

# Application for Change in Accounting Method

▶ See page 1 of the instructions for the Automatic Change Procedures.

Name of applicant (If a joint return is filed, also give spouse's name.)	Identification number (See page 3 of the instructions.)
Number, street, and room or suite no. (If a P.O. box, see page 3 of the instructions.)	Tax year of change begins (mo., day, yr.) and ends (mo., day, yr.)
City or town, state, and ZIP code	District director's office having jurisdiction
Name of person to contact (If not the applicant, a power of attorney must be submitted.)	Contact person's telephone number/Fax number ( ) / ( )
<b>Check the appropriate box to indicate who is filing this form.</b> <input type="checkbox"/> Individual <input type="checkbox"/> Corporation <input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Qualified Personal Service Corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter code section ▶	<b>Check the appropriate box to indicate the type of accounting method change being requested.</b> (See page 3 of the instructions.) <input type="checkbox"/> Partnership <input type="checkbox"/> S Corporation <input type="checkbox"/> Insurance Co. (Sec. 816(a)) <input type="checkbox"/> Insurance Co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶ ..... <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input type="checkbox"/> Other (specify) ▶

## Part I Eligibility To Request Change (All applicants complete Parts I through IV.) (See page 2 of the instructions.)

	Yes	No
1 Is the applicant changing its method of accounting under a revenue procedure or other published guidance that provides for an automatic change? (See page 1 of the instructions.) If "Yes," enter the citation of the revenue procedure or other published guidance ▶ _____		
2 Is the applicant changing its method of accounting under sections 263A, 447, 448, 460, or 585(c) for the first tax year the applicant is required to change? If "Yes," the applicant is required to make the change in accounting method under the automatic change procedures set forth in the applicable regulations.		
3a Does the applicant have any Federal income tax returns under examination by the IRS? See section 3.07 of Rev. Proc. 97-27, 1997-1 C.B. 680 If "Yes," complete line 3b.		
b Is the method of accounting the applicant is requesting to change: (i) an issue under consideration or (ii) an issue placed in suspense by the examining agent(s)? See sections 3.08(1) and 6.01 of Rev. Proc. 97-27. If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 3c through 3e.		
c Indicate the "window period" the applicant is filing under or state if the change is being requested with the consent of the district director. ▶ _____ See section 6.01 of Rev. Proc. 97-27.		
d Has a copy of this Form 3115 been provided to the examining agent(s) for all examinations that are in process? See section 6.01 of Rev. Proc. 97-27.		
e Enter the name(s) and telephone number(s) of the examining agent(s). ▶ _____ See section 6.01 of Rev. Proc. 97-27.		
4a Is the applicant before an appeals office with respect to any Federal income tax return issue? If "Yes," complete line 4b.		
b Is the method of accounting the applicant is requesting to change an issue under consideration by the appeals office? See sections 3.08(2) and 6.02 of Rev. Proc. 97-27. If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 4c and 4d.		
c Has a copy of this Form 3115 been provided to the appeals officer? See section 6.02 of Rev. Proc. 97-27.		
d Enter the name and telephone number of the appeals officer. ▶ _____ See section 6.02 of Rev. Proc. 97-27.		

### Signature—All Applicants (See page 3 of the instructions.)

Under penalties of perjury, I declare that I have examined this application, including accompanying documents, and, to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and such facts are true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Applicant

Parent corporation (if applicable)

.....  
Officer's signature and date

.....  
Parent officer's signature and date

.....  
Name and title (print or type)

.....  
Name and title (print or type)

