

Application for Change in Accounting Method

▶ See separate instructions.

Name of applicant (if joint return is filed, also give spouse's name)	Identifying number (see instructions)
Address (number and street)	Applicant's area code and telephone number ()
City or town, state, and ZIP code	District Director's office having jurisdiction
Name of person to contact (Please type or print.)	Contact person's area code and telephone number ()

If power of attorney is applicable, check box if your representative has enclosed one (Form 2848, Power of Attorney and Declaration of Representative) with Form 3115 Yes No

Check one: Individual Partnership; No. of Partners _____ Corporation S Corporation; No. of Shareholders _____
 Cooperative (Section 1381(a)) Ins. Co. (Sec. 801) Ins. Co. (Sec. 831) Qualified Personal Service Corporation
 Exempt organization. Enter code section ▶ _____ (See section 448.)
 Other (specify) ▶ _____

NOTE: Are you making an election under section 458? Yes No
 If "Yes," see Specific Instructions for Section H. Do not fill in Section A. If "No," you must complete Section A.

Section A. Applicable to All Filers Other Than Those Answering "Yes" to the "Note" Above

- 1a Tax year of change begins (mo., day, yr.) ▶ _____ and ends (mo., day, yr.) ▶ _____
- b Enter the 180th day of your tax year ▶ _____ If this date is earlier than the date you signed this Form 3115 on page 6, see General Instruction for "Late Applications" before going on.
- 2 Nature of business and principal source of income (including type of business designated on your latest income tax return) ▶ _____

- 3 The following change in accounting method is requested (check and complete appropriate spaces):
 - a Overall method of accounting: from ▶ _____ to _____
 If the taxpayer is requesting a change to the accrual method, see section 448, Temporary Regulations section 1.448-1T, Rev. Proc. 85-36 and Rev. Proc. 85-37.
 - b The accounting treatment of (identify item) ▶ _____
 from (present method) ▶ _____ to (new method) ▶ _____

Attach a separate statement providing all relevant facts, including a detailed description of your present and proposed methods. See also item 15 of Section A on page 2 regarding the "legal basis" for the proposed change.

- c If a change is requested under 3b above, check the present overall method of accounting:
 Accrual Cash Hybrid (Explain the overall hybrid method in detail in a separate statement.)
- d Is your use of your present method specifically not permitted by the Internal Revenue Code, the Income Tax Regulations, or by a decision of the U.S. Supreme Court? See sections 4, 5, and 6 of Rev. Proc. 84-74
- e Is the requested change specifically required by the Tax Reform Act of 1986 or the Revenue Act of 1987?
- f Are you currently under examination, or were you or any member of the affiliated group contacted in any manner by a representative of the Internal Revenue Service for the purpose of scheduling an examination of your Federal tax return(s) prior to the filing of this application, or do you have an examination under consideration by an appeals officer or before any Federal court, or is any criminal investigation pending? See sections 4 through 7 of Rev. Proc. 84-74
- g Are you a taxpayer that produces property or acquires property for resale to whom section 263A applies? If "Yes" and item to be changed is subject to section 263A, section D must be completed
- h Are you a manufacturer to whom Income Tax Regulation section 1.471-11 applies?
- 4a In the last 6 years have you requested permission to change or have you changed your accounting period, your overall method of accounting, or the accounting treatment of any item? (Affiliated group members filing a consolidated return, see item 8e on page 2.)
- b If 4a is "Yes," was a ruling letter granting permission to make the change issued? If "Yes" and the change was made, attach a copy of the letter. If permission was granted, but you did not make the change, attach an explanation
- c Regardless of your response to 4a, do you or an affiliated corporation have pending any accounting method or period ruling or technical advice request in the National Office?
- d If 4c is "Yes," indicate the type of request (method, period, etc.) and the specific issue involved in each request ▶ _____

Yes	No

5 If engaged in a business or profession: a Enter your taxable income or (loss)* from operations for tax purposes for the five (5) tax years preceding the year of change: (See Specific Instructions for Section A.)

1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.	4th preceding year ended: mo. yr.	5th preceding year ended: mo. yr.
\$	\$	\$	\$	\$
b Enter the amount of net operating loss to be carried over to the year of change, if any				\$
c Amount of general business credit carryover to year of change, if any				\$
d Other credit carryover, if any. (Identify) ▶ _____				\$

*Individuals enter net profit or (loss) from business; partnerships enter ordinary income or (loss); members of an affiliated group filing a consolidated return see item 8b on page 2.

