

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part I, §§ 162, 167, 168, 197, 446, 481; 1.162-3, 1.167(a)-4, 1.168(i)-7, 1.446-1.)

Rev. Proc. 2014-17

SECTION 1. PURPOSE

This revenue procedure modifies the procedures in Rev. Proc. 2012-20, 2012-14 I.R.B. 700, and Rev. Proc. 2011-14, 2011-4 I.R.B. 330, regarding certain changes in method of accounting for dispositions of tangible depreciable property. This revenue procedure supersedes Rev. Proc. 2012-20 and provides the procedures by which a taxpayer may obtain the automatic consent of the Commissioner of Internal Revenue to change to the methods of accounting provided in §§ 1.167(a)-4 and 1.168(i)-7 of the Income Tax Regulations, §§ 1.167(a)-4T, 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T of the temporary regulations, and §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 of the proposed regulations. This revenue procedure also modifies Rev. Proc. 2011-14 and allows a late partial disposition election under Prop. Reg. § 1.168(i)-8 or a revocation of a general asset account election under § 1.168(i)-1T or Prop. Reg. § 1.168(i)-1 to be

treated as a change in method of accounting for a limited period of time. Finally, this revenue procedure modifies section 6.01 of the APPENDIX of Rev. Proc. 2011-14 to waive a scope limitation in certain circumstances.

SECTION 2. BACKGROUND

.01 The Internal Revenue Service (IRS) and the Treasury Department recently issued final regulations under §§ 1.167(a)-4 and 1.168(i)-7 (T.D. 9636, 2013-43 I.R.B. 331, 78 Fed. Reg. 57686) (the final regulations). Section 1.167(a)-4 provides rules for depreciating or amortizing leasehold improvements. Section 1.168(i)-7 provides rules for accounting for property depreciated under § 168 of the Internal Revenue Code (MACRS property). The final regulations generally apply to taxable years beginning on or after January 1, 2014, but also permit a taxpayer to choose to apply these sections to taxable years beginning on or after January 1, 2012. Alternatively, the final regulations permit a taxpayer to apply the temporary regulations under §§ 1.167(a)-4T and 1.168(i)-7T (T.D. 9564, 2012-14 I.R.B. 614, 76 Fed. Reg. 81060) to taxable years beginning on or after January 1, 2012, and before January 1, 2014.

.02 The IRS and the Treasury Department also recently issued proposed regulations under §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8 (REG-110732-13, 2013-43 I.R.B. 404, 78 Fed. Reg. 57547) (the proposed regulations). Prop. Reg. § 1.168(i)-1, when finalized, will modify the rules for general asset accounts. Prop. Reg. § 1.168(i)-7, when finalized, will provide rules for accounting for partial dispositions of MACRS property. Prop. Reg. § 1.168(i)-8, when finalized, will provide rules for dispositions of MACRS property. The proposed regulations, when finalized, will apply to taxable years beginning on or after January 1, 2014, and will permit a taxpayer to choose to rely on

them for taxable years beginning on or after January 1, 2012, and before January 1, 2014. Alternatively, the proposed regulations, when finalized, will permit a taxpayer to apply the temporary regulations under §§ 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T (T.D. 9564, 2012-14 I.R.B. 614, 76 Fed. Reg. 81060) to taxable years beginning on or after January 1, 2012, and before January 1, 2014.

.03 Except as otherwise expressly provided by the Code or the regulations thereunder, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes.

.04 Section 1.446-1(e)(2)(ii)(d) provides the changes in depreciation or amortization that are changes in a method of accounting and the changes in depreciation or amortization that are not changes in a method of accounting. For changes in a method of accounting under § 1.446-1(e)(2)(ii)(d) the item being changed generally is the depreciation treatment of each individual depreciable or amortizable asset. However, the item is the depreciation treatment of each general asset account for a depreciable asset for which the taxpayer has elected general asset account treatment under § 168(i)(4).

.05 Section 1.446-1(e)(2)(ii)(d)(2) provides, in relevant part, that each of the following changes in depreciation or amortization is a change in method of accounting:

(1) A change in the depreciation method or amortization method, period of recovery, or convention of a depreciable or amortizable asset;

(2) A change in the accounting for depreciable or amortizable assets from a single asset account to a multiple asset account (pooling), or vice versa, or from one

type of multiple asset account (pooling) to a different type of multiple asset account (pooling);

(3) For depreciable or amortizable assets that are mass assets accounted for in multiple asset accounts or pools, a change in the method of identifying which assets have been disposed of; and

(4) Any other change in depreciation or amortization as the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin.

.06 Section 1.446-1(e)(2)(ii)(d)(3) provides, in relevant part, that none of the following changes in depreciation or amortization is a change in method of accounting:

(1) An adjustment in the useful life of a depreciable or amortizable asset for which depreciation is determined under § 167 (other than under § 168, § 1400I, § 1400L(c), former § 168, or an additional first year depreciation deduction provision of the Code (for example, § 168(k), § 1400L(b), or § 1400N(d))). However, if a taxpayer is changing to or from a useful life (or recovery period or amortization period) that is specifically assigned by the Code (for example, § 167(f)(1), § 168(c), § 168(g)(2), § 168(g)(3), or § 197), the regulations thereunder, or other guidance published in the Internal Revenue Bulletin, such a change is a change in method of accounting;

(2) The making of a late depreciation or amortization election or the revocation of a timely valid depreciation or amortization election, except as otherwise expressly provided by the Code, the regulations thereunder, or other guidance published in the Internal Revenue Bulletin;

(3) Any change in the placed-in-service date of a depreciable or amortizable asset, except as otherwise expressly provided by the Code, the regulations thereunder,

or other guidance published in the Internal Revenue Bulletin; and

(4) Any other change in depreciation or amortization as the Secretary may designate by publication in the Federal Register or in the Internal Revenue Bulletin.

.07 Section 1.446-1(e)(2)(ii)(d)(5)(iii) provides that except as otherwise expressly provided by the Code, the regulations thereunder, or other guidance published in the Internal Revenue Bulletin, no § 481(a) adjustment is required or permitted for a change from one permissible method of computing depreciation or amortization to another permissible method of computing depreciation or amortization for an asset. Instead, this change is implemented by either a cut-off method (see section 2.06 of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, 338) or a modified cut-off method, as appropriate. Under the modified cut-off method, the adjusted depreciable basis of the asset as of the beginning of the year of change is recovered using the new permissible method of accounting. Section 1.446-1(e)(2)(ii)(d)(5)(iii) also provides that a change from an impermissible method of computing depreciation or amortization to a permissible method of computing depreciation or amortization for an asset results in a § 481 adjustment.

.08 Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the terms and conditions necessary for a taxpayer to obtain consent to change a method of accounting. Rev. Proc. 2011-14 provides the procedures by which a taxpayer may obtain automatic consent of the Commissioner to change to a method of accounting described in the APPENDIX of Rev. Proc. 2011-14.

.09 Section 3.02 of this revenue procedure modifies the APPENDIX of Rev. Proc.

2011-14 by (1) revising sections 6.27 through 6.32 to provide additional changes in method of accounting that are consistent with Prop. Reg. § 1.168(1)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8, (2) revising section 6.01 to provide an additional scope limitation that is not applicable, (3) removing section 6.20 because it is obsolete, and (4) revising section 10.07 to provide additional inapplicability provisions that are consistent with § 1.162-3 or § 1.162-3T.

.10 Section 3.03 of this revenue procedure modifies the APPENDIX of Rev. Proc. 2011-14 by adding sections 6.33 through 6.37 to the APPENDIX to provide additional changes in method of accounting that are consistent with § 1.167(a)-4, § 1.168(i)-7, Prop. Reg. § 1.168(i)-1, or Prop. Reg. § 1.168(i)-8.

SECTION 3. CHANGES IN METHODS OF ACCOUNTING

.01 In general.

(1) Except as provided in section 3.01(2) of this revenue procedure and in § 1.446-1(e)(2)(ii)(d)(3)(iii) (the making of a late depreciation or amortization election or the revocation of a timely valid depreciation or amortization election), a change to comply with § 1.168(i)-7, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T is a change in method of accounting to which § 446(e) applies. See § 1.168(i)-7(e)(4), § 1.168(i)-1T(m)(3), § 1.168(i)-7T(e)(3), and § 1.168(i)-8T(i)(3). Except as provided in section 3.01(2) of this revenue procedure and in § 1.446-1(e)(2)(ii)(d)(3)(i) (a change in useful life), a change to comply with § 1.167(a)-4 or § 1.167(a)-4T also is a change in method of accounting to which § 446(e) applies. See § 1.167(a)-4(b)(4) and § 1.167(a)-4T(b)(4). Except as provided in section 3.01(2) of this revenue procedure and in § 1.446-1(e)(2)(ii)(d)(3)(iii) (the making of a late depreciation or amortization election or

the revocation of a timely valid depreciation or amortization election), a change to rely on Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8 is a change in method of accounting to which § 446(e) applies. See Prop. Reg. § 1.168(i)-1(m)(5), Prop. Reg. § 1.168(i)-7(e)(5), and Prop. Reg. § 1.168(i)-8(j)(5). A taxpayer that wants to change to a method of accounting described in section 3.03 of this revenue procedure must use the automatic change in method of accounting provisions in Rev. Proc. 2011-14, as modified by this revenue procedure.

