Department of the Treasury
**Internal Revenue Service**

# Instructions for Form 1128

(Rev January 1989)

## Application for Change in Accounting Period

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

## General Instructions

You should normally receive a determination on your application within 75 days. If you do not hear from us within 75 days of submitting your completed Form 1128, you may inquire about the status of your application by writing to: Control Clerk, CC:IT&A, Internal Revenue Service, Room 5517, 1111 Constitution Ave., NW, Washington, DC 20224.

For tax years beginning after 1986, most trusts must adopt the calendar year as their tax year However, certain tax-exempt and charitable trusts are not required to adopt a calendar year See section 645.

For tax years beginning after 1987, any common trust fund must use the calendar year as its tax year

**A. Purpose of Form.**—File Form 1128 to request a change in an annual accounting

**2553**, Election by a Small Business Corporation, (see Rev. Proc. 87-32, 1987-2 C.B. 396 );

(e) A partnership, S corporation, or personal service corporation that intends to adopt, retain, or change to a required tax year (usually a calendar year);

(f) A partnership or S corporation that retains a grandfathered fiscal year·

(g) A partnership, S corporation, or personal

to the calendar year you must file Form 1128 by the 15th day of February of the next year For partnership adoptions, see Specific Instructions for Section B.

If you are requesting approval to retain a tax year, you must file Form 1128 by the 75th day of the beginning of the tax year that you desire to retain.

**E. Where To File.**—Generally, file Form 1128 and the user fee with the Internal Revenue Service, Associate Chief Counsel (Technical ), Attention: CC:CORP P.O. Box 7604, Ben Franklin Station, Washington, DC 20044. Do not send the user fee to the Service Center A request for a change in accounting period for an exempt organization and the user fee should be filed with the Internal Revenue Service, Assistant Commissioner (Employee Plans and Exempt Organizations), Attention: E:EO, P.O. Box 120, Ben Franklin Station, Washington, DC 20044.

***Exceptions:*** If you are filing Form 1128 for reason (1), (2), (3), or (4) below, DO NOT file it at the addresses indicated above. Instead, file an original and one copy of Form 1128 with the Director of the Service Center where you file your return.

(1) You are an individual changing from a fiscal year to a calendar year; you receive income only from wages, salaries, interest, dividends, capital gains, pensions, annuities, rents, or royalties; and you meet all the provisions of Rev. Proc. 66-50, 1966-2 C.B. 1260;

(2) You are an exempt organization requesting a change under the simplified method of Rev. Proc. 85-58, 1985-2 C.B. 740, or Rev. Proc. 76-10, 1976-1 C. B. 548. See Specific Instructions, Section E, for details;

(3) You are a corporation requesting a change under the expeditious approval provisions of Rev. Proc. 84-34; or

(4) You are a partnership, an S corporation, or a personal service corporation requesting a change or retention under the expeditious approval provisions of Rev. Proc. 87-32, discussed below.

If you are filing under any of the above exceptions, you will receive your copy of Form 1128 filed for the short period. You may also receive a letter from the Director of the Internal Revenue Service Center denying approval because the Form 1128 either is not timely filed or does not comply with the provisions of the revenue procedure. If you have not been notified of acceptance or denial within 60 days, you should contact the Service Center

**F. Revenue Procedure 84-34.**—This procedure allows a corporation (other than an S corporation, a personal service corporation, or an IC-DISC) to expeditiously obtain approval to change its tax year Certain conditions, however, must be met by the corporation in order to use the procedure.

**G. Revenue Procedure 87-32.**—A partnership, S corporation, or personal service corporation may be able to change or retain its tax year by following Revenue Procedure 87-32. Under section 4.01(1) of the procedure, the entity determines its natural business year The entity must attach to Form 1128 a statement showing the amount of gross receipts for the most recent 47 months as required by section 4.03(3)(b) of the revenue procedure. Sections 4.01(1) and 4.01(2) provide for expeditious approval for an S corporation or a corporation electing to be an S corporation to adopt, retain, or change to a tax year that coincides with the tax year used by the shareholders. The representation statements (Questions 12a and b and 13a, b, and c of Section A) of Form 1128 highlight the requests provided for in section 4 of the revenue procedure. A partnership, S corporation, or personal service corporation adopting, retaining, or changing its accounting period must comply with all applicable conditions of Revenue Procedure 87-32.

