

Internal Revenue bulletin

Bulletin No. 2000-20
May 15, 2000

HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

INCOME TAX

Rev. Rul. 2000-25, page 1006.

LIFO; price indexes; department stores. The March 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, March 31, 2000.

Rev. Proc. 2000-22, page 1008.

Methods of accounting; inventories; small taxpayers. This revenue procedure provides that the Commissioner will exercise his discretion to except a qualifying taxpayer with av-

erage annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise.

EMPLOYEE PLANS

T.D. 8880, page 1003.

Final regulations under section 401(a)(31) of the Code provide relief from disqualification to an eligible retirement plan that inadvertently accepts an invalid rollover contribution.

Finding Lists begin on page ii.
Announcement of Disbarments and Suspensions begins on page 1011.



Department of the Treasury
Internal Revenue Service

The IRS Mission

Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities

and by applying the tax law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly and may be obtained from the Superintendent of Documents on a subscription basis. Bulletin contents are consolidated semiannually into Cumulative Bulletins, which are sold on a single-copy basis.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and proce-

dures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.

This part is divided into two subparts as follows: Subpart A, Tax Conventions, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.

To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.

This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The first Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the first Bulletin of the succeeding semiannual period, respectively.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 162.—Trade or Business Expenses

26 CFR 1.162-3: *Cost of materials.*

Will the Commissioner exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. See Rev. Proc. 2000-22, page 1008.

Section 263A.—Capitalization and Inclusion in Inventory Costs of Certain Expenses

26 CFR 1.263A-2: *Rules relating to property produced by the taxpayer.*

Will the Commissioner exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. See Rev. Proc. 2000-22, page 1008.

Section 401.—Qualified Pension, Profit-Sharing, and Stock Bonus Plans

26 CFR 1.401(a)(31)-1: *Requirement to offer direct rollover of eligible rollover distributions; questions and answers.*

T.D. 8880

DEPARTMENT OF THE TREASURY Internal Revenue Service 26 CFR Parts 1 and 31

Relief From Disqualification for Plans Accepting Rollovers

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations under section 401(a)(31) of the Internal Revenue Code. These final regulations provide specific rules that grant relief from disqualification to an eligible retirement plan that inadvertently accepts an invalid rollover contribution. The final regulations also clarify that it is not necessary for a distributing plan to

have a favorable IRS determination letter in order for a plan administrator of a receiving plan to reach a reasonable conclusion that a contribution is a valid rollover contribution.

DATES: These regulations are effective on April 21, 2000.

FOR FURTHER INFORMATION CONTACT: Pamela R. Kinard, (202) 622-6030 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On September 22, 1995, the Treasury Department and the IRS published in the Federal Register (60 F.R. 49199) final income tax regulations (T.D. 8619, 1995-2 C.B. 41) under sections 401(a)(31) and 402(c). The final regulations provide guidance for complying with the Unemployment Compensation Amendments of 1992 (UCA). A proposed amendment to the regulations (REG-245562-96, 1999-9 I.R.B. 45) under section 401(a)(31) was published in the Federal Register (61 F.R. 49279) on September 19, 1996. The 1996 proposed regulations under sections 401(a)(31) and 402(c) expand and clarify the guidance previously issued in the final income tax regulations. On December 17, 1998, an amendment to the proposed regulations (REG-245562-96) under section 401(a)(31) was published in the Federal Register (63 F.R. 69584). This amendment to the proposed regulations was issued in response to the congressional directive in section 1509 of Taxpayer Relief Act of 1997 (TRA '97), which directs the IRS to issue guidance clarifying that it is not necessary for a distributing plan to have a favorable IRS determination letter in order for a plan administrator of a receiving plan to reasonably conclude that a contribution is a valid rollover contribution. Written comments responding to the 1996 proposed regulations were received. There were no written comments responding to the 1998 amendment to the proposed regulations. No public hearing was requested or held. After consideration of the comments, the amended proposed regulations under section 401(a)(31) are adopted by this Treasury decision.

Explanation of Provisions and Summary of Comments

A. Relief From Disqualification

The final regulations under section 401(a)(31) of the Internal Revenue Code provide that an eligible retirement plan which accepts a direct rollover from another plan will not fail to satisfy section 401(a) or 403(a) merely because the plan making the distribution is, in fact, not qualified under section 401(a) or 403(a) at the time of the distribution if, prior to accepting the rollover, the plan administrator of the receiving plan reasonably concluded that the distributing plan was qualified under section 401(a) or 403(a).

The proposed regulations clarify and expand upon this relief. Under the proposed regulations, an eligible retirement plan that accepts an invalid rollover contribution, whether as a direct rollover or as a rollover contribution other than a direct rollover, will be treated, for purposes of section 401(a) or 403(a), as accepting a valid rollover contribution, if the plan administrator of the receiving plan satisfies two conditions. First, when accepting the rollover contribution, the plan administrator of the receiving plan must reasonably conclude that the rollover contribution is a valid rollover contribution. Second, if the plan administrator of the receiving plan later determines that the rollover contribution was an invalid rollover contribution, the plan must distribute the amount of the invalid rollover contribution, plus earnings attributable thereto, to the employee within a reasonable period of time.

B. Documentation Offered as Evidence to Support a Reasonable Conclusion

The 1996 proposed regulations do not mandate any particular documentation or procedures that a plan administrator must use in order to reach a reasonable conclusion that a rollover contribution is a valid rollover contribution. The 1996 proposed regulations contain a series of examples to illustrate the types of documentation and procedures that would be sufficient to support a reasonable conclusion. In each example, the employee making the

rollover contribution provides the plan administrator of the receiving plan with a letter from the plan administrator of the distributing plan stating that the distributing plan has received an IRS determination letter indicating that the distributing plan is qualified under section 401(a).