(2) If a taxpayer placed in service assets in a taxable year ending before December 30, 2003 (pre-2003 assets), the taxpayer may treat the change to comply with § 1.167(a)-4, § 1.168(i)-7, § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T, or to rely on Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8, for all, or some, of the pre-2003 assets as not a change in method of accounting. In this situation, the taxpayer should file amended federal tax returns for the placed-in-service year of the pre-2003 asset and all subsequent taxable years, limited to the taxable years open under the period of limitation for assessment, to implement the change to comply with § 1.167(a)-4, § 1.168(i)-7, § 1.167(a)-4T, § 1.168(i)-1T, § 1.168(i)-7T, or § 1.168(i)-8T, or to rely on Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8, for these pre-2003 assets. If the taxpayer files such amended federal tax returns for the pre-2003 assets, neither an adjustment under § 481 or a similar cumulative depreciation adjustment is required or permitted.

.02 Modifications to existing automatic changes.

(1) Section 6.01(2) of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

(2) Certain scope limitations inapplicable. The scope limitations in sections 4.02(4) and 4.02(5) of this revenue procedure are not applicable to this change. If during any of the five taxable years ending with the year of change, a taxpayer requested or made a change in method of accounting from expensing to capitalizing, or vice versa, the cost or other basis of an asset, the scope limitation in section 4.02(7) of this revenue procedure is not applicable to a change under this section 6.01 of the APPENDIX for that same asset.

(2) Section 6.01(10) of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

(10) Contact information. For further information regarding a change under this section, contact Douglas Kim at 202-317-7005 (not a toll-free call).

(3) Section 6.20 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.20 Reserved.

(4) Section 6.27 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.27 Depreciation of leasehold improvements (sections 167, 168, and 197; § 1.167(a)-4T).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to change its method of accounting to comply with § 1.167(a)-4T for leasehold improvements in which the taxpayer has a depreciable interest at the beginning of the year of change:

(i) from improperly depreciating the leasehold improvements to which § 168

applies over the term of the lease (including renewals, if applicable) to properly depreciating these improvements under § 168;

(ii) from improperly amortizing leasehold improvements to which § 197 applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 197; or

(iii) from improperly amortizing leasehold improvements to which § 167(f)(1) applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 167(f)(1).

(b) Inapplicability. This change does not apply to a taxpayer that wants to make this change for any taxable year beginning before January 1, 2012, or beginning on or after January 1, 2014.

(2) Certain scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

(iii) Part I, line 1(a);

(iv) Part II, all lines except lines 11, 14, 15, and 17;

(v) Part IV, lines 25 and 26; and

(vi) Schedule E.

(b) If any leasehold improvement is public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), a taxpayer (including a qualifying taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9) or former § 167(l)(3)(G)) will be used for the public utility property subject to the change;

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the change; and

(iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the change.

(4) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are

included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01, 11.02, or 11.09 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(5) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.27 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01, 11.02, or 11.09 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.27(4)(b) of this APPENDIX, the taxpayer must file a signed copy of that completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(6) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to a method of accounting under section 6.27 of this APPENDIX is “175.” See section 6.02(4) of this revenue procedure.

(7) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(5) Section 6.28 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.28 Permissible to permissible method of accounting for depreciation of MACRS property (section 168; §§ 1.168(i)-1T, 1.168(i)-7T, and 1.168(i)-8T, Prop. Reg. §§ 1.168(i)-1, 1.168(i)-7, and 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.28(3) of this APPENDIX for an asset:

(i) to which § 168 applies (MACRS property);

(ii) for which the present and proposed methods of accounting are permissible methods of accounting under § 1.168(i)-1T, § 1.168(i)-7T, § 1.168(i)-8T, Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-7, or Prop. Reg. § 1.168(i)-8, as applicable; and

(iii) that is owned by the taxpayer at the beginning of the year of change.

(b) Inapplicability. This change does not apply to the following:

(i) A taxpayer that wants to make this change for any taxable year beginning before January 1, 2012, or beginning on or after January 1, 2014; or

(ii) Any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting.

(2) Certain scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Changes covered. Section 6.28 of this APPENDIX only applies to the following changes in methods of accounting for depreciation of MACRS property:

(a) For the items of MACRS property not subject to a general asset account election under § 168(i)(4) and the regulations thereunder--

(i) a change from single asset accounts (or item accounts) for specific items of MACRS property to multiple asset accounts (or pools) for the same assets, or vice versa, in accordance with § 1.168(i)-7T or Prop. Reg. § 1.168(i)-7;

(ii) a change from grouping specific items of MACRS property in multiple asset accounts to a different grouping of the same assets in multiple asset accounts in accordance with § 1.168(i)-7T(c);

(iii) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-8T(f)(1) or Prop. Reg. § 1.168(i)-8(g)(1), as applicable, to the first-in, first-out (FIFO) method of accounting under § 1.168(i)-8T(f)(2)(i) or Prop. Reg. § 1.168(i)-8(g)(2)(i), as applicable, or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) or Prop. Reg. § 1.168(i)-8(g)(2)(ii), as applicable;

(iv) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or Prop. Reg.

§ 1.168(i)-8(g)(2)(i), as applicable, or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) or Prop. Reg. § 1.168(i)-8(g)(2)(ii), as applicable, to the specific identification method under § 1.168(i)-8T(f)(1) or Prop. Reg. § 1.168(i)-8(g)(1), as applicable;

(v) for the items of MACRS property accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or Prop. Reg.

§ 1.168(i)-8(g)(2)(i), as applicable, to the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) or Prop. Reg. § 1.168(i)-8(g)(2)(ii), as applicable, or vice versa;

(vi) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2) or Prop. Reg. § 1.168(i)-8(b)(3), as applicable) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-8T(f)(1) or Prop. Reg. § 1.168(i)-8(g)(1), as applicable, to a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii) or Prop. Reg. § 1.168(i)-8(g)(2)(iii), as applicable;

(vii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2) or Prop. Reg. § 1.168(i)-8(b)(3), as applicable) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or Prop. Reg. § 1.168(i)-8(g)(2)(i), as applicable, or the modified FIFO method

of accounting under § 1.168(i)-8T(f)(2)(ii) or Prop. Reg. § 1.168(i)-8(g)(2)(ii), as applicable, to a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii) or Prop. Reg. § 1.168(i)-8(g)(2)(iii), as applicable;

(viii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-8T(b)(2) or Prop. Reg. § 1.168(i)-8(b)(3), as applicable) accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of by the taxpayer from a mortality dispersion table in accordance with § 1.168(i)-8T(f)(2)(iii) or Prop. Reg. § 1.168(i)-8(g)(2)(iii), as applicable, to the specific identification method under § 1.168(i)-8T(f)(1) or Prop. Reg. § 1.168(i)-8(g)(1), as applicable, the FIFO method of accounting under § 1.168(i)-8T(f)(2)(i) or Prop. Reg. § 1.168(i)-8(g)(2)(i), as applicable, or the modified FIFO method of accounting under § 1.168(i)-8T(f)(2)(ii) or Prop. Reg. § 1.168(i)-8(g)(2)(ii), as applicable;

(ix) if § 1.168(i)-8T(e)(2) or Prop. Reg. § 1.168(i)-8(f)(2), as applicable, applies to a disposition of an item of MACRS property in a multiple asset account, a change in the method of determining the unadjusted depreciable basis of all assets in the multiple asset account from one reasonable method to another reasonable method for purposes of determining the unadjusted depreciable basis of the disposed asset; or

(x) if Prop. Reg. § 1.168(i)-8(f)(3) applies to a disposition of more than one portion of the same asset, a change in the method of determining the unadjusted depreciable basis of all portions of the asset from one reasonable method to another reasonable method for purposes of determining the unadjusted depreciable basis of each disposed portion of the asset; and

(b) For the items of MACRS property subject to a general asset account election

under § 168(i)(4) and the regulations thereunder—

(i) a change from grouping specific items of MACRS property in general asset accounts to a different grouping of the same assets in general asset accounts in accordance with § 1.168(i)-1T(c) or Prop. Reg. § 1.168(i)-1(c), as applicable;

(ii) a change in the method of identifying which assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-1T(j)(2)(i) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), as applicable, to the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(B), as applicable, or the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(C), as applicable;

(iii) a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(B), as applicable, or the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(C), as applicable, to the specific identification method under § 1.168(i)-1T(j)(2)(i) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), as applicable;

(iv) a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(B), as applicable, to the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii), or Prop. Reg. § 1.168(i)-1(j)(2)(i)(C), as applicable, or vice versa;

(v) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5) or Prop. Reg. § 1.168(i)-1(b)(6), as applicable) accounted for in a

separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H) or Prop. Reg. § 1.168(i)-1(c)(2)(ii)(H), as applicable, a change in the method of identifying which assets have been disposed of by the taxpayer from the specific identification method under § 1.168(i)-1T(j)(2)(i) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), as applicable, to a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(D), as applicable;

(vi) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5) or Prop. Reg. § 1.168(i)-1(b)(6), as applicable) accounted for in a separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H) or Prop. Reg. § 1.168(i)-1(c)(2)(ii)(H), as applicable, a change in the method of identifying which assets have been disposed of by the taxpayer from the FIFO method of accounting under § 1.168(i)-1T(j)(2)(ii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(B), as applicable, or the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(C), as applicable, to a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(D), as applicable;

(vii) for the items of MACRS property that are mass assets (as defined in § 1.168(i)-1T(b)(5) or Prop. Reg. § 1.168(i)-1(b)(6), as applicable) accounted for in a separate general asset account in accordance with § 1.168-1T(c)(2)(ii)(H) or Prop. Reg. § 1.168(i)-1(c)(2)(ii)(H), as applicable, a change in the method of identifying which assets have been disposed of by the taxpayer from a mortality dispersion table in accordance with § 1.168(i)-1T(j)(2)(iv) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(D), as applicable, to the specific identification method under § 1.168(i)-1T(j)(2)(i) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), as applicable, the FIFO method of accounting under § 1.168(i)-

1T(j)(2)(ii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(B), as applicable, or the modified FIFO method of accounting under § 1.168(i)-1T(j)(2)(iii) or Prop. Reg. § 1.168(i)-1(j)(2)(i)(C), as applicable; or

(viii) for purposes of determining the unadjusted depreciable basis of a disposed asset or a disposed portion of an asset in a general asset account, a change in the method of determining the unadjusted depreciable basis of all assets in the general asset account from one reasonable method to another reasonable method, in accordance with § 1.168(i)-1T(j)(3) or Prop. Reg. § 1.168(i)-1(j)(3), as applicable.

