



Internal Revenue Service

DEPARTMENT OF THE TREASURY

LB&I Concept Unit

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|-----------------------|-------------------------------------|
| Knowledge Base | Corporate/Business Issues & Credits |
| Shelf | Inventory and IRC 263A |
| Book | UNICAP 263A |
| Chapter | Producers |

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General Overview

Section 263A Costs for Self-Constructed Assets

This practice unit provides guidance for the capitalization of self-constructed assets. These are assets produced and used by the taxpayer and not sold in the regular course of business. A typical example is when a taxpayer constructs its own facility. Taxpayers are required to capitalize certain costs incurred to produce self-constructed assets, such as material costs, labor costs and other incidental costs.

This practice unit discusses costs capitalized under the final IRC 263A Treasury Regulations (Treas. Regs.), effective for tax years beginning on or after November 20, 2018. These capitalizable costs fall into three categories: section 471 costs; additional section 263A costs, and interest costs capitalized under IRC 263A(f). This practice unit does not address self-constructed assets that qualify for the simplified methods.

For purposes of IRC 263A and self-constructed assets, “section 471 costs” include any cost other than interest that a taxpayer capitalizes to its self-constructed assets in its financial statements. Section 471 costs should not be confused with IRC 471 costs, which applies only to inventories.

“Additional section 263A costs” are the costs other than interest that are not included in a taxpayer's section 471 costs but are required to be capitalized under IRC 263A.

The regulations summarized in this practice unit generally apply to all capitalized IRC 263A costs except for interest. Refer to the *Interest Capitalization for Self-Constructed Assets* practice unit for guidance on the capitalization of interest to self-constructed assets.

Facts of Concept

Section 263A Costs for Self-Constructed Assets

Facts of Concept

- IRC 263A was enacted as part of the Tax Reform Act of 1986. Substantive changes to the applicable law were made by the Omnibus Budget Reconciliation Act of 1987, the Technical and Miscellaneous Revenue Act of 1988, the Omnibus Budget Reconciliation Act of 1989, and Tax Cuts & Jobs Act (TCJA) of 2017.
- IRC 263A provides a single, comprehensive set of rules to govern the capitalization of the costs of producing, acquiring, and holding property, subject to appropriate exceptions where application of the rules might be unduly burdensome.
- The rules more accurately reflect income and prevent unwarranted deferral of taxes by properly matching income with related expenses.
- These rules make the tax system more neutral by eliminating the differences in the former capitalization rules that created distortions in the allocation of economic resources and in the way certain economic activities are organized.
- IRC 263A is a timing provision. It does not create or disallow deductions; it merely changes the timing of the deduction.
- The definitions of section 471 costs and additional section 263A costs apply for taxable years beginning on or after November 20, 2018; see the uniform capitalization regulations effective November 20, 2018.
- Under TCJA, a small business taxpayer is exempted from the uniform capitalization rules (for example, IRC 263A). A small business taxpayer is defined as a trade or business that has average annual gross receipts for the preceding three taxable years not exceeding \$ 25 million, indexed to inflation. This exception does not apply to a tax shelter defined in IRC 448(d)(3).
- This practice unit addresses a taxpayer on the accrual basis of accounting.



CAUTION: This practice unit does not address self-constructed assets that are considered eligible property for purposes of the simplified allocation methods.

