



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, DC 20224

April 25, 2002

OFFICE OF  
CHIEF COUNSEL

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MEMORANDUM FOR INDUSTRY DIRECTOR, HEAVY MANUFACTURING &  
TRANSPORTATION (LM:HMT)

FROM: Associate Chief Counsel  
(Income Tax & Accounting)

SUBJECT: Refusal to Rule on Request for Change in Accounting Method

Legend

Company =

Affiliates =

We are writing to inform you that we have declined to grant Affiliates of Company their request to change to the method of not accruing any portion of amounts to be received from providing services when such amounts, on the basis of experience, will not be collected (the nonaccrual experience method) as provided in § 448(d)(5) of the Internal

CAM-161449-01

Revenue Code, for the taxable year beginning January 1, 2001 and ending December 31, 2001 (year of change).

Section 403 of the Job Creation and Worker Assistance Act of 2002 ("the 2002 Act") (Pub. L. No. 107-147), which was signed into law on March 9, 2002, amended § 448(d)(5) of the Internal Revenue Code. Under § 448(d)(5), as amended, the nonaccrual experience method may be used only by persons that (i) provide services in the fields described in § 448(d)(2)(A) or (ii) meet the \$5,000,000 gross receipts test in § 448(c). The provision is effective for taxable years ending after date of enactment.

As a result of the amendment of § 448(d)(5), the Company would not qualify to use of the nonaccrual experience method for the taxable year beginning January 1, 2002 and later years. If the Service granted the taxpayer the change to the nonaccrual experience method for the tax year beginning January 1, 2001, the taxpayer would be required to discontinue the method for the tax year beginning January 1, 2002.

Under section 7.01 of Rev. Proc. 2002-1, 2002-1 I.R.B. 1, 20, the Service may decline to issue a letter ruling when appropriate in the interests of sound tax administration or on other grounds whenever warranted by the facts or circumstances of a particular case. In light of the amendment to § 448(d)(5) made by § 403 of the 2002 Act, we declined to issue a ruling under section 7.01 of Rev. Proc. 2002-1.

If you have any questions regarding this matter please call \_\_\_\_\_ at \_\_\_\_\_.