(4) Manner of making change.

(a) The changes in methods of accounting specified in section 6.28(3)(a)(i) and (ii) and section 6.28(3)(b)(i) of this APPENDIX are made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting.

(i) If the change specified in section 6.28(3)(a)(i) of this APPENDIX is a change to a single asset account, the new single asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the asset included in that single asset account.

(ii) If the change specified in section 6.28(3)(a)(i) or (ii) of this APPENDIX is a change to a multiple asset account (either a new one or a different grouping), the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each multiple asset account is equal to the sum of the

unadjusted depreciable bases as of the beginning of the year of change for all assets included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account.

(iii) The change specified in section 6.28(3)(b)(i) of this APPENDIX requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The changes in methods of accounting specified in section 6.28(3)(a)(iii), (vi), (ix), and (x) and section 6.28(3)(b)(ii), (v), and (viii) of this APPENDIX are made using a cut-off method and apply to dispositions occurring on or after the beginning of the year of change.

(c) Even though the changes in methods of accounting specified in section 6.28(3)(a)(iv), (v), (vii), and (viii) and section 6.28(3)(b)(iii), (iv), (vi), and (vii) of this APPENDIX are changes from one permissible method of accounting to another permissible method of accounting, these changes are made with a § 481(a) adjustment. For the changes in methods of accounting specified in section 6.28(3)(b)(iii), (iv), (vi),

and (vii) of this APPENDIX, the § 481(a) adjustment should be zero unless § 1.168(i)-1T(e)(3) or Prop. Reg. § 1.168(i)-1(e)(3), as applicable, applies to the asset subject to the change.

(d) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 24, 25, and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

(e) If any asset subject to this change is public utility property within the meaning of § 168(i)(10), a taxpayer (including a qualifying taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the change;

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer’s regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to a change in method of accounting specified in section

6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX made for the public utility property subject to the change; and

(iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the change.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make a change under section 6.28 of this Appendix for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX, the single Form 3115 also should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.28(3)(a)(iv), (v), (vii), or (viii) or section 6.28(3)(b)(iii), (iv), (vi), or (vii) of this APPENDIX in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) For a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto, a taxpayer that wants to make a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), (viii), (ix), or (x) of this APPENDIX, a change

under section 6.29 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) For section 1245 property or a depreciable land improvement, a taxpayer that wants to make a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), (viii), (ix), or (x) of this APPENDIX, a change under section 6.30 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, a change under section 6.31 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(e) A taxpayer that wants to make a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, a change under section 6.32(1)(a)(ii), (iii), (iv),

or (v) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.28(5)(e) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(f) A taxpayer that wants to make a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, a change under section 6.31 of this APPENDIX, a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.28(5)(f) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(g) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.28 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.28 of this APPENDIX is “176.” See section 6.02(4) of this revenue procedure.

(8) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(6) Section 6.29 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.29 Disposition of a building or structural component (section 168; § 1.168(i)-8T, and Prop. Reg. § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.29(3) of this APPENDIX pertaining to the disposition of a building or a structural component or the disposition of a portion of a building (including its structural components) to which the partial disposition rule in Prop. Reg. § 1.168(i)-8(d)(1) applies. These specified changes are consistent with

§§ 1.168(i)-8T(b)(1), 1.168(i)-8T(c)(4)(ii)(A), (B), (C), (E), and (F), and 1.168(i)-8T(f), or Prop. Reg. §§ 1.168(i)-8(b)(2), 1.168(i)-8(c)(4)(ii)(A), (B), and (D), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from the disposition of the building, the structural component, or the portion of the building (including its structural components) and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. This change does not apply to the following:

(i) A taxpayer that wants to make this change for any taxable year beginning before January 1, 2012, or beginning on or after January 1, 2014;

(ii) Any property (or if applicable, a portion thereof) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, under the taxpayer's proposed method of accounting;

(iii) Any property subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.31 of this APPENDIX for making a change for dispositions of tangible depreciable assets subject to a general asset account election);

(iv) Any multiple buildings, condominium units, or cooperative units that are treated as a single building under the taxpayer's present method of accounting, or will be treated as a single building under the taxpayer's proposed method of accounting, pursuant to § 1.1250-1(a)(2)(ii); or

(v) Any disposition of a portion of an asset for which a partial disposition election

under Prop. Reg. § 1.168(i)-8(d)(2) is required but for which the taxpayer did not make such election in accordance with Prop. Reg. § 1.168(i)-8(d)(2)(ii) or (iii), as applicable (but see section 6.33 of this APPENDIX for making a late partial disposition election and section 6.35 of this APPENDIX for making a partial disposition election pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii)).

(2) Certain scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Covered changes. Section 6.29 of this APPENDIX only applies to the following changes in methods of accounting for a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto:

(a) For purposes of applying § 1.168(i)-8T(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-8T(c)(4)(ii)(A), (B), (C), (E), or (F), as applicable;

(b) If the taxpayer makes the change specified in section 6.29(3)(a) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.29(3)(a) of this APPENDIX in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) If the taxpayer's present method of accounting is in accord with § 1.168(i)-8T(c)(4)(ii)(A), (B), (C), (E), and (F), and if the taxpayer disposed of a building,

condominium unit, cooperative unit, structural component, or an improvement or addition thereto in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(d) For buildings, condominium units, cooperative units, structural components, or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii), as applicable;

(e) For purposes of applying Prop. Reg. § 1.168(i)-8(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable;

(f) If the taxpayer makes the change specified in section 6.29(3)(e) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.29(3)(e) of this APPENDIX or disposed of a portion of such asset in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset or such disposed portion under the taxpayer's present method of accounting, a change from depreciating the disposed asset or disposed portion to recognizing gain or loss upon disposition;

(g) If the taxpayer's present method of accounting is in accord with Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), (B), and (D), and if the taxpayer disposed of an asset as

determined under Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable, or disposed of a portion of such asset in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset or such disposed portion under the taxpayer's present method of accounting, a change from depreciating the disposed asset or disposed portion to recognizing gain or loss upon disposition;

(h) For buildings (including their structural components), condominium units (including their structural components), cooperative units (including their structural components), or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii), as applicable; or

(i) If the taxpayer makes the change specified in section 6.34 of this APPENDIX (revocation of a general asset account election), the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of an asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable) included in a general asset account, the taxpayer's present method of accounting for such asset is in accord with Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), (B), or (D), as applicable, and the taxpayer recognized a gain or loss under § 1.168(i)-8T upon the disposition of such asset in a taxable year prior to the year of change, a change from recognizing gain or loss upon the disposition of that asset under § 1.168(i)-8T to recognizing gain or loss upon the disposition of the same

asset under Prop. Reg. § 1.168(i)-8.

(4) Examples. The following examples illustrate the covered changes specified in section 6.29(3) of this APPENDIX.

(a) Example 1. X, a calendar year taxpayer, acquired and placed in service a building and its structural components in 1990. X depreciates this building and its structural components under § 168. In 2000, X replaced the entire roof of the building. X did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. X also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since 2000. A change by X to treating the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement is a covered change described in section 6.29(3)(a) and (b) of this APPENDIX solely for purposes of § 1.168(i)-8T(c)(4).

(b) Example 2. Y, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, Y constructed and placed in service an addition to this building. Y depreciates the building, the addition, and their structural components under § 168. A change by Y to treating the original building as an asset, the addition to the building as a separate asset, and each structural component of the original building and the addition as a separate asset for disposition purposes is a change described in section 6.29(3)(a) of this APPENDIX solely for purposes of § 1.168(i)-8T(c)(4).

(c) Example 3. Z, a calendar-year taxpayer, acquired and placed in service a building and its structural components in 2000. In 2005, Z constructed and placed in

service an addition to this building. Z depreciates the building, the addition, and their structural components under § 168. A change by Z to treating the original building (including its structural components) as an asset and the addition to the building (including the structural components of such addition) as a separate asset for disposition purposes is a change described in section 6.29(3)(e) of this APPENDIX solely for purposes of Prop. Reg. § 1.168(i)-8(c)(4).

(5) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.29(5)(b)) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making a change specified in section 6.29(3)(a) or section 6.29(3)(e) of this APPENDIX, a description of the assets disposed of under the taxpayer's present and proposed methods of accounting;

(iii) If the taxpayer is making the change specified in section 6.29(3)(d) or section 6.29(3)(h) of this APPENDIX, a description of the method of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting; and

(iv) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred

tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(6) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.29(3)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8T(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8T(c)(4). Further, the consent granted under this revenue procedure for a change specified in section 6.29(3)(e) of this APPENDIX is not a determination by the Commissioner that the

taxpayer is using the appropriate asset under Prop. Reg. § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under Prop. Reg. § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8T(c)(4) or Prop. Reg. § 1.168(i)-8(c)(4), as applicable, is permissible.

(7) Section 481(a) adjustment. A taxpayer changing its method of accounting under section 6.29 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(8) Section 481(a) adjustment period.

