

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and methods of accounting.
(Also Part I, Sections 77, 381, 446, 455, 456, 461; 1.77-1, 1.381(c)(4)-1, 1.381(c)(5)-1
1.446-1, 1.455-6, 1.456-6, 1.461-1)

Rev. Proc. 2005-63

SECTION 1. PURPOSE

This revenue procedure supersedes Rev. Proc. 83-77, 1983-2 C.B. 594, and the 90-day extension of time granted therein for submitting applications or requests for consent to change a method of accounting under § 1.77-1, 1.381(c)(4)-1(d)(2), 1.381(c)(5)-1(d)(2), 1.455-6(b), 1.456-6(b), or 1.461-1(c)(3)(ii) of the Income Tax Regulations.

An application or request submitted in accordance with this revenue procedure for consent to change a method of accounting under § 1.77-1, 1.455-6(b), 1.456-6(b), or 1.461-1(c)(3)(ii) may be submitted during the taxable year in which the taxpayer desires to make the change in method of accounting. An application or request submitted in accordance with this revenue procedure for consent to change a method of accounting under § 1.381(c)(4)-1(d)(2) or 1.381(c)(5)-1(d)(2) may be submitted by the later of 1) the

last day of the taxable year in which the distribution or transfer occurred, or 2) the earlier of a) the day that is 180 days after the date of distribution or transfer, or b) the day on which the taxpayer files its federal income tax return for the taxable year in which the distribution or transfer occurred.

SECTION 2. BACKGROUND

.01 Section 1.446-1(e) provides the general rules for filing an application to obtain the Commissioner's consent to change a method of accounting for federal income tax purposes. Under § 1.446-1(e)(3)(i), as amended by T.D. 8719, 1997-1 C.B. 100, an application must be filed during the taxable year in which the taxpayer desires to make the change in method of accounting. Prior to the amendment, § 1.446-1(e)(3)(i) provided that an application must be filed within 180 days after the beginning of the tax year in which the proposed change is requested to be made.

.02 Notwithstanding the provisions of § 1.446-1(e)(3)(i), § 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the terms and conditions under which taxpayers will be permitted to change their method of accounting.

.03 The following regulations concerning a change in method of accounting each contain a requirement that an application or request for consent must be filed within a 90-day period:

- (1) Section 1.77-1 provides that a taxpayer who previously elected to include the amount of loans from the Commodity Credit Corporation in gross income for the taxable year in which the loans are received must obtain

permission to change to a different method of accounting for the loans. An application for permission to change to a different method of accounting must be submitted within 90 days after the beginning of the taxable year in which the taxpayer proposes to make the change.

(2) Section 1.381(c)(4)-1(d)(2) provides that, under § 1.381(c)(4)-1(d)(1), an acquiring corporation may submit an application for permission to use a method of accounting, or a request for a determination of the method of accounting to be used, not later than 90 days after the date of distribution or transfer.

(3) Section 1.381(c)(5)-1(d)(2) provides that, under § 1.381(c)(5)-1(d)(1), an acquiring corporation may submit an application for permission to use a method of taking inventories, or a request for a determination of the method of taking inventories to be used, not later than 90 days after the date of distribution or transfer.

(4) Section 1.455-6(b) provides that, with the consent of the Commissioner, a taxpayer may elect to apply the provisions of § 455 to any trade or business in which the taxpayer receives prepaid subscription income. The taxpayer must submit a written request for consent to make the election within 90 days after the beginning of the taxable year in which the election is first applicable.

(5) Section 1.456-6(b) provides that, with the consent of the Commissioner, a taxpayer may elect to apply the provisions of § 456 to any trade

or business in which the taxpayer receives prepaid dues income. The taxpayer must submit a written request for consent to make the election within 90 days after the beginning of the taxable year in which the election is first applicable.

(6) Section 1.461-1(c)(3)(ii) provides that, with the consent of the Commissioner, a taxpayer may elect to accrue real property taxes ratably in accordance with §§ 461(c) and 1.461-1(c). The taxpayer must submit a written request for consent to make the election within 90 days after the beginning of the taxable year in which the election is first applicable.