Several commentators stated that the examples in the 1996 proposed regulations appear to imply that the acknowledgment of the receipt of a favorable IRS determination letter by a distributing plan is a prerequisite to a plan administrator of a receiving plan reaching a reasonable conclusion that a rollover contribution is a valid rollover contribution. Commentators argued that the public policy goal of pension portability would be impeded if an eligible retirement plan is subject to complex administrative procedures when accepting rollover contributions. These concerns were addressed in the 1998 amendment to the proposed regulations implementing the congressional directive in section 1509 of TRA '97. That amendment clarifies that it is not necessary for a distributing plan to have a favorable IRS determination letter in order for a plan administrator of a receiving plan to reach a reasonable conclusion that a contribution is a valid rollover contribution. In addition, an example was added to the proposed regulations in which an employee does not provide a statement from the distributing plan administrator that the distributing plan has received a favorable IRS determination letter, but instead the employee provides a statement from the distributing plan administrator relating to the qualification of the distributing plan. In the preamble to the 1998 amendment to the proposed regulations, it is stressed that none of the examples in the proposed regulations are intended to describe the only types of information that a plan administrator can find to be sufficient and the examples are not intended to preclude reliance on other types of information, such as opinions or statements regarding the plan's qualification provided by appropriate professionals with expertise in plan qualification requirements.

C. Miscellaneous Comments

One commentator stated that both *Examples 1* and *3* in the proposed regulations, which provide that Employee A will not have attained age 70 1/2 by the end of the

year in which the rollover contribution will occur, imply that if an employee were age 70 1/2 or older, a rollover option would be unavailable. This implication was not intended. The fact was included merely to illustrate the more common scenario of an employee who is under age 70 1/2 and rolls over a retirement plan distribution.

Some commentators proposed that guidance is needed regarding the procedures for correcting invalid rollover contributions. One commentator suggested that relief, similar to that provided to plans receiving invalid rollover contributions, should also be afforded to plans receiving assets and liability transfers in the event that a transferor's plan does not satisfy the qualification requirements under the Code. These comments will be taken into account in developing future guidance priorities.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in Executive Order 12866. Therefore, a regulatory assessment is not required. It also has been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) does not apply to these regulations, and because these regulations do not impose a collection of information on small entities, the Regulatory Flexibility Act (5 U.S.C. chapter 6) does not apply. Therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Pamela R. Kinard, Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

* * * * *

Adoption of Amendments to the Regulations

Accordingly, 26 CFR parts 1 and 31 are amended as follows:

PART 1—INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.401(a)(31)-1 is amended as follows:

1. Under the heading "List of Questions," redesignating Q-14 through Q-18 as Q-15 through Q-19, respectively, and adding new Q-14.

2. Under the heading "Questions and Answers," removing the paragraph designation (a) and the paragraph heading, and removing paragraph (b) from A-13.

3. Under the heading "Questions and Answers," redesignating Q&A-14 through Q&A-18 as Q&A-15 through Q&A-19, respectively, and adding new Q&A-14.

4. Under the heading "Questions and Answers," removing the language "Q&A-15" in the fourth sentence of the newly designated A-16 and adding "Q&A-16" in its place.

5. Under the heading "Questions and Answers," removing the language "Q&A-17" in the first sentence of the newly designated A-18 and adding "Q&A-18" in its place.

The additions read as follows:

§1.401(a)(31)-1 Requirement to offer direct rollover of eligible rollover distributions; questions and answers.

* * * * *

List of Questions

* * * * *

Q-14. If a plan accepts an invalid rollover contribution, whether or not as a direct rollover, how will the contribution be treated for purposes of applying the qualification requirements of section 401(a) or 403(a) to the plan?

* * * * *

Questions and Answers

* * * * *

Q-14. If a plan accepts an invalid rollover contribution, whether or not as a direct rollover, how will the contribution be treated for purposes of applying the qualification requirements of section 401(a) or 403(a) to the plan?

A-14. (a) Acceptance of invalid rollover contribution. If a plan accepts an invalid rollover contribution, the contribution will be treated, for purposes of applying the qualification requirements of

section 401(a) or 403(a) to the receiving plan, as if it were a valid rollover contribution, if the following two conditions are satisfied. First, when accepting the amount from the employee as a rollover contribution, the plan administrator of the receiving plan reasonably concludes that the contribution is a valid rollover contribution. While evidence that the distributing plan is the subject of a determination letter from the Commissioner indicating that the distributing plan is qualified would be useful to the receiving plan administrator in reasonably concluding that the contribution is a valid rollover contribution, it is not necessary for the distributing plan to have such a determination letter in order for the receiving plan administrator to reach that conclusion. Second, if the plan administrator of the receiving plan later determines that the contribution was an invalid rollover contribution, the amount of the invalid rollover contribution, plus any earnings attributable thereto, is distributed to the employee within a reasonable time after such determination.

(b) Definitions. For purposes of this Q&A-14:

(1) An invalid rollover contribution is an amount that is accepted by a plan as a rollover within the meaning of §1.402(c)-2, Q&A-1 (or as a rollover contribution within the meaning of section 408(d)(3)(A)(ii)) but that is not an eligible rollover distribution from a qualified plan (or an amount described in section 408(d)(3)(A)(ii)) or that does not satisfy the other requirements of section 401(a)(31), 402(c), or 408(d)(3) for treatment as a rollover or a rollover contribution.

(2) A valid rollover contribution is a contribution that is accepted by a plan as a rollover within the meaning of §1.402(c)-2, Q&A-1 or as a rollover contribution within the meaning of section 408(d)(3) and that satisfies the requirements of section 401(a)(31), 402(c), or 408(d)(3) for treatment as a rollover or a rollover contribution.