(a) A taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change:

(i) If the taxpayer is making the change specified in section 6.29(3)(e) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of the asset (or if applicable, a portion thereof) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.29(3)(i) of this APPENDIX.

(b) For a change not described in section 6.29(8)(a) of this APPENDIX, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(c) Example. Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building.

Y replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, Y did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. In accordance with § 1.168(i)-8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended December 31, 2012, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000, which is the amount of the loss recognized upon the retirement of the original roof. Y decides to apply Prop. Reg. § 1.168(i)-8 for its taxable year ending December 31, 2013, but decides not to make any late partial disposition election under section 6.33 of this APPENDIX. In accordance with section 6.29(3)(e) of this APPENDIX, Y files a Form 3115 with its 2013 federal income tax return to change to treating the original building (including its original roof and other original structural components) as an asset and the replacement roof as a separate asset for disposition purposes. Because Y is not making a late partial disposition election for the original roof, Y does not recognize the loss of \$10,000 upon the retirement of the original roof under Prop. Reg. § 1.168(i)-8 and Y will continue to depreciate the original roof. Assume the depreciation deduction for the original roof is \$500 for the 2012 taxable year. Thus, the net positive § 481(a) adjustment for this change is \$9,500 (loss of \$10,000 claimed on the 2012 return for the retirement of the

original roof less depreciation of \$500 for the original roof for 2012) and is included in Y's taxable income for 2013.

(9) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) For a building, condominium unit, cooperative unit, structural component, or an improvement or addition thereto, a taxpayer that wants to make this change, a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), (viii), (ix), or (x) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all of such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make a change under section 6.29(3)(e), (f), (g), (h), or (i) of this APPENDIX, a change under section 6.01 of this APPENDIX, and/or a change under section 6.34 of this APPENDIX for the same year of change should file a

single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.29(9)(c) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(10) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.29 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(11) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.29 of this APPENDIX is “177.” See section 6.02(4) of this revenue

procedure.

(12) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(7) Section 6.30 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.30 Dispositions of tangible depreciable assets (other than a building or its structural components) (section 168; § 1.168(i)-8T and Prop. Reg. § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.30(3) of this APPENDIX pertaining to the disposition of section 1245 property or a depreciable land improvement or the disposition of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in Prop. Reg. § 1.168(i)-8(d)(1) applies. These specified changes are consistent with §§ 1.168(i)-8T(c)(4)(i), 1.168(i)-8T(c)(4)(ii)(D), (E), and (F), and 1.168(i)-8T(f), or Prop. Reg. §§ 1.168(i)-8(c)(4)(i), 1.168(i)-8(c)(4)(ii)(C) and (D), and 1.168(i)-8(g), as applicable. This change also affects the determination of gain or loss from the disposition of the section 1245 property, the depreciable land improvement, or a portion of the section 1245 property or depreciable land improvement, and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f) , or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. This change does not apply to the following:

(i) A taxpayer that wants to make this change for any taxable year beginning

before January 1, 2012, or beginning on or after January 1, 2014;

(ii) Any property (or if applicable, a portion thereof) that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, under the taxpayer's proposed method of accounting;

(iii) Any building, condominium unit, cooperative unit, structural component, or improvement or addition thereto (but see section 6.29 of this APPENDIX for making this change);

(iv) Any property subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see section 6.31 of this APPENDIX for making a change for dispositions of tangible depreciable assets subject to a general asset account election); or

(v) Any disposition of a portion of an asset for which a partial disposition election under Prop. Reg. § 1.168(i)-8(d)(2) is required but for which the taxpayer did not make such election in accordance with Prop. Reg. § 1.168(i)-8(d)(2)(ii) or (iii), as applicable (but see section 6.33 of this APPENDIX for making a late partial disposition election and section 6.35 of this APPENDIX for making a partial disposition election pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii)).

(2) Certain scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Covered changes. Section 6.30 of this APPENDIX only applies to the following changes in methods of accounting for a section 1245 property, a depreciable

land improvement, or an improvement or addition thereto:

(a) For purposes of applying § 1.168(i)-8T(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-8T(c)(4)(i), (ii)(D), (ii)(E), or (ii)(F), as applicable;

(b) If the taxpayer makes the change specified in section 6.30(3)(a) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.30(3)(a) of this APPENDIX in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(c) If the taxpayer's present method of accounting is in accord with § 1.168(i)-8T(c)(4)(i) or (ii), as applicable, for the section 1245 property, the depreciable land improvement, or the improvement or addition thereto, and if the taxpayer disposed of such asset in a taxable year prior to the year of change but continues to deduct depreciation for this disposed asset under the taxpayer's present method of accounting, a change from depreciating the disposed asset to recognizing gain or loss upon disposition;

(d) For section 1245 property, depreciable land improvements, or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-8T(f)(1) or (2)(i), (ii), or (iii), as applicable;

(e) For purposes of applying Prop. Reg. § 1.168(i)-8(c)(4) (determination of asset disposed of), a change to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4)(i), (ii)(C), or (ii)(D), as applicable;

(f) If the taxpayer makes the change specified in section 6.30(3)(e) of this APPENDIX, and if the taxpayer disposed of the asset as determined under section 6.30(3)(e) of this APPENDIX or disposed of a portion of such asset in a taxable year prior to the year of change but continues to deduct depreciation for such disposed asset or such disposed portion, as applicable, under the taxpayer's present method of accounting, a change from depreciating the disposed asset or disposed portion, as applicable, to recognizing gain or loss upon disposition;

(g) If the taxpayer's present method of accounting is in accord with Prop. Reg. § 1.168(i)-8(c)(4)(i) or (ii), as applicable, for the section 1245 property, the depreciable land improvement, or the improvement or addition thereto and if the taxpayer disposed of such asset or a portion of such asset in a taxable year prior to the year of change but continues to deduct depreciation for this disposed asset or disposed portion, as applicable, under the taxpayer's present method of accounting, a change from depreciating the disposed asset or disposed portion, as applicable, to recognizing gain or loss upon disposition;

(h) For section 1245 property, depreciable land improvements, or improvements or additions thereto accounted for in multiple asset accounts, a change in the method of identifying which assets have been disposed of from a method of accounting not specified in Prop. Reg. § 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in Prop. Reg.

§ 1.168(i)-8(g)(1) or (2)(i), (ii), or (iii), as applicable; or

(i) If the taxpayer makes the change specified in section 6.34 of this APPENDIX (revocation of a general asset account election), the taxpayer made a qualifying disposition election under § 1.168(i)-1T(e)(3)(iii) in a taxable year prior to the year of change for the disposition of a section 1245 property, depreciable land improvement, or improvement or addition thereto included in a general asset account, the taxpayer's present method of accounting for such asset is in accord with Prop. Reg. § 1.168(i)-8(c)(4)(i) or (ii), as applicable, and the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of such asset in a taxable year prior to the year of change, a change from recognizing gain or loss upon the disposition of that asset under § 1.168(i)-8T to recognizing gain or loss upon the disposition of the same asset under Prop. Reg. § 1.168(i)-8.

(4) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.30(4)(b)) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making a change specified in section 6.30(3)(a) of this APPENDIX, a description of the assets disposed of under the taxpayer's present and proposed methods of accounting and a statement as to whether or not the taxpayer, under its proposed method of accounting, is treating each of an asset's components as the asset in accordance with § 1.168(i)-8T(c)(4)(ii)(F);

(iii) If the taxpayer is making a change specified in section 6.30(3)(e) of this APPENDIX, a description of the assets disposed of under the taxpayer's present and

proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.30(3)(d) or section 6.30(3)(h) of this APPENDIX, a description of the method of identifying which assets have been disposed of under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following information on Form 3115:

(i) The identification section of page 1 (above Part I);

(ii) The signature section at the bottom of page 1;

- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(5) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.30(3)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-8T(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-8T(c)(4). Further, the consent granted under this revenue procedure for a change specified in section 6.30(3)(e) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under Prop. Reg. § 1.168(i)-8(c)(4) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under Prop. Reg. § 1.168(i)-8(c)(4). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-8T(c)(4) or Prop. Reg. § 1.168(i)-8(c)(4), as applicable, is permissible.

(6) Section 481(a) adjustment. A taxpayer changing its method of accounting under section 6.30 of the APPENDIX may use statistical sampling in determining the § 481(a) adjustment by following the guidance provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(7) Section 481(a) adjustment period.

(a) A taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change:

(i) If the taxpayer is making the change specified in section 6.30(3)(e) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-8T on the disposition of the section 1245 property, depreciable land improvement, or improvement or addition thereto (or if applicable, a portion of such asset) in a taxable year prior to the year of change; or

(ii) If the taxpayer is making the change specified in section 6.30(3)(i) of this APPENDIX.

(b) For a change not described in section 6.30(7)(a) of this APPENDIX, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(8) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of Rev. Proc. 2011-14.

(b) For a section 1245 property or a depreciable land improvement that is depreciated under § 168, a taxpayer that wants to make this change, a change under section 6.28(3)(a)(iii), (iv), (v), (vi), (vii), (viii), (ix), or (x) of this APPENDIX, and/or a

change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make a change under section 6.30(3)(e), (f), (g), (h), or (i) of this APPENDIX, a change under section 6.01 of this APPENDIX, and/or a change under section 6.34 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.30(8)(c) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(9) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.30 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in

lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(10) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.30 of this APPENDIX is “178.” See section 6.02(4) of this revenue procedure.