Detailed Explanation of the Concept

Section 263A Costs for Self-Constructed Assets

| Analysis | Resources |
|---|---|
| <p>Self-constructed assets are assets produced by a taxpayer for use in its trade or business. For instance, a taxpayer may construct, or contract to construct, a retail store or an office building for its own use. The costs to build the assets are not deducted currently, but are capitalized then recovered through depreciation, amortization or upon the sale or disposal of the asset.</p> <p>In the case of self-constructed property, capitalize means to charge to a capital account or basis.</p> <p>Self-constructed assets are subject to IRC 263A. Any cost capitalized under section 263A may not be charged to capital accounts or basis earlier than the taxable year in which it is incurred per the accrual method of accounting. Under an accrual method, a cost is incurred in the taxable year in which all the events have occurred that establish the fact of the liability, the amount of the cost can be determined with reasonable accuracy, and economic performance has occurred with respect to the liability.</p> <p>Section 263A costs are direct costs and certain indirect costs allocable to the self-constructed asset that a taxpayer must capitalize. For example, if the taxpayer builds a structure for its own use, the cost of material and labor incurred is capitalizable in addition to property taxes on the land and the cost of utilities used during construction.</p> | <ul style="list-style-type: none">▪ IRC 263A▪ IRC 263A(f)▪ Treas. Reg. 1.446-1(c)(1)(ii)▪ Treas. Reg. 1.263A-1(d)(4)▪ Treas. Reg. 1.263A-1(d)(1)▪ Treas. Reg. 1.263A-1(c)(2)(ii) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|---|
| Analysis | Resources |
| <p>Section 263A costs are the sum of three types of costs:</p> <ul style="list-style-type: none"> ▪ Section 471 costs as defined in IRC 263A, ▪ Additional section 263A costs, and ▪ Interest capitalizable under IRC 263A(f). <p>Section 471 costs and additional section 263A costs are described below. For a discussion of interest capitalization refer to the <i>Interest Capitalization for Self-Constructed Assets</i> practice unit.</p> <p><u>Section 471 Costs</u></p> <p>For self-constructed assets, section 471 costs include any costs, other than interest, capitalized as production costs of property produced, as reported in the taxpayer's financial statement. This definition applies to taxable years beginning on or after November 20, 2018.</p> <p>Typically, section 471 costs include the direct materials and the direct labor costs incurred to produce the property. Examples include lumber and wages paid to workers to build a structure for use in the taxpayer's business. Indirect production costs of a self-constructed asset are also section 471 costs, provided some portion of the costs incurred is properly allocable to the property produced. For example, engineering, design, utilities, and insurance costs incurred to build the self-constructed asset.</p> | <ul style="list-style-type: none"> ▪ Treas. Reg. 1.263A-1(d)(2)(i) ▪ Treas. Reg. 1.263A-1(c)(2) ▪ Treas. Reg. 1.263A-1(j)(2)(ii) ▪ Treas. Reg. 1.263A-1(d)(2)(vi) ▪ Treas. Reg. 1.263A-1(l)(5) |

Detailed Explanation of the Concept (cont'd)

Section 263A Costs for Self-Constructed Assets

Analysis

Section 471 Costs (cont'd)

As previously stated, section 471 costs for self-constructed assets are costs the taxpayer reports in their financial statement as production costs. If a cost has no connection to the production of the assets or if the cost is not deductible for federal income tax purposes, then it must be removed. It is not a section 471 cost.

Additionally, a taxpayer may elect to remove eligible period costs included in the financial statements from section 471 costs. In this instance, the taxpayer capitalized an allowable period cost for book purposes but elects not to, and is not required to, capitalize the cost under IRC 263A. An example of this kind of cost is an officer's salary for services related to the taxpayer's overall management rather than to the direct production of the self-constructed asset. These are known as deductible service costs.

Although the taxpayer elected for book purposes to capitalize this cost to the self-constructed asset, it is a type of cost that is not subject to IRC 263A capitalization. The cost can be removed using a reasonable method that approximates how the cost was originally capitalized to the self-constructed asset. For example, if the cost is using a burden rate method, then the removal of the cost must be by a method that resembles the burden rate method.

Resources

- Treas. Reg. 1.263A-1(d)(2)(i)
- Treas. Reg. 1.263A-1(d)(2)(vi)

