

**Internal Revenue Service**

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Date of Communication: Not Applicable

Person To Contact:  
, ID No.

Telephone Number/Fax Number:

Refer Reply To:  
CC:ITA:B7  
PLR-134191-16  
Date: April 5, 2017

In re: Request For An Extension Of Time To  
File a Form 3115, *Application for Change in  
Accounting Method*

**LEGEND**

Parent =  
S1 =  
S2 =  
S3 =  
S4 =  
S5 =  
S6 =  
Firm =  
Date1 =  
Date2 =  
Date3 =  
Date4 =

Dear :

This ruling letter responds to a letter dated October 18, 2016, submitted on behalf of Parent, S1, S2, S3, S4, S5, and S6 (hereinafter, collectively referred to as Taxpayer). Taxpayer is requesting an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file an original Form 3115, Application for Change in Accounting Method, pursuant to section 6.03(1)(a)(i)(A) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, 432, with Parent's timely filed (including extension) consolidated federal income tax return for the taxable year ending Date1.

## FACTS

Taxpayer represents that the facts are as follows:

Parent was the common parent of an affiliated group of corporations, including S1, S2, S3, S4, S5 and S6, that filed consolidated federal income tax returns on a calendar year basis.

In Date2, Taxpayer engaged Firm to evaluate Taxpayer's method of accounting for certain costs attributable to the development of computer software and provided Firm with all the relevant facts. Based on Firm's recommendation, Taxpayer decided to request permission from the Commissioner of Internal Revenue to change its method of accounting for expenditures properly attributable to the development of computer software to treat those costs in accordance with Rev. Proc. 2000-50, as modified by Rev. Proc. 2007-16, 2007-1 C.B. 358, beginning with the taxable year ending Date1.

Taxpayer instructed Firm to take the appropriate steps necessary to make the accounting method change, including attaching the original Form 3115 to Parent's consolidated federal income tax return. Taxpayer relied on Firm to advise it as to all filings relating to the accounting method change. Taxpayer believed and understood that Firm had extensive experience in assisting clients in matters relating to changes in accounting methods.

Prior to Date3, Firm prepared the Form 3115 application request for permission to make the accounting method change under section 9.01 of Rev. Proc. 2016-29, 2016-21 I.R.B. 880, 920 (designated automatic method change number (DCN) 18). Firm timely filed the return and the required copy of the Form 3115 with the appropriate office of the Internal Revenue Service prior to the due date (including extension) of the relevant tax return, Date3. See, section 6.03(1)(a)(i)(B) of Rev. Proc. 2015-13.

Firm reflected the desired accounting method change on Parent's consolidated federal income tax return for the taxable year ending Date1, but inadvertently failed to attach the original of the required Form 3115 to that return. On Date4, Firm discovered its error and informed Taxpayer of the missing filing. Subsequently, Firm 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 Form 3115 that is required by Rev. Proc. 2015-13 with its consolidated federal income tax return to obtain the consent of the Commissioner of Internal Revenue to change to the previously described accounting method (DCN 18) for the taxable year ending Date1.

## LAW AND ANALYSIS

Rev. Proc. 2015-13 provides the procedures by which a taxpayer may obtain automatic consent to change certain accounting methods. Section 9 of Rev. Proc. 2015-13 provides that consent of the Commissioner to change its accounting method under § 446(e) of the Internal Revenue Code and § 1.446-1(e) of the Income Tax Regulations is granted only if the taxpayer complies with all the applicable provisions of the revenue procedure and implements the change in method on its federal income tax return for the requested year of change to which the original Form 3115 is attached pursuant to section 6.03.

Section 6.03(1)(a)(i) of Rev. Proc. 2015-13 provides that a taxpayer changing an accounting method pursuant to Rev. Proc. 2015-13 must complete and file a Form 3115 in duplicate. The original Form 3115 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.

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 301.9100-1(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.

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.

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, we conclude 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 pertaining to the previously described accounting change for the taxable year ending Date1. This filing must be made by Parent filing an amended consolidated federal income tax return for that year, and attaching a copy of this letter ruling to the amended return. A copy of this letter ruling is enclosed for that purpose. Alternatively, a taxpayer filing its federal income tax return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of the letter ruling.

Except as expressly set forth above, we express no opinion concerning the federal 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 Taxpayer has made is eligible to be made under section 9.01 of Rev. Proc. 2016-29 and Rev. Proc. 2015-13, (2) Taxpayer otherwise meets the requirements of Rev. Proc. 2015-13 to make its accounting method change using the procedures of Rev. Proc. 2015-13, (3) Taxpayer's costs of computer software are eligible for a method of accounting described in Rev. Proc. 2000-50, (4) Taxpayer's method of accounting for computer software costs is correct.

The ruling contained in this letter ruling is based upon information and representations submitted on behalf of 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 letter ruling is directed only to the taxpayer requesting it. 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 Parent's authorized representatives. We also are sending a copy of this letter ruling to the appropriate operating division director.

Sincerely,

DEENA M. DEVEREUX  
Assistant to the Branch Chief, Branch 7  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

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