

TaxNewsFlash

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Rev. Proc. 2017-30: List of automatic changes; updated provisions

The IRS today released an advance version of Rev. Proc. 2017-30 that in 337 pages provides an updated list of “automatic changes” to which the automatic change procedures in Rev. Proc. 2015-13 (as clarified and modified by subsequent revenue procedures including Rev. Proc. 2016-29) apply.

The following sections are added to the “list of automatic changes” by Rev. Proc. 2017-30 as providing additional changes in method of accounting to be made under the automatic change procedures:

- Section 10.02, relating to organizational expenditures under Code section 248
- Section 10.03, relating to organization fees under Code section 709
- Section 21.18, relating to changes from currently deducting inventory to a permissible method of identifying and valuing inventories

According to [Rev. Proc. 2017-30](#) [PDF 1 MB] among the “significant changes” made to the list of automatic changes in Rev. Proc. 2016-29 include:

- Removing obsolete sections of Rev. Proc. 2016-29 relating to late partial disposition elections under Reg. section 1.168(i)-8(d)(2) for the disposition of a portion of an asset; and relating to the revocation of the taxpayer’s general asset account election made under Rev. Proc. 2015-14 or other guidance
- Relating to partial dispositions of tangible depreciable assets to which the IRS’s adjustment pertains (modified to provide that this section does not apply to any partial disposition election specified in Reg. section 1.168(i)-8(d)(2)(i) that is not made pursuant to Reg. section 1.168(i)-8(d)(2)(iii))

- Relating to the disposition of a building or structural component and relating to dispositions of other tangible depreciable assets (modified to remove references to section 6.11 of Rev. Proc. 2016-20 which is obsolete and removed from the revenue procedure entirely and to provide that these sections also do not apply to any disposition of a portion of an asset in a transaction described in the last sentence in Reg. section 1.168(i)-8(d)(1) for which the taxpayer did not make a partial disposition election in accordance with Reg. section 1.168(i)-2(d)(iv))
- Relating to a change to the safe harbor method of accounting provided in section 8.03 of Rev. Proc. 2015-12 for determining depreciation under Code sections 167 and 168 of a fiber optic transfer node and fiber optic cable used by a cable system operator (modified to remove paragraph (2)(a), relating to the temporary waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, because it is obsolete)
- Relating to start-up expenditures (modified to include also a change in the amortization period of a start-up expenditure to 180 months)
- Relating to changes for tangible property (modified to provide that this section does not apply to amounts paid or incurred for repair and maintenance costs that the taxpayer is changing from capitalizing to deducting and for which the taxpayer has received a payment for specified energy property in lieu of tax credits)
- Relating to capitalizing interest with respect to the production of designated property under Reg. section 1.263A-8 through 14 (modified to include changes from an improper method of capitalizing interest under Reg. section 1.263A-8 through 14 to capitalizing interest in accordance with Reg. section 1.263A-8 through 14 and to require the statement attached to the Form 3115 to include details regarding the taxpayer's sub-methods of accounting for determining capitalizable interest in accordance with Reg. section 1.263A-8 through 14)
- Relating to a change from an improper method of inclusion of rental income or expense to inclusion in accordance with the rent allocation (modified to clarify that this section does not apply to rental agreements that provide a specific allocation of fixed rent as described in Reg. section 1.467-1(c)(2)(ii)(A)(2) that allocate rent to periods other than when such rents are payable)
- Relating to impermissible methods of identification and valuation of inventory (modified to clarify that: (1) a taxpayer can make a change under this section if the taxpayer is changing from an impermissible method of identifying or valuing inventories under Code section 471, and/or an impermissible method described in Reg. sections 1.471-2(f)(1) through (5); (2) a taxpayer cannot make a change under this section to allocate costs to inventory under Code section 471 nor under Code section 263A; and (3) a taxpayer cannot make a change under this section if the taxpayer is currently deducting inventories)
- Relating to permissible methods of identification and valuation of inventory (modified to clarify that a taxpayer cannot make a change under this section to allocate costs to inventory under Code section 471 nor under Code section 263A)

- Relating to certain taxpayers that have elected to use the mark-to-market method of accounting under Code section 475(e) or (f) (modified to provide that the eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13 does not apply to this change)
- Relating to taxpayers changing its method of accounting from the mark-to-market method of accounting described in Code section 475 to a realization method of accounting (modified to clarify that this change is not limited to a change required by section 475)
- Relating to change in qualification as life/nonlife insurance company (modified to clarify that this change applies to an insurance company that changes from being treated as a life insurance company under part I of subchapter L to being treated as a non-life insurance company under part II of subchapter L, or vice versa)
- Relating to the revocation of the Code section 1278(b) election (modified to clarify when a taxpayer is treated as having made a deemed section 1278(b) election for a tax year)

Also, the waiver of certain eligibility rules under Rev. Proc. 2015-13 was removed from sections related to the following items:

- Relating to a change in the treatment of generation property expenditures to use all or some of the unit of property definitions and the corresponding major component definitions
- Relating to several changes described in Rev. Proc. 2015-12 by a cable system operator that is within the scope of Rev. Proc. 2015-12
- Relating to a change to not apply Code section 263A to one or more plants removed from the list of plants that have a preproductive period in excess of two years
- Relating to a change in the treatment of acquisition and holding costs for real property acquired through foreclosure
- Relating to a change for sales-based royalties
- Relating to a change in the treatment of sales-based vendor chargebacks under a simplified method

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