

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part 1, §§ 162, 263, 446, 461, 481, 1.167(a)-3(b), 1.263(a)-4, 1.263(a)-5, 1.446-1, 1.481-1)

Rev. Proc. 2006-37

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2006-12, 2006-3 I.R.B. 310, which provides procedures under which a taxpayer may obtain automatic consent to change to a method of accounting provided in §§ 1.263(a)-4, 1.263(a)-5, or 1.167(a)-3(b) of the Income Tax Regulations (the “final regulations”) for a taxable year ending on or after December 31, 2005, and for any earlier taxable year that is after the taxpayer’s second taxable year ending on or after December 31, 2003. The modifications provided by this revenue procedure allow a taxpayer to utilize the advance consent procedures of Rev. Proc. 97-27, 1997-1 C.B. 680, as modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, as amplified and clarified by Rev. Proc. 2002-54, 2002-2 C.B. 432, when seeking a change to a method of accounting provided in the final regulations in conjunction with a change for the same item to a method of accounting utilizing the 3 ½ month rule authorized by § 1.461-4(d)(6)(ii) or the recurring item exception authorized by § 1.461-5.

SECTION 2. BACKGROUND

.01 Rev. Proc. 2006-12 provides procedures under which a taxpayer may obtain automatic consent to change to a method of accounting provided in the final regulations for a taxable year ending on or after December 31, 2005, and for any earlier taxable year that is after the taxpayer's second taxable year ending on or after December 31, 2003. Rev. Proc. 2006-12 modified and amplified Rev. Proc. 2002-9, 2002-1 C.B. 327, as modified and clarified by Announcement 2002-17, 2002-1 C.B. 561, modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, and amplified, clarified and modified by Rev. Proc. 2002-54, 2002-2 C.B. 432, to include the changes to methods of accounting provided in the final regulations that are within the scope of Rev. Proc. 2006-12.

.02 Section 6.02 of Rev. Proc. 2006-12 provides, in part, that if a taxpayer seeks to change to a method of accounting utilizing the 3 ½ month rule or the recurring item exception for the item for which the taxpayer also seeks to change to a method provided in the final regulations, the taxpayer must file two separate applications for change in accounting method - one for a change in method of accounting under Rev. Proc. 2006-12 to the method of accounting provided in the final regulations and the other for a change in method of accounting under Rev. Proc. 97-27 to a method of accounting utilizing the 3 ½ month rule or the recurring item exception.

SECTION 3. CHANGES TO REV. PROC. 2006-12

.01 The third sentence of section 2.07 of Rev. Proc. 2006-12 is modified to read as follows:

“Except as provided in section 3 of this revenue procedure, for any change in method of accounting to which this revenue procedure applies, a taxpayer may not file an application for a change in method of accounting under Rev. Proc. 97-27, 1997-1 C.B. 680, as modified and amplified by Rev. Proc. 2002-19, 2002-1 C.B. 696, as amplified and clarified by Rev. Proc. 2002-54, 2002-2 C.B. 432.”

.02 Section 3 of Rev. Proc. 2006-12 is modified by adding the following two sentences to the end:

“However, a taxpayer that seeks to change its method of accounting to utilize the 3½ month rule authorized by § 1.461-4(d)(6)(ii) or to utilize the recurring item exception authorized by § 1.461-5 for the item for which the taxpayer also seeks a change to a method of accounting provided in the final regulations may apply for both changes for the same item on an application for a change in method of accounting filed under Rev. Proc. 97-27. The terms and conditions in this revenue procedure apply to a request for a change to a method of accounting provided in the final regulations filed under Rev. Proc. 97-27.”

.03 Section 6.02 of Rev. Proc. 2006-12 is modified by adding the following two sentences to the end:

“However, instead of filing two separate applications for a change in method of accounting utilizing the 3 ½ month rule or the recurring item exception in conjunction with a change to a method provided in the final regulations, a taxpayer may apply for both changes for the same item on an application for a change in method of accounting filed under Rev. Proc. 97-27. The terms and conditions in this revenue procedure apply

to a request for a change to a method of accounting provided in the final regulations filed under Rev. Proc. 97-27.”

SECTION 4. APPLICATIONS PREVIOUSLY FILED UNDER REV. PROC. 97-27

If a taxpayer has already filed a Form 3115, Application for Change in Accounting Method, under Rev. Proc. 97-27 to utilize the 3 ½ month rule or the recurring item exception with respect to an item under the final regulations, the taxpayer may amend the Form 3115 filed under Rev. Proc. 97-27 to include a change to a method of accounting provided in the final regulations for the same item.

SECTION 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2006-12 is modified.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective for a taxable year ending on or after December 31, 2005, and for any earlier taxable year that is after the taxpayer’s second taxable year ending on or after December 31, 2003.

SECTION 7. CONTACT INFORMATION

For further information regarding this revenue procedure call Grace Matuszeski of the Associate Chief Counsel (Income Tax and Accounting) at (202) 622-7900 (not a toll free call).