to



redesignate sections 22.17(2) through (3) as sections 22.17(3) through (4), respectively, and to add new section 22.17(2) to read as follows:

(2) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

.27 Modification to section 22.18 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, related to change from currently deducting inventories to permissible methods of identification and valuation of inventories. Section 22.18(1)(b)(iii) of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, is modified to read as follows:

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method. For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure) or to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b). See, however, section 22.19, 22.20 or 22.21 of this revenue procedure, as applicable; or

.28 Modifications to section 22.19 of Rev. Proc. 2019-43, related to small business taxpayer exception from requirement to account for inventories under § 471. Section 22.19 of Rev. Proc. 2019-43 is modified to read as follows:

.19 Small business taxpayer § 471(c) inventory methods.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 22.19(2) of this revenue procedure, that wants to change its § 471 method of accounting for inventory to one of the following methods provided in this section 22.19(1).

(a) Changes under § 471(c) or proposed § 1.471-1(b). For a taxable year beginning after December 31, 2017, and before January 5, 2021, a change to:

(i) a method that treats inventory as non-incidental materials and supplies (NIMS) under § 471(c)(1)(B)(i);

(ii) a method that treats inventory as NIMS under proposed § 1.471-1(b)(4);

(iii) a method that conforms to § 471(c)(1)(B)(ii) by using the taxpayer's method of accounting reflected in its applicable financial statements (AFS), as defined in § 451(b)(3), with respect to the taxable year, or if the taxpayer does not have an AFS for the taxable year, the books and records of the taxpayer prepared in accordance with the taxpayer's accounting procedures; or

(iv) the AFS section 471(c) method described in proposed § 1.471-1(b)(5), or if the taxpayer does not have an AFS for the taxable year, the non-AFS section 471(c) method described in proposed § 1.471-1(b)(6).

(b) Changes to a method under § 1.471-1(b). A change to:

(i) the section 471(c) NIMS inventory method provided in § 1.471-1(b)(4);

(ii) the AFS section 471(c) inventory method provided in § 1.471-1(b)(5), for taxpayers with an AFS, as defined in § 1.471-1(b)(5)(ii), or

(iii) the non-AFS section 471(c) inventory method provided in § 1.471-1(b)(6), for taxpayers that do not have an AFS, as defined in § 1.471-1(b)(5)(ii).

(2) Small business taxpayer defined. Small business taxpayer means a taxpayer, other than a tax shelter under § 448(d)(3), proposed § 1.448-2(b)(2), or § 1.448-2(b)(2), as applicable, that meets the gross receipts test as provided in § 448(c), proposed § 1.471-1(b)(2), or § 1.471-1(b)(2), as applicable. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of \$25,000,000 or less (adjusted for inflation), as described in § 448(c), proposed §§ 1.448-2(c), or § 1.448-2(c), as applicable. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted gross receipts test amount is \$26,000,000. See Rev. Proc. 2018-57, 2018-49 I.R.B. 827, Rev. Proc. 2019-44, 2019-47 I.R.B.1093, and Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, for the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

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

(i) any change described in section 22.20 of this revenue procedure;

or

(ii) any change from the LIFO inventory method under § 472. See however, section 23.01 of this revenue procedure.

(4) Acceleration of § 481 adjustment. If a taxpayer making a change under this section 22.19 has a § 481(a) adjustment remaining on a prior change in method of accounting to account for inventory in accordance with § 1.471-1(a), then it must take the remaining portion of such prior § 481(a) adjustment into account in the year of change.

(5) Eligibility rules.

(a) Eligibility rule inapplicable. For a change described in section 22.19(1) of this revenue procedure, if the taxpayer changed from accounting for inventory in accordance with § 471(c), proposed § 1.471-1(b) or § 1.471-1(b), as applicable, to accounting for inventory in accordance with § 1.471-1(a) within the prior five taxable years ending with the year of change, and such change was made in the first taxable year that the taxpayer did not qualify as a small business taxpayer, then such prior change is disregarded for purposes of section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.

