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.

ADMINISTRATIVE

Notice 2022-1, page 304.
This notice directs lenders or servicers of student loans that they should not file information returns or furnish payee statements under section 6050P of the Internal Revenue Code (Code) to report the discharge of student loans when the discharge is excluded from gross income under section 108(f)(5) of the Code, as amended by the American Rescue Plan Act of 2021 (ARP), Pub. L. 117-2, 135 Stat. 4 (March 11, 2021), for taxable years 2021 to 2025.

EMPLOYEE PLANS

Notice 2022-2, page 304.
This notice sets forth updates on the corporate bond monthly yield curve, the corresponding spot segment rates for November 2021 used under § 417(e)(3)(D), the 24-month average segment rates applicable for November 2021, and the 30-year Treasury rates, as reflected by the application of § 430(h)(2)(C)(iv).

EXCISE TAX

Notice 2022-4, page 309.
Sections 4375 and 4376, added to the Code by the Affordable Care Act, impose a fee on issuers of specified health insurance policies and plan sponsors of applicable self-insured health plans to help fund the Patient-Centered Outcomes Research Trust Fund (PCORTF). This notice provides that the adjusted applicable dollar amount that applies for determining the PCORTF fee for policy years and plan years ending on or after October 1, 2021 and before October 1, 2022, is $2.79. This adjusted applicable dollar amount has been determined using the percentage increase in the projected per capita amount of the National Health Expenditures published by HHS in March 2020.

INCOME TAX

Notice 2022-3, page 308.
This notice provides the optional 2022 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes. This notice also provides the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate plan. Additionally, this notice provides the maximum fair market value of employer-provided automobiles first made available to employees for personal use in calendar year 2022 for which employers may use the fleet-average valuation rule in § 1.61-21(d)(5)(v) of the Income Tax Regulations or the vehicle cents-per-mile valuation rule in § 1.61-21(e).

This revenue procedure also modifies Rev. Proc. 2018-40, 2018-34 I.R.B. 320, to remove the option of netting the remaining portion of a § 481(a) adjustment that resulted from a prior method change. This revenue procedure also provides procedures for taxpayers to revoke an election made under proposed § 1.448-2(b) (2)(i)(B) for taxable years beginning on or after January 5, 2021, or in the case of taxpayer that early applies the final regulations, for taxable years in which the final regulations are applicable.

**Rev. Rul. 2022-1, page 301.**

Federal rates; adjusted federal rates; adjusted federal long-term rate, and the long-term tax exempt rate. For purposes of sections 382, 1274, 1288, 7872 and other sections of the Code, tables set forth the rates for January 2022. Table 7 contains the average of the applicable federal mid-term rates (based on annual compounding) for the 60-month periods ending December 31, 2019, December 31, 2020, and December 31, 2021, for purposes of section 7702(f)(11).
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 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 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.
Part I

Section 1274.—
Determination of Issue Price in the Case of Certain Debt Instruments Issued for Property

(Also Sections 42, 280G, 382, 467, 468, 482, 483, 1288, 7520, 7702, 7872.)

Rev. Rul. 2022-1

This revenue ruling provides various prescribed rates for federal income tax purposes for January 2022 (the current month). Table 1 contains the short-term, mid-term, and long-term applicable federal rates (AFR) for the current month for purposes of section 1274(d) of the Internal Revenue Code. Table 2 contains the short-term, mid-term, and long-term adjusted applicable federal rates (adjusted AFR) for the current month for purposes of section 1288(b). Table 3 sets forth the adjusted federal long-term rate and the long-term tax-exempt rate described in section 382(f). Table 4 contains the appropriate percentages for determining the low-income housing credit described in section 42(b)(1) for buildings placed in service during the current month. However, under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%. Table 5 contains the federal rate for determining the present value of an annuity, an interest for life or for a term of years, or a remainder or a reversionary interest for purposes of section 7520. Table 6 contains the deemed rate of return for transfers made during calendar year 2022 to pooled income funds described in section 642(c)(5) that have been in existence for less than 3 taxable years immediately preceding the taxable year in which the transfer was made. Finally, Table 7 contains the average of the applicable federal mid-term rates (based on annual compounding) for the 60-month periods ending December 31, 2019, December 31, 2020, and December 31, 2021, for purposes of section 7702(f)(11).

### REV. RUL. 2022-1 TABLE 1
Applicable Federal Rates (AFR) for January 2022
Period for Compounding

<table>
<thead>
<tr>
<th></th>
<th>Annual</th>
<th>Semiannual</th>
<th>Quarterly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFR</strong></td>
<td>0.44%</td>
<td>0.44%</td>
<td>0.44%</td>
<td>0.44%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>0.48%</td>
<td>0.48%</td>
<td>0.48%</td>
<td>0.48%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>0.53%</td>
<td>0.53%</td>
<td>0.53%</td>
<td>0.53%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>0.57%</td>
<td>0.57%</td>
<td>0.57%</td>
<td>0.57%</td>
</tr>
<tr>
<td><strong>Mid-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFR</td>
<td>1.30%</td>
<td>1.30%</td>
<td>1.30%</td>
<td>1.30%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>1.44%</td>
<td>1.43%</td>
<td>1.43%</td>
<td>1.43%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>1.57%</td>
<td>1.56%</td>
<td>1.56%</td>
<td>1.55%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>1.70%</td>
<td>1.69%</td>
<td>1.69%</td>
<td>1.68%</td>
</tr>
<tr>
<td>150% AFR</td>
<td>1.96%</td>
<td>1.95%</td>
<td>1.95%</td>
<td>1.94%</td>
</tr>
<tr>
<td>175% AFR</td>
<td>2.29%</td>
<td>2.28%</td>
<td>2.27%</td>
<td>2.27%</td>
</tr>
<tr>
<td><strong>Long-term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AFR</td>
<td>1.82%</td>
<td>1.81%</td>
<td>1.81%</td>
<td>1.80%</td>
</tr>
<tr>
<td>110% AFR</td>
<td>2.00%</td>
<td>1.99%</td>
<td>1.99%</td>
<td>1.98%</td>
</tr>
<tr>
<td>120% AFR</td>
<td>2.18%</td>
<td>2.17%</td>
<td>2.16%</td>
<td>2.16%</td>
</tr>
<tr>
<td>130% AFR</td>
<td>2.36%</td>
<td>2.35%</td>
<td>2.34%</td>
<td>2.34%</td>
</tr>
</tbody>
</table>

### REV. RUL. 2022-1 TABLE 2
Adjusted AFR for January 2022
Period for Compounding

<table>
<thead>
<tr>
<th></th>
<th>Annual</th>
<th>Semiannual</th>
<th>Quarterly</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term adjusted AFR</td>
<td>0.33%</td>
<td>0.33%</td>
<td>0.33%</td>
<td>0.33%</td>
</tr>
<tr>
<td>Mid-term adjusted AFR</td>
<td>0.99%</td>
<td>0.99%</td>
<td>0.99%</td>
<td>0.99%</td>
</tr>
<tr>
<td>Long-term adjusted AFR</td>
<td>1.37%</td>
<td>1.37%</td>
<td>1.37%</td>
<td>1.37%</td>
</tr>
</tbody>
</table>
### REV. RUL. 2022-1 TABLE 3
Rates Under Section 382 for January 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted federal long-term rate for the current month</td>
<td>1.37%</td>
</tr>
<tr>
<td>Long-term tax-exempt rate for ownership changes during the current month</td>
<td>1.45%</td>
</tr>
</tbody>
</table>
The highest of the adjusted federal long-term rates for the current month and the prior two months.

