

Application for Change in Accounting Method

▶ **See instructions specifically for "Automatic Changes in Accounting Method" and "When Not To File Form 3115".**
All applicants must complete pages 1 and 2.

| | |
|--|---|
| Name of applicant (if joint return is filed, also give spouse's name) | Identifying number (see instructions) |
| Number, street, and room or suite no. (If a P.O. box, see page 2 of instructions.) | Applicant's area code and telephone number/Fax number () () |
| City or town, state, and ZIP code | District Director's office having jurisdiction |
| Name of person to contact (If not applicant, power of attorney must be submitted.) | Contact person's telephone number/Fax number () () |

Check one of the following boxes:

| | | |
|---|--|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Partnership | Check the box(es) for other schedules that will be completed and attach only the completed schedule(s) to pages 1 and 2 of Form 3115. |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> S Corporation | |
| <input type="checkbox"/> Cooperative (Sec. 1381) | <input type="checkbox"/> Insurance Co. (Sec. 816(a)) | |
| <input type="checkbox"/> Qualified Personal Service Corporation (Sec. 448(d)(2)) | <input type="checkbox"/> Insurance Co. (Sec. 831) | |
| <input type="checkbox"/> Exempt organization. Enter code section ▶ | <input type="checkbox"/> Other (specify) ▶ | |

- Schedule A--Change in Overall Method of Accounting
- Schedule B--Changes Within the LIFO Inventory Method
- Schedule C--Change in the Treatment of Long-Term Contracts, Inventories, or Other Section 263A Assets
- Schedule D--Miscellaneous Changes in Method of Accounting

- 1a Tax year of change begins (mo., day, yr.) ▶ and ends (mo., day, yr.) ▶
- b Enter the 180th day of the tax year ▶ If this date is earlier than the date signed by the applicant on page 2, see **Late Applications** in the instructions.
- 2a Enter the principal business activity designated on the latest filed income tax return ▶
- b Enter business activity code no. (if applicable) (see instructions) ▶
- 3 Approval is requested to change (see instructions):
 - a Overall method of accounting from **present method** ▶ to **new method** ▶
 - b The accounting treatment of (identify item) ▶ from **present method** ▶ to **new method** ▶
 Attach a separate statement of all relevant facts, including a detailed description of present and proposed methods and an explanation of the legal basis (statutes, regulations, published rulings, etc.) for making this application.
- c If a change is requested on Item 3b above, check the present overall method of accounting that will not change:
 Accrual Cash Hybrid If "Hybrid" is checked, attach an explanation.
- d Number of tax years present method has been used by the applicant. (See Item 3d in the instructions.) ▶
- e Is the present method a "Designated A" method as defined in section 3.07 of Rev. Proc. 92-20?
- f Is the present method a "Designated B" method as defined in section 3.09 of Rev. Proc. 92-20?
If "Yes" to Item 3e or 3f, indicate the designating document
- g Is the present method a "Category A" method as defined in section 3.06 of Rev. Proc. 92-20?
- h Has the applicant entered into a transaction to which section 381(c)(4) or (5) applies during the tax year of change or is the applicant considering this type of transaction during the tax year of change? If "Yes," attach explanation
- 4a Is this the first tax year the applicant is required to change its method of accounting under section 263A, 447, 448, 460, or 585? If "Yes," state which section is applicable ▶
- b Does the applicant produce or acquire property for resale subject to section 263A?
If "Yes," Schedule C, Part III must be completed if the costs to be changed are subject to section 263A.
- 5a Has the applicant or any member of the affiliated group been contacted by the IRS prior to submitting Form 3115 to schedule an examination of any of its Federal income tax returns, or is an examination in process (section 3.02 of Rev. Proc. 92-20)? If "Yes," indicate which window period under section 6 of Rev. Proc. 92-20 applies ▶
- b If "Yes," has a copy of Form 3115 been sent to the district director? See section 10.06 of Rev. Proc. 92-20
- c Does the applicant have any Federal income tax returns under consideration by an appeals office or before any Federal court? See section 4 of Rev. Proc. 92-20
- d If "Yes," has the applicant attached a written agreement from the appeals officer or counsel for the government?
- 6a In the last 6 years has the applicant applied for or changed its tax year, its overall method of accounting, or its accounting treatment of any item? If "Yes," attach a statement describing the changes and the year of change
- b If "Yes," has a ruling letter granting approval been received? Attach an explanation if no letter was received or if a letter was received but the change was not made. Members of an affiliated group, see Item 10e
- c Does the applicant, an affiliated corporation, or any other related corporation have pending any accounting method, tax year ruling, or technical advice request in the National Office?
- d If "Yes," indicate the name(s) of the corporation, type of request (method, tax year, etc.), and the specific issue involved in each request on an attached statement.