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|---|
| Analysis | Resources |
| <p data-bbox="84 382 462 415"><u>Section 471 Costs (cont'd)</u></p> <p data-bbox="84 454 1384 525">The taxpayer's financial statement must be one of the following, listed in descending order of priority:</p> <ul style="list-style-type: none"> <li data-bbox="84 539 1189 611">▪ A financial statement the taxpayer must file with the Securities and Exchange Commission (SEC) <li data-bbox="84 618 1344 839">▪ A certified audited financial statement that accompanies the report of an independent certified public accountant (or in the case of a foreign entity, accompanies the report of a similarly qualified independent professional) that the taxpayer uses for: <ul style="list-style-type: none"> <li data-bbox="111 732 389 765">– Credit purposes, <li data-bbox="111 772 969 805">– Reporting to shareholders, partners, or similar persons, or <li data-bbox="111 812 700 845">– Any other substantial non-tax purpose. <li data-bbox="84 852 1411 953">▪ A financial statement (other than a tax return) the taxpayer must provide to the federal or a state government or any federal or state agency (other than the SEC or the Internal Revenue Service) <li data-bbox="84 961 969 1103">▪ A financial statement used for: <ul style="list-style-type: none"> <li data-bbox="111 1003 389 1036">– Credit purposes, <li data-bbox="111 1043 969 1076">– Reporting to shareholders, partners, or similar persons, or <li data-bbox="111 1083 700 1116">– Any other substantial non-tax purpose. <p data-bbox="84 1146 1404 1253">By definition, section 471 costs are costs the taxpayer capitalized per their books (for example in its financial statements). But the amount of the cost the taxpayer can use for federal income tax purposes is the amount incurred in the taxable year.</p> | <ul style="list-style-type: none"> <li data-bbox="1425 389 1860 422">▪ Treas. Reg. 1.263A-1(d)(2)(i) <li data-bbox="1425 429 1831 462">▪ Treas. Reg. 1.263A-1(d)(6) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|---|
| Analysis | Resources |
| <p><u>Section 471 Costs (cont'd)</u></p> <p>The amounts capitalized as section 471 costs are costs incurred before, during, and after the production period of the self-constructed asset. The “production period” runs from the date when production of the self-constructed asset begins and ends on the date the asset is ready to be placed in service.</p> <p>Section 471 costs required to be capitalized under IRC 263A may not be charged to the basis of the self-constructed asset any earlier than the taxable year the amount is incurred. A cost is incurred in the taxable year in which the three-part all events test is met:</p> <ul style="list-style-type: none"> ▪ All the events have occurred that establish the fact of the liability, ▪ The amount of the cost can be determined with reasonable accuracy, and ▪ Economic performance has occurred. <p>See IRC 461(h) and the related regulations to determine when economic performance occurs.</p> <p>Costs not deductible for federal income tax purposes or period costs with no connection to the production of the self-constructed asset are not section 471 costs. For example, penalties paid on late real estate taxes or advertising costs that promote the expansion of the business, are not capitalizable costs.</p> | <ul style="list-style-type: none"> ▪ Treas. Reg. 1.263A-2(a)(3)(i) ▪ Treas. Reg. 1.263A-2(a)(3)(ii) ▪ Treas. Reg. 1.263A-2(a)(3)(iii) ▪ Treas. Reg. 1.263A-1(c)(2)(ii) ▪ Treas. Reg. 1.263A-1(c)(3) ▪ IRC 263A(f)(5)(B) ▪ IRC 461(h) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
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| Analysis | Resources |
| <p><u>Section 471 Direct Material Costs</u></p> <p>A taxpayer's section 471 costs must include all direct material costs of the self-constructed property produced, whether or not a taxpayer capitalizes these costs in its financial statements.</p> <p>Direct material costs include the cost of materials that become an integral part of the self-constructed asset and those materials consumed in production that can be identified or associated with the asset. For example, a cost described in Treas. Reg. 1.162-3 relating to the cost of a material or supply may be a direct material cost.</p> <p>Direct material costs incurred during the taxable year must be allocated to the self-constructed asset using the taxpayer's method of accounting for materials. Examples include specific identification; first-in, first-out (FIFO); last-in, first-out (LIFO) or any other reasonable allocation method. A reasonable allocation method is a method that is verifiable and consistently applied. Treas. Reg. 1.263A-1(f) sets forth various methods that taxpayers may use. Allocation methods are also discussed later in the practice unit.</p> | <ul style="list-style-type: none"> ▪ Treas. Reg. 1.263A-1(d)(2)(ii) ▪ Treas. Reg. 1.263A-1(e)(2)(i)(A) ▪ Treas. Reg. 1.162-3 ▪ Treas. Reg. 1.263A-1(g)(1) ▪ Treas. Reg. 1.263A-1(f)(4)(i) ▪ Treas. Reg. 1.263A-1(f)(4)(ii) ▪ Treas. Reg. 1.263A-1(f)(1)-(3) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
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| Analysis | Resources |
| <p><u>Section 471 Direct Labor Costs</u></p> <p>A taxpayer's section 471 costs must include all direct labor costs incurred in the production of self-constructed property, whether or not a taxpayer capitalizes these costs in its financial statements.</p> <p>Direct labor costs include the costs of labor that can be identified or associated with the specific property produced. For this purpose, labor encompasses full-time and part-time employees, as well as contract employees and independent contractors. Direct labor costs include all elements of compensation other than costs that are classified as indirect labor in Treas. Reg. 1.263A-1(e)(3)(ii)(D) (for example employee benefit costs). Elements of direct labor costs include basic compensation, overtime pay, vacation pay, holiday pay, sick leave pay, shift differential, payroll taxes, and payments to a supplemental unemployment benefit plan.</p> | <ul style="list-style-type: none">▪ Treas. Reg. 1.263A-1(d)(2)(ii)▪ Treas. Reg. 1.263A-1(e)(2)(i)(B)▪ Treas. Reg. 1.263A-1(e)(3)(ii)(D) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|--|--|
| Analysis | Resources |
| <p><u>Additional Section 263A Costs</u></p> <p>These costs are the indirect costs allocable to the property produced that are not included in a taxpayer's section 471 costs. All indirect costs properly allocable to the self-constructed asset produced must be capitalized under IRC 263A.</p> <p>Treas. Reg. 1.263A-1(e)(3)(ii) provides examples of indirect costs that must be capitalized:</p> <ul style="list-style-type: none"> ▪ Indirect labor costs, ▪ Officer's compensation, ▪ Employee benefit expenses, ▪ Purchasing costs, ▪ Handling costs, ▪ Storage costs, ▪ Insurance, ▪ Utilities, ▪ Quality control. <p>Indirect costs are properly allocable to property produced when the costs directly benefit production or are incurred during production. Taxpayers must reasonably allocate indirect costs between the production of the self-constructed asset and all other activities that benefit from the incurred costs (for example production, resale, and other activities).</p> <p>Additional section 263A costs include costs incurred before, during, or after the production period for the self-constructed asset. The "production period" begins on the date when production of the self-constructed asset begins and ends on the date the asset is ready to be placed in service.</p> | <ul style="list-style-type: none"> ▪ Treas. Reg. 1.263A-1(d)(3)(i) ▪ Treas. Reg. 1.263A-1(e)(3)(i) ▪ Treas. Reg. 1.263A-1(e)(3)(ii) |

