

Internal Revenue Service

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Date:
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LEGEND

Taxpayer =

Firm =

Date1 =

Date 2 =

Activities =

Date 3 =

Parts =

Date 4 =

Dear :

This ruling responds to a letter submitted by Taxpayer’s representative, Firm, requesting that the Commissioner of Internal Revenue grant Taxpayer an extension of time pursuant to sections 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file original Forms 3115, *Application for Change in Accounting Method* pursuant to section 6.02(3)(a)(i) of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, 346, with its

timely filed (including extension) federal income tax return for the tax year beginning Date 1 and ending Date 2.

Taxpayer, an S corporation, conducts Activities and has taken an inventory in connection with its Activities. On Date 3, Taxpayer engaged Firm to assist in the preparation of all of its federal tax filings, including any requests to change accounting methods. Taxpayer believed and understood that Firm had extensive experience in assisting clients in such matters, including matters relating to changes of accounting methods. Taxpayer relied on Firm to advise it as to all filings related to its tax return, including Form 3115.

As part of its engagement, Firm also identified two accounting method changes that Taxpayer decided to implement. Specifically, (1) a change in method from a non-IPIC LIFO method to the IPIC method in accordance with all relevant provisions of section 1.472-8(e)(3) of the Income Tax Regulations and (2) a change in method to the replacement cost method for the valuation of Parts inventory, as provided by Rev. Proc. 2002-17, 2002-1 C.B. 676. Both of these accounting method changes could be implemented using the automatic consent procedures of Rev. Proc. 2011-14.

Taxpayer instructed Firm to take the appropriate steps to make the accounting method changes, including attaching the original Forms 3115 to Taxpayer's federal income tax return. Firm prepared a Form 3115 for each of the accounting method changes and timely filed the return and required copy of the Forms 3115 with the appropriate office of the Internal Revenue Service prior to the due date (including extension) of the relevant tax return, Date 4. See, section 6.02(3)(a)(ii) of Rev. Proc. 2011-14.

Firm reflected the desired accounting method changes on Taxpayer's federal income tax return for the tax year ending Date 2, but inadvertently did not attach the original of the required Forms 3115 to that return. Later, Firm discovered its error and informed Taxpayer of the missing filings. Subsequently, Firm submitted this request for an extension of time to file the original of Taxpayer's Forms 3115.

RULING REQUESTED

Taxpayer requests an extension of time pursuant to sections 301-9100-1 and 301-9100-3 to file the original of the two Forms 3115 that are required by Rev. Proc. 2011-14 for it to obtain the Commissioner's permission to change the two previously described accounting methods with its tax return for the tax year ending Date 2.

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 section 446(e) of the Internal

Revenue Code and the 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 extension) 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 sections 301.9100-2 and 301.9100-3 to make certain regulatory elections.

Section 301.9100-1(b) defines a regulatory election as an election whose due date is prescribed by a regulation published in the Federal Register, or a revenue ruling, revenue procedure, notice, or announcement published in the Internal Revenue Bulletin.

Sections 301.9100-1 through section 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 section 301.9100-2.

Section 301.9100-3(a) provides that requests for relief subject to section 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.

CONCLUSION

Based solely on the facts and representations submitted, this office concludes that the requirements of sections 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 originals of the Forms 3115 pertaining to the previously described accounting changes for the tax year ending Date 2 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 changes Taxpayer has made are 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 changes using the procedures of Rev. Proc. 2011-14. Further, no opinion is expressed or implied regarding the

correctness of Taxpayer's inventory method. Also, we have no opinion regarding the effect, if any, of the section 381(a) transaction that occurred in the tax year beginning Date 1 and ending Date 2.

The ruling contained in this letter ruling is based upon facts and representations submitted by Firm 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 Forms 3115, all material is subject to verification on examination.

Section 6110(k)(3) provides that this ruling may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, we are sending a copy of this letter to Taxpayer's authorized representative.

Sincerely,

CHERYL L. OSEEKEY
Senior Counsel, Branch 6
Office of Associate Chief Counsel
(Income Tax & Accounting)

Enclosures (2):
copy of this letter
copy for section 6110 purposes