### REV. RUL. 2022-1 TABLE 4
Appropriate Percentages Under Section 42(b)(1) for January 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note: Under section 42(b)(2), the applicable percentage for non-federally subsidized new buildings placed in service after July 30, 2008, shall not be less than 9%.</td>
<td></td>
</tr>
<tr>
<td>Appropriate percentage for the 70% present value low-income housing credit</td>
<td>7.36%</td>
</tr>
<tr>
<td>Appropriate percentage for the 30% present value low-income housing credit</td>
<td>3.15%</td>
</tr>
</tbody>
</table>

### REV. RUL. 2022-1 TABLE 5
Rate Under Section 7520 for January 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable federal rate for determining the present value of an annuity, an interest for life or a term of years, or a remainder or reversionary interest</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

### REV. RUL. 2022-1 TABLE 6
Deemed Rate for Transfers to Pooled Income Funds During 2022

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deemed rate of return for transfers during 2022 to pooled income funds that have been in existence for less than 3 taxable years</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

### REV. RUL. 2022-1 TABLE 7
Average of the Applicable Federal Mid-Term Rates for 2019, 2020, 2021

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>For purposes of section 7702(f)(11), the average of the applicable federal mid-term rates (based on annual compounding) for the 60-month periods ending December 31, 2019, December 31, 2020, and December 31, 2021, are:</td>
<td></td>
</tr>
<tr>
<td>60-month period ending December 31, 2019</td>
<td>2.00%</td>
</tr>
<tr>
<td>60-month period ending December 31, 2020</td>
<td>1.82%</td>
</tr>
<tr>
<td>60-month period ending December 31, 2021</td>
<td>1.72%</td>
</tr>
</tbody>
</table>

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**Section 42.—Low-Income Housing Credit**


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**Section 280G.—Golden Parachute Payments**


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**Section 382.—Limitation on Net Operating Loss Carryforwards and Certain Built-In Losses Following Ownership Change**


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**Section 467.—Certain Payments for the Use of Property or Services**

Section 468.—Special Rules for Mining and Solid Waste Reclamation and Closing Costs


Section 482.—Allocation of Income and Deductions Among Taxpayers


Section 483.—Interest on Certain Deferred Payments


Section 1288.—Treatment of Original Issue Discount on Tax-Exempt Obligations


Section 7520.—Valuation Tables


Section 7872.—Treatment of Loans With Below-Market Interest Rates

Part III

Instructions for Lenders and Loan Servicers Regarding Certain Discharged Student Loans

Notice 2022-1

SECTION 1: PURPOSE

This notice directs lenders or servicers of student loans that they should not file information returns or furnish payee statements under section 6050P of the Internal Revenue Code (Code) to report the discharge of certain student loans when the discharge is excluded from gross income under section 108(f)(5) of the Code, as amended by the American Rescue Plan Act of 2021 (ARP), Pub. L. 117-2, 135 Stat. 4 (March 11, 2021), for taxable years 2021 to 2025.

SECTION 2: BACKGROUND

Section 9675(a) of the ARP amended section 108 of the Code, Income from discharge of indebtedness, to provide a special rule for discharges of certain student loan debt under section 108(f)(5). Under this special rule, gross income does not include any amount which would otherwise be includible in gross income by reason of the discharge (in whole or in part) after December 31, 2020, and before January 1, 2026, of loans provided for postsecondary educational expenses, whether the loan was provided through the educational institution or directly to the borrower. Such loans must have been made, insured, or guaranteed by the United States, or an instrumentality or agency thereof, a State, territory, or possession of the United States, or the District of Columbia, or any political subdivision thereof, or an eligible educational institution. Additionally, certain private education loans and loans made by certain educational organizations qualify for this special rule.

SECTION 3: INFORMATION REPORTING

Generally, section 6050P of the Code and §§ 1.6050P-1 and 1.6050P-2 of the Income Tax Regulations require an applicable entity (as defined in section 6050P(c)(1))) that discharges at least $600 of a borrower’s indebtedness to file a Form 1099-C, Cancellation of Debt, with the Internal Revenue Service (IRS), and to furnish a payee statement to the borrower. For purposes of this reporting requirement, § 1.6050P-1(c) provides that “indebtedness” means any amount owed to an applicable entity, including stated principal, fees, stated interest, penalties, administrative costs, and fines.

When all or a portion of a student loan described in section 108(f)(5) is discharged after December 31, 2020 and before January 1, 2026, an applicable entity is not required to, and should not, file a Form 1099-C information return with the IRS or furnish a payee statement to the borrower under section 6050P as a result of the discharge. The filing of an information return with the IRS, although not required, could result in the issuance of an underreporter notice (IRS Letter CP2000) to the borrower through the IRS’s Automated Underreporter program, and the furnishing of a payee statement to the borrower could cause confusion for a taxpayer with a tax-exempt discharge of debt.

SECTION 4: DRAFTING INFORMATION

The principal author of this announcement is Blaise Dusenberry of the Office of the Associate Chief Counsel (Procedure and Administration). For further information regarding this announcement, contact Blaise Dusenberry at (202) 317-6845 (not a toll-free number).

Update for Weighted Average Interest Rates, Yield Curves, and Segment Rates

Notice 2022-2

This notice provides guidance on the corporate bond monthly yield curve, the corresponding spot segment rates used under § 417(e)(3), and the 24-month average segment rates under § 430(h)(2) of the Internal Revenue Code. In addition, this notice provides guidance as to the interest rate on 30-year Treasury securities under § 417(e)(3)(A)(ii)(I) as in effect for plan years beginning before 2008 and the 30-year Treasury weighted average rate under § 431(c)(6)(E)(ii)(I).

YIELD CURVE AND SEGMENT RATES

Section 430 specifies the minimum funding requirements that apply to single-employer plans (except for CSEC plans under § 414(y)) pursuant to § 412. Section 430(h)(2) specifies the interest rates that must be used to determine a plan’s target normal cost and funding target. Under this provision, present value is generally determined using three 24-month average interest rates (“segment rates”), each of which applies to cash flows during specified periods. To the extent provided under § 430(h)(2)(C)(iv), these segment rates are adjusted by the applicable percentage of the 25-year average segment rates for the period ending September 30 of the year preceding the calendar year in which the plan year begins.1 However, an election may be made under § 430(h)(2)(D)(ii) to use the monthly yield curve in place of the segment rates.

Notice 2007-81, 2007-44 I.R.B. 899, provides guidelines for determining the monthly corporate bond yield curve, and

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1 Pursuant to § 433(h)(3)(A), the 3rd segment rate determined under § 430(h)(2)(C) is used to determine the current liability of a CSEC plan (which is used to calculate the minimum amount of the full funding limitation under § 433(c)(7)(C)).
the 24-month average corporate bond segment rates used to compute the target normal cost and the funding target. Consistent with the methodology specified in Notice 2007-81, the monthly corporate bond yield curve derived from November 2021 data is in Table 2021-11 at the end of this notice. The spot first, second, and third segment rates for the month of November 2021 are, respectively, 1.02, 2.72, and 3.08.

The 24-month average segment rates determined under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates.


24-MONTH AVERAGE CORPORATE BOND SEGMENT RATES

The three 24-month average corporate bond segment rates applicable for December 2021 without adjustment for the 25-year average segment rate limits are as follows:

<table>
<thead>
<tr>
<th>Applicable Month</th>
<th>First Segment</th>
<th>Second Segment</th>
<th>Third Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2021</td>
<td>0.92</td>
<td>2.62</td>
<td>3.29</td>
</tr>
</tbody>
</table>

25-YEAR AVERAGE SEGMENT RATES

Section 9706(a) of the American Rescue Plan Act of 2021, Pub. L. No. 117-2 (ARP), which was enacted on March 11, 2021, changes the 25-year average segment rates and the applicable minimum and maximum percentages used under § 430(h)(3)(C)(iv) of the Code to adjust the 24-month average segment rates. Prior to this change, the applicable minimum and maximum percentages were 90% and 110% for a plan year beginning in 2020, and 85% and 115% for a plan year beginning in 2021, respectively. After this change, the applicable minimum and maximum percentages are 95% and 105% for a plan year beginning in 2020, 2021, or 2022. In addition, pursuant to this change, any 25-year average segment rate that is less than 5% is deemed to be 5%.

Pursuant to § 9706(c)(1) of ARP, these changes apply with respect to plan years beginning on or after January 1, 2020. However, § 9706(c)(2) of ARP provides that a plan sponsor may elect not to have these changes apply to any plan year beginning before January 1, 2022.