(b) Eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to the changes described in this section 22.19 for a taxpayer's first, second, or third taxable year beginning after December 31, 2017. In addition, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a taxpayer's early application year, or, in the case of a taxpayer that does not apply § 1.471-1(b) in the early application year, the taxpayer's first taxable year beginning on or after January 5, 2021. For purposes of this section 22.19 "early application year" means the taxable year of change beginning before January 5, 2021,

in which a taxpayer first applies § 1.471-1(b).

(6) Manner of making change.

(a) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I;
- (iv) Part II, all lines except line 16; and
- (v) Part IV, all lines except line 25.

(b) Streamlined method change procedures for certain taxpayers.

(i) Applicability. The procedures described in this section 22.19(6)(b) may be used by a taxpayer to make a change in method of accounting described in section 22.19(1)(b) for the taxpayer's early application year, as defined in section 22.19(5)(b) of this revenue procedure. Additionally, in the case of a taxpayer that does not apply § 1.471-1(b) for a taxable year beginning before January 5, 2021, the procedures described in this section 22.19(6)(b) may be used to make a change in method of accounting described in section 22.19(1)(b) of this revenue procedure in the taxpayer's first taxable year beginning on or after January 5, 2021. A taxpayer that is otherwise permitted to use the streamlined method change procedures in this section 22.19(6)(b) may use these streamlined procedures if the taxpayer is making a change under section 22.19(1)(b) of this revenue procedure and the net § 481(a) adjustment required by such change is zero. Notwithstanding any provisions of this section 22.19,

a taxpayer making more than one change in method of accounting under this revenue procedure for the same year of change is not permitted to net the § 481(a) adjustments to determine if the taxpayer meets the requirements to use the streamlined method change procedures. See section 22.19(8) of this revenue procedure for more information on making concurrent changes.

(ii) No Form 3115 required. 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 section 22.19 using the streamlined method change procedures. Thus, a taxpayer using the streamlined method change procedures is not required to file a Form 3115 and is not required to attach a separate statement when making a change under this section 22.19(6)(b).

(7) No ruling on certain method of accounting used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 22.19(1)(a)(i) or (iii) of this revenue procedure is not a determination by the Commissioner that the proposed inventory method of accounting is permissible, and does not create any presumption that the proposed method is a permissible method of accounting under a provision of the Code. The director will ascertain whether the proposed method is permissible under the Code.

(8) Concurrent automatic changes. A taxpayer making a change under this section 22.19 and a change under section 15.18 and/or 12.16 of this revenue procedure for the same year of change may file a single Form 3115 for all changes provided the taxpayer enters the designated automatic change numbers for the changes on the

appropriate line of Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(9) Designated automatic accounting method change number.

(a) Change to apply section 471(c) NIMS inventory method, as provided in section 22.19(1)(b)(i) of this revenue procedure. The designated automatic accounting method change number for a change to apply the section 471(c) NIMS inventory method as provided in section 22.19(1)(b)(i) of this revenue procedure is “260.”

(b) Change to apply AFS section 471(c) inventory method or non-AFS section 471(c) inventory method, as provided in section 22.19(1)(b)(ii) or (iii) of this revenue procedure. The designated automatic accounting method change number for a change to apply the AFS section 471(c) method or the non-AFS section 471(c) method provided in section 22.19(1)(b)(ii) or (iii) of this revenue procedure is “261.”

(c) All other changes to a method described in section 22.19(1)(a) of this revenue procedure. The designated automatic accounting method change number for all other changes to a method of accounting for inventory described in section 22.19(1)(a) of this revenue procedure, is “235.”

(10) Contact information. For further information regarding a change under this section, contact Livia Piccolo at (202) 317-7007 (not a toll-free number).

