

**Internal Revenue Service**

Department of the Treasury  
Washington, DC 20224

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Person To Contact:  
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Telephone Number:

Refer Reply To:  
CC:ITA:6  
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Date:  
May 05, 2015

LEGEND

Taxpayer:  
EIN:  
CPA:  
Date A:  
Date B:  
Items:  
Parts:  
Markets:

Dear :

This ruling responds to a recent letter that was submitted by Taxpayer's representative, CPA. CPA has requested that the Commissioner of Internal Revenue give Taxpayer an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the original of a Form 3115, *Application for Change in Accounting Method*. Taxpayer should have filed this Form 3115 pursuant to section 6.02(3)(a)(i) of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, 346, on or before Date A.

FACTS

Taxpayer designs, manufactures, market, and sells custom and standard Items that include Parts for various Markets. Taxpayer's activities are subject to the cost capitalization rules of § 263A of the Internal Revenue Code.

For the tax year of Date B, Taxpayer decided to change its method of identifying and allocating costs to inventory pursuant to § 263A. Taxpayer also decided that its

desired accounting method change could be implemented pursuant to the administrative rules of Rev. Proc. 2011-14.

Taxpayer prepared the necessary computations to implement its desired change in accounting method and also prepared a draft Form 3115. Taxpayer hired CPA to prepare and sign its federal income tax return for the tax year beginning Date B. In connection with its duties, Taxpayer expected CPA to review its computations for implementing the accounting method change under § 263A and the draft Form 3115. In completing its duties, CPA timely filed the required copy of the Form 3115 with the appropriate office of the Internal Revenue Service prior to the extended due date of the relevant tax return, Date A. See, section 6.02(3)(a)(ii) of Rev. Proc. 2011-14. CPA also reflected the desired accounting method change in Taxpayer's federal income tax return for the tax year beginning Date B and attached the original of the required Form 3115 to that return. However, unexplainably, CPA failed to file either the federal income tax return or the Form 3115 on or before Date A. Less than a week later, CPA discovered its error, informed Taxpayer of its failure to file Taxpayer's return timely, and did file the return with the original of the required Form 3115 attached. Subsequently, CPA submitted this request for an extension of time to file the original of Taxpayer's Form 3115.

#### RULING REQUESTED

Taxpayer requests an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the original of the Form 3115 that is required by Rev. Proc. 2011-14 for it to obtain the Commissioner's permission to change its method of identifying and allocating costs to inventory pursuant to § 263A for the tax year beginning Date B.

#### 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 Service 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 in Taxpayer's case. Accordingly, Taxpayer is granted 60 calendar days from the date of this letter to file the required original of the Form 3115 changing Taxpayer's method of identifying and allocating costs to inventory pursuant to § 263A for the tax year beginning Date B with an amended federal income tax return for that year. Please attach a copy of this letter ruling to the amended return.

Except as expressly set forth above, this office expresses no opinion concerning the tax consequences of the facts described above under any other provision of the Code or regulations. Specifically, we have no opinion, either expressed or implied, concerning whether (1) the accounting method change Taxpayer has made is eligible to be made under Rev. Proc. 2011-14 or (2) Taxpayer otherwise meets the requirements of Rev. Proc. 2011-14 to make its accounting method change using Rev. Proc. 2011-14. Further, no opinion is expressed regarding the correctness of Taxpayer's capitalization of cost method. Lastly, we emphasize that this letter ruling does not grant any extension of time for the filing of Taxpayer's federal income tax return for the tax year

beginning Date B. Taxpayer is subject to any appropriate penalty and interest resulting from its failure to have its tax return filed timely.

The ruling contained in this letter ruling is based upon facts and representations submitted by CPA on behalf of itself and Taxpayer, with accompanying penalty of perjury statements executed by appropriate parties. 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 Taxpayer. 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 each of Taxpayer's authorized representatives.

Sincerely,

Roy Hirschhorn  
Chief, Branch 6  
Office of Associate Chief Counsel  
(Income Tax & Accounting)