(c) Examples. The provisions of paragraph (a) of this Q&A-14 are illustrated by the following examples:

Example 1. (i) Employer X maintains for its employees Plan M, a profit sharing plan qualified under section 401(a). Plan M provides that any employee of Employer X may make a rollover contribution to Plan M. Employee A is an employee of Employer

X, will not have attained age 70 1/2 by the end of the year, and has a vested account balance in Plan O (a plan maintained by Employee A's prior employer). Employee A elects a single sum distribution from Plan O and elects that it be paid to Plan M in a direct rollover.

(ii) Employee A provides the plan administrator of Plan M with a letter from the plan administrator of Plan O stating that Plan O has received a determination letter from the Commissioner indicating that Plan O is qualified.

(iii) Based upon such a letter, absent facts to the contrary, a plan administrator may reasonably conclude that Plan O is qualified and that the amount paid as a direct rollover is an eligible rollover distribution.

Example 2. (i) The facts are the same as Example 1, except that, instead of the letter provided in paragraph (ii) of Example 1, Employee A provides the plan administrator of Plan M with a letter from the plan administrator of Plan O representing that Plan O satisfies the requirements of section 401(a) (or representing that Plan O is intended to satisfy the requirements of section 401(a) and that the administrator of Plan O is not aware of any Plan O provision or operation that would result in the disqualification of Plan O).

(ii) Based upon such a letter, absent facts to the contrary, a plan administrator may reasonably conclude that Plan O is qualified and that the amount paid as a direct rollover is an eligible rollover distribution.

Example 3. (i) Same facts as Example 1, except that Employee A elects to receive the distribution from Plan O and wishes to make a rollover contribution described in section 402 rather than a direct rollover.

(ii) When making the rollover contribution, Employee A certifies that, to the best of Employee A's knowledge, Employee A is entitled to the distribution as an employee and not as a beneficiary, the distribution from Plan O to be contributed to Plan M is not one of a series of periodic payments, the distribution from Plan O was received by Employee A not more than 60 days before the date of the rollover contribution, and the entire amount of the rollover contribution would be includible in gross income if it were not being rolled over.

(iii) As support for these certifications, Employee A provides the plan administrator of Plan M with two statements from Plan O. The first is a letter from the plan administrator of Plan O, as described in Example 1, stating that Plan O has received a determination letter from the Commissioner indicating that Plan O is qualified. The second is the distribution statement that accompanied the distribution check. The distribution statement indicates that the distribution is being made by Plan O to Employee A, indicates the gross amount of the distribution, and indicates the amount withheld as Federal income tax. The amount withheld as Federal income tax is 20 percent of the gross amount of the distribution. Employee A contributes to Plan M an amount not greater than the gross amount of the distribution stated in the letter from Plan O and the contribution is made within 60 days of the date of the distribution statement from Plan O.

(iv) Based on the certifications and documentation provided by Employee A, absent facts to the contrary, a plan administrator may reasonably con-

clude that Plan O is qualified and that the distribution otherwise satisfies the requirements of section 402(c) for treatment as a rollover contribution.

Example 4. (i) The facts are the same as in Example 3, except that, rather than contributing the distribution from Plan O to Plan M, Employee A contributes the distribution from Plan O to IRA P, an individual retirement account described in section 408(a). After the contribution of the distribution from Plan O to IRA P, but before the year in which Employee A attains age 70, Employee A requests a distribution from IRA P and decides to contribute it to Plan M as a rollover contribution. To make the rollover contribution, Employee A endorses the check received from IRA P as payable to Plan M.

(ii) In addition to providing the certifications described in Example 3 with respect to the distribution from Plan O, Employee A certifies that, to the best of Employee A's knowledge, the contribution to IRA P was not made more than 60 days after the date Employee A received the distribution from Plan O, no amount other than the distribution from Plan O has been contributed to IRA P, and the distribution from IRA P was received not more than 60 days earlier than the rollover contribution to Plan M.

(iii) As support for these certifications, in addition to the two statements from Plan O described in Example 3, Employee A provides copies of statements from IRA P. The statements indicate that the account is identified as an IRA, the account was established within 60 days of the date of the letter from Plan O informing Employee A that an amount had been distributed, and the opening balance in the IRA does not exceed the amount of the distribution described in the letter from Plan O. There is no indication in the statements that any additional contributions have been made to IRA P since the account was opened. The date on the check from IRA P is less than 60 days before the date that Employee A makes the contribution to Plan M.

(iv) Based on the certifications and documentation provided by Employee A, absent facts to the contrary, a plan administrator may reasonably conclude that Plan O is qualified and that the contribution by Employee A is a rollover contribution described in section 408(d)(3)(A)(ii) that satisfies the other requirements of section 408(d)(3) for treatment as a rollover contribution.

* * * * *

Par. 3. Section 1.402(c)-2 is amended as follows:

1. Section 1.402(c)-2 is amended by adding a sentence to the end of A-11.

2. Under the heading "List of Questions," removing the language "§1.401(a)(31)-1, Q&A-17" in Q-15 and adding "§1.401(a)(31)-1, Q&A-18" in its place.

3. Under the heading "Questions and Answers," removing the language "§1.401(a)(31)-1, Q&A-15" in the third sentence of A-9(a) and adding "§1.401(a)(31)-1, Q&A-16" in its place.

4. Under the heading "Questions and Answers," removing the language "§1.401(a)(31)-1, Q&A-15" in the introductory text of A-9(c) and adding

“§1.401(a)(31)-1, Q&A-16” in its place.

5. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-15” in the last sentence of Example 1(b) of A-9(c) and adding “§1.401(a)(31)-1, Q&A-16” in its place.

6. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-16” in the last sentence of A-10(b) and adding “§1.401(a)(31)-1, Q&A-17” in its place.

7. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-17” in the last sentence of A-14 and adding “§1.401(a)(31)-1, Q&A-18” in its place.

8. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-17” in Q-15 and adding “§1.401(a)(31)-1, Q&A-18” in its place.

9. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-17” in the third sentence of A-15 and adding “§1.401(a)(31)-1, Q&A-18” in its place.

The addition reads as follows:

§1.402(c)-2 *Eligible rollover distributions; questions and answers.*

A-11. * * * See §1.401(a)(31)-1, Q&A-14, for guidance concerning the qualification of a plan that accepts a rollover contribution.

§1.403(b)-2 [Amended]

Par. 4. Section 1.403(b)-2 is amended as follows:

1. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-14” in the next to last sentence of A-2(a) and adding “§1.401(a)(31)-1, Q&A-15” in its place.

2. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-18” in the second sentence of A-4(a)(1) and adding “§1.401(a)(31)-1, Q&A-19” in its place.

PART 31—EMPLOYMENT TAXES AND COLLECTION OF INCOME TAX AT SOURCE

Par. 5. The authority citation for part 31 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

§31.3405(c)-1 [Amended]

Par. 6. Section 31.3405(c)-1 is amended as follows:

1. Under the heading “Questions and Answers,” removing the language “Q&A-17 of §1.401(a)(31)-1” in the next to last sentence of A-10(a) and adding “Section 1.401(a)(31)-1, Q&A-18” in its place.

2. Under the heading “Questions and Answers,” removing the language “§1.401(a)(31)-1, Q&A-16” in the third sentence of A-13 and adding “§1.401(a)(31)-1, Q&A-17” in its place.

Robert E. Wenzel,
*Deputy Commissioner of
Internal Revenue.*

Approved April 16, 2000.

Jonathan Talisman,
*Acting Assistant Secretary of
the Treasury (Tax Policy).*

(Filed by the Office of the Federal Register on April 20, 2000, 8:45 a.m., and published in the issue of the Federal Register for April 21, 2000, 65 F.R. 21312)

Section 446.—General Rule for Methods of Accounting

26 CFR 1.446-1: *General rule for methods of accounting.*

Will the Commissioner exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. See Rev. Proc. 2000-22, page 1008.

Section 471.—General Rule for Inventories

26 CFR 1.471-1: *Need for inventories.*

Will the Commissioner exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. See Rev. Proc. 2000-22, page 1008.

Section 472.—Last-in, First-out Inventories

26 CFR 1.472-1: *Last-in, first-out inventories.*

LIFO; price indexes; department stores. The March 2000 Bureau of Labor Statistics price indexes are accepted for use by department stores employing the retail inventory and last-in, first-out inventory methods for valuing inventories for tax years ended on, or with reference to, March 31, 2000.

Rev. Rul. 2000-25

The following Department Store Inventory Price Indexes for March 2000 were issued by the Bureau of Labor Statistics. The indexes are accepted by the Internal Revenue Service, under

§ 1.472-1(k) of the Income Tax Regulations and Rev. Proc. 86-46, 1986-2 C.B. 739, for appropriate application to inventories of department stores employing the retail inventory and last-in, first-out inventory methods for tax years ended on, or with reference to, March 31, 2000.

The Department Store Inventory Price Indexes are prepared on a national basis and include (a) 23 major groups of departments, (b) three special combinations of the major groups - soft goods, durable goods, and miscellaneous goods, and (c) a store total, which covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

BUREAU OF LABOR STATISTICS, DEPARTMENT STORE
INVENTORY PRICE INDEXES BY DEPARTMENT GROUPS
(January 1941 = 100, unless otherwise noted)

Groups	Mar. 1999	Mar. 2000	Percent Change from Mar. 1999 to Mar. 2000 ¹
1. Piece Goods -----	555.8	511.5	-8.0
2. Domestics and Draperies -----	619.9	614.4	-0.9
3. Women's and Children's Shoes -----	651.0	638.9	-1.9
4. Men's Shoes -----	887.6	902.4	1.7
5. Infants' Wear -----	617.2	649.8	5.3
6. Women's Underwear -----	577.4	582.7	0.9
7. Women's Hosiery -----	321.4	337.5	5.0
8. Women's and Girls' Accessories -----	557.4	548.1	-1.7
9. Women's Outerwear and Girls' Wear -----	408.4	409.5	0.3
10. Men's Clothing -----	623.1	626.2	0.5
11. Men's Furnishings -----	611.1	623.2	2.0
12. Boys' Clothing and Furnishings -----	488.6	498.1	1.9
13. Jewelry -----	977.8	965.3	-1.3
14. Notions -----	785.7	746.6	-5.0
15. Toilet Articles and Drugs -----	957.3	968.0	1.1
16. Furniture and Bedding -----	690.9	693.1	0.3
17. Floor Coverings -----	602.4	606.8	0.7
18. Housewares -----	803.5	787.4	-2.0
19. Major Appliances -----	233.9	235.7	0.8
20. Radio and Television -----	67.9	61.0	-10.2
21. Recreation and Education ² -----	99.9	94.8	-5.1
22. Home Improvements ² -----	128.5	128.0	-0.4
23. Auto Accessories ² -----	107.4	107.6	0.2
Groups 1 - 15: Soft Goods -----	603.6	606.3	0.4
Groups 16 - 20: Durable Goods -----	454.6	444.3	-2.3
Groups 21 - 23: Misc. Goods ² -----	105.1	101.7	-3.2
Store Total ³ -----	548.5	545.5	-0.5

¹ Absence of a minus sign before the percentage change in this column signifies a price increase.