.29 Section 22 of Rev. Proc. 2019-43 is modified to add new section 22.20 to read as follows:

.20 Changes within a section 471(c) inventory method.

(1) Description of change. This change applies to a small business taxpayer, as defined in section 22.19(2) of this revenue procedure, that:

(a) for a taxable year beginning after December 31, 2017, and before January 5, 2021, treats its inventory as non-incidentals materials and supplies (NIMS) under § 471(c)(1)(B)(i) and wants to change from one permissible method, as defined in section 22.11(1)(c) of this revenue procedure, of identifying or valuing inventories to another permissible method of identifying or valuing inventories. For example, a taxpayer that uses specific identification as its inventory identification method may change to using the first-in, first-out (FIFO) method for purposes of its NIMS method under § 471(c)(1)(B)(i) under this section 22.20;

(b) uses the section 471(c) NIMS inventory method as provided in § 1.471-1(b)(4) and wants to change:

(i) to a method of identification or valuation permitted by § 1.471-1(b)(4)(ii) such as, for example, specific identification, FIFO, cost or average cost;

(ii) its allocation method to a method permitted by § 1.471-1(b)(4)(iii);

or

(iii) to capitalize a direct cost of property produced or acquired for resale, or to deduct an indirect cost of property produced or acquired for resale, as provided in § 1.471-1(b)(4)(ii).

(c) for a taxable year beginning after December 31, 2017, and before January 5, 2021, uses a method conforming to § 471(c)(1)(B)(ii) by using the taxpayer's method of accounting for inventory reflected in its applicable financial statements (AFS),



as defined in § 451(b)(3), with respect to the taxable year, or if the taxpayer does not have an AFS for the taxable year, the books and records of the taxpayer prepared in accordance with the taxpayer's accounting procedures, and wants to change the manner in which it accounts for inventory in its AFS or books and records, as applicable; and is required to use such method of accounting for inventory in its AFS or its books and records, as applicable, for purposes of applying § 471(c)(1)(B)(ii); or

(d) uses the AFS section 471(c) inventory method provided in § 1.471-1(b)(5), or if the taxpayer does not have an AFS as defined in § 1.471-1(b)(5)(ii) for the taxable year, the non-AFS section 471(c) inventory method provided in § 1.471-1(b)(6), and wants to change the manner in which it accounts for inventory in its AFS or books and records, as applicable; and is required to use such method of accounting for inventory in its AFS or its books and records, as applicable, in applying the AFS section 471(c) inventory method in § 1.471-1(b)(5), or the non-AFS section 471(c) inventory method in § 1.471-1(b)(6), as applicable.

(2) Eligibility rules.

(a) Eligibility rule inapplicable. The eligibility rule in section 5.01(f) of Rev. Proc. 2015-13 does not apply to a change described in section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure.

(3) Section 481(a) adjustment period. Beginning with the year of change, a taxpayer making a change described in section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure must take any applicable net positive § 481(a) adjustment for such change into account ratably over the same number of taxable years, not to exceed four,

that the taxpayer used its former method of accounting. Additionally, a taxpayer making a change described in section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure that has a § 481(a) adjustment remaining on a prior change in method of accounting that is described in section 22.20(1)(c) or section 22.20(1)(d) of this revenue procedure must take the remaining portion of such prior § 481(a) adjustment into account in the year of change.

(4) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:

(a) The identification section of page 1 (above Part I);

(b) The signature section at the bottom of page 1;

(c) Part I;

(d) Part II, all lines except lines 7, 16b and 16c. In the response to line 16a, include a statement that the taxpayer satisfies the § 448(c) gross receipts test for the year of change.

(e) Part IV, all lines except line 25; and

(f) Schedule D, Part II, lines 1-3.