The adjusted 24-month average segment rates set forth in the chart below reflect § 430(h)(2)(C)(iv) of the Code as amended by § 9706(a) of ARP. These adjusted 24-month average segment rates apply only for plan years for which an election under § 9706(c)(2) of ARP is in effect. For a plan year for which such an election does not apply, the 24-month averages applicable for December 2021, adjusted to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates in accordance with § 430(h)(2)(C)(iv) of the Code, are as follows:

<table>
<thead>
<tr>
<th>Applicable Month</th>
<th>First Segment</th>
<th>Second Segment</th>
<th>Third Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2021</td>
<td>4.75</td>
<td>5.50</td>
<td>6.27</td>
</tr>
<tr>
<td>December 2021</td>
<td>4.75</td>
<td>5.36</td>
<td>6.11</td>
</tr>
<tr>
<td>December 2021</td>
<td>4.75</td>
<td>5.18</td>
<td>5.92</td>
</tr>
</tbody>
</table>

The adjusted 24-month average segment rates set forth in the chart below do not reflect the changes to § 430(h)(2)(C) (iv) of the Code made by § 9706(a) of ARP. These adjusted 24-month average segment rates apply only for plan years for which an election under § 9706(c)(2) of ARP is in effect. For a plan year for which such an election applies, the 24-month
averages applicable for December 2021, adjusted to be within the applicable minimum and maximum percentages of the corresponding 25-year average segment rates in accordance with § 430(h)(2)(C)(iv) of the Code, are as follows:

<table>
<thead>
<tr>
<th>For Plan Years Beginning In</th>
<th>Applicable Month</th>
<th>First Segment</th>
<th>Second Segment</th>
<th>Third Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>December 2021</td>
<td>3.64</td>
<td>5.21</td>
<td>5.94</td>
</tr>
<tr>
<td>2021</td>
<td>December 2021</td>
<td>3.32</td>
<td>4.79</td>
<td>5.47</td>
</tr>
</tbody>
</table>

30-YEAR TREASURY SECURITIES INTEREST RATES

Section 431 specifies the minimum funding requirements that apply to multiemployer plans pursuant to § 412. Section 431(c)(6)(B) specifies a minimum amount for the full-funding limitation described in § 431(c)(6)(A), based on the plan’s current liability. Section 431(c)(6)(E)(ii)(I) provides that the interest rate used to calculate current liability for this purpose must be no more than 5 percent above and no more than 10 percent below the weighted average of the rates of interest on 30-year Treasury securities during the four-year period ending on the last day before the beginning of the plan year. Notice 88-73, 1988-2 C.B. 383, provides guidelines for determining the weighted average interest rate. The rate of interest on 30-year Treasury securities for November 2021 is 1.94 percent. The Service determined this rate as the average of the daily determinations of yield on the 30-year Treasury bond maturing in August 2051 determined each day through November 9, 2021, and the yield on the 30-year Treasury bond maturing in November 2051 determined each day for the balance of the month. For plan years beginning in December 2021, the weighted average of the rates of interest on 30-year Treasury securities and the permissible range of rates used to calculate current liability are as follows:

<table>
<thead>
<tr>
<th>For Plan Years Beginning In</th>
<th>30-Year Treasury Weighted Average</th>
<th>Permissible Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2021</td>
<td>2.14</td>
<td>90% to 105%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.92 to 2.24</td>
</tr>
</tbody>
</table>

MINIMUM PRESENT VALUE SEGMENT RATES

In general, the applicable interest rates under § 417(e)(3)(D) are segment rates computed without regard to a 24-month average. Notice 2007-81 provides guidelines for determining the minimum present value segment rates. Pursuant to that notice, the minimum present value segment rates determined for November 2021 are as follows:

<table>
<thead>
<tr>
<th>Month</th>
<th>First Segment</th>
<th>Second Segment</th>
<th>Third Segment</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 2021</td>
<td>1.02</td>
<td>2.72</td>
<td>3.08</td>
</tr>
</tbody>
</table>

DRAFTING INFORMATION

The principal author of this notice is Tom Morgan of the Office of the Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). However, other personnel from the IRS participated in the development of this guidance. For further information regarding this notice, contact Mr. Morgan at 202-317-6700 or Osmundo Bernabe at 626-927-1344 (not toll-free numbers).
Table 2021-11
Monthly Yield Curve for November 2021
Derived from November 2021 Data

<table>
<thead>
<tr>
<th>Maturity</th>
<th>Yield</th>
<th>Maturity</th>
<th>Yield</th>
<th>Maturity</th>
<th>Yield</th>
<th>Maturity</th>
<th>Yield</th>
<th>Maturity</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.5</td>
<td>0.24</td>
<td>20.5</td>
<td>3.07</td>
<td>40.5</td>
<td>3.08</td>
<td>60.5</td>
<td>3.09</td>
<td>80.5</td>
<td>3.09</td>
</tr>
<tr>
<td>1.0</td>
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**2022 Standard Mileage Rates**

**Notice 2022-3**

**SECTION 1. PURPOSE**

This notice provides the optional 2022 standard mileage rates for taxpayers to use in computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes. This notice also provides the amount taxpayers must use in calculating reductions to basis for depreciation taken under the business standard mileage rate, and the maximum standard automobile cost that may be used in computing the allowance under a fixed and variable rate (FA VR) plan. Additionally, this notice provides the maximum fair market value (FMV) of employer-provided automobiles first made available to employees for personal use in calendar year 2022 for which employers may use the fleet-average valuation rule in § 1.61-21(d)(5)(v) of the Income Tax Regulations or the vehicle cents-per-mile valuation rule in § 1.61-21(e).

**SECTION 2. BACKGROUND**

Rev. Proc. 2019-46, 2019-49 I.R.B. 1301, provides rules for computing the deductible costs of operating an automobile for business, charitable, medical, or moving expense purposes, and for substantiating, under § 274(d) of the Internal Revenue Code and § 1.274-5, the amount of ordinary and necessary business expenses of local transportation or travel away from home. Taxpayers using the standard mileage rates must comply with Rev. Proc. 2019-46. However, a taxpayer is not required to use the substantiation methods described in Rev. Proc. 2019-46, but instead may substantiate using actual allowable expense amounts if the taxpayer maintains adequate records or other sufficient evidence.

An independent contractor conducts an annual study for the Internal Revenue Service of the fixed and variable costs of operating an automobile to determine the standard mileage rates for business, medical, and moving use reflected in this notice. The standard mileage rate for charitable use is set by § 170(i).

Longstanding regulations under § 61 provide special valuation rules for employer-provided automobiles. The amount that must be included in the employee’s income and wages for the personal use of an employer-provided automobile generally is determined by reference to the automobile’s FMV. If an employer chooses to use a special valuation rule, the special value is treated as the FMV of the benefit for income tax and employment tax purposes. Section 1.61-21(b)(4). Two such special valuation rules, the fleet-average valuation rule and the vehicle cents-per-mile valuation rule, are set forth in § 1.61-21(d)(5)(v) and § 1.61-21(e), respectively.

These two special valuation rules are subject to limitations, including that they may be used only in connection with automobiles having values that do not exceed a maximum amount set forth in the regulations.

**SECTION 3. STANDARD MILEAGE RATES**

The standard mileage rate for transportation or travel expenses is 58.5 cents per mile for all miles of business use (business standard mileage rate). See section 4 of Rev. Proc. 2019-46. However, § 11045 of the Tax Cuts and Jobs Act, Public Law 115-97, 131. Stat. 2054 (December 22, 2017) (the “TCJA”) suspends all miscellaneous itemized deductions that are subject to the two-percent of adjusted gross income floor under § 67, including unreimbursed employee travel expenses, for taxable years beginning after December 31, 2017, and before January 1, 2026. Thus, the business standard mileage rate provided in this notice cannot be used to claim an itemized deduction for unreimbursed employee travel expenses during the suspension.

Notwithstanding the foregoing suspension of miscellaneous itemized deductions, deductions for expenses that are deductible in determining adjusted gross income are not suspended. For example, members of a reserve component of the Armed Forces of the United States (Armed Forces), state or local government officials paid on a fee basis, and certain performing artists are entitled to deduct unreimbursed employee travel expenses as an adjustment to total income on line 11 of Schedule 1 of Form 1040 (2021), not as an itemized deduction on Schedule A of Form 1040 (2021), and therefore may continue to use the business standard mileage rate.

