

INTERNAL REVENUE BULLETIN



HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2019-35
August 26, 2019

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.

ADMINISTRATIVE

REV. PROC. 2019-34, page 669.

Rev. Proc. 2019-34 provides simplified procedures for an insurance company to obtain automatic consent to change its methods of accounting for life insurance reserves, amounts under § 807(c)(3), and specified policy acquisition expenses under § 848, as applicable, to comply with §§ 807 and 848, as amended by sections 13517 and 13519 of the Tax Cuts and Jobs Act, for the first taxable year beginning after December 31, 2017.

ESTATE TAX

REV RUL 2019-18, page 668.

The 2019 interest rates to be used in computing the special use value of farm real property for which an election is made under section 2032A of the Code are listed for estate of decedents.

The IRS Mission

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

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 procedures 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 Other Related Items, 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 last 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 last Bulletin of each semiannual period.

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Part I.

Section 2032A.— Valuation of Certain Farm, etc., Real Property

26 CFR 20.2032A-4: Method of valuing farm real property.

Rev. Rul. 2019-18

This revenue ruling contains a list of the average annual effective interest rates on new loans under the Farm Credit System. This revenue ruling also contains a list of the states within each Farm Credit System Bank Territory.

Under § 2032A(e)(7)(A)(ii) of the Internal Revenue Code, rates on new Farm

Credit System Bank loans are used in computing the special use value of real property used as a farm for which an election is made under § 2032A. The rates in Table 1 of this revenue ruling may be used by estates that value farmland under § 2032A as of a date in 2019.

Average annual effective interest rates, calculated in accordance with

§ 2032A(e)(7)(A) and § 20.2032A-4(e) of the Estate Tax Regulations, to be used under § 2032A(e)(7)(A)(ii), are set forth in the accompanying Table of Interest Rates (Table 1). The states within each Farm Credit System Bank Territory are set forth in the accompanying Table of Farm Credit System Bank Territories (Table 2).

Rev. Rul. 81-170, 1981-1 C.B. 454, contains an illustrative computation of an average annual effective interest rate. The rates applicable for valuation in 2018 are in Rev. Rul. 2018-22, 2018-34 I.R.B. 308. For rate information for years prior to 2018, see Rev. Rul. 2017-16, 2017-35 I.R.B. 215, and other revenue rulings that are referenced therein.

DRAFTING INFORMATION

The principal author of this revenue ruling is Lane Damazo of the Office of the Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue ruling, contact Lane Damazo at (202) 317-4628 (not a toll-free number).

REV. RUL. 2019-18 TABLE 1 TABLE OF INTEREST RATES Year of Valuation 2019)	
Farm Credit System Bank Servicing State in Which Property is Located	Rate
AgFirst, FCB	5.27
AgriBank, FCB	4.68
CoBank, ACB	4.37
Texas, FCB	5.00

REV. RUL. 2019-18 TABLE 2 TABLE OF FARM CREDIT SYSTEM BANK TERRITORIES	
Farm Credit System Bank	Location of Property
AgFirst, FCB.....	Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, Pennsylvania, South Carolina, Virginia, West Virginia.
AgriBank, FCB.....	Arkansas, Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, Tennessee, Wisconsin, Wyoming.
CoBank, ACB.....	Alaska, Arizona, California, Colorado, Connecticut, Hawaii, Idaho, Kansas, Maine, Massachusetts, Montana, New Hampshire, New Jersey, New Mexico, New York, Nevada, Oklahoma, Oregon, Rhode Island, Utah, Vermont, Washington.
Texas, FCB.....	Alabama, Louisiana, Mississippi, Texas.

Part III.

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also: Part I, Sections 446, 807, 848.)

Rev. Proc. 2019-34

SECTION 1. PURPOSE

This revenue procedure provides simplified procedures under § 446 of the Internal Revenue Code and § 1.446-1(e) of the Income Tax Regulations for an insurance company to obtain the automatic consent of the Commissioner of Internal Revenue (Commissioner) to change its methods of accounting to comply with amendments to §§ 807 and 848 made by Pub. L. No. 115-97 (131 Stat. 2054, 2144, 2148), commonly referred to as the Tax Cuts and Jobs Act (TCJA), for the first taxable year beginning after December 31, 2017. Except as provided in sections 3.02 and 10 of this revenue procedure, these simplified procedures are the exclusive procedures for an insurance company within the scope of section 3 of this revenue procedure to obtain the consent of the Commissioner to change a method of accounting described in this revenue procedure.