(5) Concurrent automatic changes. A taxpayer that wants to make one or more concurrent changes in method of accounting under this section 22.20 or wants to make a change under this section 22.20 and a change under sections 15.18 or 12.16 of this revenue procedure for the same year of change may file a single Form 3115 for such changes, provided the taxpayer enters the designated automatic accounting method change numbers for each change on the appropriate lines of the Form 3115. See

section 6.03(1)(b) of Rev. Proc. 2015-13 for more information on making concurrent changes.

(6) No audit protection. A taxpayer making a change in method of accounting for inventory under section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure does not receive audit protection under section 8.01 of Rev. Proc. 2015-13.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.20 is “262.”

(8) Contact information. For further information regarding a change under this section, contact Livia Piccolo at (202) 317-7007 (not a toll-free number).

.30 Section 22 of Rev. Proc. 2019-43 is modified to add new section 22.21 to read as follows:

.21 Change from a small business taxpayer § 471(c) inventory method to an inventory method under § 471(a).

(1) Description of change. This change applies to a taxpayer that wants to change from using a small business taxpayer inventory method under § 471(c), proposed § 1.471-1(b)(4), (5), or (6), or § 1.471-1(b)(4), (5) or (6), as applicable, to accounting for inventory in accordance with § 471(a) and § 1.471-1(a).

(2) Inapplicability. This change does not apply to any change within the last-in, first-out (LIFO) inventory method.

(3) Eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a change described in section

22.21(1) of this revenue procedure if such change is being made in the first taxable year that the taxpayer does not qualify as a small business taxpayer as defined in section 22.19(2) of this revenue procedure.

(4) Concurrent automatic changes. A taxpayer making a change under this section 22.21 and a change under sections 12.01 or 12.02 and/or 15.01 of this revenue procedure for the same year of change may file a single Form 3115 for such changes, provided the taxpayer enters the designated automatic accounting method change numbers for each change on the appropriate lines of the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for more information on making concurrent changes.

(5) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 22.21 is “263.”

(6) Contact information. For further information regarding a change under this section, contact Livia Piccolo at (202) 317-7007 (not a toll-free number).

.31 Modifications to section 23.01 of Rev. Proc. 2019-43.

(1) Section 23.01(1)(b)(ii) of Rev. Proc. 2019-43 is modified to add a new sentence at the end of the paragraph to read as follows: “A permitted method includes a method described in § 471(c), proposed § 1.471-1(b)(4), (5) or (6), or § 1.471-1(b)(4), (5) or (6), as applicable, provided the taxpayer is a small business taxpayer as defined in section 22.19(2) of this revenue procedure.”

(2) Section 23.01(2) of Rev. Proc. 2019-43 is modified to read as follows:

(2) Eligibility rules.

(a) Eligibility rules inapplicable.

(i) The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply for the first taxable year that the taxpayer does not or will not comply with the requirements of § 472(e)(2) because the taxpayer has applied or will apply International Financial Reporting Standards in its financial statements or because the taxpayer has been acquired by an entity that has not or will not use the LIFO method in its financial statements.

(ii) For a change by a small business taxpayer to a permitted method described in the last sentence of section 23.01(1)(b)(ii) of this revenue procedure, if the taxpayer changed from accounting for inventory in accordance with § 471(c), proposed § 1.471-1(b) or § 1.471-1(b), as applicable, to accounting for inventory in accordance with § 472 and the accompanying regulations within the prior five taxable years ending with the year of change, and such change was made in the first taxable year that the taxpayer did not qualify as a small business taxpayer, then such change is disregarded for purposes of section 5.01(1)(f) of Rev. Proc. 2015-13.

(b) Eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a taxpayer's early application year, or, in the case of a taxpayer that does not apply § 1.471-1(b) in the early application year, the taxpayer's first taxable year beginning on or after January 5, 2021. For purposes of this section 23.01, "early application year" means the taxable year of change beginning before January 5, 2021, in which a taxpayer first applies § 1.471-1(b).

