

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also: Part I, §§ 446, 166; 1.166-2.)

Rev. Proc. 2024-30

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2024-23, 2024-23 I.R.B. 1334, to provide procedures under § 446 of the Internal Revenue Code (Code) and § 1.446-1(e) of the Income Tax Regulations for obtaining automatic consent of the Commissioner of Internal Revenue (Commissioner) to change methods of accounting to the Allowance Charge-off Method described in a notice of proposed rulemaking (REG-121010-17) containing proposed regulations under section 166 (proposed § 1.166-2).¹

SECTION 2. BACKGROUND

.01 On December 28, 2023, the Department of the Treasury (Treasury) and the Internal Revenue Service (IRS) published proposed § 1.166-2 in the Federal Register (88 FR 89636). Proposed § 1.166-2 would provide a method to determine when a debt

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Code, the existing Income Tax Regulations (26 CFR part 1), or provisions of proposed § 1.166-2.

instrument held by a regulated financial company (as defined in proposed § 1.166-2(d)(4)(ii)) or a member of a regulated financial group (as defined in proposed § 1.166-2(d)(4)(iii)) is conclusively presumed to be worthless, in whole or in part, for purposes of the bad debt rules in § 166 (Allowance Charge-off Method). See proposed § 1.166-2(d)(1). Under the Allowance Charge-off Method, a debt instrument would be conclusively presumed to be worthless, in whole or in part, to the extent that the amount of any charge-off under proposed § 1.166-2(d)(1)(i) or (ii) is claimed as a deduction under § 166 on the relevant Federal income tax return for the taxable year in which the charge-off takes place.

.02 Proposed § 1.166-2 generally would apply to charge-offs made by a regulated financial company or a member of a regulated financial group on its applicable financial statement that occur in taxable years ending on or after the date the final regulations are published in the Federal Register. However, until the date the Treasury decision adopting proposed § 1.166-2 is published in the Federal Register, a regulated financial company or a member of a regulated financial group may rely on proposed § 1.166-2 for charge-offs made on its applicable financial statement that occur in taxable years ending on or after December 28, 2023, and before the final regulations are published in the Federal Register.

.03 After the proposed regulations were published, commenters requested that the Treasury Department and the IRS provide guidance on how taxpayers may change to the Allowance Charge-off Method for taxable years ending on or after December 28, 2023. In response to those comments, this revenue procedure allows a regulated financial company or a member of a regulated financial group to change its method of

accounting to the Allowance Charge-off Method using the automatic method change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2021-34, 2021-35 I.R.B. 337; by Rev. Proc. 2021-26, 2021-22 I.R.B. 1163; by Rev. Proc. 2017-59, 2017-48 I.R.B. 543; and by section 17.02(b) and (c) of Rev. Proc. 2016-1, 2016-1 I.R.B. 1.

.04 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. Section 1.446-1(e)(3)(i) states, in part, that except as otherwise provided under the authority of § 1.446-1(e)(3)(ii), to secure the Commissioner's consent to a taxpayer's change in method of accounting, the taxpayer generally must file a Form 3115, *Application for Change in Accounting Method*, with the Commissioner during the taxable year in which the taxpayer wants to make the change in method of accounting. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures under which taxpayers will be permitted to change their method of accounting. The administrative procedures will prescribe those terms and conditions necessary to obtain the Commissioner's consent to effect the change and to prevent amounts from being duplicated or omitted.

.05 Rev. Proc. 2015-13 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. Rev. Proc. 2024-23 contains the current List of Automatic Changes.

.06 Section 3 of this revenue procedure modifies Rev. Proc. 2024-23 to provide a

new automatic change in method of accounting for a taxpayer to change its method of accounting to the Allowance Charge-off Method described in proposed § 1.166-2(d)(1).

SECTION 3. MODIFICATION TO REV. PROC. 2024-23

Section 4 of Rev. Proc. 2024-23 is modified to add new section 4.03 to read as follows:

.03 Change to the Allowance Charge-off Method.

(1) Description of change.

(a) Applicability. This change applies to a regulated financial company (as defined in proposed § 1.166-2(d)(4)(ii)) or a member of a regulated financial group (as defined in proposed § 1.166-2(d)(4)(iii)) that wants to change its method of accounting to the Allowance Charge-off Method described in proposed § 1.166-2(d)(1). See Bad Debt Deductions for Regulated Financial Companies and Members of Regulated Financial Groups, 88 FR 89636 (Dec. 28, 2023).

(b) Inapplicability. This change does not apply to a bank (as defined in § 581) that wants to change its method of accounting for bad debts from the § 585 reserve method to the Allowance Charge-off Method described in proposed § 1.166-2(d)(1). Any change to the Allowance Charge-off Method requested by such a bank must be made under the non-automatic change procedures in Rev. Proc. 2015-13.

(2) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a change described in section 4.03(1)(a) of this revenue procedure for the taxpayer's first or second taxable year ending on or after December 28, 2023.

(3) Manner of making change.

(a) Charge-offs on or after beginning of the year of change. This change is made on a cut-off basis and only applies to charge-offs (as defined in proposed § 1.166-2(d)(4)(i)) made by a regulated financial company or a member of a regulated financial group on its applicable financial statement (as defined in proposed § 1.166-2(d)(4)(viii)) that occur on or after the beginning of the year of change. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) Charge-offs prior to the year of change. Any charge-offs that occurred prior to the year of change are accounted for under the taxpayer's former method of accounting, and any charge-offs that occur in the year of change and in subsequent taxable years are accounted for under the taxpayer's method of accounting for which consent is granted. In no event may a taxpayer take a deduction under its new method of accounting for any amount of debt previously deducted as worthless under its former method of accounting.

(4) Revocation of conformity election under existing § 1.166-2(d)(3). A regulated financial company or a member of a regulated financial group that previously made a conformity election under § 1.166-2(d)(3) and that changes its method of accounting under this section 4.03 is treated as having revoked its conformity election pursuant to § 1.166-2(d)(3)(iv).

(5) Contact information. For further information regarding a change under this section, contact Jason Kristall at (202) 317-6945 (not a toll-free number).

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change under this section 4.03 is "272."

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for charge-offs made by a regulated financial company or a member of a regulated financial group on its applicable financial statement that occur in taxable years ending on or after December 28, 2023.

SECTION 5. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies Rev. Proc. 2024-23.

SECTION 6. DRAFTING INFORMATION

The principal authors of this revenue procedure are Stephanie D. Floyd and Jason D. Kristall of the Office of Associate Chief Counsel (Financial Institutions and Products). For further information regarding this revenue procedure, contact Stephanie D. Floyd at (202) 317-7053 or Jason D. Kristall at (202) 317-6945 (not toll-free numbers).