.....  
Signature(s) of individual or firm preparing the application and date

.....  
Name of firm preparing the application

**Part I Eligibility To Request Change (continued)**

	Yes	No
<b>5a</b> Is the applicant before a Federal court with respect to any Federal income tax issue? . . . . . If "Yes," complete line 5b.		
<b>b</b> Is the method of accounting the applicant is requesting to change an issue under consideration by the Federal court? See sections 3.08(3) and 6.03 of Rev. Proc. 97-27 . . . . . If "Yes," the applicant is not eligible to request the change in accounting method. If "No," complete lines 5c and 5d.		
<b>c</b> Has a copy of this Form 3115 been provided to the counsel for the government? See section 6.03 of Rev. Proc. 97-27.		
<b>d</b> Enter the name and telephone number of the counsel for the government. ► _____ See section 6.03 of Rev. Proc. 97-27.		
<b>6a</b> Is the applicant a member of an affiliated group filing a consolidated return for the year of change? . . . . .		
<b>b</b> If "Yes," attach a statement listing the parent corporation's (1) name, (2) identification number, (3) address, and (4) tax year.		
<b>c</b> Has the applicant ever been a member of a consolidated group other than the current group? . . . . . If "Yes," complete line 6b for each group of which the applicant was formerly a member.		
<b>d</b> If the applicant is (or was formerly) a member of a consolidated group, is any consolidated group under examination, before an appeals office, or before a Federal court for a tax year(s) that the applicant was a member of the group? See sections 3.07(1) and 4.02(5) of Rev. Proc. 97-27 . . . . . If "Yes," complete lines 3b through 3e, 4b through 4d, or 5b through 5d (whichever are applicable).		
<b>7</b> If the applicant is an entity (including a limited liability company) treated as a partnership or an S corporation for Federal income tax purposes, is the method of accounting the applicant is requesting to change an issue under consideration in an examination of a partner, member, or shareholder's Federal income tax return or an issue under consideration by an appeals office or by a Federal court with respect to a partner, member, or shareholder's Federal income tax return? See sections 3.08 and 4.02(6) of Rev. Proc. 97-27 . . . . . If "Yes," the applicant is not eligible to request the change in accounting method.		

**Part II Description of Change**

<b>8</b> Is the applicant requesting to change its <b>overall</b> method of accounting? . . . . . If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also complete Schedule A on page 4 of the form. <b>Present method:</b> <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description) <b>Proposed method:</b> <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
<b>9</b> If the applicant is <b>not</b> changing its overall method of accounting, attach a description of each of the following: <b>a</b> The item being changed. <b>b</b> The applicant's present method for the item being changed. <b>c</b> The applicant's proposed method for the item being changed. <b>d</b> The applicant's present overall method of accounting (cash, accrual, or hybrid).		
<b>10</b> Attach an explanation of the legal basis supporting the proposed method for the item being changed. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. The applicant is encouraged to include a discussion of any authorities that may be contrary to the proposed method.		
<b>11</b> Attach a description of the applicant's trade or business, including the goods and services it provides and any other types of activities it engages in that generate gross income.		
<b>12</b> Attach a copy of all documents directly related to the proposed change. (See page 3 of the instructions.)		
<b>13</b> Attach a statement of the applicant's reasons for the proposed change.		
<b>14a</b> Attach an explanation of whether the proposed method of accounting will be used for the taxpayer's books and records and financial statements. (Insurance companies, see page 3 of the instructions.)		
<b>b</b> Attach an explanation of whether the proposed method of accounting conforms to generally accepted accounting principles (GAAP) and to the best accounting practice in the applicant's trade or business.		
<b>15a</b> Does the applicant have more than one trade or business as defined in Regulations section 1.446-1(d)? . . . . .		
<b>b</b> If "Yes," is each trade or business accounted for separately? . . . . . If "Yes," for each trade or business, attach a description of the type of business, the overall method of accounting, whether the business has changed any accounting method in the past 4 years, and whether the business is changing any accounting method as part of this application or as a separate application.		
<b>16</b> If the applicant is a member of an affiliated group filing a consolidated return for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? . . . . . If "No," attach an explanation.		
<b>17</b> If the applicant is changing to the cash method, or to the inventory price index computation (IPIC) method under Regulations section 1.472-8(e)(3), or is changing its method of accounting under sections 263A, 448, or 460, enter the gross receipts for the 4 tax years preceding the year of change. (See page 3 of the instructions.)		
1st preceding year ended: mo.      yr.      2nd preceding year ended: mo.      yr.      3rd preceding year ended: mo.      yr.      4th preceding year ended: mo.      yr.		
\$	\$	\$



**Schedule A—Change in Overall Method of Accounting** (If Schedule A applies, Part I below must be completed.)

Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. On a separate sheet, state the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, explain the differences on a separate sheet.