This revenue procedure generally is consistent with the simplified procedures provided in Rev. Proc. 2019-30, 2019-33 I.R.B. 638, for an insurance company to obtain the automatic consent of the Commissioner to change its method of accounting for discounting unpaid losses and expenses unpaid, estimated salvage recoverable, and unearned premiums attributable to title insurance to comply with § 846 as amended by the TCJA. This revenue procedure is, however, only available for one taxable year. As a result, the timing of the issuance of this revenue procedure may pose challenges to an insurance company that has already prepared its tax return for the first taxable year beginning after December 31, 2017, and this revenue procedure provides accommodations for such an insurance company.

SECTION 2. BACKGROUND

.01 Life Insurance Reserves.

(1) Section 801(a) imposes a tax on the life insurance company taxable income

of a life insurance company. For purposes of computing life insurance company taxable income, §§ 803(a)(2) and 807(a) include in gross income a decrease over the taxable year in reserves described in § 807(c). Sections 805(a)(2) and 807(b) permit a deduction for an increase over the taxable year in such reserves. Life insurance reserves are described in § 807(c)(1).

(2) Section 831(a) imposes a tax on the taxable income of a non-life (property and casualty) insurance company. For purposes of computing taxable income of a property and casualty company, § 832(b)(4) provides that an increase in life insurance reserves over the taxable year reduces premiums earned and a decrease in life insurance reserves over the taxable year increases premiums earned.

(3) In general, the amount of life insurance reserves is required to be computed as provided in § 807(d). Section 13517 of the TCJA amended § 807(d) to provide a new method for computing the amount of life insurance reserves, effective for taxable years beginning after December 31, 2017.

(4) A transition rule in section 13517(c)(2) of the TCJA provides that for the first taxable year beginning after December 31, 2017, the reserve with respect to any contract (as determined under § 807(d)) at the end of the preceding taxable year is determined as if the amendments made by section 13517 of the TCJA had applied to such reserve in such preceding taxable year.

(5) Section 13517(c)(3) of the TCJA provides a transition relief rule that requires an insurance company to take into account the difference between (a) the amount of life insurance reserves with respect to any contract as of the close of the taxable year preceding the first taxable year beginning after December 31, 2017, computed using the method prescribed by the TCJA and (b) the amount of such reserves computed using the method prior to the amendments by the TCJA (such difference is the TCJA Transition Adjustment). The TCJA Transition Adjustment for any contract is positive if the amount described in clause (b) of the preceding sentence exceeds the amount described in clause (a) of the preceding sentence and is negative if the amount described in clause

(a) of the preceding sentence exceeds the amount described in clause (b) of the preceding sentence. The TCJA Transition Adjustment must be taken into account ratably over each of the eight taxable years following that preceding taxable year under § 803(a)(2) or § 832(b)(1)(C), as applicable, if income, and under § 805(a)(2) or § 832(c)(4), as applicable, if a deduction.

.02 Section 807(c)(3) Reserves.

(1) Section 807(c) describes items that a life insurance company must account for on a reserve basis and take into account under § 807(a) and (b). Section 807(c)(3) describes amounts (discounted at the appropriate rate of interest) necessary to satisfy the obligations under insurance and annuity contracts if the obligation does not involve (at the time with respect to which the computation is made) life, accident, or health contingencies. Such amount for any contract, however, may not be less than the net surrender value of such contract.

(2) Section 13517(a)(1) of the TCJA amended § 807(c) to provide that the appropriate rate of interest to discount the amounts in § 807(c)(3) is the highest rate or rates permitted to be used to discount the obligations by the National Association of Insurance Commissioners as of the date the reserve is determined. This amendment applies to taxable years beginning after December 31, 2017.

.03 Capitalization of Specified Policy Acquisition Expenses.

(1) Section 848 generally requires specified policy acquisition expenses for a taxable year to be capitalized and amortized over a defined period. Specified policy acquisition expenses are calculated as a certain percentage of net premiums on specified insurance contracts for the taxable year. Special rules may apply if the specified policy acquisition expenses of an insurance company (determined on a controlled group basis) are less than \$15,000,000.

(2) Section 13519 of the TCJA amended § 848 by extending the general amortization period from 120 months to 180

months and changing the percentage of net premiums that are determined to be specified policy acquisition expenses. These amendments apply to net premiums for taxable years beginning after December 31, 2017. A transition rule in section 13519 provides that specified policy acquisition expenses required to be capitalized in a taxable year beginning before January 1, 2018, will continue to be amortized ratably over the 120 month period.