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|--|
| Analysis | Resources |
| <p><u>Additional Section 263A Costs (cont'd)</u></p> <p>A taxpayer determines the amount for additional section 263A costs by using the amounts of such costs that are incurred in the taxable year for federal income tax purposes. A cost is incurred, and generally capitalized to the basis of the self-constructed asset for federal income tax purposes, in the taxable year in which the three-part all events test is met:</p> <ul style="list-style-type: none"> ▪ All the events have occurred that establish the fact of the liability, ▪ The amount of the cost can be determined with reasonable accuracy, and ▪ Economic performance has occurred. <p>See IRC 461(h) and the related regulations to determine the time when economic performance occurs.</p> <p>If the exact amount of the liability cannot be determined, the taxpayer can still consider as incurred the portion of the liability which can be computed with reasonable accuracy within the taxable year. For example, A renders services to B during the taxable year for which A charges \$10,000. B admits a liability to A for \$6,000 but contests the remainder. B may consider only \$6,000 as an expense for the taxable year in which the services were rendered.</p> | <ul style="list-style-type: none"> ▪ Treas. Reg. 1.263A-1(c)(2)(ii) ▪ Treas. Reg. 1.446-1(c)(1)(ii) ▪ IRC 461(h) ▪ Treas. Reg. 1.461-1(a)(2)(ii) |

Detailed Explanation of the Concept (cont'd)

Section 263A Costs for Self-Constructed Assets

Analysis

Resources

Service Costs

Service costs are indirect costs that can be identified specifically with a service department or function, or that directly benefit or are incurred by reason of a service department or function. Service departments are defined as administrative, service, or support departments that incur service costs. For example, service departments include personnel, accounting, data processing, security, legal, and other similar departments. Costs incurred in a service department may be all deductible or all capitalizable or a mixture of both.

Capitalizable service costs are service costs that directly benefit or are incurred in the taxpayer's production activities. Therefore, these service costs must be capitalized under section 263A. An example of a service department or function that incurs capitalizable service costs is an accounting department performing cost accounting functions.

Mixed service costs are service costs that are partially allocable to production activities (capitalizable) and partially allocable to non-production activities (deductible). For example, a personnel department may incur costs to recruit factory workers, the costs of which are allocable to production activities, and it may incur costs to develop wage, salary, and benefit policies, the costs of which are allocable to non-production activities.

A reasonable allocation method must be used to properly allocate capitalizable service costs to self-constructed assets.