(3) Section 23.01 of Rev. Proc. 2019-43 is modified to redesignate existing

paragraphs (8) and (9) as paragraph (9) and (10), respectively, and add a new paragraph (8) to read as follows:

(8) No ruling on certain method of accounting used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made by a small business taxpayer to an inventory method in accordance with § 471(c) under this section 23.01 of this revenue procedure is not a determination by the Commissioner that the proposed inventory method of accounting is permissible and does not create any presumption that the proposed method is a permissible method of accounting under a provision of the Code. The director will ascertain whether the proposed method is permissible under the Code. This section 23.01(8) does not apply to a small business taxpayer that is making a change to a method of accounting permissible under proposed § 1.471-1(b) or § 1.471-1(b).

#### SECTION 4. MODIFICATION TO REV. PROC. 2018-40

Section 3.04 of Rev. Proc. 2018-40 is removed in its entirety.

#### SECTION 5. REVOCATION OF ELECTION UNDER PROPOSED § 1.448-2(b)(2)(iii)(B)

.01 Scope. Section 5 of this revenue procedure applies to a taxpayer that applied proposed § 1.448-2 for a taxable year beginning after December 31, 2017, and before January 5, 2021, made an election under proposed § 1.448-2(b)(2)(iii)(B), and either:

(1) chooses not to early apply the final regulations under § 1.448-2 for a taxable year beginning after December 31, 2017, and before January 5, 2021; or

(2) chooses to early apply the final regulations under § 1.448-2 for a taxable year beginning after December 31, 2017, and before January 5, 2021, and all subsequent taxable years.

.02 Consent granted to revoke proposed syndicate election.

(1) In general. The Commissioner grants a taxpayer described in section 5.01(1) or 5.01(2) of this revenue procedure consent to revoke its election made under proposed § 1.448-2(b)(2)(iii)(B), provided the taxpayer revokes the election in the time and manner described in section 5.02(2) or 5.02(3) of this revenue procedure, as applicable. Proposed § 1.448-2(b)(2)(iii)(B) permits a taxpayer to elect to use the allocated taxable income or loss of the immediately preceding taxable year to determine whether the taxpayer is a syndicate for purposes of § 448(d)(3) for the current taxable year. The election under proposed § 1.448-2(b)(2)(iii)(B) applies to the election year and all subsequent taxable years, unless the Commissioner provides the taxpayer with consent to revoke the election.

(2) Taxable years beginning on or after January 5, 2021. For a taxpayer described in section 5.01(1) of this revenue procedure, its election under proposed § 1.448-2(b)(2)(iii)(B) is automatically revoked beginning with the taxpayer's first taxable year beginning on or after January 5, 2021, and for all subsequent taxable years. Beginning with the taxpayer's first taxable year beginning on or after January 5, 2021, a taxpayer is required to apply § 1.448-2, and follow the time and manner of making the annual election provided in § 1.448-2(b)(2)(iii)(B)(2), as applicable. For example, a taxpayer that wants to make an annual election under § 1.448-2(b)(2)(iii)(B)(2) for its

first taxable year beginning on or after January 5, 2021 must attach a statement to its timely filed original Federal income tax return, including extensions, for such taxable year indicating that the taxpayer is making the election under §1.448-2(b)(2)(iii)(B). See § 1.448-2(b)(2)(iii)(B)(2). In addition, notwithstanding section 5.02(3) of this revenue procedure, for a taxpayer that early applies the final regulations under § 1.448-2 for a taxable year beginning before January 5, 2021, the election under proposed § 1.448-2(b)(2)(iii)(B) is automatically revoked for all taxable years beginning on or after January 5, 2021. However, see section 5.02(3) of this revenue procedure for procedures to revoke such election for a taxable year beginning before January 5, 2021.