² Indexes on a January 1986=100 base.

³ The store total index covers all departments, including some not listed separately, except for the following: candy, food, liquor, tobacco, and contract departments.

DRAFTING INFORMATION

The principal author of this revenue ruling is Alan J. Tomsic of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue ruling, contact Mr. Tomsic on (202) 622-4970 (not a toll-free call).

**Section 481.—Adjustments
Required by Changes in Method
of Accounting**

26 CFR 1.481-4: Adjustments taken into account with consent.

Will the Commissioner exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an

accrual method of accounting for purchases and sales of merchandise. See Rev. Proc. 2000-22, page 1008.

Part III. Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part 1, §§ 162, 263A, 446, 471, 481; 1.162-3, 1.263A-1, 1.446-1, 1.471-1, 1.481-1, 1.481-4.)

Rev. Proc. 2000-22

SECTION 1. PURPOSE

This revenue procedure provides that the Commissioner of Internal Revenue will exercise his discretion to except a qualifying taxpayer with average annual gross receipts of \$1,000,000 or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. This revenue procedure also provides the procedures by which a qualifying taxpayer may obtain automatic consent to change to the cash receipts and disbursements method of accounting (the cash method).

SECTION 2. BACKGROUND

.01 Section 446(c) of the Internal Revenue Code generally allows a taxpayer to select the method of accounting it will use to compute its taxable income. A taxpayer is entitled to adopt any one of the permissible methods for each separate trade or business, subject to certain restrictions. For example, § 446(b) provides that the selected method must clearly reflect income. In addition, § 1.446-1(c)(2)(i) of the Income Tax Regulations requires that a taxpayer use an accrual method of accounting with regard to purchases and sales of merchandise whenever § 471 requires the taxpayer to account for inventories, unless otherwise authorized by the Commissioner under § 1.446-1(c)(2)(ii). Under § 1.446-1(c)(2)(ii), the Commissioner has the authority to permit a taxpayer to use a method of accounting that clearly reflects income even though the method is not specifically authorized by the regulations.

.02 Section 471 provides that whenever, in the opinion of the Secretary, the use of inventories is necessary to clearly determine the income of the taxpayer, inventories must be taken by the taxpayer. Section 1.471-1 requires a taxpayer to account for inventories when the production, purchase, or sale of merchandise is an income-producing factor in the taxpayer's business.

.03 Section 1.162-3 requires taxpayers carrying materials and supplies (other than incidental materials and supplies) on hand to deduct the cost of materials and supplies only in the amount that they are actually consumed and used in operations during the tax year.

.04 Section 263A generally requires direct costs and an allocable portion of indirect costs of certain personal property produced or acquired for resale by a taxpayer to be included in inventory costs, in the case of property that is inventory, or to be capitalized, in the case of other property. However, resellers with gross receipts of \$10,000,000 or less and producers with \$200,000 or less of indirect costs are not required to capitalize costs under § 263A. See § 263A(b)(2)(B) and § 1.263A-2(b)(3)(iv).

.05 Section 446(e) and § 1.446-1(e) state that, except as otherwise provided, a taxpayer must secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the limitations, terms, and conditions deemed necessary to permit a taxpayer to obtain consent to change a method of accounting in accordance with § 446(e).

.06 Section 481(a) requires those adjustments necessary to prevent amounts from being duplicated or omitted to be taken into account when the taxpayer's taxable income is computed under a method of accounting different from the method used to compute taxable income for the preceding tax year.

SECTION 3. SCOPE

This revenue procedure applies to a taxpayer with "average annual gross receipts" of \$1,000,000 or less (as defined in section 5.01 of this revenue procedure) that satisfies the "conformity" requirement (as described in section 5.07 of this revenue procedure).

SECTION 4. SMALL TAXPAYER EXCEPTION

Pursuant to the discretion under §§ 446(b) and 471, and to simplify bookkeeping requirements for small taxpayers,

the Commissioner, as a matter of administrative convenience, will except taxpayers described in section 3 of this revenue procedure from any requirement to account for inventories under § 471 or to use an accrual method under § 446. A taxpayer described in section 3 that does not want to account for inventories must treat merchandise inventory in the same manner as a material or supply that is not incidental under § 1.162-3. Section 263A does not apply to such merchandise inventory.

SECTION 5. DEFINITIONS

.01 Average annual gross receipts defined. A taxpayer has average annual gross receipts of \$1,000,000 or less if, for each prior tax year ending on or after December 17, 1998, the taxpayer's average annual gross receipts for the 3-tax-year period ending with the applicable prior tax year does not exceed \$1,000,000.

.02 Gross receipts defined. Gross receipts is defined consistent with § 1.448-1T(f)(2)(iv) of the temporary regulations. Thus, gross receipts for a tax year equal all receipts derived from all of the taxpayer's trades or businesses that must be recognized under the method of accounting actually used by the taxpayer for that tax year for federal income tax purposes. For example, gross receipts include total sales (net of returns and allowances), all amounts received from services, interest, dividends, and rents. However, gross receipts do not include amounts received by the taxpayer with respect to sales tax or other similar state and local taxes if, under the applicable state or local law, the tax is legally imposed on the purchaser of the good or service, and the taxpayer merely collects and remits the tax to the taxing authority.

.03 Aggregation of gross receipts. For purposes of computing gross receipts, all taxpayers treated as a single employer under subsection (a) or (b) of § 52 or subsection (m) or (o) of § 414 (or that would be treated as a single employer under these sections if the taxpayers had employees) will be treated as a single taxpayer. However, when transactions occur between taxpayers that are treated as a single taxpayer by the previous sentence, gross receipts arising from these transactions will not be

treated as gross receipts for purposes of the average annual gross receipts limitation. See § 1.448-1T(f)(2)(ii).