(11) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(8) Section 6.31 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.31 Dispositions of tangible depreciable assets in a general asset account
(section 168(i)(4); § 1.168(i)-1T and Prop. Reg. § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting that is specified in section 6.31(3) of this APPENDIX pertaining to the disposition of an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder. These specified changes are consistent with §§ 1.168(i)-1T(e)(1), 1.168(i)-1T(e)(2)(viii), and 1.168(i)-1T(j), or Prop. Reg. §§ 1.168(i)-1(e)(1), 1.168(i)-1(e)(2)(viii), and 1.168(i)-1(j), as applicable. This change also may affect the determination of gain or loss from the disposition of the asset and may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as

determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. This change does not apply to the following:

(i) A taxpayer that wants to make this change for any taxable year beginning before January 1, 2012, or beginning on or after January 1, 2014;

(ii) Any property that is not depreciated under § 168 under the taxpayer's present method of accounting and, if applicable, proposed method of accounting; or

(iii) Any property not subject to a general asset account election under § 168(i)(4) and the regulations thereunder (but see sections 6.29 and 6.30 of this APPENDIX for making a change for dispositions of tangible depreciable assets not subject to a general asset account election).

(2) Certain scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Covered changes. Section 6.31 of this APPENDIX only applies to the following changes in methods of accounting for an asset subject to a general asset account election under § 168(i)(4) and the regulations thereunder:

(a) For purposes of applying § 1.168(i)-1T(e)(2)(viii) (determination of asset disposed of), a change to the appropriate asset as determined under § 1.168(i)-1T(e)(2)(viii)(A) or (B), as applicable;

(b) A change in the method of identifying which assets have been disposed of from a method of accounting not specified in § 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv) (for

example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in § 1.168(i)-1T(j)(2)(i), (ii), (iii), or (iv), as applicable;

(c) For purposes of applying Prop. Reg. § 1.168(i)-1(e)(2)(viii) (determination of asset disposed of), a change to the appropriate asset as determined under Prop. Reg. § 1.168(i)-1(e)(2)(viii)(A) or (B), as applicable; or

(d) A change in the method of identifying which assets have been disposed of from a method of accounting not specified in Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), (B), (C), or (D) (for example, the last-in, first-out (LIFO) method of accounting) to a method of accounting specified in Prop. Reg. § 1.168(i)-1(j)(2)(i)(A), (B), (C), or (D), as applicable.

(4) Manner of making change.

(a) A taxpayer (including a qualifying taxpayer as defined in section 6.31(4)(b)) making this change must attach to its Form 3115 a statement with the following:

(i) A description of the assets to which this change applies;

(ii) If the taxpayer is making the change specified in section 6.31(3)(a) of this APPENDIX, a description of the assets disposed of by the taxpayer under the taxpayer's present and proposed methods of accounting and a statement as to whether or not the taxpayer, under its proposed method of accounting, is treating each of an asset's components as the asset in accordance with § 1.168(i)-1T(e)(2)(viii)(B)(6);

(iii) If the taxpayer is making the change specified in section 6.31(3)(c) of this APPENDIX, a description of the assets disposed of by the taxpayer under the taxpayer's present and proposed methods of accounting;

(iv) If the taxpayer is making the change specified in section 6.31(3)(b) or section 6.31(3)(d) of this APPENDIX, a description of the method of identifying which assets

have been disposed of under the taxpayer's present and proposed methods of accounting; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application; and

(C) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application.

(b) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 ("qualifying taxpayer") is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and

(vi) Schedule E, line 3.

(5) No ruling on asset. The consent granted under this revenue procedure for a change specified in section 6.31(3)(a) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under § 1.168(i)-1T(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under § 1.168(i)-1T(e)(2)(viii). Further, the consent granted under this revenue procedure for a change specified in section 6.31(3)(c) of this APPENDIX is not a determination by the Commissioner that the taxpayer is using the appropriate asset under Prop. Reg. § 1.168(i)-1(e)(2)(viii) for determining what asset is disposed of by the taxpayer and does not create any presumption that the proposed asset is permissible under Prop. Reg. § 1.168(i)-1(e)(2)(viii). The director will ascertain whether the taxpayer's determination of its asset under § 1.168(i)-1T(e)(2)(viii) or Prop. Reg. § 1.168(i)-1(e)(2)(viii), as applicable, is permissible.

(6) Section 481(a) adjustment period.

(a) If a taxpayer makes the change specified in section 6.31(3)(c) of this APPENDIX and if the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, on the disposition of a portion of the asset in a taxable year prior to the year of change, the taxpayer must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change.

(b) For a change not described in section 6.31(6)(a) of this APPENDIX, see section 5.04 of this revenue procedure for the § 481(a) adjustment period.

(c) Example. (i) X, a calendar year taxpayer, acquired and placed in service a

building and its structural components in 2000. X depreciates this building and its structural components under § 168. The roof is a structural component of the building. X replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, X did not recognize a loss on the retirement of the original roof and continues to depreciate the original roof. X also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010.

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, X filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to: (1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, X removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of \$10,000, which is the loss recognized upon the retirement of the original roof.

(iii) X decides to apply Prop. Reg. § 1.168(i)-1 for its taxable year ending December 31, 2013. In accordance with section 6.31(3)(c) of this APPENDIX, X files a Form 3115 with its 2013 federal income tax return to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. As a result, X must include the original roof that X retired in 2010 in the general asset account. Assume the depreciation for this original roof is \$500 for the

2012 taxable year. Thus, the net positive § 481(a) adjustment for this change is \$9,500 (loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$500 for the original roof for 2012) and is included in X's taxable income for 2013.

(7) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer that wants to make this change, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make this change, a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX and/or a change under section 6.01 of

this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.31(8)(c) applies only if both changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make this change, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.31(8)(d) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(e) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(8) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.31 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(9) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.31 of this APPENDIX is “179.” See section 6.02(4) of this revenue procedure.

(10) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(9) Section 6.32 of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

6.32 General asset account elections (section 168(i)(4); § 1.168(i)-1T, and Prop. Reg. § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make:

(i) A late general asset account election under §§ 168(i)(4), 1.168(i)-1T, or Prop. Reg. § 1.168(i)-1, for one or more items of MACRS property that is placed in service by the taxpayer in a taxable year beginning before January 1, 2012, and owned by the taxpayer at the beginning of the year of change. This change also may affect whether

the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(ii) A late election to recognize gain or loss upon the disposition of all of the assets, or the last asset, in a general asset account in accordance with § 1.168(i)-1T(e)(3)(ii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(iii) A late election to recognize gain or loss upon the disposition of all of the assets, the last asset, or the last portion of the last asset, in a general asset account in accordance with Prop. Reg. § 1.168(i)-1(e)(3)(ii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable;

(iv) For an item of MACRS property subject to a general asset account election, a late election to recognize gain or loss upon the disposition of that item in a qualifying disposition (as defined in § 1.168(i)-1T(e)(3)(iii)(B)) in accordance with § 1.168(i)-1T(e)(3)(iii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable; or

(v) For an item of MACRS property subject to a general asset account election, a

late election to recognize gain or loss upon the disposition of that item in a qualifying disposition (as defined in Prop. Reg. § 1.168(i)-1(e)(3)(iii)(B)) in accordance with Prop. Reg. § 1.168(i)-1(e)(3)(iii). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. Because of the changes made to the existing general asset account regulations by § 1.168(i)-1T and Prop. Reg. § 1.168(i)-1, the IRS will treat the making of the late elections specified in section 6.32(1)(a) of this APPENDIX as a change in method of accounting only for the time specified in section 6.32(2) of this APPENDIX. Accordingly, this treatment does not apply to a taxpayer that makes any late election specified in section 6.32(1)(a) of this APPENDIX after the time specified in section 6.32(2) of this APPENDIX, and any such late election is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(2) Time for making the change. The change under section 6.32 of this APPENDIX must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014.

(3) Scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(4) Manner of making change.

(a) The change specified in section 6.32(1)(a)(i) of this APPENDIX is made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are

accounted for using the new method of accounting. This change requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(b) The change specified in section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX is made with a § 481(a) adjustment.

(c) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 24, 25, and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

(d) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(i), (iv), or (v) of this APPENDIX must attach to its Form 3115 a

statement with a description of the asset(s) to which this change applies (for example, all 5-year property placed in service in 2009 in Holmdel, New Jersey facility (for a change specified in section 6.32(1)(a)(i) of this APPENDIX); one desk costing \$2,000 in 2007 General Asset Account #1 (for a change specified in section 6.32(1)(a)(iv) of this APPENDIX)).

(e) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(ii) or (iii) of this APPENDIX must attach to its Form 3115 a statement with a description of the general asset account(s) to which this change applies (for example, General Asset Account #2 – all 2008 5-year property additions).

(f) A taxpayer (including a qualifying taxpayer) making the change specified in section 6.32(1)(a)(i) of this APPENDIX must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) The taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 and *[Insert, as appropriate, either: § 1.168(i)-1T, or Prop. Reg. § 1.168(i)-1]* to the assets that are subject to the election specified in section 6.32(1)(a)(i) of this APPENDIX; and

(ii) Except as provided in *[Insert, as appropriate, either: § 1.168(i)-1T(c)(1)(ii)(A), (e)(3), (g), or (h), or Prop. Reg. § 1.168(i)-1(c)(1)(iii)(A), (e)(3), (g), or (h)]*, the election made by the taxpayer under section 6.32(1)(a)(i) of this APPENDIX is irrevocable and will be binding on the taxpayer for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

(g) If any asset is public utility property within the meaning of § 168(i)(10), a

taxpayer (including a qualifying taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(ii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application; and

(iii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application. This additional term and condition only has to be included in the statement by a taxpayer making the change specified in section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.32(1)(a) of this APPENDIX, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.32(1)(a) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.32(1)(a) of this APPENDIX in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative

§ 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer that wants to make a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or (viii) of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.32(5)(b) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX, a change under section 6.31 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.32(5)(c) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make a change under section 6.32(1)(a)(ii), (iii), (iv), or (v) of this APPENDIX, a change under section 6.28(3)(b)(ii), (iii), (iv), (v), (vi), (vii), or

(viii) of this APPENDIX, a change under section 6.31 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.32(5)(d) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(e) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. This section 6.32(5)(e) applies only if both changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.32 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.32 of this APPENDIX is “180.” See section 6.02(4) of this revenue procedure.

