

Application To Use LIFO Inventory Method

▶ Attach to your tax return.

▶ For Paperwork Reduction Act Notice, see instructions on back.

Name	Identifying number (See instructions)
Address (Number, street, (or P.O. box number if mail is not delivered to street address) city, state and ZIP code)	CHECK ONE: <input type="checkbox"/> Initial Election <input type="checkbox"/> Subsequent Election

Statement of Election and Other Information:

A The taxpayer applies to adopt and use the LIFO inventory method provided by section 472. The taxpayer will use this method for the first time (or modify this method) as of (date tax year ends) _____, for the following goods (give details as explained in instructions; use more sheets if necessary):

B The taxpayer agrees to make any adjustments that the District Director of Internal Revenue may require, on examination of the taxpayer's return, to reflect income clearly for the years involved in changing to or from the LIFO method or in using it.

1 Nature of business

2a Inventory method used until now

b Will inventory be taken at actual cost regardless of market value? If "No," attach explanation Yes No

3a Was the inventory of the specified goods valued at cost as of the beginning of the first tax year to which this application refers, as required by section 472(d)? If "No," attach explanation Yes No

b Will you include in income over 3 tax years any adjustments that resulted from changing to LIFO? If "No," attach explanation Yes No

4a List goods subject to inventory that are not to be inventoried under the LIFO method.

b Were the goods of the specified type included in opening inventory counted as acquired at the same time and at a unit cost equal to the actual cost of the total divided by the number of units on hand? If "No," attach explanation Yes No

5a Did you issue credit statements, or reports to shareholders, partners, other proprietors, or beneficiaries covering the first tax year to which this application refers? Yes No

b If "Yes," state to whom, and on what dates.

c Show the inventory method used in determining income, profit, or loss in those statements.

6a Check method used to figure the cost of the goods in the closing inventory over those in the opening inventory. (See instructions.)

- Most recent purchases Earliest acquisitions during the year
- Average cost of purchases during the year Other—Attach explanation

b The taxpayer selects the month of _____ as the appropriate representative month to be used in selecting the index or indexes to be used in determining the current-year cost of the taxpayer's inventory pool(s) under Regulations section 1.472-8(e)(2)(ii) (see instructions). (This applies only to taxpayers using the Inventory Price Index Computation Method.)

7 Method used in valuing LIFO inventories: Unit method Dollar-value method

8 If you use pools, indicate pooling method below. List and describe the contents of each pool.

- By line, type, or class of goods authorized by Regulations section 1.472-8(c) (retailer, wholesaler, jobber, or distributor)
- Pooling method authorized by Regulations section 1.472-8(e)(3)(iv) (retailer, wholesaler, jobber, or distributor)
- Natural business unit authorized by Regulations section 1.472-8(b)(1) (manufacturer or processor)
- Multiple pools authorized by Regulations section 1.472-8(b)(3)(i) (manufacturer or processor)
- Raw material-content authorized by Regulations section 1.472-8(b)(3)(ii) (manufacturer or processor)
- Simplified Dollar-Value Method under section 474 (see instructions)
- Other (describe and justify)

9 Method used in computing LIFO value of dollar-value pools (see instructions and attach required information)

- Double-extension Published Price Index (describe) Index (describe and justify)
- Link-chain (describe and justify) Other method (describe and justify)

10 Briefly describe in an attached statement the cost system used

11 Did you change your method of valuing inventories for this tax year with the Commissioner's permission? Yes No
If "Yes," attach a copy of the National Office's "grant letter" to this Form 970.

12 Were you ever on LIFO before? Yes No
If "Yes," attach a statement to list the tax years you used LIFO and to explain why you discontinued it.

Under penalties of perjury, I declare that I have examined this application, including any accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Signature of taxpayer	Date
Signature of officer	Title
Signature of officer	Date

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.— We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

Recordkeeping 8 hrs. 22 min.

Learning about the law or the form 1 hr. 12 min.