.04. In Rev. Proc. 83-77, the Commissioner exercised discretionary authority under former § 1.9100-1(a) to grant automatic extensions of 90 days to the 90-day periods for submitting applications or requests for consent to change methods of accounting under §§ 1.77-1, 1.381(c)(4)-1(d)(2), 1.381(c)(5)-1(d)(2), 1.455-6(b), 1.456-6(b), and 1.461-1(c)(3)(ii). Taxpayers that complied with the provisions of Rev. Proc. 83-77 obtained automatic extensions of 90 days and therefore had 180 days in which to submit their applications or requests for consent, as did taxpayers filing applications or requests for consent under the general rule of § 1.446-1(e)(3)(i) prior to the amendment described in section 2.01 of this revenue procedure.

.05. The changes in method of accounting described in §§ 1.77-1 and 1.455-6(b) are included in the changes to which the automatic change in method procedures of 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), apply

for taxpayers that are within the scope of Rev. Proc. 2002-9 for the requested year of change. Taxpayers within the scope of Rev. Proc. 2002-9 for the requested year of change that desire to make the changes in method described in §§ 1.77-1 and 1.455-6(b) must follow the procedures in Rev. Proc. 2002-9 instead of the procedures in the regulations and this revenue procedure.

SECTION 3. SCOPE

The scope of this revenue procedure is limited to waiving the 90-day periods for submitting applications or requests for consent under §§ 1.77-1, 1.381(c)(4)-1(d)(2), 1.381(c)(5)-1(d)(2), 1.455-6(b), 1.456-6(b), and 1.461-1(c)(3)(ii).

SECTION 4. APPLICATION

.01 Under § 1.446-1(e)(3)(ii), the Commissioner has authority to prescribe the terms and conditions under which taxpayers will be permitted to change their method of accounting. After consideration of the general rules for requesting consent to change a method of accounting under § 1.446-1(e)(3)(i), the requirement to submit applications or requests for consent within the time periods prescribed in the regulations cited in section 3 of this revenue procedure is waived for taxpayers who submit applications or requests for consent in accordance with section 4.02 of this revenue procedure.

.02 Time and manner of application.

(1) An application or request for consent under § 1.77-1, 1.455-6(b), 1.456-6(b), or 1.461-1(c)(3)(ii) that is submitted in accordance with section 4.02(3) of this revenue procedure may be submitted during the taxable year in which the taxpayer desires to make the change in method of accounting.

(2) An application or request under § 1.381(c)(4)-1(d)(2) or 1.381(c)(5)-1(d)(2) that is submitted in accordance with section 4.02(3) of this revenue procedure may be submitted by the later of 1) the last day of the taxable year in which the distribution or transfer occurred, or 2) the earlier of a) the day that is 180 days after the date of distribution or transfer, or b) the day on which the taxpayer files its federal income tax return for the taxable year in which the distribution or transfer occurred.

(3) The applications or written requests to which this revenue procedure applies are to be filed in accordance with the requirements set forth in § 1.77-1, 1.381(c)(4)-1(d)(2), 1.381(c)(5)-1(d)(2), 1.455-6(b), 1.456-6(b), or 1.461-1(c)(3)(ii), as applicable, except that the taxpayer may file within the time periods provided in section 4.02(1) and (2) of this revenue procedure and send the application or written request to the Internal Revenue Service, Attention CC:PA:LPD:DRU, P.O. Box 7604, Benjamin Franklin Station, Washington, D.C. 20044. At the top of the application or written request, the taxpayer should either type or legibly print "Filed Under Rev. Proc. 2005-63."

SECTION 5. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 83-77 is superseded.

SECTION 6. EFFECTIVE DATE

This revenue procedure is effective August 16, 2005.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Sean M. Dwyer of the Office of

Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure contact Mr. Dwyer on (202) 622-5020 (not a toll-free call).