2 Nature of inventory ▶

3 Method used to value inventory: Cost Cost or market, whichever is lower Other (attach explanation)

4 Method of identifying costs in inventory: Specific identification FIFO LIFO

5 Have any receivables been sold in the past 3 years? Yes No

	1st preceding year ended, enter: mo. yr.	2nd preceding year ended, enter: mo. yr.	3rd preceding year ended, enter: mo. yr.
If "Yes," enter the amounts sold for each of the 3 years	\$	\$	\$

6 Attach copies of profit and loss statement (Schedule F (Form 1040) in the case of farmers) and balance sheet, if applicable, as of the close of the tax year preceding the year of change. State accounting method used when preparing balance sheet. If books of account are not kept, attach copy of the business schedule provided with your Federal income tax return or return of income for that period. If amounts in item 1 Section B-1, page 2, do not agree with those shown on profit and loss statement and balance sheet, explain on separate page.

Section B-2. Change to the Cash Method of Accounting (Farmers complete Section B-3 instead of this section.)

Note: Also complete section B-1.

- 1 Provide a detailed statement describing the nature of the taxpayer's business. Describe the operations, services performed, and the types of activities, if more than one.
- 2 Provide a description of the taxpayer's investment in capital items and leased equipment used in the taxpayer's trade or business, and the relationship between these items and the services performed by the business.
- 3 Provide a description of any inventory item (goods, the sale of which produces income) and any materials and supplies used in carrying out the business.
- 4 Provide the number of employees, shareholders, partners, associates, etc., and a description of their duties in carrying out the taxpayer's business.
- 5 Provide a schedule showing the age of receivables for the year of change and the 3 tax years preceding the year of change.
- 6 Provide a profit and loss statement computed on the cash receipts and disbursements method for the year of change and the 3 tax years preceding the year of change.

Section B-3. Change in Overall Method of Reporting Income of Farmers to Cash Receipts and Disbursements Method

Note: Also complete Section B-1.

- 1 Is the taxpayer a corporation? Yes No
- 2 Is the taxpayer a partnership with a corporation as a partner? Yes No
- 3 If either 1 or 2 is "Yes," has the taxpayer had gross receipts of \$1,000,000 or less in each of its tax years beginning after 1975? Yes No
If "No," attach a schedule showing which years the taxpayer's receipts were more than \$1,000,000.
- 4a Does the taxpayer produce property with a preproductive period of more than 2 years? Yes No
- b If 4a is "Yes," has the taxpayer or related party made an election out of section 263A for any trade or business? Yes No
- c If 4b is "Yes," explain.
- 5 Provide the following information for the 5 tax years before the year of change:

	1st preceding yr.	2nd preceding yr.	3rd preceding yr.	4th preceding yr.	5th preceding yr.
a Gross receipts from farming					
b Inventory: Crops, etc.					
Livestock held for sale:					
Purchased					
Raised					
Livestock held for draft breeding, sport, or dairy purposes:					
Purchased					
Raised					
Total inventory					

- 6 Method used to value inventory (check appropriate box):
- Cost Cost or market, whichever is lower Farm price Unit livestock price Other (explain on separate page)

Section C. Change in Method of Valuing Inventories. (See Specific Instructions for Section C.)

Note: Also complete Section D.

- 1 Description of inventory goods being changed ▶
- 2 Description of inventory (if any) not being changed ▶
- 3 Present method of identifying costs in inventory: Specific identification FIFO LIFO
If "LIFO," attach copy of Form 970 adopting that method and copies of any Forms 970 filed to extend the use of the method.
- 4 Present method used to value inventory: Cost Cost or market, whichever is lower Retail cost
 Retail, lower of cost or market Other (attach explanation)
- 5 Show method and value of the inventories being changed at the end of the tax year preceding the year of change under:

a Present method ▶	\$
b Proposed method ▶	\$
- c If changing to cost method, are you going to elect LIFO for identifying costs? Yes No
- 6 Attach the computation used to arrive at the section 481 adjustment.

Section D. Method of Cost Allocation

Complete this section if the requested change involves either property produced, property acquired for resale, or long-term contracts. Please check (✓) the appropriate boxes in Parts I and II showing which costs are included, under both the present and proposed methods, in the cost of the property produced or acquired for resale under section 263A and allocated to long-term contracts under section 460. If any boxes are not checked, it is assumed that these costs are excluded. Please mark "N/A" in boxes for costs that are not incurred by the taxpayer. If you are presently including only a portion of a type of cost, enter "P" in the appropriate box instead of (✓).