(8) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(10) Section 10.07(1)(b) of the APPENDIX of Rev. Proc. 2011-14 is modified to read as follows:

(b) Inapplicability. This change does not apply to:

(i) A taxpayer that is currently capitalizing and depreciating the cost of its repairable and reusable spare parts, or that is currently capitalizing the cost of its repairable and reusable spare parts and treating these parts as nondepreciable property (but see section 6.01 of this APPENDIX for making a change from an impermissible to a permissible method of accounting for depreciation);

(ii) A taxpayer that is using an impermissible method of accounting for depreciation for the related equipment for which the repairable and reusable spare parts are acquired, unless the taxpayer concurrently changes its method to use a permissible method of accounting for depreciation under section 6 of this APPENDIX;

(iii) A repairable and reusable spare part that meets the definition of rotatable spare parts, temporary spare parts, or standby emergency spare parts in § 1.162-3(c)(2) or (3), for which the cost was paid or incurred by the taxpayer in a taxable year beginning on or after January 1, 2014 (or in a taxable year beginning on or after January 1, 2012, if the taxpayer chooses to apply § 1.162-3 to amounts paid or incurred in those taxable

years), and for which the taxpayer did not make the election under § 1.162-3(d) to capitalize and depreciate such repairable and reusable spare part; or

(iv) a taxpayer that chooses to apply § 1.162-3T to a repairable and reusable spare part that meets the definition of rotatable spare parts or temporary spare parts in § 1.162-3T(c)(2), for which the cost was paid or incurred by the taxpayer in a taxable year beginning on or after January 1, 2012, and before January 1, 2014, and for which the taxpayer did not make the election under § 1.162-3T(d) to capitalize and depreciate such repairable and reusable spare part.

.03 New automatic changes.

(1) Rev. Proc. 2011-14 is modified to add new section 6.33 to the APPENDIX to read as follows:

6.33 Late partial disposition election (section 168; Prop. Reg. § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a late partial disposition election under Prop. Reg. § 1.168(i)-8(d)(2)(i) for the disposition of a portion of an asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)) by the taxpayer. This change includes the late partial disposition election specified in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B). This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. This change does not apply to the following:

(i) A taxpayer that does not apply the provisions of Prop. Reg. § 1.168(i)-8;

(ii) Any asset of which the disposed portion was a part that is not owned by the taxpayer at the beginning of the year of change;

(iii) A taxpayer that makes any late election specified in section 6.33(1)(a) of this APPENDIX after the time specified in section 6.33(3) of this APPENDIX, and any such late election is not a change in method of accounting pursuant to § 1.446-

1(e)(2)(ii)(d)(3)(iii); or

(iv) The partial disposition election specified in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii) (but see section 6.35 of this APPENDIX for making this change).

(2) Change in method of accounting. The IRS will treat the making of the late election specified in section 6.33(1)(a) of this APPENDIX as a change in method of accounting only for the time specified in section 6.33(3) of this APPENDIX.

(3) Time for making the change. The change under this section 6.33 of the APPENDIX must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. However, if the change under this section 6.33 of the APPENDIX is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B), this change must be made for the first or second taxable year succeeding the applicable taxable year (as defined in Prop. Reg. § 1.168(i)-8(d)(2)(iv)), pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv)(B).

(4) Scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(5) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under

§ 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(b) A taxpayer (including a qualifying taxpayer) making this change must:

- (i) Apply Prop. Reg. § 1.168(i)-8(h)(1) and (3);
- (ii) If the asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)) of which the disposed portion is a part is properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56, 1987-2 C.B. 674, classify the replacement portion of such asset under the same asset class as the disposed portion of the asset in the taxable year in which the replacement portion is placed in service by the taxpayer;
- (iii) If the taxpayer’s present method of accounting is not in accord with Prop. Reg. § 1.168(i)-8(c)(4) (determination of asset disposed of), change to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4);
- (iv) If the taxpayer continues to deduct depreciation for the disposed portion of the asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)) under the taxpayer’s present method of accounting, change from depreciating such disposed portion to recognizing gain or loss for the disposed portion;

(v) If the taxpayer recognized a gain or loss under § 1.168(i)-1T or § 1.168(i)-8T for the disposed portion of the asset in a taxable year prior to the year of change, recognize gain or loss for such disposed portion under Prop. Reg. § 1.168(i)-8; and

(vi) If any asset is public utility property within the meaning of § 168(i)(10), attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application; and

(C) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application.

(6) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.33(1)(a) of this APPENDIX, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.33(1)(a) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.33(1)(a) of this APPENDIX in that same Form 3115

generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(b) A taxpayer that wants to make this change, a change under section 6.34 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.33(6)(b) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. This section 6.33(6)(c) applies only if both changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(7) Examples. The following examples illustrate the changes that may be made under this section 6.33.

(a) Example 1. (i) X, a calendar year taxpayer, acquired and placed in service a

truck in 2009. The truck is described in asset class 00.242 of Rev. Proc. 87-56. X depreciates the truck under § 168. X does not reasonably expect to replace the engine of the truck more than once during its class life of 6 years. The engine is a major component of the truck under § 1.263(a)-3T(i)(1)(vi).

(ii) In 2012, X replaced the engine of the truck. X applied § 1.168(i)-8T and § 1.263(a)-3T for its taxable year ended December 31, 2012. Because the truck is the asset for disposition purposes, X did not recognize a loss on the retirement of the engine under § 1.168(i)-8T and continues to depreciate the original engine. Further, X capitalized the new engine as an improvement, classified the new engine under asset class 00.242 of Rev. Proc. 87-56, and depreciates the new engine under § 168.

(iii) X decides to apply Prop. Reg. § 1.168(i)-8 for its taxable year ending December 31, 2013. X also decides to make the late partial disposition election under this section 6.33 for the truck's original engine that X retired in 2012. Although the truck is the asset for disposition purposes under Prop. Reg. § 1.168(i)-8(c)(4)(ii)(C), the partial disposition rule under Prop. Reg. § 1.168(i)-8(d)(2)(i) results in the retirement of the engine being a disposition under Prop. Reg. § 1.168(i)-8(b)(2). Thus, in accordance with section 6.33 of this APPENDIX, X may file a Form 3115 with its 2013 federal income tax return to make the late disposition election for the engine thereby resulting in X changing from depreciating the original engine to recognizing a loss upon its retirement.

(b) Example 2. (i) Y, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Y depreciates this building and its structural components under § 168. The roof is a structural component of the building.

Y replaced the entire roof in 2010. On its federal income tax return for the taxable year ended December 31, 2010, Y did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Y also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010. In accordance with § 1.168(i)-8T(c)(4)(ii)(A) and (B) and section 6.29(3)(a) and (b) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal income tax return for the taxable year ended December 31, 2012, a Form 3115 to treat the building as an asset and each structural component of the building as a separate asset for disposition purposes and also to change from depreciating the original roof to recognizing a loss upon its retirement. The amount of the net negative § 481(a) adjustment on this Form 3115 is \$10,000, which is the amount of the loss recognized upon the retirement of the original roof.

(ii) Y decides to apply Prop. Reg. § 1.168(i)-8 for its taxable year ending December 31, 2013. Y also decides to make the late partial disposition election under this section 6.33 for the building's original roof that Y retired in 2010. Although the original building (including its original roof and other original structural components) is the asset for disposition purposes under Prop. Reg. § 1.168(i)-8(c)(4)(ii)(A), the partial disposition rule under Prop. Reg. § 1.168(i)-8(d)(2)(i) results in the retirement of the original roof being a disposition under Prop. Reg. § 1.168(i)-8(b)(2). Thus, in accordance with section 6.33 of this APPENDIX, Y may file a Form 3115 with its 2013 federal income tax return to make a late partial disposition election for the original roof thereby resulting in Y treating the original building (including its original roof and other original structural components) as an asset and the replacement roof to the building as

a separate asset for disposition purposes and recognizing a loss upon the retirement of the original roof under Prop. Reg. § 1.168(i)-8.

(iii) The computation of the net § 481 adjustment for this change is computed as follows:

Loss on retirement of original roof on 2012 return under § 1.168(i)-8T	\$10,000
Loss on retirement of original roof under Prop. Reg. § 1.168(i)-8	<u>(10,000)</u>
Net § 481(a) adjustment for the roof	<u>\$ 0</u>

(8) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.33 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(9) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.33 of this APPENDIX is “196.” See section 6.02(4) of this revenue procedure.

(10) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(2) Rev. Proc. 2011-14 is modified to add new section 6.34 to the APPENDIX to read as follows:

6.34 Revocation of a general asset account election (section 168; § 1.168(i)-1T and Prop. Reg. § 1.168(i)-1).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to revoke its general asset account election:

(i) Made under section 6.32(1)(a)(i) of this APPENDIX for one or more items of MACRS property included in the general asset account. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable; or

(ii) Made under § 1.168(i)-1T or Prop. Reg. § 1.168(i)-1 for one or more items of MACRS property placed in service by the taxpayer in a taxable year beginning on or after January 1, 2012, and before January 1, 2014. This change also may affect whether the taxpayer must capitalize amounts paid to restore a unit of property (as determined under § 1.263(a)-3T(e) or (f), or § 1.263(a)-3(e) or (f), as applicable) under § 1.263(a)-3T(i) or § 1.263(a)-3(k), as applicable.