| Yes | No |
|-----|----|
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- 7a** Enter the net operating loss (NOL) (if any) to be carried over to the year of change \$ _____
- b** Enter the NOL (if any) that will expire in the year of change \$ _____
- c** Enter the credit carryover (if any) to this year of change (identify) \$ _____
- d** Enter the credit carryover (if any) that will expire in the year of change \$ _____

Members of an affiliated group are to complete Items 7a, 7b, 7c, and 7d on a consolidated basis.

8a Gross receipts for the 4 tax years preceding the year of change. (See instructions.)

| 1st preceding year ended: mo. yr. | 2nd preceding year ended: mo. yr. | 3rd preceding year ended: mo. yr. | 4th preceding year ended: mo. yr. |
|---|---|---|---|
| \$ _____ | \$ _____ | \$ _____ | \$ _____ |

8b Taxable income for the 4 tax years preceding the year of change. (See instructions.)

| 1st preceding year ended: mo. yr. | 2nd preceding year ended: mo. yr. | 3rd preceding year ended: mo. yr. | 4th preceding year ended: mo. yr. |
|---|---|---|---|
| \$ _____ | \$ _____ | \$ _____ | \$ _____ |

- | | | Yes | No |
|---|--------------------------|-----|----|
| 9a Does the applicant have more than one trade or business? | <input type="checkbox"/> | | |
| b If "Yes," is each trade or business accounted for separately? (See instructions.) | <input type="checkbox"/> | | |
| 10a Is the applicant a member of an affiliated group filing a consolidated return for the tax year of change? | <input type="checkbox"/> | | |
| b If "Yes," state the parent corporation's name, identifying number, address, tax year, and the service center where the return is filed ▶ _____ | <input type="checkbox"/> | | |
| c If 10a is "Yes," do all other members of the affiliated group use the method of accounting being requested? If "No," explain ▶ _____ | <input type="checkbox"/> | | |
| d If 10a is "Yes," are any of the items involved in determining the net section 481(a) adjustment attributable to transactions between members of the affiliated group? If "Yes," attach an explanation | <input type="checkbox"/> | | |
| e If 10a is "Yes," provide the information requested in Items 6a and 6b, for each member of the affiliated group | <input type="checkbox"/> | | |
| 11 Are any of the items involved in determining the net section 481(a) adjustment attributable to transactions between members of a controlled group or other related parties? If "Yes," attach an explanation | <input type="checkbox"/> | | |
| 12a If the change is approved, will the new method be used for financial reporting purposes? | <input type="checkbox"/> | | |
| b If "No," attach an explanation. In addition, explain whether the new method of accounting conforms to GAAP and whether it will clearly reflect income for Federal income tax purposes. | <input type="checkbox"/> | | |

| | | | | |
|---|----------------|----------------|--|--|
| 13 Enter the net section 481(a) adjustment for the year of change, and the net section 481(a) adjustment that would have been required if the requested change had been made for the tax year preceding the year of change. (See Item 13 in the instructions.) | Year of change | Preceding year | | |
| | \$ _____ | \$ _____ | | |