(3) For taxable years beginning after December 31, 2017, and before January 5, 2021. The Commissioner provides deemed consent to a taxpayer described in section 5.01(2) of this revenue procedure to revoke its election made under proposed § 1.448-2(b)(2)(iii)(B) for the taxpayer's taxable year beginning after December 31, 2017, and before January 5, 2021, and for all subsequent taxable years if a taxpayer described in section 5.01(2) of this revenue procedure uses one of the following procedures to indicate the taxpayer is applying § 1.448-2 for such taxable years:

(a) Makes an election under § 1.448-2(b)(2)(iii)(B)(2). Attaches a statement to its timely filed original Federal income tax return, including extensions, for the taxpayer's taxable year beginning after December 31, 2017, and before January 5, 2021, indicating that the taxpayer is applying § 1.448-2 in T.D. 9942 (86 FR 254) and making the election under §1.448-2(b)(2)(iii)(B). See § 1.448-2(b)(2)(iii)(B)(2).



(b) Does not make an election under § 1.448-2(b)(iii)(B)(2). A taxpayer described in section 5.01(2) of this revenue procedure that does not wish to make an election under § 1.448-2(b)(iii)(B)(2) for the first taxable year it applies the final regulations contained in T.D. 9942, has the consent of the Commissioner to revoke its election under proposed § 1.448-2(b)(2)(iii)(B) beginning with the first taxable year in which the taxpayer applies the final regulations (T.D. 9942) and for all subsequent taxable years if the taxpayer attaches a statement to its timely filed Federal income tax return, including extensions, for such taxable year, which states that the taxpayer:

(i) is applying § 1.448-2 of T.D. 9942 for the taxable year and all subsequent taxable years;

(ii) is not making an election under § 1.448-2(b)(2)(iii)(B) for the taxable year.

(c) Timely filed accounting method change applying T.D. 9942 (86 FR 254). Timely files a Form 3115, Application for Change in Accounting Method, with the taxpayer's timely filed original Federal income tax return to change to a method of accounting to comply with the final regulations contained in T.D. 9942 for a taxable year beginning after December 31, 2017, and before January 5, 2021, under sections 12.01, 12.02, 12.16, 15.01, 15.04, 15.18, 19.01, 22.19, 22.20, 22.21 or 23.01 of Rev. Proc. 2019-43, as modified by section 3 this revenue procedure, using the automatic change procedures in Rev. Proc. 2015-13 (or successor). A taxpayer that applies any aspect of the final regulations under a particular Code provision must follow all the applicable rules contained in the regulations that relate to that Code provision for such taxable year

and subsequent taxable years, including § 1.448-2 to determine whether the taxpayer is eligible for the exemption. See, for example, a change in method of accounting described in section 12.16 (see method under § 1.263A-1(j)), 22.18 (see methods under § 1.471-1(b)) or 22.19 (see method under § 1.471-1(b)(5)) of Rev. Proc. 2019-43. The filing of a Form 3115 under this section 5.02(3)(b) only revokes the election made under proposed § 1.448-2(b)(2)(iii)(B) but does not satisfy the election requirements of § 1.448-2(b)(2)(iii)(B)(2) for a taxable year. A taxpayer that wants to make an election under § 1.448-2(b)(2)(iii)(B) for a taxable year must follow the time and manner of making the election in accordance with § 1.448-2(b)(2)(iii)(B)(2).

#### SECTION 6. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies and amplifies Rev. Proc. 2019-43.

This revenue procedure modifies section 3 of Rev. Proc. 2018-40 to remove section 3.04 of Rev. Proc. 2018-40 in its entirety.

#### SECTION 7. EFFECTIVE DATE

.01 In general. Except as otherwise provided under this section 7, this revenue procedure is effective for a Form 3115 filed on or after December 16, 2021.

.02 Transition rule.