(b) Inapplicability. Because of the changes made to the existing general asset account regulations by Prop. Reg. § 1.168(i)-1, the IRS will treat the revocation of the elections specified in section 6.34(1)(a) of this APPENDIX as a change in method of accounting only for the time specified in section 6.34(2) of this APPENDIX. Accordingly, this treatment does not apply to a taxpayer that makes any revocation specified in section 6.34(1)(a) of this APPENDIX after the time specified in section 6.34(2) of this APPENDIX. Any revocation of such election is not a change in method of accounting

pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii), and the elections specified in section 6.34(1)(a) of this APPENDIX are irrevocable except as provided in § 1.168(i)-1T(c)(1)(ii)(A), (e)(3), (g), or (h), or Prop. Reg. § 1.168(i)-1(c)(1)(ii)(A), (e)(3), (g), or (h), as applicable.

(2) Time for making the change. The change under section 6.34 of this APPENDIX must be made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015.

(3) Scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(4) Section 481(a) adjustment period. A taxpayer making this change must take the entire amount of the § 481(a) adjustment into account in computing taxable income for the year of change.

(5) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

(b) A taxpayer (including a qualifying taxpayer) making this change must:

(i) Attach to its Form 3115 a statement with a description of the asset(s) to which this change applies (for example, all general asset accounts established pursuant to a Form 3115 filed under section 6.32(1)(a)(i) of this APPENDIX for the year of change beginning January 1, 2012 (for a change specified in section 6.34(1)(a)(i) of this APPENDIX); one desk costing \$2,000 in 2012 General Asset Account #1 (for a change specified in section 6.34(1)(a)(ii) of this APPENDIX));

(ii) Include the asset(s) that were in the general asset account(s) at the end of the taxable year immediately preceding the year of change in a single asset account or a multiple asset account in accordance with § 1.168(i)-7. If the asset is included in a single asset account, the account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the asset included in that single asset account. If two or more assets are included in a multiple asset account, the account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account; and

(iii) If any asset is public utility property within the meaning of § 168(i)(10), attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application; and

(C) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the application.

(6) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.34(1)(a) of this APPENDIX, the single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A taxpayer that wants to make this change, a change under section 6.29(3)(e), (f), (g), (h), or (i) of this APPENDIX and/or under section 6.30(3)(e), (f), (g), (h), or (i) of this APPENDIX, a change under section 6.33 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.34(6)(b) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January

1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(c) A taxpayer that wants to make this change, a change under section 6.33 of this APPENDIX, and/or a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. This section 6.34(6)(c) applies only if all of these changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(d) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. This section 6.34(6)(d) applies only if both changes are made for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2015. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(7) Examples. The following examples illustrate the changes that may be made under this section 6.34.

(a) Example 1. (i) On its federal tax return for the taxable year ended December 31, 2012, X made a general asset account election under § 1.168(i)-1T to apply § 1.168(i)-1T to all of its assets placed in service during 2012. No such assets were

disposed of during 2012. X decides to apply Prop. Reg. §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending December 31, 2013. Because of the change in the definition of a qualifying disposition under Prop. Reg. § 1.168(i)-1(e)(3)(iii), X does not want its assets placed in service during 2012 in general asset accounts. In accordance with this section 6.34, X files with its federal tax return for the taxable year ending December 31, 2013, a Form 3115 to revoke the general asset account election for all assets placed in service during 2012. Because the adjusted depreciable basis of the assets is not changed as a result of this change, a § 481(a) adjustment is neither required nor permitted.

(b) Example 2. (i) Y, a calendar year taxpayer, acquired and placed in service three used trucks in 2011. The trucks are described in asset class 00.242 of Rev. Proc. 87-56, 1987-2 C.B. 674. Of the three trucks, one truck costs \$20,000 and the other two trucks cost a total of \$30,000. Y depreciates the trucks under § 168. In 2012, Y sold the truck that cost \$20,000 to an unrelated party for \$12,000.

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a)(i) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Y filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to make a late general asset account election to include the three trucks in one general asset account. Because a sales transaction is a qualifying disposition under § 1.168(i)-1T(e)(3)(iii)(B), Y also elected to apply § 1.168(i)-1T(e)(3)(iii) for the sale of the truck in 2012. As a result, Y removed this truck from the general asset account and, on its 2012 federal tax return, recognized a loss of \$800 under § 1.168(i)-8T (sales proceeds of \$12,000 less the adjusted depreciable basis of \$12,800 for the truck (cost of \$20,000

less depreciation of \$7,200 for 2011 and 2012)).

(iii) Y decides to apply Prop. Reg. §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending December 31, 2013. Because a sales transaction is not a qualifying disposition under Prop. Reg. § 1.168(i)-1(e)(3)(iii)(B), Y should have recognized all of the sales proceeds of \$12,000 from the sale of the truck in 2012 as ordinary income and continued to deduct depreciation for this truck in the general asset account. As a result and in accordance with sections 6.34 and 6.29(3)(i) of this APPENDIX, Y files with its 2013 federal tax return a Form 3115 to revoke the general asset account for the three trucks placed in service in 2011, include the two unsold trucks in one multiple asset account in accordance with § 1.168(i)-7, and recognize the loss of \$800 upon the sale of the truck in 2012 under Prop. Reg. § 1.168(i)-8.

(iv) The computation of the § 481 adjustment for this change is computed as follows:

Loss on sale of truck on 2012 return under § 1.168(i)-8T	\$ 800
Loss on sale of truck under Prop. Reg. § 1.168(i)-8	<u>(800)</u>
Net § 481(a) adjustment for the asset	<u>\$ 0</u>

(c) Example 3. (i) Z, a calendar year taxpayer, acquired and placed in service a building and its structural components in 2000. Z depreciates this building and its structural components under § 168. The roof is a structural component of the building. Z replaced the entire roof in 2010. On its federal tax return for the taxable year ended December 31, 2010, Z did not recognize a loss on the retirement of the original roof and continued to depreciate the original roof. Z also capitalized the cost of the replacement roof and has been depreciating this roof under § 168 since June 2010.

(ii) In accordance with § 1.168(i)-1T and section 6.32(1)(a) of the APPENDIX to Rev. Proc. 2011-14, as modified by Rev. Proc. 2012-20, 2012-14 I.R.B. 700, Z filed with its federal tax return for the taxable year ended December 31, 2012, a Form 3115 to:

(1) make a late general asset account election to include the building (including its structural components) placed in service in 2000 in one general asset account and the replacement roof in a separate general asset account; and (2) make a late qualifying disposition election for the retirement of the original roof in 2010. As a result, Z removed the original roof from the general asset account and reported a net negative § 481(a) adjustment on this Form 3115 of \$10,000, which is the loss recognized upon the retirement of the original roof.

(iii) Z decides to apply Prop. Reg. §§ 1.168(i)-1 and 1.168(i)-8 for its taxable year ending December 31, 2013, but decides not to make any late partial disposition election under section 6.33 of this APPENDIX. In accordance with sections 6.34 and 6.29(3)(e) of this APPENDIX, Z files a Form 3115 with its 2013 federal income tax return to revoke the general asset account election for the building (including its structural components) placed in service in 2000 and for the replacement roof, and to change to treating the building (including its original roof and other original structural components) placed in service in 2000 as an asset and the replacement roof as a separate asset for disposition purposes. Assume the depreciation for the original roof is \$500 for the 2012 taxable year. The net positive § 481(a) adjustment for this change is \$9,500 (loss of \$10,000 claimed on the 2012 return for the retirement of the original roof less depreciation of \$500 for the original roof for 2012) and is included in Z's taxable income for 2013.

(8) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer

changing its method of accounting under this section 6.34 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(9) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.34 of this APPENDIX is “197.” See section 6.02(4) of this revenue procedure.

(10) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(3) Rev. Proc. 2011-14 is modified to add new section 6.35 to the APPENDIX to read as follows:

6.35 Partial dispositions of tangible depreciable assets to which the IRS’s adjustment pertains (section 168; Prop. Reg. § 1.168(i)-8).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that is described in Prop. Reg. § 1.168(i)-8(d)(2)(iii) and, pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iii), that wants to make the partial disposition election specified in Prop. Reg. § 1.168(i)-8(d)(2)(i) to the disposition of a portion of an asset to which the IRS’s adjustment (as described in Prop. Reg. § 1.168(i)-8(d)(2)(iii)) pertains.

(b) Inapplicability. This change does not apply to:

(i) Any asset of which the disposed portion was a part that is not owned by the taxpayer at the beginning of the year of change; or

(ii) The partial disposition election specified in Prop. Reg. § 1.168(i)-8(d)(2)(i) that is made pursuant to Prop. Reg. § 1.168(i)-8(d)(2)(iv) (but see section 6.33 of this APPENDIX for making this change).

(2) Change in method of accounting. The IRS will treat the making of the late election specified in section 6.35(1) of this APPENDIX as a change in method of accounting.

(3) Scope limitations inapplicable. The scope limitations in section 4.02 of this revenue procedure do not apply to this change.

(4) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E, line 3.

