



TaxNewsFlash

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Rev. Proc. 2023-15: Safe harbor method of accounting for expenses related to natural gas transmission and distribution property

The IRS today released an advance version of [Rev. Proc. 2023-15](#) [PDF 481 KB] which provides a safe harbor method of accounting that taxpayers may use to determine whether expenses to repair, maintain, replace, or improve natural gas transmission and distribution property must be capitalized as improvements under section 263(a) or as the costs of property produced by the taxpayer for use in its trade or business under section 263A, or are allowable as deductions under section 162.

Rev. Proc. 2023-15 also provides procedures for taxpayers to obtain automatic consent to change their method of accounting to the safe harbor method of accounting permitted by the revenue procedure.

As described in the related [IRS release](#), to apply the safe harbor method, a taxpayer must first classify its natural gas transmission and distribution property as either linear property (for example, pipe, fittings, and valves) or non-linear property (for example, compressors, regulators, and meters). The revenue procedure then provides methods of accounting for each type of property, specifically, a safe harbor method used for the taxpayer's linear transmission and distribution property and an optional safe harbor method that the taxpayer may choose to use for its non-linear transmission and distribution property. The revenue procedure also provides procedures for obtaining automatic consent to change to the safe harbor method for linear property and the safe harbor method for non-linear property.

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