The standard mileage rate is 14 cents per mile for use of an automobile in rendering gratuitous services to a charitable organization under § 170. See section 5 of Rev. Proc. 2019-46.

The standard mileage rate is 18 cents per mile for use of an automobile: (1) for medical care described in § 213; or (2) as part of a move for which the expenses are deductible under § 217(g). See section 5 of Rev. Proc. 2019-46. Section 11049 of the TCJA suspends the deduction for moving expenses for taxable years beginning after December 31, 2017, and before January 1, 2026. However, the suspension does not apply to members of the Armed Forces on active duty who move pursuant to a military order and incident to a permanent change of station. Thus, except for taxpayers to whom § 217(g) applies, the standard mileage rate provided in this notice is not applicable for the use of an automobile as part of a move occurring during the suspension.

**SECTION 4. BASIS REDUCTION AMOUNT**

For automobiles a taxpayer uses for business purposes, the portion of the business standard mileage rate treated as depreciation is 25 cents per mile for 2018, 26 cents per mile for 2019, 27 cents per mile for 2020, 26 cents per mile for 2021, and 26 cents per mile for 2022. See section 4.04 of Rev. Proc. 2019-46.

**SECTION 5. MAXIMUM STANDARD AUTOMOBILE COST**

For purposes of computing the allowance under a FAVR plan, the standard automobile cost may not exceed $56,100 for automobiles (including trucks and vans). See section 6.02(6) of Rev. Proc. 2019-46.

**SECTION 6. MAXIMUM VALUE OF EMPLOYER-PROVIDED AUTOMOBILES**

For purposes of the fleet-average valuation rule in § 1.61-21(d)(5)(v) and the
vehicle cents-per-mile valuation rule in § 1.61-21(e), the maximum FMV of automobiles (including trucks and vans) first made available to employees in calendar year 2022 is $56,100.

SECTION 7. EFFECTIVE DATE

This notice is effective for: (1) deductible transportation expenses paid or incurred on or after January 1, 2022; (2) mileage allowances or reimbursements paid to a charitable volunteer or a member of the Armed Forces to whom § 217(g) applies; (a) on or after January 1, 2022, and (b) for transportation expenses the charitable volunteer or such member of the Armed Forces pays or incurs on or after January 1, 2022; and (3) for purposes of the maximum FMV of employer-provided automobiles for which employers may use the fleet-average valuation rule in §1.61-21(d)(5) (v) or the vehicle cents-per-mile rule in §1.61-21(e), automobiles first made available to employees for personal use on or after January 1, 2022.

SECTION 8. EFFECT ON OTHER DOCUMENTS

Notice 2021-02 is superseded.

DRAFTING INFORMATION

The principal author of this notice is Christian Lagorio of the Office of Associate Chief Counsel (Income Tax and Accounting). For further information on this notice regarding the use of an employee-provided automobile, contact Mr. Lagorio at (202) 317-7005 (not a toll-free number). For further information on this notice regarding the use of an employer-provided automobile, contact Stephanie Caden of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes), at (202) 317-4774 (not a toll-free number).

Sections 4375 & 4376 – Insured and Self-Insured Health Plans

Adjusted Applicable Dollar Amount for Fee Imposed by Sections 4375 and 4376

Notice 2022-4

I. PURPOSE

This notice provides the adjusted applicable dollar amount to be multiplied by the average number of covered lives for purposes of calculating the fee imposed by sections 4375 and 4376 of the Internal Revenue Code for policy years and plan years that end on or after October 1, 2021, and before October 1, 2022.

II. BACKGROUND

Section 4375 imposes a fee on the issuer of a specified health insurance policy for each policy year ending after September 30, 2012, and before October 1, 2029. Section 4376 imposes a fee on the plan sponsor of an applicable self-insured health plan for each plan year ending after September 30, 2012, and before October 1, 2029. The fee imposed by sections 4375 and 4376 helps to fund the Patient-Centered Outcomes Research Trust Fund (PCORTF) and is calculated using the average number of covered lives under the policy or plan and the applicable dollar amount for that policy year or plan year. Under sections 4375(a) and 4376(a), the applicable dollar amount is $2 for policy and plan years ending on or after October 1, 2013, and before October 1, 2014.1

Under sections 4375(d) and 4376(d) and §§ 46.4375-1(c)(4) and 46.4376-1(c)(3), the applicable dollar amount for policy years and plan years ending in any Federal fiscal year beginning on or after October 1, 2014, is increased based on increases in the projected per capita amount of National Health Expenditures. Specifically, the applicable dollar amount is the sum of—

(i) The applicable dollar amount for the policy year or plan year ending in the previous Federal fiscal year; plus

(ii) The amount equal to the product of—

(A) The applicable dollar amount for the policy year or plan year ending in the previous Federal fiscal year; and

(B) The percentage increase in the projected per capita amount of the National Health Expenditures, as most recently released by the Department of Health and Human Services (HHS) before the beginning of the Federal fiscal year.

Notice 2020-84, 2020-51 IRB 1645, provides that the adjusted applicable dollar amount for policy years and plan years that end on or after October 1, 2020, and before October 1, 2021 is $2.66.

III. ADJUSTED APPLICABLE DOLLAR AMOUNT

The applicable dollar amount that must be used to calculate the fee imposed by sections 4375 and 4376 for policy years and plan years that end on or after October 1, 2021, and before October 1, 2022, is $2.79. Because HHS did not publish updated National Health Expenditures tables for fiscal year 2021, this year’s fee is calculated using last year’s projections. This is consistent with the statutory requirement under sections 4375(d)(2) and 4376(d)(2) that the increase to the PCORI fee be determined by “the percentage increase in the projected per capita amount of National Health Expenditures, as most recently published by the Secretary before the beginning of the fiscal year.” Therefore, the increase to the PCORI fee is calculated by multiplying the adjusted applicable dollar amount for policy years and

1 The applicable dollar amount is $1 for policy and plan years ending before October 1, 2013.
This revenue procedure modifies Rev. Proc. 2018-40, 2018-34 (T.D. 9942). This revenue procedure also provides procedures for taxpayers to revoke an election made under proposed § 1.448-2(b)(2)(i)(B) for taxable years beginning on or after January 5, 2021, or in the case of taxpayer that early applies the final regulations, for taxable years in which the final regulations are applicable.

SECTION 2. BACKGROUND

.01 On December 22, 2017, section 13102 of Public Law 115-97, 131 Stat. 2054, 2113, commonly referred to as the Tax Cuts and Jobs Act (TCJA) amended § 448 of the Code by increasing the gross receipts test amount for eligibility to use the cash receipts and disbursement method (cash method) to $25,000,000 (adjusted for inflation). It also amended § 447 to incorporate by reference the gross receipts test of § 448 and amended §§ 263A, 460, and 471 by modifying the exemptions from the requirements to apply certain method of accounting rules for cost capitalization, long-term contracts, and inventories for eligible taxpayers. The amendments to §§ 263A, 447, 448, and 471 generally apply to taxable years beginning after December 31, 2017. The amendments to § 460 apply to contracts entered into after December 31, 2017, and before January 1, 2021, and before October 1, 2022.

V. DRAFTING INFORMATION

The principal author of this notice is William Fischer of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this notice, contact Mr. Fischer at 202–317–5500 (not a toll-free number).

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

Rev. Proc. 2022-9

SECTION 1. PURPOSE

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

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

.03 On August 5, 2020, the Treasury Department and the IRS published a notice of proposed rulemaking (REG-13276-18) in the Federal Register (85 FR 47508), correction published in the Federal Register (85 FR 58307) on September 18, 2020, containing proposed regulations under §§ 263A, 448, 460, and 471 (proposed regulations). In response to comments received on Rev. Proc. 2018-40, proposed § 1.448-2(b)(2)(iii)(B) provided an election to use allocations made in the immediately preceding taxable year, instead of the current taxable year’s allocations, when determining if more than 35 percent of losses of a venture are allocated to limited partners or limited entrepreneurs for purposes of the syndicate definition under proposed § 1.448-2(b)(2)(i)(B). The election could be revoked only with the written consent of the Commissioner and could not be revoked earlier than the fifth taxable year following the first taxable year for which it was made, absent extraordinary circumstances. The final regulations under § 1.448-2(b)(2)(ii)(B) modified the election by making it an irrevocable annual election.