(b) A taxpayer (including a qualifying taxpayer) making this change must:

- (i) Apply Prop. Reg. § 1.168(i)-8(h)(1) and (3);

(ii) If the asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)) of which the disposed portion is a part is properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56, 1987-2 C.B. 674, classify the replacement portion of such asset under the same asset class as the disposed portion of the asset in the taxable year in which the replacement portion is placed in service by the taxpayer;

(iii) If the taxpayer's present method of accounting is not in accord with Prop. Reg. § 1.168(i)-8(c)(4) (determination of asset disposed of), change to the appropriate asset as determined under Prop. Reg. § 1.168(i)-8(c)(4);

(iv) If the taxpayer continues to deduct depreciation for the disposed portion of the asset (as determined under Prop. Reg. § 1.168(i)-8(c)(4)) under the taxpayer's present method of accounting, change from depreciating such disposed portion to recognizing gain or loss for the disposed portion; and

(v) If any asset is public utility property within the meaning of § 168(i)(10), attach a statement to its Form 3115 providing that the taxpayer agrees to the following additional terms and conditions:

(A) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the application;

(B) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the application; and

(C) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a)

adjustment applicable to the public utility property subject to the application.

(5) Concurrent automatic change. A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. If the change for more than one asset included in that Form 3115 is specified in section 6.35(1)(a) of this APPENDIX, the single Form 3115 should provide a single net § 481(a) adjustment for all such changes. If one or more of the changes specified in section 6.35(1)(a) of this APPENDIX in that single Form 3115 generate a negative § 481(a) adjustment and other changes specified in section 6.35(1)(a) of this APPENDIX in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all such changes that are included in that Form 3115 generating such negative adjustment and a single positive § 481(a) adjustment for all such changes that are included in that Form 3115 generating such positive adjustment.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.34 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to the method of accounting under section 6.35 of this APPENDIX is “198.” See section 6.02(4) of this revenue

procedure.

(8) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(4) Rev. Proc. 2011-14 is modified to add new section 6.36 to the APPENDIX to read as follows:

6.36 Depreciation of leasehold improvements (sections 167, 168, and 197; § 1.167(a)-4).

(1) Description of change. This change applies to a taxpayer that wants to change its method of accounting to comply with § 1.167(a)-4 for leasehold improvements in which the taxpayer has a depreciable interest at the beginning of the year of change:

(a) From improperly depreciating the leasehold improvements to which § 168 applies over the term of the lease (including renewals, if applicable) to properly depreciating these improvements under § 168;

(b) From improperly amortizing leasehold improvements to which § 197 applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 197; or

(c) From improperly amortizing leasehold improvements to which § 167(f)(1) applies over the term of the lease (including renewals, if applicable) to properly amortizing these improvements under § 167(f)(1).

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first taxable year beginning after December

31, 2013, and beginning before January 1, 2015. In addition, if a taxpayer chooses to make this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014, the scope limitations in section 4.02 of this revenue procedure do not apply.

(b) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Manner of making change.

(a) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 14, 15, and 17;
- (v) Part IV, lines 25 and 26; and
- (vi) Schedule E.

(b) If any leasehold improvement is public utility property within the meaning of § 168(i)(10) or former § 167(l)(3)(A), a taxpayer (including a qualifying taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9) or former § 167(l)(3)(G)) will be used for the public utility property subject to the change;

(ii) As of the beginning of the year of change, the taxpayer will adjust its deferred tax reserve account or similar account in the taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the § 481(a) adjustment applicable to the public utility property subject to the change; and

(iii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed Form 3115 to any regulatory body having jurisdiction over the public utility property subject to the change.

(4) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets and provide a single net § 481(a) adjustment for all the changes included in that Form 3115. If one or more of the changes in that single Form 3115 generate a negative § 481(a) adjustment and other changes in that same Form 3115 generate a positive § 481(a) adjustment, the taxpayer may provide a single negative § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment and a single positive § 481(a) adjustment for all the changes that are included in that Form 3115 generating such adjustment.

(b) A taxpayer that wants to make both this change and a change to a UNICAP method under section 11.01, 11.02, or 11.09 of this APPENDIX (as applicable) for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(5) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.36 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. If a taxpayer makes both this change and a change to a UNICAP method under section 11.01, 11.02, or 11.09 of this APPENDIX (as applicable) on a single Form 3115 for the same year of change in accordance with section 6.36(4)(b) of this APPENDIX, the taxpayer must file a signed copy of that completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(6) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to a method of accounting under section 6.36 of this APPENDIX is “199.” See section 6.02(4) of this revenue procedure.

(7) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

(5) Rev. Proc. 2011-14 is modified to add new section 6.37 to the APPENDIX to read as follows:

6.37 Permissible to permissible method of accounting for depreciation of MACRS

property (section 168; § 1.168(i)-7).

(1) Description of change.

(a) Applicability. This change applies to a taxpayer that wants to make a change in method of accounting for depreciation that is specified in section 6.37(3) of this APPENDIX for an asset:

(i) To which § 168 applies (MACRS property);

(ii) For which the present and proposed methods of accounting are permissible methods of accounting under § 1.168(i)-7; and

(iii) That is owned by the taxpayer at the beginning of the year of change.

(b) Inapplicability. This change does not apply to any property that is not depreciated under § 168 under the taxpayer's present and proposed methods of accounting.

(2) Certain scope limitations inapplicable.

(a) The scope limitations in section 4.02 of this revenue procedure do not apply to a taxpayer that makes this change for its first taxable year beginning after December 31, 2013, and beginning before January 1, 2015.

(b) If a taxpayer chooses to make this change for any taxable year beginning on or after January 1, 2012, and beginning before January 1, 2014, the scope limitations in section 4.02 of this revenue procedure do not apply.

(c) The scope limitation in section 4.02(5) of this revenue procedure does not apply to a taxpayer that makes this change.

(3) Changes covered. Section 6.37 of this APPENDIX only applies to the following changes in methods of accounting for depreciation of MACRS property for the

items of MACRS property not subject to a general asset account election under § 168(i)(4) and the regulations thereunder--

(a) A change from single asset accounts (or item accounts) for specific items of MACRS property to multiple asset accounts (or pools) for the same assets, or vice versa, in accordance with § 1.168(i)-7; or

(b) A change from grouping specific items of MACRS property in multiple asset accounts to a different grouping of the same assets in multiple asset accounts in accordance with § 1.168(i)-7(c).

(4) Manner of making change.

(a) The changes in methods of accounting specified in section 6.37(3)(a) and (b) of this APPENDIX are made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of the beginning of the year of change are accounted for using the new method of accounting.

(b) If the change specified in section 6.37(3)(a) of this APPENDIX is a change to a single asset account, the new single asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the asset included in that single asset account.

(c) If the change specified in section 6.37(3)(a) or (b) of this APPENDIX is a change to a multiple asset account (either a new one or a different grouping), the multiple asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each multiple asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets

included in that multiple asset account. The beginning balance of the depreciation reserve of each multiple asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that multiple asset account.

(d) A taxpayer whose average annual gross receipts, as determined under § 1.263(a)-3(h)(3), for the three preceding taxable years is less than or equal to \$10,000,000 (“qualifying taxpayer”) is required to complete only the following information on Form 3115:

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 24, 25, and 26; and
- (vi) Schedule E, lines 3, 4a, 4b, and 4c.

(e) If any asset subject to this change is public utility property within the meaning of § 168(i)(10), a taxpayer (including a qualifying taxpayer) making this change must attach to its Form 3115 a statement providing that the taxpayer agrees to the following additional terms and conditions:

(i) A normalization method of accounting (within the meaning of § 168(i)(9)) will be used for the public utility property subject to the change;

(ii) Within 30 calendar days of filing the federal income tax return for the year of change, the taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over the public utility property subject to the change.

(5) Concurrent automatic change.

(a) A taxpayer that wants to make this change for more than one asset for the same year of change should file a single Form 3115 for all such assets.

(b) A taxpayer that wants to make both this change and a change under section 6.01 of this APPENDIX for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for both changes on the appropriate line on the Form 3115. For guidance on filing a single application for two or more changes, see section 6.02(1)(b)(ii) of this revenue procedure.

(6) Ogden copy of Form 3115 required in lieu of national office copy. A taxpayer changing its method of accounting under this section 6.37 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT (Ogden copy), in lieu of filing the national office copy, no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. See sections 6.02(3)(a)(ii)(B) (providing the general rules) and 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(7) Designated automatic accounting method change numbers. The designated automatic accounting method change number for a change to a method of accounting under section 6.37 of this APPENDIX is “200.” See section 6.02(4) of this revenue procedure.

(8) Contact information. For further information regarding a change under this section, contact Patrick Clinton at (202) 317-7005 (not a toll-free call).

SECTION 4. EFFECT ON OTHER DOCUMENTS

.01 Rev. Proc. 2011-14, 2011-4 I.R.B. 330, is modified and clarified.

.02 Rev. Proc. 2012-20, 2012-14 I.R.B. 700, is modified and superseded.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective February 28, 2014.

SECTION 6. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545-1551. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this revenue procedure are in section 3.03. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The collections of information are required for a taxpayer to obtain consent to change its method of accounting. The likely respondents are the following: individuals, farms, business or other for-profit institutions, nonprofit institutions, and small businesses or organizations.

The estimated total annual reporting and/or recordkeeping burden is 1,200 hours.

The estimated annual burden per respondent/recordkeeper varies from $\frac{1}{4}$ hour to 1.5 hours, depending on individual circumstances, with an estimated average of $\frac{3}{4}$ hour. The estimated number of respondents is 1,600. The estimated annual frequency of responses is on occasion.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathleen Reed of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Patrick Clinton of the Office of Associate Chief Counsel (Income Tax & Accounting) at (202) 317-7005 (not a toll free call).