.04 Taxpayer not in existence for 3 tax years. If a taxpayer has been in existence for less than the 3-tax-year period referred to in section 5.01 of this revenue procedure, the taxpayer must determine its average annual gross receipts for the number of years (including short tax years) that the taxpayer has been in existence.

.05 Treatment of short tax years. In the case of a short tax year, the taxpayer's gross receipts must be annualized by multiplying the gross receipts of the short tax year by 12 and then dividing the product by the number of months in the short tax year. See § 1.448-1T(f)(2)(iii).

.06 Treatment of predecessors. Any reference to taxpayer in this section 5 includes a reference to any predecessor of such taxpayer.

.07 Conformity. A taxpayer satisfies the conformity requirement of this revenue procedure if the taxpayer does not regularly use any method other than the cash method to ascertain the income, profit or loss of the trade or business for purposes of its books and records and reports (including financial statements) to shareholders, partners, other proprietors, or beneficiaries and for credit purposes for the current and prior 3 tax years (excluding tax years ending before December 17, 2000). A taxpayer that uses the cash method of accounting for purposes of its books and records and reports but, on an isolated basis, prepares financial reports using an accrual method (for example, on a one-time basis to obtain a bank loan) will not be considered to violate the conformity requirement.

.08 Example. Taxpayer A, a calendar year taxpayer, manufactures and sells widgets. For federal income tax purposes, Taxpayer A uses an overall accrual method of accounting. Further, Taxpayer A complies with the requirements of § 1.471-1 to use inventory accounts and § 263A to capitalize direct and indirect costs.

Taxpayer A has gross receipts (as defined in section 5.02 of this revenue procedure) of \$200,000 in 1996, \$800,000 in 1997 and \$1,100,000 in 1998.

To determine whether it qualifies for the small taxpayer exception set forth in section 4 of this revenue procedure begin-

ning with the 1999 tax year, Taxpayer A computes its average annual gross receipts each prior tax year ending on or after December 17, 1998, that is, its 1998 tax year. Taxpayer A's average annual gross receipts for 1998 is \$700,000 (\$200,000 (1996) + \$800,000 (1997) + \$1,100,000 (1998) = \$2,100,000/3).

Taxpayer A's average annual gross receipts for each prior tax year ending after December 17, 1998, does not exceed \$1,000,000. Therefore, Taxpayer A qualifies for the small taxpayer exception for its 1999 tax year. By following the procedures set forth in section 6.02 of this revenue procedure, Taxpayer A may change to the cash method and a method of treating merchandise inventory in the same manner as a material or supply that is not incidental under § 1.162-3 for the tax year ending December 31, 1999.

Taxpayer A must determine its applicability for the small taxpayer exception set forth in section 4 of this revenue procedure each year. Thus, to qualify for the exception for its 2000 tax year, Taxpayer A's average annual gross receipts for 1999 (that is, the average of A's gross receipts for 1999, 1998, and 1997) also must be \$1,000,000 or less and Taxpayer A must meet the conformity requirement of section 5.07 of this revenue procedure. If, in any later year, Taxpayer A ceases to qualify for the small taxpayer exception set forth in section 4 of this revenue procedure, it must change to an inventory method and an accrual method with respect to purchases and sales of merchandise in accordance with section 6.03 of this revenue procedure.

SECTION 6. CHANGE IN ACCOUNTING METHOD

.01 In general. Any change in a taxpayer's method of accounting pursuant to this revenue procedure is a change in method of accounting to which the provisions of §§ 446 and 481 and the regulations thereunder apply.

.02 Automatic change for taxpayers within the scope of this revenue procedure.

(1) Automatic change to the cash method. A taxpayer that qualifies for the small taxpayer exception described in section 4 of this revenue procedure that wants to change to the cash method must follow the automatic change in account-

ing method provisions of Rev. Proc. 99-49, 1999-52 I.R.B. 725 (or its successor) with the following modifications:

(a) The scope limitations in section 4.02 of Rev. Proc. 99-49 do not apply. However, if the taxpayer is under examination, before an appeals office, or before a federal court with respect to any income tax issue, the taxpayer must provide a copy of the Form 3115, Application for Change in Accounting Method, to the examining agent(s), appeals officer, or counsel for the government, as appropriate, at the same time that it files the copy of the Form 3115 with the national office. The Form 3115 must contain the name(s) and telephone number(s) of the examining agent(s), appeals officer, or counsel for the government, as appropriate.

(b) A taxpayer making a change under section 6.02 of this revenue procedure for its first tax year ending on or after December 17, 1999, that, on or before July 14, 2000, files its original federal income tax return for such year, is not subject to the filing requirement in section 6.02(2)(a) of Rev. Proc. 99-49, provided the taxpayer complies with the following filing requirement. The taxpayer must complete and file a Form 3115 in duplicate. The original must be attached to the taxpayer's amended federal income tax return for the taxpayer's first tax year ending on or after December 17, 1999. This amended return must be filed no later than November 13, 2000. A copy of the Form 3115 must be filed with the national office (see section 6.02(5) of Rev. Proc. 99-49 for the address) no later than when the taxpayer's amended return is filed.

(c) For a change in method of accounting within the scope of this revenue procedure, the provisions of Rev. Proc. 99-49 are effective for tax years ending on or after December 17, 1999.