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

.05 Except as otherwise provided by the Code or the regulations, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for Federal income tax purposes. Sections 263A(ii)(3), 448(d)(7), 460(c)(2)(B) and 471(c)(4) of the Code provide that certain changes in method of accounting related to the small business taxpayer exemptions are made with the consent of the Secretary. Nonetheless, a taxpayer still must follow the applicable administrative procedures to make such changes. See, e.g., Capital One Financial Corporation and Subsidiaries v. Commissioner of Internal Revenue, 130 T.C. 147, 157 (2008).

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

.07 Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures that provide the terms and conditions necessary for a taxpayer to obtain consent to a change in method of accounting. Rev. Proc. 2015-13, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1, Rev. Proc. 2017-59, 2017-48 I.R.B. 543, Rev. Proc. 2021-26, 2021-22 I.R.B. 1163, and Rev. Proc. 2021-34 provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to change in method of accounting described in the List of Automatic Changes, as defined in section 3.09 of Rev. Proc. 2015-13. Section 6.03(1) of Rev. Proc. 2015-13 sets forth the application procedures for timely filing a change in method of accounting under the automatic change procedures. Such procedural guidance provides that a taxpayer may not request, or otherwise make, a retroactive change in method of accounting on an amended federal income tax return, unless specifically authorized by the Commissioner or by statute. See section 2.05 of Rev. Proc. 2015-13. A taxpayer that chooses to early apply the final regulations under §§ 263A, 448, and 471 to, or rely on the proposed regulations under §§ 263A, 448, and 471 for, a taxable year beginning before January 5, 2021, or, in the case of the proposed and final regulations under § 460, for contracts entered into after December 31, 2017, in a taxable year ending after December 31, 2017, and before January 5, 2021, must follow the rules for changes in method of accounting under § 446, the accompanying regulations, and the applicable procedural guidance, as described above. Accordingly, such taxpayer cannot change its method(s) of accounting to early apply the final regulations or rely on the proposed regulations on an amended federal income tax return.

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

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

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

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

(3) a modified procedure under section 12.01 for reseller-producers changing from a permissible simplified resale method to be consistent with other changes under that section by allowing such taxpayers to change only to a permissible UNICAP method specifically described in the regulations;

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

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

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

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

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

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

11 Section 5 of this revenue procedure provides procedures to revoke an election made under proposed § 1.448-2(b)(2)(i)(B) for taxable years beginning on or after January 5, 2021, or in the case of taxpayer that early applies the final regulations, for taxable years in which the final regulations are applicable.

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

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

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

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

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

(iii) a reseller-producer that wants to change from a permissible simplified resale method described in § 1.263A-3(d)(3) for both its production and resale activities to a permissible UNICAP method specifically described in the regulations for both its production and resale activities in the first taxable year that it does not qualify to use a simplified resale method for both its production and resale activities under § 1.263A-3(a)(4);

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

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

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

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

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

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

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

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

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

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

(i) “Former small business taxpayer” means a taxpayer that no longer qualifies as a small business taxpayer. A former small business taxpayer includes a taxpayer that no longer qualifies as a small business taxpayer for the year of change because it is a tax shelter under § 448(d)(3), proposed § 1.448-2(b)(2), or § 1.448-2(b)(2), as applicable. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

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

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Included in 2019 Taxable Income</th>
<th>Unamortized 2019 § 481(a) Adjustment—12/31/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>0</td>
<td>$600,000</td>
</tr>
<tr>
<td>2018</td>
<td>24,000,000</td>
<td>$24,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>27,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>2020</td>
<td>27,000,000</td>
<td>$27,000,000</td>
</tr>
<tr>
<td>2021</td>
<td>25,000,000</td>
<td>$25,000,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Beginning</th>
<th>Ending</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$10,000,000</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>2018</td>
<td>11,000,000</td>
<td>12,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>12,000,000</td>
<td>13,000,000</td>
</tr>
<tr>
<td>2020</td>
<td>13,000,000</td>
<td>14,000,000</td>
</tr>
<tr>
<td>2021</td>
<td>14,000,000</td>
<td>15,000,000</td>
</tr>
</tbody>
</table>

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

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

X’s 2019 Ending Inventory:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Inventory (Without UNICAP costs)</td>
<td>$12,000,000</td>
</tr>
<tr>
<td>2019 Increment</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Additional § 263A Costs in Beginning Inventory</td>
<td>800,000</td>
</tr>
<tr>
<td>Additional § 263A Costs in 2019 Increment</td>
<td>100,000</td>
</tr>
<tr>
<td>Total 2019 Ending Inventory</td>
<td>$13,900,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 § 481(a) Adjustment</td>
<td>$800,000</td>
</tr>
<tr>
<td>Amount included in 2019 Taxable Income</td>
<td>&lt;200,000</td>
</tr>
<tr>
<td>Unamortized 2019 § 481(a) Adjustment—12/31/19</td>
<td>600,000</td>
</tr>
</tbody>
</table>

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

X’s 2020 Ending Inventory:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Inventory (With UNICAP costs)</td>
<td>$13,900,000</td>
</tr>
<tr>
<td>2020 Increment</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Additional § 263A Costs in 2020 Increment</td>
<td>100,000</td>
</tr>
<tr>
<td>Total 2020 Ending Inventory</td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortized 2019 § 481(a) Adjustment—12/31/19</td>
<td>$600,000</td>
</tr>
<tr>
<td>Amount Included in 2020 Taxable Income</td>
<td>&lt;200,000</td>
</tr>
<tr>
<td>Unamortized 2019 § 481(a) Adjustment—12/31/20</td>
<td>$400,000</td>
</tr>
</tbody>
</table>

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

The entire amount of this negative § 481(a) adjustment is included in \( X \)'s taxable income for 2021. In addition, \( X \) must take the $400,000 remaining portion of the unamortized 2019 § 481(a) adjustment into account in its taxable income for 2021, as provided in section 12.16(5) of this revenue procedure.

\( X \)'s 2021 Ending Inventory:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Inventory (With UNICAP costs)</td>
<td>$15,000,000</td>
</tr>
<tr>
<td>2021 Increment</td>
<td>1,000,000</td>
</tr>
<tr>
<td>2021 § 481(a) Adjustment &lt;Negative&gt;</td>
<td>&lt;$1,000,000</td>
</tr>
<tr>
<td>Total 2021 Ending Inventory</td>
<td>$15,000,000</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unamortized 2019 § 481(a) Adjustment—12/31/20</td>
<td>$400,000</td>
</tr>
<tr>
<td>Amount included in 2021 Taxable Income</td>
<td>&lt;$400,000</td>
</tr>
<tr>
<td>Unamortized 2019 § 481(a) Adjustment—12/31/21</td>
<td>$0</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021 § 481(a) Adjustment &lt;Negative&gt;</td>
<td>&lt;$1,000,000</td>
</tr>
<tr>
<td>Amount included in 2021 Taxable Income</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Unamortized 2021 § 481(a) Adjustment—12/31/21</td>
<td>$0</td>
</tr>
</tbody>
</table>

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

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


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

(a) Applicability. This change applies to:

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

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

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

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

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

This change, as described in Rev. Proc. 2014-16, 2014-9 I.R.B. 606, applies to a producer (as defined in section 12.01(3)(b) of this revenue procedure) or a reseller-producer (as defined in section 12.01(3)(c) of this revenue procedure) that wants to change to a reasonable allocation method within the meaning of § 1.263A-1(f)(4), other than the methods specifically described in § 1.263A-1(f)(2) or (3), for self-constructed assets produced during the taxable year, including any necessary changes in the identification of costs subject to § 263A that will be accounted for using the proposed method.

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

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

(2) Inapplicability.