Preparing and sending the form to IRS 1 hr. 23 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the Internal Revenue Service and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

Purpose of Form.—Form 970 is an optional form that you can file with your income tax return to adopt or expand the LIFO inventory method described in section 472. If you prefer, you can file a statement that gives the information asked for on Form 970. (See Regulations section 1.472-3(a).) File the application with your return for the first tax year for which you intend to use or expand the LIFO method.

Simplified Dollar-Value LIFO Method Under Section 474 (item 8).—Only small businesses whose average annual gross receipts for the three preceding tax years did not exceed \$5,000,000 may elect to use the Simplified Dollar-Value LIFO method. If the taxpayer is a member of a controlled group, the gross receipts of the group are used to determine if the taxpayer qualifies. This new method requires that the taxpayer maintain a separate inventory pool for items in each major category in the applicable Government price index, and that the taxpayer make adjustments to each separate pool based on changes from the preceding tax year in the component of such index for the major category. A qualified taxpayer does not need the consent of the Secretary to elect these provisions. The election is in effect for the first year the election is made and for each succeeding year the taxpayer qualifies as an eligible small business. The election may be revoked only with the consent of the Secretary.

Change from LIFO Method.—Once you adopt the LIFO method, it is irrevocable unless the Commissioner allows you to change to another method.

Specific Instructions

Identifying Number.—An individual's identifying number is the social security number. For all others it is the employer identification number.

Initial Election or Subsequent Election.—If this is your first election to use the LIFO method, check the box for Initial Election. If you are expanding a prior LIFO election, check the box for Subsequent Election.

Statement of Election and Other Information.—If this is an initial election, enter the tax year you will first use the LIFO method and specify the goods to which you will apply it. If this is a subsequent election, enter the tax year you will expand the LIFO method and specify the goods to which the LIFO method is being expanded.

Attach a detailed analysis of all your inventories as of the beginning and end of the first tax year for which you will use the LIFO method (tax year for which the LIFO method is being expanded if this is a subsequent election) and as of the beginning of the preceding tax year. Also, include the ending inventory reported on your return for the preceding tax year. Regulations sections 1.472-2 and 1.472-3 give more information about preparing this analysis.

Item 6a.—See Regulations sections 1.472-2 and 1.472-8(e) for more information.

Item 6b.—See Regulations section 1.472-8(e)(3)(iii)(C) before completing item 6b. Taxpayers that do not use the Retail Inventory Method, also see Rev. Rul. 89-29, 89-1 C.B. 168.

Item 7.—You may use the “dollar-value” LIFO method to determine the cost of your LIFO inventories as long as you use it consistently and it clearly reflects income. Regulations section 1.472-8 gives you details about this method.

Item 8.—Indicate the number of pools and the type of goods included in each pool in an attached statement.

To adopt and use the inventory price index computation method provided by Regulations section 1.472-8(e)(3)(IV), you must list each inventory pool, indicate the type of goods included in each pool, and indicate the consumer or producer price index or indexes selected for each inventory pool. If more space is needed, attach a schedule showing the information.

If you have made the section 474 election to use the Simplified Dollar-Value LIFO method, see section 474 for additional details.

If you are a wholesaler, retailer, jobber, or distributor, see Regulations section 1.472-8(e) for guidelines on establishing dollar-value LIFO pools.

Item 9.—Select a LIFO computation method for the dollar-value pooling (this is not applicable to taxpayers using the specific goods (unit) method). To figure the LIFO value of a dollar-value pool, use a method described in Regulations section 1.472-8(e). If you do not use the “double-extension” or “index” method, attach a detailed statement to explain the method used and how it is justified under Regulations section 1.472-8(e)(1). For example, if you should use a “link-chain” method, your statement should explain why the nature of the pool makes the other two methods impractical or unsuitable.

Signature.—Form 970 must be signed. If you are filing for a corporation, the form must be signed by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or other corporate officer (such as tax officer) authorized to sign.