**Part I Change in Overall Method** (See page 3 of the instructions.)

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

- a Income accrued but not received . . . . .
- b Income received or reported before it was earned. Attach a description of the income and the legal basis for the proposed method. (See page 3 of the instructions.) . . . . .
- c Expenses accrued but not paid. . . . .
- d Prepaid expense previously deducted. . . . .
- e Supplies on hand previously deducted . . . . .
- f Inventory on hand previously deducted. Complete Schedule C, Part II . . . . .
- g Other amounts (specify) ► .....
- h **Net section 481(a) adjustment** (Add lines 1a–1g.) (See page 3 of the instructions.) . . . . .

Amount
\$
\$

2 Is the applicant also requesting the recurring item exception (section 461(h))? (See page 4 of the instructions.)  Yes  No

**Part II Change to the Cash Method** (See page 4 of the instructions.)

Applicants requesting a change to the cash method must attach the following information.

- 1 A description of the applicant's investment in capital items and leased equipment used in the trade or business, and the relationship between these items and the services performed by the business.
- 2 A description of inventory items (items that produce income when sold) and materials and supplies used in carrying out the business.
- 3 The number of employees, shareholders, partners, associates, etc., and a description of their duties in carrying out the applicant's business.
- 4 A schedule showing the age of receivables for each of the 4 tax years preceding the year of change.
- 5 A schedule showing the applicant's taxable income (loss) for each of the 4 tax years preceding the year of change.
- 6 A profit and loss statement showing the taxable income (loss) based on the cash method for each of the 4 tax years preceding the year of change.

**Schedule B—Changes Within the LIFO Inventory Method** (See page 4 of the instructions.)**Part I General LIFO Information**

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970, Application To Use LIFO Inventory Method**, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items.
  - a Valuing inventory (e.g., unit method or dollar-value method).
  - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, pooling method authorized under inventory price index computation (IPIC) method, etc.).
  - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
  - d Figuring the cost of goods in the closing inventory over the cost of goods in the opening inventory (e.g., most recent purchases, earliest acquisitions during the year, average cost of purchases during the year, etc.).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, specify the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, specify the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, the applicant should identify which inventory items are valued under each method.

**Part II Change in Pooling Inventories**

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
  - a A description of the types of products produced by the applicant. If possible, attach a brochure.
  - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
  - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, the applicant should explain the reasons for the separate facilities, indicate the location of each facility, and provide a description of the products each facility produces.
  - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
  - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
  - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
  - g A statement addressing whether, within the proposed NBU pool(s), there are items sold to others and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

**Part III Change to Inventory Price Index Computation (IPIC) Method** (See page 4 of the instructions.)

If changing to the IPIC method, attach the following items.

- 1 A completed Form 970.
- 2 A statement indicating which indexes, tables, and categories the applicant proposes to use.



**Section A—Allocation and Capitalization Methods** (Schedule C, Part III continued.) (See page 4 of the instructions.)

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to property produced or acquired for resale. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to property produced or acquired for resale. The description must include the following information.

- 1 The method of allocating direct and indirect costs (i.e., specific identification method, burden rate method, standard cost method, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation method, step-allocation method, simplified service cost method using the labor-based allocation ratio, or the simplified service cost method using the production cost allocation ratio).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production method with or without the historic absorption ratio election, simplified resale method with or without the historic absorption ratio election including permissible variations, or the U.S. ratio method).

**Section B—Direct and Indirect Costs Required To Be Allocated** (See Regulations under sections 263A and 451.)

	Present method	Proposed method
1 Direct material . . . . .		
2 Direct labor . . . . .		
3 Indirect labor . . . . .		
4 Officers' compensation (not including selling activities) . . . . .		
5 Pension and other related costs . . . . .		
6 Employee benefits . . . . .		
7 Indirect materials and supplies . . . . .		
8 Purchasing costs . . . . .		
9 Handling, processing, assembly, and repackaging costs . . . . .		
10 Offsite storage and warehousing costs . . . . .		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle . . . . .		
12 Depletion . . . . .		
13 Rent . . . . .		
14 Taxes other than state, local, and foreign income taxes . . . . .		
15 Insurance . . . . .		
16 Utilities . . . . .		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity . . . . .		
18 Engineering and design costs (not including section 174 research and experimental expenses) . . . . .		
19 Rework labor, scrap, and spoilage . . . . .		
20 Tools and equipment . . . . .		
21 Quality control and inspection . . . . .		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant . . . . .		
23 Licensing and franchise costs . . . . .		
24 Capitalizable service costs (including mixed service costs) . . . . .		
25 Administrative costs (not including any costs of selling or any return on capital) . . . . .		
26 Research and experimental expenses attributable to long-term contracts . . . . .		
27 Interest . . . . .		
28 Other costs (Attach a list of these costs.) . . . . .		