(d) Taxpayers filing Form 3115 for a change in method of accounting under section 6.02 of this revenue procedure are reminded to complete all applicable parts of the form, including Part II, line 17 (regarding information on gross receipts in previous years) and Part III (regarding the § 481 adjustment). Such taxpayers must also complete Part I of Schedule A of Form 3115, but need not complete Part II. Taxpayers should write "Filed under Rev. Proc. 2000-22" at the top of the form.

(2) Change to comply with § 1.162-3. A taxpayer that qualifies for the small taxpayer exception described in section 4 of this revenue procedure that does not want to account for inventories must make any necessary change from the taxpayer's inventory method (and, if applicable, from the method of capitalizing costs under § 263A) to treat merchandise inventory in the same manner as a material or supply that is not incidental under § 1.162-3. For purposes of such a change, the rules of section 6.02(1) of this revenue procedure apply. Taxpayers may file a single Form 3115 for both changes described in sections 6.02(1) and (2).

.03 Taxpayers not within the scope of this revenue procedure. A taxpayer that ceases to qualify for the small taxpayer exception described in section 4 of this revenue procedure and otherwise is required to account for inventories must change to an

inventory method that complies with §§ 263A and 471 and an accrual method with respect to purchases and sales of merchandise using either the automatic change in accounting method provisions of section 5.01 of the APPENDIX to Rev. Proc. 99-49, if applicable, or the advance consent provisions of Rev. Proc. 97-27, 1997-1 C.B. 680 (or its successor).

SECTION 7. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 99-49 is modified and amplified to include this automatic change in section 5 of the APPENDIX.

SECTION 8. EFFECTIVE DATE

This revenue procedure is effective for tax years ending on or after December 17, 1999. However, the Service will not challenge a taxpayer's use of the cash method under § 446 (and a taxpayer's failure to

account for inventories under § 471) in an earlier year if the taxpayer consistently used the cash method (and consistently did not account for inventories) and would satisfy the 3-tax-year-period gross receipts test of section 5.01 of this revenue procedure (applied by testing the 3-tax-year period ending prior to such earlier year), and the conformity requirement of section 5.07 (applied by testing the earlier year and the 3 tax years prior to such earlier year).

DRAFTING INFORMATION

The principal author of this revenue procedure is Cheryl Lynn Oseekey of the Office of Assistant Chief Counsel (Income Tax and Accounting). For further information regarding this revenue procedure, contact Ms. Oseekey on (202) 622-4970 (not a toll-free call).

Part IV. Items of General Interest

Announcement of the Disbarment and Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under Section 330, Title 31 of the United States Code, the Secretary of the Treasury, after due notice and opportunity for hearing, is authorized to suspend or disbar from practice before the Internal Revenue Service any person who has violated the rules and regulations governing the recognition of attorneys, certified public accountants, enrolled agents or enrolled actuaries to practice before the Internal Revenue Service.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are prohibited in any Internal Revenue Service

matter from directly or indirectly employing, accepting assistance from, being employed by or sharing fees with, any practitioner disbarred or under suspension from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify such disbarred or suspended practitioners, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled

agent or enrolled actuary, and the date of disbarment or period of suspension. This announcement will appear in the weekly Bulletin for five successive weeks or as long as it is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended or disbarred and will be consolidated and published in the Cumulative Bulletin.

After due notice and opportunity for hearing before an administrative law judge, the following individuals has been disbarred from practice before the Internal Revenue Service:

Name	Address	Designation	Effective Date
Kolesar, Gary	N. Patchogue, NY	CPA	October 27, 1999

Announcement of the Consent Voluntary Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under 31 Code of Federal Regulations, Part 10, an attorney, certified public accountant, enrolled agent or enrolled actuary, in order to avoid the institution or conclusion of a proceeding for his disbarment or suspension from practice before the Internal Revenue Service, may offer his consent to suspension from such practice. The Director of Practice, in his discretion, may suspend an attorney, certified public accountant, enrolled agent or enrolled actuary in accordance with the consent offered.

Attorneys, certified public accountants, enrolled agents and enrolled actuaries are

prohibited in any Internal Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents and enrolled actuaries to identify practitioners under consent suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as at-

torney, certified public accountant, enrolled agent or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under consent suspension from practice before the Internal Revenue Service:

Name	Address	Designation	Date of Suspension
Quann, Warren	Elk Grove, CA	Attorney	Indefinite from March 1, 1999
Helms, W. Richard	Western Springs, IL	Attorney	March 1, 1999 to August 31, 2002

Dillahunty, Larry L.	St. Petersburg, FL	Attorney	March 1, 1999 to February 28, 2003
Friesen, Alan	Lincoln, NE	CPA	March 8, 1999 to July 7, 2002
Cummins, Richard L.	Torrance, CA	CPA	March 20, 1999 to March 19, 2002
Potter, Thomas C.	Oneonta, NY	CPA	April 16, 1999 to October 15, 2000
Jenkins, Gordon	Idaho Falls, ID	Attorney	May 1, 1999 to October 31, 2002
Blair Jr., John D.	Charleston, WV	CPA	June 1, 1999 to May 31, 2002
Cadle, Larry	Anchorage, AK	Attorney	June 21, 1999 to December 31, 2001
Schorr, Harvey	Voorheese, NJ	CPA	July 1, 1999 to December 31, 2001
Fernandez, Michael J.	Camillus, NY	CPA	July 7, 1999 to July 6, 2000
Polking, William G.	Carol, IA	Attorney	September 27, 1999 to September 26, 2000
Luxen, Robert J.	Oak Lawn, IL	CPA	October 1, 1999 to June 30, 2001
Underwood, Kenneth	Chattanooga, TN	CPA	October 14, 1999 to April 13, 2001
Vancho, John	Greenwich, CT	CPA	November 1, 1999 to October 31, 2001
Enkulenko, Thomas	Moscow, PA	CPA	November 15, 1999 to November 14, 2000
Moody, James E.	Pittsburgh, PA	CPA	December 1, 1999 to November 30, 2000
Patterson, Robert A.	Marietta, GA	CPA	December 13, 1999 to December 12, 2002
Hanson, Raymond L.	Boise, ID	CPA	January 1, 2000 to December 31, 2001
Wallach, Steven	North Brook, IL	CPA	February 25, 2000 to February 24, 2002