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

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

(3) Eligibility rules.
   (a) Eligibility rule inapplicable. For a change described in section 12.16(1) of this revenue procedure, if the taxpayer changed from not capitalizing costs under § 263A in accordance with § 263A(i), as applicable, to capitalizing costs under § 263A and the accompanying regulations within the prior five taxable years ending with the year of change, and such change was made in the first taxable year that the taxpayer did not qualify as a small business taxpayer, then such change is disregarded for purposes of section 5.01(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419.
   (b) Eligibility rule temporarily inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for the taxpayer’s first, second or third taxable year beginning after December 31, 2017. In addition, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to a taxpayer’s early application year, or, in the case of a taxpayer that does not apply § 1.263A-1(j) in the early application year, the taxpayer’s first taxable year beginning on or after January 5, 2021. For purposes of this section 12.16, “early application year” means the taxable year beginning before January 5, 2021, in which a taxpayer first applies § 1.263A-1(j).

(4) Reduced filing requirement. A taxpayer is required to complete only the following information on Form 3115 (Rev. December 2018) to make this change:
   (a) The identification section of page 1 (above Part I);
   (b) The signature section at the bottom of page 1;
   (c) Part I;
   (d) Part II, all lines except line 16; and
   (e) Part IV, all lines except line 25.

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

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

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

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

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

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

(1) Description of change.
   (a) Applicability. This change applies to a taxpayer that wants to change its overall method of accounting from the cash receipts and disbursements method (cash method), as defined in section 15.01(2)(a) of this revenue procedure, to an accrual method, as defined in section 15.01(2)(b) of this revenue procedure. A change under this section 15.01 applies to (1) a taxpayer required to make this change by § 448, any other section of the Code or regulations, or in other guidance published in the Internal Revenue Bulletin (IRB), as well as to (2) a taxpayer that wants to make this change but is not required to do so by § 448, any other section of the Code or regulations, or in other guidance published in the IRB, for one or more types of recurring items.

   (i) adopting the recurring item exception, as defined in section 15.01(2)(c) of this revenue procedure, for one or more types of recurring items. See § 1.461-5(d);
   (ii) adopting or changing to a permissible inventory method of accounting and is either adopting this inventory method or qualifies to change to this inventory method using the automatic change procedures of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38, 1990-1 C.B. 57, regarding when a taxpayer may adopt a method of accounting;
   (iii) adopting or changing to a permissible § 263A method of accounting and is either adopting this § 263A method or qualifies to change to this § 263A method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38 regarding when a taxpayer may adopt a method of accounting; or
(iv) adopting or changing to any other special method of accounting (as defined in section 15.01(2)(d) of this revenue procedure) and is either adopting this special method or qualifies to change to this special method using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, or the change can be made automatically under any section of the Code or regulations, or other guidance published in the IRB. See Rev. Rul. 90-38 regarding when a taxpayer may adopt a method of accounting.

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

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

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

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

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

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

(iv) a taxpayer that has included in its § 481(a) adjustment any amount of deferred compensation that is described under § 475A(d)(3) that is attributable to services performed before January 1, 2009;

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

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

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

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

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

(x) a taxpayer with an AFS that wants to make a change in method of accounting for specified fees as defined in proposed § 1.451-3(j)(2) or § 1.451-3(j)(2), as applicable, other than specified credit card fees;

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

(2) Definitions.

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

(b) Accrual method of accounting is a method identified by § 446(c)(2) and §§ 1.446-1(c)(1)(i), 1.451-1(a), 1.451-3, and 1.461-1(a)(2). For a taxable year beginning after December 31, 2017, for which the taxpayer has an AFS, all events test under § 451(b)(1)(C) and § 1.451-1(a) for any item of gross income, or portion thereof, is met no later than when that item, or portion thereof, is taken into account as AFS revenue. See § 451(b)(1) and § 1.451-3(b).

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

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

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

(3) Manner of making change.

(a) Section 481(a) adjustment.

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

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

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

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

(iii) Section 481(a) adjustment period for changes relating to specified credit card fees. In the case of income from a specified credit card fee, the § 481(a) adjustment period for any qualified change in method of accounting is six taxable years (year of change and next five taxable years). For purposes of this section 15.01(3)(a)(iii), a qualified change in method of accounting is a change in method of accounting for income from a specified credit card fee to a method that is required by § 451(b), as added by section 13221 of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), commonly referred to the Tax Cuts and Jobs Act (TCJA), for such income, but only for the taxpayer’s first taxable year beginning after December 31, 2018. Accordingly, a taxpayer that makes a qualified change in method of accounting as part of its overall method change under section 15.01 of this revenue procedure is required to use an adjustment period of six taxable years for the portion of the overall § 481(a) adjustment that is attributable to the qualified change in method of accounting. The § 481(a) adjustment period for the remainder of the overall § 481(a) adjustment required by section 15.01(3)(a)(i) of this revenue procedure is determined without regard to the qualified change in method of accounting.

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

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

(d) Concurrent automatic change to a special method.

(i) Generally only one Form 3115 required. Except as provided in section 15.01(3)(e)(ii) of this revenue procedure, a taxpayer that is changing from the overall cash method to an overall accrual method under this section 15.01 and changing to one or more special methods, as permitted under section 15.01(1)(a)(ii), (iii), or (iv) of this revenue procedure, must timely file a single Form 3115 for all changes and must enter the designated automatic accounting method change numbers for all changes on the appropriate line of Form 3115. For example, a taxpayer making both a change from the overall cash method to an overall accrual method under this section 15.01 and a change to the deferral method for advance payments under section 16.07 or 16.12 of this revenue procedure must timely file a single Form 3115 for both changes and enter the designated automatic accounting method change numbers for both changes on the appropriate line on that Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.
(ii) Two Forms 3115 required when a concurrent change is being implemented under section 32.01 of this revenue procedure for short-term obligations. When a taxpayer subject to § 1281 is changing its method of accounting for interest income on short-term obligations as part of the change to an overall accrual method under this section 15.01, that taxpayer must request the change for the interest income under section 32.01 of this revenue procedure. The taxpayer must timely file individual Forms 3115 for each change requested. This section 15.01 will govern the change to an overall accrual method.

(e) Concurrent change in accounting method not permitted to be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB. A taxpayer that does not qualify to change from the overall cash method to an overall accrual method under this section 15.01 because that taxpayer is concurrently changing to a method of accounting that may not be implemented using the automatic change procedures of Rev. Proc. 2015-13 and a section of this revenue procedure, any section of the Code or regulations, or other guidance published in the IRB, must timely request both changes using the non-automatic change procedures in Rev. Proc. 2015-13. See Rev. Proc. 2021-1, 2021-1 I.R.B. 1 (or successor), for more information on whether one Form 3115 is required to request the changes, and for information on the appropriate user fee.

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

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

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

(5) Eligibility rules inapplicable.

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

(b) Eligibility rule temporarily inapplicable for changes to comply with § 451(b). For a taxpayer with an AFS that changes to an overall accrual method under this section 15.01 that complies with § 451(b)(1), and, if applicable, § 451(b)(4), or proposed § 1.451-3, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to such change for the taxpayer’s first, second or third taxable year beginning after December 31, 2017, provided such taxable year begins before January 1, 2021. In addition, for a taxpayer with an AFS that changes to an overall accrual method under this section 15.01 that complies with § 1.451-3 for a taxable year beginning before January 1, 2021, the eligibility rule in section 5.01(1)(e) of Rev. Proc. 2015-13 does not apply to such change for such taxable year. For a taxpayer with an AFS that does not appli-
The § 448(c) gross receipts test is met if the taxpayer’s first § 448 year except that entering the designated automatic accounting method change number “34” on the Form 3115 fulfills the requirement of § 1.448-1(h)(2) to type or print “Automatic Change to Accrual – Section 448” at the top of page 1 of the Form 3115. The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to the NAE method and must enter the designated automatic accounting method changes numbers for both changes on Form 3115.