.04 *Changes in Method of Accounting.*

(1) A change in the method of computing life insurance reserves or amounts under § 807(c)(3) to comply with amendments to § 807 made by the TCJA changes the proper time for the inclusion of the item in income or the taking of the item as a deduction and is a change in method of accounting subject to § 446(e) and § 1.446-1.

(2) A change in the method of calculating the amount of specified policy acquisition expenses to be capitalized and a change in the period over which such capitalized amounts are to be amortized to comply with amendments to § 848 made by the TCJA changes the proper time for taking the item as a deduction and is a change in method of accounting subject to § 446(e) and § 1.446-1.

(3) Section 446(e) and § 1.446-1(e)(2)(i) state that, except as otherwise provided, a taxpayer must secure the consent of the Commissioner before changing a method of accounting for any item for Federal income tax purposes. Under § 1.446-1(e)(3), to obtain the Commissioner's consent to change a method of accounting, a taxpayer generally must file a Form 3115, Application for Change in Accounting Method, during the taxable year for which the taxpayer desires to make the proposed change in method of accounting (year of change). Section 1.446-1(e)(3) provides that the Commissioner may prescribe terms and conditions for effecting a change in method of accounting. Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, as modified by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and as modified by Rev. Proc. 2019-1, 2019-1

I.R.B. 1, provides the current general procedures, including terms and conditions by which an insurance company may obtain consent of the Commissioner to change its method of accounting through the filing of a Form 3115. Unless specifically authorized by the Commissioner or by statute, a taxpayer may not change an established method of accounting by amending any prior Federal income tax return. See Rev. Rul. 90-38, 1990-1 C.B. 57.

(4) Section 481(a) provides that in computing the taxpayer's taxable income for any taxable year, if such computation is under a method of accounting different from the method under which the taxpayer's taxable income for the preceding taxable year was computed, those adjustments that are determined to be necessary solely by reason of the change in order to prevent amounts from being duplicated or omitted must be taken into account. The § 481(a) adjustment is taken into account over the § 481(a) adjustment period provided in the applicable administrative guidance.

(5) In the interest of sound tax administration and in order to reduce the administrative and tax compliance burdens on insurance companies affected by the amendments to § 807 or § 848 made by the TCJA, this revenue procedure provides simplified procedures for an insurance company to obtain consent of the Commissioner to (i) change its methods of computing life insurance reserves to comply with amendments to § 807 made by the TCJA, (ii) change its methods of computing amounts under § 807(c)(3) to comply with amendments to § 807 made by the TCJA, and (iii) change its methods of capitalizing and amortizing specified policy acquisition expenses to comply with amendments to § 848 made by the TCJA.

.05 *Revenue Procedure 2019-10.*

On January 7, 2019, the Treasury Department and the IRS published Rev. Proc. 2019-10, 2019-02 I.R.B. 296, which modified Rev. Proc. 2018-31, 2018-22 I.R.B. 637, to provide procedures under § 446 and § 1.446-1(e) for an insurance company to obtain automatic consent of the Commissioner to change its method

of accounting to comply with § 807(f), as amended by the TCJA.

SECTION 3. SCOPE

.01 *Life Insurance Reserve Method Change.* This revenue procedure applies to any insurance company that changes its method of computing life insurance reserves to comply with amendments to § 807 made by the TCJA for the first taxable year beginning after December 31, 2017, provided the insurance company takes into account the § 481(a) adjustment described in section 6.01(1) of this revenue procedure in the manner prescribed in sections 6.02(1) and 6.02(3) of this revenue procedure and follows the procedures prescribed in section 7 of this revenue procedure.

.02 *Section 807(c)(3) Method Change.* This revenue procedure applies to any insurance company that changes its method of computing amounts under § 807(c)(3) to comply with amendments to § 807 made by the TCJA for the first taxable year beginning after December 31, 2017, provided the insurance company takes into account the § 481(a) adjustment described in section 6.01(2) of this revenue procedure in the manner prescribed in sections 6.02(2) and 6.02(3) of this revenue procedure and follows the procedures prescribed in section 7 of this revenue procedure. However, the portions of this revenue procedure related to § 807(c)(3) do not apply to an insurance company that changes its method of computing amounts under § 807(c)(3) to comply with amendments to § 807 made by the TCJA by complying with the procedures in section 26.04 of Rev. Proc. 2018-31 (as modified by Rev. Proc. 2019-10) (or its successor) to obtain the consent of the Commissioner for such change.