**H. Revenue Ruling 87-57.**—If a partnership, S corporation, or personal service corporation wants to adopt, retain, or change to a fiscal year by establishing a business purpose but cannot qualify for the expeditious approval rules, the entity should refer to Rev. Rul. 87-57 The ruling discusses various facts and circumstances in which the taxpayer may or may not have established a business purpose for using a fiscal year

**I. Section 444 Election.**—If approval is requested to use a particular tax year based on business purpose, a partnership, S corporation, or personal service corporation, if otherwise qualified, may file a section 444 election (referred to as a "back-up section 444 election"). If the business purpose request is later denied, the partnership, S corporation, or personal service corporation, if otherwise qualified, will be required to activate the section 444 election. The section 444 election is made on **Form 8716,** Election To Have a Tax Year Other Than a Required Tax Year See Temporary Regulations section 1.444-3T for additional information.

**J. Late Applications.**—If you file Form 1128 after the 15th day of the second calendar month following the end of the short period, your Form 1128 for change or adoption and the user fee that must be sent are LATE. For partnership adoptions, Form 1128 must be filed by the end of the month following the close of the tax year to be adopted. An application for retention and the user fee are late if Form 1128 is filed after the 75th day of the beginning of the tax year that you want to retain. These applications will be considered for processing only upon a showing of good cause and if they can be shown to the satisfaction of the Commissioner that granting an extension will not jeopardize the Government's interest.

To facilitate consideration of extension requests, information fully responsive to each of the criteria set forth in section 4 of Rev. Proc. 79-63, 1979-2 C.B. 578 should be provided. An extension request filed under Regulations section 1.9100 and Rev. Proc. 79-63 is a ruling request under Rev. Proc. 89-1 and is subject to public inspection under section 6110. An extension of time will ordinarily be denied if the application and user fee are received beyond 90 days after the time required for filing Form 1128, except in very unusual and compelling circumstances.

**K. Early Applications.**—Generally, an application will not be approved if it is submitted more than 60 days prior to the close of the short year

**L. Penalty.**—A penalty will be imposed if you do not make estimated tax payments as required by either section 6654 (for individuals) or 6655 (for corporations) while awaiting approval of Form 1128.

# Specific Instructions

Individual taxpayers need only complete Section A and the signature area. All other filers should complete Section A, the signature area, and all other parts that apply to them. On any attachments show the taxpayer's name, identifying number and address. Also show that the sheet is an attachment to Form 1128.

State whether the taxpayer desires a conference in the National Office if the IRS proposes to disapprove its request.

**Name.**—If the application concerns a husband and wife who file a joint return, enter your name and your spouse's name.

### Identifying Number

**Individuals.**—Individuals should enter their social security number in this block. If the application is made on behalf of a husband and wife who file their income tax return jointly, enter the social security numbers of both. However, if you or your spouse are engaged in a trade or business, enter the employer identification number instead of the social security numbers.

**Others.**—Applicants, other than individuals, should enter their employer identification numbers in this block.

### Person to Contact

The person to contact must be the person authorized to sign the Form 1128, or the applicant's authorized representative.

## Section A.—All Filers

**Items 1a and 1b.**—If either ending date represents a 52-53 week accounting period, also show in item 1a or 1b whether you elected the period under section 441(f)(1)(A) or 441(f)(1)(B). For more details, see Temporary Regulations sections 1.441-2T(a) and (b).

**Item 1d.**—The retention of the present tax year only applies to those entities who have already made a valid election under section 444.