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

.06 Modifications to section 15.03 of Rev. Proc. 2019-43, related to taxpayers changing to overall cash method. Section 15.03 of Rev. Proc. 2019-43 is modified to read as follows: .03 Reserved. .07 Modifications to section 15.04 of Rev. Proc. 2019-43, related to nonaccrual-experience method. Section 15.04(3) of Rev. Proc. 2019-43 is modified to read as follows: (3) Concurrent change to overall accrual method and a NAE method of accounting. A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and an automatic change to an overall accrual method under section 15.01 of this revenue procedure (whether or not it is the taxpayer’s first § 448 year or mandatory § 448 year), must file a single Form 3115 for both changes. The taxpayer must complete all applicable sections of Form 3115, including sections that apply to the change to an overall accrual method and to the change to a NAE method, and must enter the automatic accounting method change numbers for both changes on Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

A taxpayer making both an automatic change to, from, or within a NAE method of accounting under this section 15.04 and a required change to an overall accrual method under § 448 for the taxpayer’s first § 448 year, and is either not eligible to make the change to an overall accrual method and to the change to a NAE method, and must enter the automatic accounting method change numbers for both changes on Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

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

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

(6) Eligibility rules.

(a) Eligibility rule inapplicable. For a change described in section 15.18(2) of this revenue procedure, any prior change in method of accounting to an overall accrual method that was made in the taxpayer’s first § 448 year (as defined in section 15.01(1)(a) of this revenue procedure), a mandatory § 448 year (as defined in proposed § 1.448-2(g)(1) or § 1.448-2(g)(1), as applicable), or a mandatory § 447 year (as defined in section 15.01(1)(a) of this revenue procedure), as applicable, is disregarded for purposes of section 5.01(1)(e) of Rev. Proc. 2015-13.

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

(7) Manner of making change.

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

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

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

(9) Designated automatic accounting method change number.

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

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

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

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

(1) Section 19.01(1) of Rev. Proc. 2019-43 is modified to read as follows:
capitalize costs under § 263A only if the taxpayer has previously applied § 263A to home construction contracts exempt from the capitalization requirement under § 460(e)(1).

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

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

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

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

.11 Modification to section 22.02 of Rev. Proc. 2019-43, related to estimating inventory "shrinkage". Section 22.02 of Rev. Proc. 2019-43 is modified to redesignate 22.02(2) through 22.02(4) as 22.02(5) through 22.02(7), respectively, and to add new section 22.02(2) as follows:

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

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

.03 Reserved.

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

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

.14 Modification to section 22.05 of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, related to impermissible methods of identification and valuation of inventories. Section 22.05(1)(b)(iii) of Rev. Proc. 2019-43, as modified by Rev. Proc. 2021-34, is modified to read as follows:

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

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

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

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

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

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

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

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

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

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

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

.19 Modification to section 22.10 of Rev. Proc. 2019-43, related to advance trade discount method. Section 22.10 of Rev. Proc. 2019-43 is modified to redesignate sections 22.10(3) through (4) as sections 22.10(4) through (5), respectively, and to add new section 22.10(3) to read as follows:
(3) Inapplicability. This change does not apply to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).


(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method.

For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure) or to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b); or

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

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

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

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

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

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

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

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

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

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

.26 Modification to section 22.17 of Rev. Proc. 2019-43, related to certain changes within the retail inventory method. Section 22.17 of Rev. Proc. 2019-43 is modified to redesignate sections 22.17(2) through (3) as sections 22.17(3) through (4), respectively, and to add new section 22.17(2) to read as follows:

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

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

(iii) any change described in another section of this revenue procedure or in other guidance published in the Internal Revenue Bulletin, or to any change within the last-in, first-out (LIFO) inventory method.

For example, this change does not apply to a taxpayer that wants to change to a rolling-average method (but see section 22.14 of this revenue procedure) or to a taxpayer that accounts for inventory, or proposes to account for inventory, under § 471(c), proposed § 1.471-1(b), or § 1.471-1(b), as applicable. For taxable years beginning on or after January 5, 2021, a taxpayer is required to comply with § 1.471-1(b).

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

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

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

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

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

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

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

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

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

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

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

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

2) Small business taxpayer defined. A small business taxpayer means a taxpayer, other than a tax shelter under § 448(d)(3), proposed § 4.148-2(b)(2), or § 4.148-2(b)(2), as applicable, that meets the gross receipts test as provided in § 448(c), proposed § 1.471-1(b)(2), or § 1.471-1(b)(2), as applicable. The § 448(c) gross receipts test is met if a taxpayer has average annual gross receipts for the three prior taxable years of $25,000,000 or less (adjusted for inflation), as described in § 448(c), proposed §§ 1.448-2(c), or § 1.448-2(c), as applicable. For taxable years beginning in 2019, 2020 and 2021, the inflation-adjusted gross receipts test amount is $26,000,000. See Rev. Proc. 2018-57, 2018-49 I.R.B. 827, Rev. Proc. 2019-44, 2019-47 I.R.B.1093, and Rev. Proc. 2020-45, 2020-46 I.R.B. 1016, for the inflation-adjusted gross receipts test amount for taxable years beginning in 2019, 2020, and 2021, or their successor(s) for the inflation adjusted amount for taxable years beginning after 2021.

3) Inapplicability. This change does not apply to:

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

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

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

5) Eligibility rules.

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

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

6) Manner of making change.

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

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

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

(iii) Part I;

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

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

(b) Streamlined method change procedures for certain taxpayers.

(i) Applicability. The procedures described in this section 22.19(6)(b) may be used by a taxpayer to make a change in method of accounting described in section 22.19(1) for the taxpayer’s early application year, as defined in section 22.19(5) of this revenue procedure. Additionally, in the case of a taxpayer that does not apply § 1.471-1(b) for a taxable year beginning before January 5, 2021, the procedures described in this section 22.19(6)(b) may be used to make a change in method of accounting described in section 22.19(1) of this revenue procedure in the taxpayer’s first taxable year beginning on or after January 5, 2021. A taxpayer that is otherwise permitted to use the streamlined method change procedures in this section 22.19(6)(b) may use these streamlined procedures if the taxpayer is making a change under section 22.19(1)(b) of this revenue procedure and the net § 481(a) adjustment required by such change is zero. Notwithstanding any provisions of this section 22.19, a taxpayer making more than one change in method of accounting under this revenue procedure for the same year of change is not permitted to net the § 481(a) adjustments to determine if the taxpayer meets the requirements to use the streamlined method change procedures. See section 22.19(8) of this revenue procedure for more information on making concurrent changes.

(ii) No Form 3115 required. In accordance with § 1.446-1(e)(3)(ii), the requirement of § 1.446-1(e)(3)(i) to file a Form 3115 is waived for a taxpayer making a change in method of accounting under this section 22.19 using the streamlined method change procedures. Thus, a taxpayer using the streamlined method change procedures is not required to file a
(7) No ruling on certain method of accounting used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 22.19(1)(a)(i) or (ii) of this revenue procedure is not a determination by the Commissioner that the proposed inventory method of accounting is permissible, and does not create any presumption that the proposed method is a permissible method of accounting under a provision of the Code. The director will ascertain whether the proposed method is permissible under the Code.

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

(9) Designated automatic accounting method change number.

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

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

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

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

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

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

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

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

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

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

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

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

(c) for a taxable year beginning after December 31, 2017, and before January 1, 2021, uses a method conforming to § 471(c)(1)(B)(ii) by using the taxpayer’s method of accounting for inventory reflected in its applicable financial statements (AFS), as defined in § 451(b)(3), with respect to the taxable year, or if the taxpayer does not have an AFS for the taxable year, the books and records of the taxpayer prepared in accordance with the taxpayer’s accounting procedures, and wants to change the manner in which it accounts for inventory in its AFS or books and records, as applicable; and is required to use such method of accounting for inventory in its AFS or its books and records, as applicable, for purposes of applying § 471(c)(1)(B)(ii); or

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

(2) Eligibility rules.

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

(3) Section 481(a) adjustment period. Beginning with the year of change, a taxpayer making a change described in section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure must take any applicable net positive § 481(a) adjustment for such change into account ratably over the same number of taxable years, not to exceed four, that the taxpayer used its former method of accounting. Additionally, a taxpayer making a change described in section 22.20(1)(c) or 22.20(1)(d) of this revenue procedure that has a § 481(a) adjustment remaining on a prior change in method of accounting that is described in section 22.20(1)(c) or section 22.20(1)(d) of this revenue procedure must take the remaining portion of such prior § 481(a) adjustment into account in the year of change.