- | | | Yes | No |
|--|--------------------------|-----|----|
| 14 Has the net adjustment under section 481(a) for the year of change been reduced in any way by a pre-1954 amount? | <input type="checkbox"/> | | |
| 15 If the net section 481(a) adjustment is less than \$25,000 for the year of change, does the applicant elect to take the entire net section 481(a) adjustment into account in the year of change? | <input type="checkbox"/> | | |

Checklist

- 16** Is **Form 2848**, Power of Attorney and Declaration of Representative, attached to this application? ▶ Yes No
- 17** Does the applicant request a **conference** of right at the IRS National Office? (See instructions.) ▶ Yes No
- 18** Enter amount of **User Fee** attached to this application. (See instructions on page 1.) ▶ \$ _____

Signature—All Applicants (See instructions.)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

| Applicant | Parent corporation (if applicable) |
|--|---|
| ----- Officer's signature and date | ----- Parent Officer's signature and date |
| ----- Name and title (print or type) | ----- Name and title (print or type) |
| ----- Signature(s) of individual or firm preparing the application and date | ----- Name of firm preparing the application |

Name of applicant as shown on page 1

Identifying number

Schedule A—Change in Overall Method of Accounting

Attach copy(ies) of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the

Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, Item 1 do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

Part I Change in Overall Method (See instructions.)

1 Enter the following amounts as of the end of the tax year preceding the year of change. If none, state "None." Also provide a breakdown of the items that make up the "Amount" for lines 1a through 1g.

Table with 4 columns: Amount, and two columns under 'Show by (✓) how treated on last year's return: Included in income or deducted as expense, Excluded from income or not deducted as expense. Rows include: a Income accrued but not received, b Income received or reported before it was earned, c Expenses accrued but not paid, d Other (specify), e Prepaid expense previously deducted, f Supplies on hand previously deducted, g Inventory on hand, h Net section 481(a) adjustment.

- 2 Type 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
5a If changing to the accrual method, is the applicant also requesting to use the nonaccrual-experience method?
b If "Yes," indicate the system to be used to apply the nonaccrual-experience method: Separate receivable, Periodic
6 If changing to the accrual method, is the applicant also requesting the recurring item exception (section 461(h))?

Part II Change to the Cash Method (Also complete Part I. Farmers complete Part III instead of Part II. See instructions.)

- 1 Describe the applicant's trade or business (including operations, services performed, and types of activities, if more than one).
2 Describe the applicant's investment in capital items and leased equipment used in the trade or business, and the relationship between these items and the services performed by the business.
3 Describe inventory items (items that produce income when sold), materials and supplies used in carrying out the business.
4 Indicate the number of employees, shareholders, partners, associates, etc., and describe their duties in carrying out the applicant's business.
5 Attach a schedule showing the age of receivables for the 4 tax years preceding the year of change.
6 Attach a profit and loss statement based on the cash method for the 4 tax years preceding the year of change.

Part III Farmers—Change to the Cash Method (Also complete Part I. See instructions.)

- 1a Is the applicant a corporation or a partnership with a corporation as a partner that had gross receipts of \$1 million or less in each of its tax years beginning after 1975?
b If "No," is the applicant eligible for any exceptions under section 447? (see instructions)

2 Gross Receipts and Inventory Information

Table with 6 columns: 1st preceding yr., 2nd preceding yr., 3rd preceding yr., 4th preceding yr., 5th preceding yr. Rows include: 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.

Name of applicant as shown on page 1

Identifying number

Schedule B—Changes Within the LIFO Inventory Method

Part I LIFO Information

Complete this section if the requested change involves changes within the LIFO inventory method. Check (✓) the appropriate boxes in 1, 2, 3, or 4 showing both the present method and the proposed method. If the present method shown in boxes 1, 2, 3, or 4 is not the same as the method shown on Form(s) 970, attach an explanation. Note: Attach the copy(ies) of the Form 970(s), Application to Use LIFO Inventory Method, filed to adopt or expand the use of the method.