**Item 2.**—The short period return that is required must begin on the day following the close of the old tax year and end on the day before the first day of the new tax year For taxpayers adopting a tax year, the short period return that is required must begin on the date business commenced operations or date of incorporation and end on the day before the first day of the new tax year

**Items 12a, 12b, 13a, 13b, and 13c.**—These questions are the representation statements that are to be completed, if applicable, by a partnership, S corporation, or personal service corporation that retains or changes to a fiscal year, and that qualifies under section 4.01(1) or 4.01(2) of Rev. Proc. 87-32. See the instructions under "Rev. Proc. 87-32" and "Rev. Rul. 87-57 "

## Section B.—Partnerships

A partnership must get the Commissioner's advance approval to change, adopt or retain an accounting period unless it meets any of the exceptions (e), (f), or (g) under General

Instruction B. Partners MUST also get advance approval to change their accounting periods.

A new partnership that is required to obtain the Commissioner's advance approval to adopt an accounting period (see Note under General Instruction B) has until the end of the month after the new period ends to file the application.

For an unincorporated organization that qualifies as an "investing partnership" or that explores mineral property under an "operating agreement," see section 761(a)(1), (2), or (3) and applicable regulations.

**Item 1.**—Enter the first date a business transaction resulted in a tax consequence, such as receiving income or incurring an expense.

## Section D.—S Corporations

For the 1988 tax year, unless an S corporation has elected under section 444 to have a tax year other than a permitted tax year, the S corporation must have a permitted tax year. A "permitted year" is:

(1) a year that ends on December 31, or

(2) any other accounting period for which the corporation establishes a business purpose to the satisfaction of the Commissioner.

For purposes of (2), any deferral of income to shareholders shall not be treated as a business purpose. For guidance as to what constitutes a business purpose, refer to Rev. Proc. 87-32.

## Section E.—Tax-Exempt Organizations

The purpose of Rev. Proc. 85-58 is to simplify the procedures to be followed by certain tax-exempt organizations desiring to change their annual accounting period. Rev. Proc. 85-58 states that an organization exempt under section 501(a) need not file Form 1128 unless that organization has changed its annual accounting period at any time within the 10 calendar years ending with the calendar year that includes the beginning of the short period resulting from the change of an annual accounting period, and it had an annual return filing requirement at any time during that 10-year period. An organization described in section 501(c) or (d) is exempt from tax under section 501(a) unless the exemption is denied under section 502 or 503. Rev. Proc. 85-58 does not apply to: farmers' cooperatives exempt from Federal income tax under section 521, organizations described in sections 526, 527, and 528, organizations described in section 401(a); and organizations requesting a change in accounting periods on a group basis.

A central organization should follow Rev. Proc. 76-10 to apply for a group change in accounting period for all its subordinate organizations. Rev. Proc. 76-10 does not apply to: farmers' cooperatives exempt from Federal income tax under section 521, certain organizations that have unrelated business income defined in section 512(a); and organizations that are private foundations defined in section 509(a).

## Signature

Form 1128 **MUST** be signed.

**Individual.**—If this application pertains to a husband and wife, the names of both should appear in the heading and both must sign.

**Estate or Trust.**—Show the name of the estate or trust and the signature and title of the fiduciary or other person legally authorized to sign.

**Partnership.**—Show the partnership name, followed by the signature of one of the partners and the phrase "Member of partnership."

**Corporations, S Corporations, IC-DISCs, FSCs, Cooperatives, Foreign Corporations, and Controlled Foreign Corporations (CFCs).**—The application must show the name of the company and the signature of the president, vice president, treasurer, assistant treasurer, or chief accounting officer (such as tax officer) authorized to sign, and their official title. Receivers, trustees, or assignees must sign any application they are required to file. For a subsidiary corporation filing a consolidated return with its parent, the form should be signed by an authorized officer of the parent corporation. For a CFC, the form must be signed by the controlling U.S. shareholder(s).

**Tax-Exempt Organization.**—Show the name of the organization and the signature of a principal officer or other person authorized to sign, followed by his or her title.

**Preparer Other Than Applicant.**— Sign on page 3 and, unless you are self-employed, show the name of the firm that employs you. If you file on an applicant's behalf, include a power of attorney. Show any specific acts the power of attorney grants, such as representation before IRS.

If the person to contact is an agent for the taxpayer, a power of attorney must be attached to the application.

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