- Treas. Reg. 1.263A-1(e)(4)(i)(A)
- Treas. Reg. 1.263A-1(e)(4)(i)(B)
- Treas. Reg. 1.263A-1(e)(4)(ii)(A)
- Treas. Reg. 1.263A-1(e)(4)(ii)(C)
- Treas. Reg. 1.263A-1(e)(4)(iii)(E)
- Treas. Reg. 1.263A-1(g)(4)(i)

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|--|
| Analysis | Resources |
| <p><u>Allocation of Costs</u></p> <p>Treasury regulations provide various detailed or specific (facts-and-circumstances) cost allocation methods that taxpayers may use to allocate direct and indirect costs to property produced:</p> <ul style="list-style-type: none">▪ Specific Identification Method<ul style="list-style-type: none">– Traces costs to a cost objective, such as a function, department, activity, or product, based on a cause and effect or other reasonable relationship between the costs and the cost objective.▪ Burden Rate Method<ul style="list-style-type: none">– Allocates an appropriate amount of indirect costs to property produced during the taxable year using a predetermined rate that approximates the actual amount of indirect costs incurred during the taxable year.▪ Standard Cost Method<ul style="list-style-type: none">– Allocates an appropriate amount of direct and indirect costs to property produced by the taxpayer using preestablished standard allowances, without reference to costs actually incurred during the taxable year. Variances between the standard and actual costs must be treated in accordance with Treas. Reg. 1.263A-1(f)(3)(ii)(B). <p>A taxpayer may use these methods if they are reasonable (that is, verifiable and consistently applied).</p> | <ul style="list-style-type: none">▪ Treas. Reg. 1.263A-1(f)(2)▪ Treas. Reg. 1.263A-1(f)(3)(i)▪ Treas. Reg. 1.263A-1(f)(3)(ii)▪ Treas. Reg. 1.263A-1(f)(4) |

Detailed Explanation of the Concept (cont'd)

Section 263A Costs for Self-Constructed Assets

Analysis

Resources

Allocation of Costs (cont'd)

The treasury regulation also provides general rules for applying these allocation methods to various categories of costs (for example, direct materials, direct labor, and indirect costs, including service costs).

- Direct material costs incurred during the taxable year must be allocated to the property produced by the taxpayer using the taxpayer's method of accounting for materials (for example, specific identification; FIFO; or LIFO), or any other reasonable allocation method.
- Direct labor costs incurred during the taxable year are generally allocated to property produced using a specific identification method, standard cost method, or any other reasonable allocation method.
- Indirect costs are generally allocated to intermediate cost objectives such as departments or activities prior to the allocation of such costs to property produced. Indirect costs are allocated using either a specific identification method, a standard cost method, a burden rate method, or any other reasonable allocation method.

- Treas. Reg. 1.263A-1(f)(1)
- Treas. Reg. 1.263A-1(g)(1)
- Treas. Reg. 1.263A-1(g)(2)
- Treas. Reg. 1.263A-1(g)(3)

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|--|--|
| Analysis | Resources |
| <p><u>Allocation of Costs (cont'd)</u></p> <ul style="list-style-type: none">▪ Service costs are a type of indirect costs that may be allocated using the same allocation methods available for allocating other indirect costs. Generally, taxpayers that use a specific identification method or another reasonable allocation method must allocate service costs to particular departments or activities. The allocation must be based on a factor or relationship that reasonably relates the service costs to the benefits received from the service departments or activities. For example, a reasonable allocation factor for legal services may be the number of hours attributable to each department or activity.▪ Using reasonable factors or relationships, a taxpayer must allocate mixed service costs under:<ul style="list-style-type: none">– A direct reallocation method,– A step-allocation method, or– Any other reasonable allocation method.▪ For purposes of administrative convenience, if 90% or more of a mixed service department's costs are deductible service costs, a taxpayer may elect not to allocate any portion of the service department's costs to property produced or property acquired for resale. | <ul style="list-style-type: none">▪ Treas. Reg. 1.263A-1(g)(4)(i)▪ Treas. Reg. 1.263A-1(g)(4)(ii) |

Detailed Explanation of the Concept (cont'd)

Section 263A Costs for Self-Constructed Assets

Analysis

Resources

Simplified Allocation Methods

In lieu of a facts-and-circumstances allocation method, taxpayers may use the simplified production method, provided in the regulations, to allocate direct and indirect costs to self-constructed assets and a simplified service cost method for the allocation of capitalizable mixed service costs. Only certain self-constructed assets are eligible to use these simplified methods:

- Self-constructed assets substantially identical in nature to, and produced in the same manner as, inventory property produced by the taxpayer or other property produced by the taxpayer and held primarily for sale to customers in the ordinary course of the taxpayer's trade or business.
- Self-constructed tangible personal property produced by the taxpayer on a routine and repetitive basis in the ordinary course of the taxpayer's trade or business.



