

Internal Revenue Service

Department of the Treasury
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Person To Contact:

ID No.

Telephone Number:

Refer Reply To:

CC:ITA:B07

PLR-140190-14

Date:

March 18, 2015

LEGEND

Parent =
S1 =
C =
Date1 =
Date2 =
Date3 =
Date4 =
Date5 =
Date6 =
Date7 =
Date8 =

Dear :

This ruling responds to a letter dated September 10, 2014, submitted by Parent on behalf of its subsidiary, S1. Parent is requesting an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the original and the signed duplicate copy of the original of the Form 3115, *Application for Change in Accounting Method*, for S1. Parent should have filed the original and copy of the original pursuant to section 6.02(3)(a) of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, 346, on behalf of S1 for the taxable year beginning Date1 and ending Date2 (year of change).

FACTS

Parent represents the facts are as follows:

Parent files a consolidated federal income tax return that includes various subsidiaries on a calendar year basis. Parent uses an overall accrual method of accounting. Parent acquired S1 on Date3. S1 filed its own separate return for its taxable year ended Date3. Prior to its acquisition by Parent, S1 operated on a calendar year basis and used the cash receipts and disbursements method of accounting. As of Date1, S1 became part of Parent's consolidated group and, as such, needed to change to an accrual method of accounting as required by § 448 of the Internal Revenue Code. Thus, in accord with the procedures of Rev. Proc. 2011-14, Parent should have completed the required original of the Form 3115, reflecting the desired accounting method change, and attached the original to Parent's, timely filed, consolidated federal income tax return for the taxable year ending Date2. Further, in accord with the procedures of Rev. Proc. 2011-14, a copy of the original of the Form 3115, with an original signature or a photocopy of the original signature, should have been timely filed with the appropriate office of the Internal Revenue Service. Lastly, Parent's consolidated federal income tax return for the taxable year ending Date2, should have reflected the accounting method change made by S1.

Parent's consolidated federal income tax return for the taxable year ending Date2 was due on Date4, without extensions. Parent could not file its consolidated federal income tax return for the taxable year ending Date2 by Date4, so it intended to request an extension of time to file its consolidated federal income tax return to Date5. Parent engaged C to prepare its federal and state income tax returns and any requests for extensions for the taxable year ending Date2. Parent gave C all of the relevant information necessary to correctly and timely file Parent's federal and state extensions for the taxable year ending Date2. On, Date6, Parent timely paid the tax it owed on extension for its federal and state income tax returns for the taxable year ending Date2. Also, on Date6, Parent timely filed extensions for its state tax returns. However, due to an extraordinary series of events, Parent failed to timely file Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, for the taxable year ending Date2 to extend the due date for its federal tax return.

On, Date7, C became aware that Parent's Form 7004 had not been timely filed. Parent was unaware that its Form 7004 had not been filed until it was notified by C. On Date8, C submitted Parent's Form 7004 for the taxable year ending Date2 to the Internal Revenue Service (IRS) and received a confirmation that it had been accepted by the IRS. Parent represents that the consolidated federal income tax return it filed for the taxable year beginning Date1, fully reflects the accounting method change made by S1, including the necessary adjustment under § 481(a).

Because of Parent's failure to timely file Form 7004 for the taxable year ending Date2, it has failed to attach an original Form 3115 to a timely filed federal income tax return for the taxable year ended Date2. Parent has also not timely filed a signed

duplicate copy of its Form 3115 with the IRS National Office as required by Sec. 6.02(3)(a) of Rev. Proc. 2011-14.

RULING REQUESTED

Parent requests an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the original and the signed duplicate copy of the original of the Form 3115 that are required by Rev. Proc. 2011-14 for S1 to obtain the Commissioner's permission to change from the cash receipts and disbursements method of accounting to an accrual method of accounting for the taxable year ending Date2.

LAW AND ANALYSIS

Rev. Proc. 2011-14 provides the procedures by which a taxpayer may obtain automatic consent to change certain accounting methods. A taxpayer complying with all the applicable provisions of this revenue procedure has obtained the consent of the Commissioner to change its accounting method under § 446(e) and the Income Tax Regulations thereunder.

Section 6.02(3)(a) of Rev. Proc. 2011-14 provides that a taxpayer changing an accounting method pursuant to Rev. Proc. 2011-14 must complete and file a Form 3115 in duplicate. The original must be attached to the taxpayer's timely filed (including any extensions) original federal income tax return for the year of change, and a copy (with signature) of the Form 3115 must be filed with the appropriate office of the IRS no earlier than the first day of the year of change and no later than when the original is filed with the federal income tax return for the year of change.

Section 301.9100-1(c) provides that the Commissioner has discretion to grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make certain regulatory elections.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of § 301.9100-2.

Section 301.9100-3(a) provides that requests for relief subject to § 301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith and that the granting of relief will not prejudice the interests of the Government.

Section 301.9100-3(c)(2) imposes special rules for accounting method regulatory elections. This section provides, in relevant part, that the interests of the Government are deemed to be prejudiced except in unusual and compelling circumstances when the accounting method regulatory election for which relief is requested is subject to the procedure described in § 1.446-1(e)(3)(i) or the relief requires an adjustment under § 481(a) (or would require an adjustment under § 481(a) if the taxpayer changed to the accounting method for which relief is requested in a taxable year subsequent to the taxable year the election should have been made).

Conclusion

Based solely on the facts and representations submitted, this office concludes that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. Accordingly, Parent is granted 60 calendar days from the date of this letter to:

- (1) file the required original of the Form 3115 changing S1 from the cash receipts and disbursements method of accounting to an accrual method of accounting for the taxable year ending Date2, with an amended consolidated federal income tax return, and
- (2) file the duplicate copy (with signature) of the Form 3115 with the appropriate office of the IRS.

Please attach a copy of this letter ruling to the amended return and to the duplicate copy of the Form 3115.

Except as expressly set forth above, we express no opinion concerning the tax consequences of the facts described above under any other provision of the Code or regulations. Specifically, no opinion is expressed or implied concerning whether (1) the accounting method change S1 has made is eligible to be made under Rev. Proc. 2011-14 or (2) S1 otherwise meets the requirements of Rev. Proc. 2011-14 to make its accounting method change using Rev. Proc. 2011-14. Lastly, we emphasize that this letter ruling does not grant any extension of time for the filing of Parent's Form 7004 or its consolidated federal income tax return for the taxable year ending Date2.

The ruling contained in this letter ruling is based upon facts and representations submitted by Parent with an accompanying penalty of perjury statement executed by the appropriate party. While this office has not verified any of the material submitted in support of this request for an extension of time to file the required Form 3115, all material is subject to verification on examination.

This ruling is directed only to Parent, who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney, we are sending copies of this letter ruling to Parent's authorized representatives.

Sincerely,

Cheryl L. Oseekey
Senior Counsel, Branch 6
Office of Associated Chief Counsel
Income Tax & Accounting