Watkins Sr., Richard	Washington, MO	CPA	March 15, 2000 to September 14, 2002
Peltin, Ronald	Escanaba, MI	Enrolled Agent	March 15, 2000 to March 14, 2003
Arwood, B. Joe	Chuckey, TN	CPA	March 20, 2000 to June 19, 2001
Gazzola, Frank L.	N. Mankato, MN	CPA	May 1, 2000 to October 31, 2002
O'Hearn, James	Bakersfield, CA	Enrolled Agent	June 1, 2000 to May 31, 2002
Dooner Jr., William	Toms River, NJ	Enrolled Agent	June 1, 2000 to August 31, 2000

Announcement of the Expedited Suspension of Attorneys, Certified Public Accountants, Enrolled Agents, and Enrolled Actuaries From Practice Before the Internal Revenue Service

Under title 31 of the Code of Federal Regulations, section 10.76, the Director of Practice is authorized to immediately suspend from practice before the Internal Revenue Service any practitioner who, within five years, from the date the expedited proceeding is instituted, (1) has had a license to practice as an attorney, certified public accountant, or actuary suspended or revoked for cause; or (2) has been convicted of any crime under title 26 of the United States Code or, of a felony under title 18 of the United States Code involving dishonesty or breach of trust.

Attorneys, certified public accountants, enrolled agents, and enrolled actuaries are

prohibited in any Internal Revenue Service matter from directly or indirectly employing, accepting assistance from, being employed by, or sharing fees with, any practitioner disbarred or suspended from practice before the Internal Revenue Service.

To enable attorneys, certified public accountants, enrolled agents, and enrolled actuaries to identify practitioners under expedited suspension from practice before the Internal Revenue Service, the Director of Practice will announce in the Internal Revenue Bulletin the names and addresses of practitioners who have been suspended from such practice, their designation as attorney, certified public accountant, enrolled

agent, or enrolled actuary, and date or period of suspension. This announcement will appear in the weekly Bulletin at the earliest practicable date after such action and will continue to appear in the weekly Bulletins for five successive weeks or for as many weeks as is practicable for each attorney, certified public accountant, enrolled agent, or enrolled actuary so suspended and will be consolidated and published in the Cumulative Bulletin.

The following individuals have been placed under suspension from practice before the Internal Revenue Service by virtue of the expedited proceeding provisions of the applicable regulations:

Name	Address	Designation	Date of Suspension
Moeller, David G.	Golden Valley, MN	Attorney	Indefinite from March 8, 1999
Dais, Robert E.	Plano, TX	CPA	Indefinite from March 15, 1999
Taylor, Donald J.	Sequim, WA	CPA	Indefinite from March 15, 1999
Thurson, Terrance N.	Jacksonville, FL	CPA	Indefinite from March 15, 1999

Hartman, Richard	Merrick, NY	Attorney	Indefinite from March 15, 1999
Mandel, Stewart I.	Univ. Heights, OH	Attorney	Indefinite from March 15, 1999
Gowin, Dennis L.	Falls Church, VA	CPA	Indefinite from March 15, 1999
Kelly, Richard	Lloyd Harbor, NY	Attorney	Indefinite from March 16, 1999
Nagel, Maxine M.	Renton, WA	CPA	Indefinite from March 16, 1999
Cox, James L.	Bedford, TX	CPA	Indefinite from March 23, 1999
Shields, Morris R.	Omaha, NE	CPA	Indefinite from March 23, 1999
Stradone, Mark A.	San Antonio, TX	CPA	Indefinite from March 24, 1999
Anderson, David J.	Minnetonka, MN	CPA	Indefinite from March 28, 1999
Budenz, Lawrence J.	Miamisburg, OH	CPA	Indefinite from March 28, 1999
Hogan, Kelly M.	Ogallala, NE	Attorney	Indefinite from March 28, 1999
Fernez, Daniel J.	Monroe, CT	CPA	Indefinite from March 28, 1999
Fitsos, John	Sacramento, CA	Attorney	Indefinite from March 28, 1999
Schweitzer, Clifford A.	Aberdeen, SD	CPA	Indefinite from April 2, 1999
Magdalena, Lynn Joseph	McAlester, OK	CPA	Indefinite from April 2, 1999
Parrott, George	Nashville, TN	CPA	Indefinite from April 2, 1999
Elder Jr., Wilton K.	Burlington, NC	Attorney	Indefinite from May 6, 1999
Passero, Robert	Seal Beach, CA	CPA	Indefinite from July 8, 1999

Stringham, Richard	Columbia, MO	CPA	Indefinite from July 8, 1999
Koseluk, Alexander F.	Omaha, NE	Attorney	Indefinite from July 19, 1999
Dotson, Marshall F.	Jacksonville, NC	Attorney	Indefinite from July 27, 1999
Schaffer, Clark D.	Atlantic Beach, FL	CPA	Indefinite from July 27, 1999
Zimmerman, Robert	Alpharetta, GA	CPA	Indefinite from January 17, 2000

Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it ap-

plies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in law or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in the new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the

new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C.—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.

E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contribution Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign Corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.

PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statements of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

Numerical Finding List¹

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 1999–27 through 1999–52 is in Internal Revenue Bulletin 2000–1, dated January 3, 2000.

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