CAUTION: This practice unit does not address self-constructed assets that are considered eligible property for purposes of the simplified allocation methods.

- Treas. Reg. 1.263A-1(h)(2)(i)
- Treas. Reg. 1.263A-1(h)(2)(i)(C)
- Treas. Reg. 1.263A-1(h)(2)(i)(D)
- Treas. Reg. 1.263A-2(b)(2)(i)(C)
- Treas. Reg. 1.263A-2(b)(2)(i)(D)

Detailed Explanation of the Concept (cont'd)

| Section 263A Costs for Self-Constructed Assets | |
|---|--|
| Analysis | Resources |
| <p><u>Change in Accounting Method</u> An election to capitalize a period cost is a change in method of accounting, see Treas. Reg 1.446-1(e)(2)(i) and Form 3115, <i>Application for Change in Accounting Method</i>.</p> <p>You can find additional information on Voluntary Change in Method (Taxpayer-Initiated) issues in the Change in Methods book in the Corporate/Business Issues & Credits Knowledge Base (KB) in the IRS Virtual Library.</p> <p>When the Service determines a taxpayer is using an impermissible method of accounting, the Service may change the taxpayer's inventory method of accounting to a permissible inventory method. Please see Chapters 1, 5, and 6 in the Change in Methods book.</p> | <ul style="list-style-type: none"> ▪ IRC Sec. 446 ▪ Treas. Reg 1.446-1(E)(2)(i) ▪ Treas. Reg. 1.263A-1(j)(2)(i) ▪ Corporate/Business Issues & Credits KB, Change in Methods Book, Ch. 1 – <i>Accounting Method Basics</i> ▪ Corporate/Business Issues & Credits KB, Change in Methods Book, Ch. 4- <i>Voluntary Change in Method (Taxpayer-Initiated)</i> ▪ Corporate/Business Issues & Credits KB, Change in Methods Book, Ch. 5 - <i>IRC 446(b): Service-Imposed Method Change Issues</i> ▪ Corporate/Business Issues & Credits KB, Change in Methods Book, Ch. 6 - <i>IRC 481(a) Adjustments & Computations</i> ▪ Form 3115 - <i>Application for Change in Accounting</i> |

Index of Referenced Resources

Section 263A Costs for Self-Constructed Assets

IRC 263A

IRC 263A(f)

Treas. Reg. 1.236A-1

Treas. Reg. 1.263A-2

Treas. Reg. 446-1(c)(1)(ii)

Training and Additional Resources

| Section 263A Costs for Self-Constructed Assets | |
|--|---|
| Type of Resource | Description(s) |
| Saba Meeting Sessions | <ul style="list-style-type: none"> ▪ <i>Interest Capitalization Under 263A – 2017 CPE Saba Meeting</i> |
| Issue Toolkits | <ul style="list-style-type: none"> ▪ <i>Issue Snapshot - Identifying and Allocating the Costs of Self-Constructed Assets Under IRC 263A</i> ▪ <i>Issue Snapshot - Allocation of Mixed Service Costs When Computing Additional Section 263A Costs</i> ▪ <i>Issue Snapshot - Identifying and Allocating Costs Under the Uniform Capitalization Rules of IRC 263A</i> ▪ <i>Issue Snapshot - Capitalizable Interest</i> |
| Databases / Research Tools | <ul style="list-style-type: none"> ▪ <i>BNA Tax Management Portfolios - U.S. Income Series-Income Tax Accounting, 576-2nd - Uniform Capitalization Rules: Inventory; Self-Constructed Assets; Real Estate, IV. Self-Constructed Assets</i> |

Glossary of Terms and Acronyms

| Term/Acronym | Definition |
|--------------|------------------------------------|
| FIFO | First-In, First-Out |
| IRC | Internal Revenue Code |
| KB | Knowledge Base |
| LIFO | Last-In, First-Out |
| SEC | Securities and Exchange Commission |
| Service | Internal Revenue Service |
| TCJA | Tax Cuts & Jobs Act of 2017 |
| Treas. Reg. | Treasury Regulation |

Index of Related Practice Units

| Associated UIL(s) | Related Practice Unit |
|-------------------|--|
| 0263A.08-00 | <i>Interest Capitalization for Self-Constructed Assets</i> |