.03 *Capitalization of Specified Policy Acquisition Expenses Method Change.* This revenue procedure applies to any insurance company that changes its methods of capitalizing and amortizing specified policy acquisition expenses to comply with amendments to § 848 made by the TCJA for the first taxable year beginning after December 31, 2017, provided the insurance company follows the procedures prescribed in sections 6.01(3) and 7 of this revenue procedure.

SECTION 4. CONSENT TO CHANGE

Under § 1.446-1(e)(2)(i), the consent of the Commissioner is hereby granted to any insurance company within the scope of section 3 of this revenue procedure to change its method of accounting for life insurance reserves, amounts under § 807(c)(3), and specified policy acquisition expenses, as applicable, to comply with amendments to §§ 807 and 848, as applicable, made by the TCJA, provided the insurance company complies with the provisions of this revenue procedure and the applicable provisions of Rev. Proc. 2015-13.

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

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

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

SECTION 6. TERMS AND CONDITIONS OF CHANGE

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

(1) *Life Insurance Reserve Method Change.* For an insurance company described in section 3.01 of this revenue procedure, the year of change is the first taxable year beginning after December 31, 2017, and the § 481(a) adjustment is the sum of the TCJA Transition Adjustments. The insurance company must take the § 481(a) adjustment into account in the

manner provided in section 6.02(1) of this revenue procedure.

(2) *Section 807(c)(3) Method Change.* For an insurance company described in section 3.02 of this revenue procedure, the year of change is the first taxable year beginning after December 31, 2017, and the § 481(a) adjustment is the difference between (a) the amount determined under § 807(c)(3) as of the close of the taxable year preceding the first taxable year beginning after December 31, 2017, determined using the appropriate rate of interest required after the amendments to § 807(c) by the TCJA and (b) such amount determined at such time using the appropriate rate of interest required prior to the amendments to § 807(c) by the TCJA. The § 481(a) adjustment is positive if the amount described in clause (b) of the preceding sentence exceeds the amount described in clause (a) of the preceding sentence and is negative if the amount described in clause (a) of the preceding sentence exceeds the amount described in clause (b) of the preceding sentence. The insurance company must take the § 481(a) adjustment into account in the manner provided in section 6.02(2) of this revenue procedure.

(3) *Capitalization of Specified Policy Acquisition Expenses Method Change.* For an insurance company described in section 3.03 of this revenue procedure, the year of change is the first taxable year beginning after December 31, 2017. The change in method of accounting is made using a cut-off method because the TCJA amendments to § 848 apply to net premiums for taxable years beginning after December 31, 2017. Accordingly, a § 481(a) adjustment is neither required nor permitted.

.02 *Section 481(a) Adjustment Period.*

(1) *Life Insurance Reserve Method Change.* For an insurance company described in section 3.01 of this revenue procedure, the § 481(a) adjustment period is eight taxable years (the year of change and the seven succeeding taxable years). Any negative § 481(a) adjustment must be taken into account under § 805(a)(2) or § 832(c)(4), as applicable, and any positive § 481(a) adjustment must be taken into account under § 803(a)(2) or § 832(b)(1)(C), as applicable.

(2) *Section 807(c)(3) Method Change.* For an insurance company described in section 3.02 of this revenue procedure, the § 481(a) adjustment period is one taxable year (the year of change) for a negative § 481(a) adjustment and four taxable years (the year of change and the three succeeding taxable years) for a positive § 481(a) adjustment. Alternatively, such insurance company may take a positive § 481(a) adjustment into account entirely in the year of change.

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

(a) The insurance company must take the § 481(a) adjustment into account ratably over the § 481(a) adjustment period specified in this revenue procedure.

(b) If the year of change or any other taxable year during the § 481(a) adjustment period is a short taxable year, the insurance company must take the applicable § 481(a) adjustment described in section 6.01 of this revenue procedure into account as if that short taxable year were a full 12-month year. *See* Rev. Rul. 78-165, 1978-1 C.B. 276.

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

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

(e) The applicable § 481(a) adjustment period described in section 6.02(1) of this revenue procedure is accelerated if the insurance company ceases to qualify as an insurance company, and any remaining § 481(a) adjustment must be taken into account in the last year the insurance company qualifies as an insurance company. *See* section 13517(c)(3)(B) of the TCJA.

SECTION 7. PROCEDURE FOR MAKING THE CHANGE

In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived for an insurance company making a change in method of accounting under this revenue

procedure, provided the insurance company satisfies all of the applicable terms and conditions set forth in section 6 of this revenue procedure; properly reports the amount of any § 481 adjustment described in section 6.01 of this revenue procedure, as applicable, on its Federal income tax returns; and, except as otherwise provided in this revenue procedure, satisfies all of the applicable terms and conditions set forth in Rev. Proc. 2015-13.