Table with 3 columns: Question, Present method, Proposed method. Rows include: 1 Method for valuing inventories (Unit, Dollar value), 2 Method for pooling (By line, Natural business unit, Multiple pools, Raw material content, Simplified dollar value, Pooling method), 3 Method used to figure the cost of goods in the closing inventory (Most recent purchases, Earliest acquisitions, Average cost, Other), 4 Method for pricing dollar value pools (Double-extension, Index, Link-chain, Inventory Price Index, Other).

* An example of an "other method" is the retail method using the Bureau of Labor Statistics (BLS) department store indexes. If the applicant is requesting to change to one of these methods, submit: (1) a description of the particular method, and (2) the reasons why the use of the double-extension and/or index method(s) is impractical or unsuitable for each pool.

Part II Additional Information

- 1 Will the change(s) indicated above apply to all of the applicant's inventory? [] Yes [] No
2 If the change(s) indicated above applies to specific inventory pools, identify the pool(s) and describe the contents of each pool.
3 Is the applicant requesting a change in method for its LIFO inventory that is not indicated in Part I above? [] Yes [] No
If "Yes," explain. ▶

Part III Change in Pooling LIFO Inventories

- 1 List and describe each dollar value pool and show the base year of each pool under the present and proposed pooling methods.
2 Applicants engaged in the manufacturing or processing of goods and proposing to use natural business unit (NBU) pools:
a Attach a description of the applicant's organization, facilities, manufacturing processes, and product lines in sufficient detail to show that each proposed NBU pool complies with Regulations section 1.472-8(b).
b Does the applicant have inventories of items purchased and held for resale? [] Yes [] No
If "Yes," attach a statement indicating that these items will not be included in any proposed NBU pool.
c Are all items, including raw materials, goods in process, and finished goods entering into the entire inventory investment for each proposed NBU pool, presently valued under the LIFO method? [] Yes [] No
If "No," attach an explanation.
3 Applicants engaged in the manufacturing or processing of goods:
a If proposing to use the multiple pooling method, attach information to show that each proposed pool will consist of a group of items that are substantially similar.
b If proposing to use raw material content pools, attach information to show that each proposed pool will consist of items that are substantially similar.
4 Applicants engaged in the wholesaling or retailing of goods purchased from others:
a Attach information to show that each of the proposed pools is based upon customary business classifications of the applicant's trade or business.
b If proposing to use natural business unit pools, attach an explanation as to why the natural business unit pooling is appropriate.

Name of applicant as shown on page 1

Identifying number

Schedule C—Change in the Treatment of Long-Term Contracts, Inventories, or Other Section 263A Assets

Part I Change in Reporting Income From Long-Term Contracts (See instructions. Complete this part and Part III below.)

- 1 Are the applicant's contracts long-term contracts as defined in section 460?
2 Is the applicant a manufacturer or a processor?
3 Will the applicant elect the simplified cost-to-cost method for determining the degree of contract completion?
4a Is the same method used for reporting income from all long-term contracts?
5a Do any (or all) of the applicant's contracts qualify for any of the exceptions under section 460(e) for certain construction contracts?
6a Is the change requested for all contracts that were outstanding at the beginning of the tax year of change?
7a Are the applicant's contracts either cost-plus long-term contracts or Federal long-term contracts?
8 Net adjustment required under section 481(a)

Part II Change in Valuing Inventories (See instructions and complete Part III if applicable.)

- 1 Describe inventory goods being changed
2 Describe inventory goods (if any) not being changed
3 Does the proposed change involve a change in the treatment of package design costs?
4 Is the applicant's present inventory valuation method in compliance with section 263A?
5a Check () the appropriate boxes below that identify the present and proposed inventory identification and valuation methods being changed and the present inventory identification and valuation methods not being changed.

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Rows include Identification methods (Specific identification, FIFO, LIFO*) and Valuation methods (Cost, Cost or market, whichever is lower, Retail cost, Retail, lower of cost or market, Other).

- b Enter the value at the end of the tax year preceding the year of change.
6 Attach the computation used to determine the section 481(a) adjustment. If the section 481(a) adjustment is based on more than one component, show the computation for each component.

