METHOD OF ACCOUNTING

Revenue Rulings

**Revenue Ruling 66-247** 1966-2 CB 198
The costs incurred by a taxpayer in the construction of a house for speculative sale (including the cost of the land) must be capitalized regardless of the taxpayer’s overall method of accounting.

**Revenue Ruling 70-67** 1970-1 CB 117
An architect who provides drafting and supervisory services on construction projects is not allowed to report income on the completed contract method. The work done by the architect is in the nature of personal services.

**Revenue Ruling 80-18** 1980-1 CB 103
A taxpayer providing engineering services is not entitled to adopt or use either the completed contract or percentage of completion method of accounting.

**Revenue Ruling 82-134** 1982-2 CB 88
A taxpayer, who by contract furnishes engineering services and construction management to clients, is not entitled to use the completed contract method of accounting.

**Revenue Ruling 84-32** 1984-1 CB 129
A painting contractor who paints industrial and commercial buildings, highways and railroad bridges, and industrial plants is not entitled to use the completed contract method of accounting.

**Revenue Ruling 92-28** 1992-1 CB 153
This ruling permits a taxpayer to use different method of accounting for large and small long-term contracts within the same trade or business.
Revenue Procedures

This revenue procedure provides that the Commissioner of Internal Revenue will exercise his discretion to except a qualifying taxpayer with average annual gross receipts of $1 million or less from the requirements to account for inventories and to use an accrual method of accounting for purchases and sales of merchandise. This revenue procedure also provides the procedures by which a qualifying taxpayer may obtain automatic consent to change to the cash receipts and disbursements method of accounting (the cash method).

Revenue Procedure 2001-10  2001-2 I.R.B.
This revenue procedure supercedes Revenue Procedure 2000-22 (above). This procedure provides that the Commissioner of Internal Revenue will exercise his discretion to except a qualifying taxpayer with average annual gross receipts of $1 million or less from the requirements to account for inventories. This revenue procedure also provides the procedures by which a qualifying taxpayer may obtain automatic consent to change to the cash receipts and disbursements method of accounting (the cash method) and to a method of accounting for inventory as materials and supplies that are not incidental.

General Counsel Memoranda

GCM 39803
Engineering, architect, and construction management services that are provided as part of a construction contract are allowed to use the completed contract method or the percentage of completion method.

CHANGE IN METHOD OF ACCOUNTING

Revenue Procedures

Revenue Procedure 97-27  1997-1 CB 680
This revenue procedure provides the general procedures for obtaining the consent of the Commissioner of Internal Revenue to change a method of accounting for federal income tax purposes.
This revenue procedure provides the automatic consent procedures for obtaining the consent of the Commissioner of Internal Revenue to change a method of accounting for federal income tax purposes.