SECTION 8. AUDIT PROTECTION

.01 *No Audit Protection for Life Insurance Reserve Method Changes.* The audit protection in section 8 of Rev. Proc. 2015-13 does not apply to a change in method of accounting that is within the scope of section 3.01 of this revenue procedure.

.02 *Audit Protection for Section 807(c)(3) and Capitalization of Specified Policy Acquisition Expenses Method Changes.* Except as otherwise provided herein, the IRS will not require an insurance company that makes a change in method of accounting that is within the scope of section 3.02 or section 3.03 of this revenue procedure to change its method of accounting for the same item (that is, for discounting amounts under § 807(c)(3) or capitalizing and amortizing specified policy acquisition expenses under § 848, as applicable) for taxable years prior to the year of change, provided the insurance company complies with the applicable provisions of this revenue procedure. The IRS may change an insurance company's method of accounting for the same item that is the subject of a change in method of accounting described in section 3.02 or section 3.03 of this revenue procedure if the insurance company's method of accounting for the same item (that is, for discounting amounts under § 807(c)(3) or capitalizing and amortizing specified policy acquisition expenses under § 848, as applicable) is an issue under consideration (whether under examination, before an Appeals office, or before a federal court), within the meaning of section 3.08 of Rev. Proc.

2015-13, on August 6, 2019. The exceptions in section 8.02 of Rev. Proc. 2015-13 do not apply to an insurance company within the scope of section 3.02 or section 3.03 of this revenue procedure with respect to the insurance company's method of accounting for the same item that is the subject of a change in method of accounting described in section 3.02 or section 3.03 of this revenue procedure (that is, for discounting amounts under § 807(c)(3) or capitalizing and amortizing specified policy acquisition expenses under § 848, as applicable).

SECTION 9. EFFECT ON OTHER REVENUE PROCEDURES

Section 26.04(1) of Rev. Proc. 2018-31 (as modified by Rev. Proc. 2019-10), is modified by adding a second sentence to read as follows: "However, this section 26.04 does not apply to any change in method of accounting to which Rev. Proc. 2019-30, 2019-33 I.R.B. 638 or Rev. Proc. 2019-34, 2019-35 I.R.B. 669, applies."

Accordingly, a change in a method of accounting subject to section 26.04 of Rev. Proc. 2018-31 (or its successor) to which this Rev. Proc. 2019-34 does not apply continues to be subject to section 26.04 of Rev. Proc. 2018-31 (or its successor). For example, if in its first taxable year beginning after December 31, 2017, a taxpayer changes its method of computing life insurance reserves in a manner in addition to that required to comply with the amendments to § 807 made by the TCJA, such additional change is not subject to this Rev. Proc. 2019-34 and continues to be subject to section 26.04 of Rev. Proc. 2018-31 (or its successor).

SECTION 10. FORM 3115 TRANSITION RULE

If before August 26, 2019, a taxpayer properly filed a Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13 requesting the Commis-

sioner'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 August 26, 2019, the taxpayer may choose to make the change in method of accounting under the automatic change procedures in this revenue procedure and 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. 2019-1 (or any successor)) of the taxpayer's intent to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 before the later of (a) September 25, 2019, or (b) the issuance of a letter ruling granting or denying consent for the change. The notification should indicate that the taxpayer chooses to convert the Form 3115 to the automatic change procedures in this revenue procedure and 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 this revenue procedure and 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.

SECTION 11. EFFECTIVE DATE

This revenue procedure is effective for an insurance company's first taxable year beginning after December 31, 2017.

SECTION 12. DRAFTING INFORMATION

The principal author of this revenue procedure is Dan Phillips of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Mr. Phillips at (202) 317-6995 (not a toll-free number).

Section 848.— Capitalization of Certain Policy Acquisition Expenses

Rev. Proc. 2019-34 provides simplified procedures for an insurance company to obtain automatic consent to change its method of accounting for specified policy acquisition expenses under § 848, as amended by section 13519 of the Tax Cuts and Jobs Act, for the first taxable year beginning after December 31, 2017. See Rev. Proc. 2019-34, page 669.

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 applies 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 laws 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 a 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 Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
FR—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.—Statement 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.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–27 through 2018–52 is in Internal Revenue Bulletin 2018–52, dated December 27, 2018.

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¹ A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2018–27 through 2018–52 is in Internal Revenue Bulletin 2018–52, dated December 27, 2018.

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