Part III Method of Cost Allocation

Complete this part if the requested change involves either property subject to section 263A or to long-term contracts subject to section 460. Check () the appropriate boxes in Section A to indicate the allocation and capitalization methods to be used under the present and proposed methods. Check () the appropriate boxes in Sections B and C showing which costs, under both the present and proposed methods, are fully included, to the extent required, in the cost of property

produced or acquired for resale under section 263A or allocated to long-term contracts under section 460. If a box is not checked, it is assumed that those costs are not fully included to the extent required. If a cost is not fully included, attach an explanation. Mark "N/A" in a box if those costs are not incurred by the applicant with respect to its production, resale, or long-term contract activities.

Section A—Allocation and Capitalization Methods (See instructions.)

Table with 3 columns: Method of allocating indirect costs (Specific identification, Standard cost, Burden rate, Other), Present method, Proposed method.

Section A—Allocation and Capitalization Methods *(Continued)*

| | Present method | Proposed method |
|--|----------------|-----------------|
| 2 Method of allocating service costs: | | |
| Direct reallocation | | |
| Labor-based simplified service cost | | |
| Simplified resale service cost | | |
| Simplified service cost | | |
| Step-allocation | | |
| Other (attach explanation) | | |
| 3 Method of capitalizing additional section 263A costs (including service costs): | | |
| Simplified production | | |
| Alternative simplified resale | | |
| U.S. ratio | | |
| Simplified resale | | |
| Modified resale | | |
| Other (attach explanation) | | |

Section B—Direct and Indirect Costs Required to be Allocated *(See Regulations under sections 263A and 451.)*

| | | |
|--|--|--|
| 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 (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 applicant | | |
| 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 do not have to capitalize on-site storage costs. Check if the applicant is only allocating off-site storage costs <input type="checkbox"/> | | |

Section C—Other Costs *(Not required to be allocated)*

| | | |
|---|--|--|
| 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 above | | |
| 3 Bidding expenses not included on line 21 above | | |
| 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.) | | |

Name of applicant as shown on page 1

Identifying number

Schedule D—Miscellaneous Changes in Method of Accounting

Part I Change in Reporting Interest on Loans and Other Debt Obligations (See instructions)

- 1 Change requested for interest on: [] Installment loans [] Commercial loans [] Other loans (attach explanation)
2 Amount of earned or realized interest that has not been reported on the applicant's return as of the end of the tax year preceding the year of change
3 Amount of unearned or unrealized interest that has been reported on the applicant's return as of the end of the tax year preceding the year of change
4 Do the applicant's installment loans meet the definition of short-term consumer loans as defined in Rev. Proc. 83-40, 1983-1 C.B. 774?
5 Method of rebating in event of prepayment of loans
6 Does the applicant's requested method change involve any of the following items? (check appropriate box(es))
7 If the "Points" box is checked:
a Are the points for the use or forbearance of money (interest)?
b Are the points deductible by the borrower under section 461(g)(2)?
c If the borrower pays the points prior to settlement, are they refundable if the loan is not made?
d What type of loan(s) (commercial, residential, home mortgage, etc.) do the points apply?
8 If more than one box is checked in Item 6, attach the section 481(a) adjustment for the year of change and for the 3 preceding tax years attributable to each item checked.
9 Is the applicant's requested method change subject to the rules for bonds, debt instruments, and other evidence of indebtedness under section 1272, 1274, or 1281?
10a If any of the boxes in question 6 are checked and question 9 is checked "No," does the proposed method change comply with Rev. Rul. 70-540, 1970-2 C.B. 101?
b If "Yes," explain how Rev. Rul. 70-540 applies.

Part II Change in Depreciation Under Section 167 (See instructions.)

Applicants requesting approval 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 the income tax return will be filed. See Rev. Proc. 74-11, 1974-1 C.B. 420 for the methods covered. For information regarding elections and election revocations under section 168, see the instructions.

- 1 Date of acquisition of the property being depreciated
2a Is the applicant the original owner or the first user of the property?
b If residential property, did the applicant 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 Description of the property
7 Cost or other basis of the property and adjustments made to the property (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

Continued on next page