**Section C—Other Costs Not Required To Be Allocated**

1 Marketing, selling, advertising, and distribution expenses . . . . .		
2 Research and experimental expenses not included on line 26 above . . . . .		
3 Bidding expenses not included on line 22 above . . . . .		
4 General and administrative costs not included in Section B above . . . . .		
5 Income taxes . . . . .		
6 Cost of strikes . . . . .		
7 Warranty and product liability costs . . . . .		
8 Section 179 costs . . . . .		
9 On-site storage . . . . .		
10 Depreciation, amortization, and cost recovery allowance not included on line 11 above . . . . .		
11 Other costs (Attach a list of these costs.) . . . . .		

**Schedule D—Change in Reporting Advance Payments and Depreciation/Amortization**

**Part I Change in Reporting Advance Payments** (See page 4 of the instructions.)

- 1 If the applicant is requesting to defer advance payment for services under Rev. Proc. 71-21, 1971-2 C.B. 549, attach the following information.
  - a Sample copies of all service agreements used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the service agreement that require the taxpayer to perform services.
  - b If any parts or materials are provided, explain how the parts or materials relate to the services provided and provide the cost of such parts or materials as an absolute number and a percentage of the contract price.
  - c If the change relates to contingent service contracts, explain how the contracts relate to merchandise that is sold, leased, installed, or constructed by the applicant and whether the applicant offers to sell, lease, install, or construct without the service agreement.
  - d A description of the method the applicant will use to determine the amount of income earned each year on contingent contracts and why that method clearly reflects income earned and related expenses in each year.
- 2 If the applicant is requesting a deferral of advance payments for goods under Regulations section 1.451-5, attach the following information.
  - a Sample copies of all agreements for goods or items requiring advance payments used by the applicant that are subject to the requested change in accounting method. Indicate the particular parts of the agreement that require the applicant to provide goods or items.
  - b A statement providing that the entire advance payment is for goods or items. If not entirely for goods or items, a statement that an amount equal to 95% of the total contract price is properly allocable to the obligation to provide activities described in Regulations section 1.451-5(a)(1)(i) or (ii) (including services as an integral part of those activities).

**Part II Change in Depreciation or Amortization** (See page 4 of the instructions.)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

**Note:** If the property has been disposed of before the beginning of the year of change, a method change is not permitted for that property. See **Automatic Change Procedures** on page 1 of the instructions for information regarding automatic changes under sections 167, 168, and 197. Also see **When Not To File Form 3115** on page 4 of the instructions for information concerning retroactive elections and election revocations.

- 1 Is depreciation for the property figured under Regulations section 1.167(a)-11 (CLADR)? . . . . .  **Yes**  **No**  
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?  **Yes**  **No**  
If "Yes," enter the applicable section ► .....
- 3 Has a depreciation or amortization election been made for the property (e.g., the election under section 168(f)(1))?  **Yes**  **No**  
If "Yes," state the election made ► .....
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? . . . . .  **Yes**  **No**
- c Is the property public utility property? . . . . .  **Yes**  **No**
- 5 To the extent not already provided in the applicant's description of its present method, explain how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, provide the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information under both the present (if applicable) and proposed methods.
  - a The Code section under which the property is depreciated or amortized (e.g., section 168(g)).
  - b If the property is depreciated under section 168, identify the applicable asset class in Rev. Proc. 87-56, 1987-2 C.B. 674. (If none, state so and explain why.) Also provide the facts supporting the asset class under the proposed method.
  - c The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
  - d The useful life, recovery period, or amortization period of the property.
  - e The applicable convention of the property.