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

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

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

(c) Part I;

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

(e) Part IV, all lines except line 25; and
(f) Schedule D, Part II, lines 1-3.

(5) **Concurrent automatic changes.** A taxpayer that wants to make one or more concurrent changes in method of accounting under this section 22.20 or wants to make a change under this section 22.20 and a change under sections 15.18 or 12.16 of this revenue procedure for the same year of change may file a single Form 3115 for such changes, provided the taxpayer enters the designated automatic accounting method change numbers for each change on the appropriate lines of the Form 3115. For further information regarding a change under this section 22.20 is “262.”

(6) **Contact information.** For further information regarding a change under this section, contact Livia Piccolo at (202) 317-7007 (not a toll-free number). .30 Section 22 of Rev. Proc. 2019-43 is modified to add new section 22.21 to read as follows:

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

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

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

(3) **Eligibility rule inapplicable.** The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a change described in section 22.21(1) of this revenue procedure if such change is being made in the first taxable year that the taxpayer does not qualify as a small business taxpayer as defined in section 22.19(2) of this revenue procedure.

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

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

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

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

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

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

(2) **Eligibility rules.**

(i) **Eligibility rules inapplicable.**

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

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

(3) Section 23.01 of Rev. Proc. 2019-43 is modified to redesignate existing paragraphs (8) and (9) as paragraph (9) and (10), respectively, and add a new paragraph (8) to read as follows:

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

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

Section 3.04 of Rev. Proc. 2018-40 is removed in its entirety.
SECTION 5. REVOCATION OF ELECTION UNDER PROPOSED § 1.448-2(b)(2)(iii)(B)

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

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

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

.02 Consent granted to revoke proposed syndicate election.

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

(2) Taxable years beginning on or after January 5, 2021. For a taxpayer described in section 5.01(1) of this revenue procedure, its election under proposed § 1.448-2(b)(2)(iii)(B) is automatically revoked beginning with the taxpayer's first taxable year beginning on or after January 5, 2021, and for all subsequent taxable years. Beginning with the taxpayer’s first taxable year beginning on or after January 5, 2021, a taxpayer is required to apply § 1.448-2, and follow the time and manner of making the annual election provided in § 1.448-2(b)(2)(iii)(B)(2), as applicable. For example, a taxpayer that wants to make an annual election under § 1.448-2(b)(2)(iii)(B)(2) for its first taxable year beginning on or after January 5, 2021 must attach a statement to its timely filed original Federal income tax return, including extensions, for such taxable year indicating that the taxpayer is making the election under §1.448-2(b)(2)(iii)(B). See § 1.448-2(b)(2)(iii)(B)(2). In addition, notwithstanding section 5.02(3) of this revenue procedure, for a taxpayer that early applies the final regulations under § 1.448-2 for a taxable year beginning before January 5, 2021, the election under proposed § 1.448-2(b)(2)(iii)(B) is automatically revoked for all taxable years beginning on or after January 5, 2021. However, see section 5.02(3) of this revenue procedure for procedures to revoke such election for a taxable year beginning before January 5, 2021.

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

(a) Makes an election under § 1.448-2(b)(2)(iii)(B). Attaches a statement to its timely filed original Federal income tax return, including extensions, for the taxpayer’s taxable year beginning after December 31, 2017, and before January 5, 2021, indicating that the taxpayer is applying § 1.448-2 for such taxable years:

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

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

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

(c) Timely filed accounting method change applying T.D. 9942 (86 FR 254). Timely files a Form 3115, Application for Change in Accounting Method, with the taxpayer’s timely filed original Federal income tax return to change to a method of accounting to comply with the final regulations contained in T.D. 9942 for a taxable year beginning after December 31, 2017, and before January 5, 2021, under sections 12.01, 12.02, 12.16, 15.01, 15.04, 15.18, 19.01, 22.19, 22.20, 22.21 or 23.01 of Rev. Proc. 2019-43, as modified by section 3 this revenue procedure, using the automatic change procedures in Rev. Proc. 2015-13 (or successor). A taxpayer that applies any aspect of the final regulations under a particular Code provision must follow all the applicable rules contained in the regulations that relate to that Code provision for such taxable year and subsequent taxable years, including § 1.448-2 to determine whether the taxpayer is eligible for the exemption. See, for example, a change in method of accounting described in section 12.16 (see method under § 1.263A-1(j)), 22.18 (see methods under § 1.471-1(b)) or 22.19 (see method under § 1.471-1(b)(5)) of Rev. Proc. 2019-43. The filing of a Form 3115 under this section 5.02(3)(b) only revokes the election made under proposed § 1.448-2(b)(2)(iii)(B) but does not satisfy the election requirements of § 1.448-2(b)(2)(iii)(B) for a taxable year. A taxpayer that wants to make an election under § 1.448-2(b)(2)(iii)(B) for a taxable year must follow the time and manner of making the election in accordance with § 1.448-2(b)(2)(iii)(B)(2).

SECTION 6. EFFECT ON OTHER DOCUMENTS

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

SECTION 7. EFFECTIVE DATE

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

.02 Transition rule.

(1) Certain inapplicability paragraph disregarded for a limited time. If, on or before December 16, 2021, a taxpayer properly filed the duplicate copy of a Form 3115 under the automatic change procedures in Rev. Proc. 2015-13 for a change in method of accounting described in sections 22.01, 22.02, or 22.04 through 22.18 of Rev. Proc. 2019-43, before the modifications made by this revenue procedure, and the change in method of accounting is also described in sections 22.19 or 22.20 of Rev. Proc. 2019-43, as modified by this revenue procedure, then the inapplicability paragraph that prevents a taxpayer that accounts for inventory under section § 471(c), proposed § 1.471-1(b), or § 1.471-1(b) from making an automatic change in method of accounting under sections 22.01, 22.02 and 22.04 through 22.18 of Rev. Proc. 2019-43 will be disregarded.

(2) Limited time period to convert a Form 3115 filed under the non-automatic change procedures in Rev. Proc. 2015-13. If on or before December 16, 2021, a taxpayer properly filed a Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13 requesting the Commissioner’s consent for a change in method of accounting described in section 3 of this revenue procedure, and the Form 3115 is pending with the national office on December 16, 2021, the taxpayer may choose to make the change in method of accounting under the automatic change procedures in Rev. Proc. 2015-13 if the taxpayer is otherwise eligible to use this revenue procedure and the automatic change procedures in Rev. Proc. 2015-13. The taxpayer must notify the national office contact person for the Form 3115 (if unknown, see section 9.08(6) of Rev. Proc. 2021-1, 2021-1 I.R.B. 1, 51 (or any successor)) of the taxpayer’s intent to make the change in method of accounting under this revenue procedure before the later of: (a) January 18, 2022, or (b) the issuance of a letter ruling granting or denying consent for the revocation. The notification should indicate that the taxpayer chooses to convert the Form 3115 to the automatic change procedures in Rev. Proc. 2015-13.

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

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

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

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

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

SECTION 8. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been submitted to the Office of Management and Budget for review under OMB control number 1545-0123 in accordance with the Paperwork Reduction Act (44 U.S.C. 3507(d)). An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. The collection of information in this revenue procedure is in section 5.02(3)(b). This information is necessary and will be used to determine whether the taxpayer properly revokes its election under proposed § 1.448-2(b)(2)(ii)(B)(2) in accordance with the time and manner provided in this revenue procedure. The collections of information are required for the taxpayer to obtain consent revoke its election under proposed § 1.448-2(b)(2)(ii)(B)(2).

SECTION 9. DRAFTING INFORMATION

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

Revolved 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.I.—City.
COOP—Cooperative.
C.O.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.

EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
FR—Federal Register.
FX—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
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.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
T.F.E.—Transeree.
T.F.R.—Transferor.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
X—Corporation.
Y—Corporation.
Z—Corporation.
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We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page www.irs.gov) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.