Part I Direct and Indirect Costs (Required to be allocated—see Temporary Regulations section 1.263A-1T(b)(2)(i-iv))	Federal income tax purposes	
	Present method	Proposed method
	Included (✓)	Included (✓)
1 Direct material		
2 Direct labor		
3 Repairs that relate to a production, resale, or long-term contract activity		
4 Maintenance		
5 Utilities		
6 Rent		
7 Indirect labor and production supervisory wages		
8 Indirect materials and supplies		
9 Tools and equipment		
10 Quality control and inspection.		
11 Taxes other than state, local, and foreign income taxes		
12 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
13 Depletion		
14 Administrative costs (but not including any costs of selling or any return on capital)		
15 Direct or indirect costs of other administrative, service, or support function or department		
16 Officers' compensation (not including selling activities)		
17 Insurance		
18 Employee benefits		
19 Research and experimental expenses attributable to long-term contracts		
20 Rework labor, scrap, and spoilage		
21 Bidding expenses incurred in the solicitation of particular contracts ultimately awarded to the taxpayer		
22 Engineering and design costs (not including section 174 research and experimental expenses)		
23 Storage and warehousing costs including a portion of allocable general and administrative costs**		
24 Purchasing costs including a portion of allocable general and administrative costs		
25 Handling, processing, assembly, and repackaging costs including a portion of allocable general and administrative costs		
26 Interest		
27 Other costs (Attach a list of such costs.)		
** Resalers may distinguish between off-site and on-site storage, and are not required to capitalize on-site storage costs. Check this box if you are a resaler allocating only off-site storage costs. <input type="checkbox"/>		

Part II Other Costs (Not required to be allocated—see Temporary Regulations section 1.263A-1T(b)(2)(v))		
1 Repairs that do not relate to a production, resale, or long-term contract activity		
2 Research and experimental expenses not included on line 19, Part I		
3 Bidding expenses not included on line 21, Part I		
4 Marketing, selling, advertising, and distribution expenses		
5 General and administrative costs attributable to the performance of services that do not directly benefit or are not incurred by reason of a particular production, resale, or long-term contract activity		
6 Income taxes		
7 Cost of strikes		
8 Other costs (Attach a list of such costs.)		

Part III Additional Information

1 Method of allocating indirect costs:
 Specific identification Standard cost method Burden rate (attach explanation) Other (attach explanation)

2 Method of allocating service costs:
 Direct Step allocation
 Other (explain)

3 Taxpayers subject to section 263A, check the appropriate box(es) to indicate the simplified method(s), if any, presently used:
 Simplified resale method Simplified production method Simplified service cost method
 Alternative simplified resale method Other (explain)

Section E. Change in Method of Reporting Income From Long-Term Contracts

Note: Also complete section D.

- 1 Are your contracts long-term contracts as defined in section 460?
2 Does the change involve any pre-March 1, 1986 contracts?
3 Will the taxpayer elect the simplified cost-to-cost method for determining the degree of contract completion?
4 Is the same method used for reporting all long-term contracts regardless of duration?
5 Do any (or all) of your contracts qualify for the small construction contract exception under section 460(e)?
6 Is the change in method requested for all contracts outstanding at the beginning of the tax year of change?
7 Do you have either cost-plus long-term contracts or Federal long-term contracts?
8 Net adjustment required under section 481(a)

Section F. Change in Method of Reporting Interest (Discount) on Installment and Other Loans

- 1 Change with respect to interest on
2 Do any of these loans cover a period in excess of 60 months?
3 Amount of earned or realized interest that has not been reported on your return as of the end of the tax year preceding the year of change.
4 Amount of unearned or unrealized interest that has been reported on your return as of the end of the tax year preceding the year of change.
5 Method of rebating in event of prepayment of loans

Section G. Change in Method of Accounting for Depreciation Under Section 167

Applicants desiring to change their method of accounting for depreciation under section 167 must complete this section. This information must be supplied for each account for which a change is requested. Note: Certain changes in methods of accounting for depreciation may be filed with the Service Center where your return will be filed.

- 1 Date of acquisition
2a Are you the original owner or the first user of the property?
b If residential property, did you live in the home before renting it?
3 Is depreciation claimed under Regulations section 1.167(a)-11 (CLADR)?
4 Is the property public utility property?
5 Location of the property (city and state)
6 Type or character of the property
7 Cost or other basis of the property and adjustments thereto (exclude land)
8 Depreciation claimed in prior tax years (depreciation reserve)
9 Estimated salvage value
10 Estimated remaining useful life of the property
11 If the declining balance method is requested, show percentage of straight-line rate
12 Other information, if any