(1) Certain inapplicability paragraph disregarded for a limited time. If, on or before December 16, 2021, a taxpayer properly filed the duplicate copy of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in sections 22.01, 22.02, or 22.04 through 22.18 of Rev. Proc. 2019-43, before the modifications made by this revenue procedure, and the change in

method of accounting is also described in sections 22.19 or 22.20 of Rev. Proc. 2019-43, as modified by this revenue procedure, then the inapplicability paragraph that prevents a taxpayer that accounts for inventory under section § 471(c), proposed § 1.471-1(b), or § 1.471-1(b) from making an automatic change in method of accounting under sections 22.01, 22.02 and 22.04 through 22.18 of Rev. Proc. 2019-43 will be disregarded.

(2) Limited time period to convert a Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015-13. If on or before December 16, 2021, a taxpayer properly filed a Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13 requesting the Commissioner's 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 December 16, 2021, the taxpayer may choose to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 if the taxpayer is otherwise eligible to use this revenue procedure and the automatic change procedures in Rev. Proc. 2015-13. The taxpayer must notify the national office contact person for the Form 3115 (if unknown, see section 9.08(6) of Rev. Proc. 2021-1, 2021-1 I.R.B. 1, 51 (or any successor)) of the taxpayer's intent to make the change in method of accounting under this revenue procedure before the later of: (a) January 18, 2022, or (b) the issuance of a letter ruling granting or denying consent for the revocation. The notification should indicate that the taxpayer chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015-13. If the taxpayer timely notifies the national office that it chooses to convert the Form 3115

to the automatic change procedures in Rev. Proc. 2015-13, the national office will send a letter to the taxpayer acknowledging its request and will return the user fee submitted with the Form 3115.

A taxpayer converting a Form 3115 to the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in this revenue procedure must resubmit a Form 3115 that conforms to the automatic change procedures, with a copy of the national office letter sent acknowledging the taxpayer's request attached, to the IRS in accordance with section 9.06 of Rev. Proc. 2021-1 (or its successor), by the earlier of (a) the 60th calendar day after the date of the national office's letter acknowledging the taxpayer's request, or (b) the date the taxpayer is required to file the duplicate copy of the Form 3115 under section 6.03(1)(a)(i)(B) of Rev. Proc. 2015-13. See section 6.03(3) of Rev. Proc. 2015-13 regarding additional required copies of Form 3115. The duplicate copy of the timely resubmitted Form 3115 filed in accordance with this section 7.02(2) will be considered filed as of the date the taxpayer originally filed the converted Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13. This section 7.02(2) does not extend the date the taxpayer must file the original (converted) Form 3115 under section 6.03(1)(a)(i)(A) of Rev. Proc. 2015-13.

(3) Forms 3115 for changes in methods of accounting that can no longer be filed under the automatic change procedures. The following transition rules apply to the changes in method of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015-13 because of changes made in this revenue

procedure.

(a) If before December 16, 2021, a taxpayer properly filed the duplicate copy of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015-13 as a result of modifications made by this revenue procedure, the taxpayer may make that change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 for the year of change.

(b) If before December 16, 2021, a taxpayer did not properly file the original, or the duplicate copy, of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting that can no longer be filed under the automatic change procedures in Rev. Proc. 2015-13, the taxpayer must make that change in method of accounting under the non-automatic change procedures in Rev. Proc. 2015-13.

## SECTION 8. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been submitted to the Office of Management and Budget for review under OMB control number 1545-0123 in accordance with the Paperwork Reduction Act (44 U.S.C. 3507(d)). 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 collection of information in this revenue procedure is in section 5.02(3)(b). This information is necessary and will be used to determine whether the taxpayer properly revokes its election under proposed § 1.448-

2(b)(2)(iii)(B)(2) in accordance with the time and manner provided in this revenue procedure. The collections of information are required for the taxpayer to obtain consent revoke its election under proposed § 1.448-2(b)(2)(iii)(B)(2).

#### SECTION 9. DRAFTING INFORMATION

The principal author of this revenue procedure is Anna Gleysteen of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Livia Piccolo at (202) 317-7007 (not a toll-free call).