

Application for Change in Accounting Method

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

Name of applicant (If joint return is filed, also give spouse's name.)	Identifying number (See page 2 of the instructions.)
Number, street, and room or suite no. (If a P.O. box, see page 2 of the instructions.)	Due date for filing Form 3115
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 () / ()
Check the appropriate box to indicate who is filing this form. <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 ▶	Check the appropriate box to indicate the type of accounting method change being requested. (See page 2 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 unless otherwise indicated.)

		Yes	No
1 Is the applicant changing its method of accounting under a revenue procedure or other published IRS document that provides for automatic changes? (See page 1 of the instructions.) If "Yes," enter the citation of the revenue procedure or the title of the applicable document. ▶	☐	☐	☐
2a Is the applicant a member of an affiliated group filing a consolidated return for the year of change? If "Yes," attach the parent corporation's (1) name, (2) identifying number, (3) address, and (4) tax year. If "No," go to line 3a.	☐	☐	☐
b Do all other members of the affiliated group use the method of accounting being requested on this application? . . . If "No," attach an explanation.	☐	☐	☐
3a Prior to submitting Form 3115, has the applicant, or any member of the affiliated group that has been included in a consolidated return with the applicant, been contacted by the IRS to schedule an examination of any of its Federal income tax returns, or was an examination in process? See section 3.02 of Rev. Proc. 92-20, 1992-1 C.B. 685 . . . If "Yes," complete lines 3b and 3c.	☐	☐	☐
b Indicate the "window period" referred to in section 6 of Rev. Proc. 92-20 that applies, or state if the change is being requested with the consent of the district director under section 6.06. ▶	☐	☐	☐
c Has a copy of this Form 3115 been provided to the district director? See section 10.06 of Rev. Proc. 92-20 . . .	☐	☐	☐
4a Does the applicant have any Federal income tax returns under consideration by an appeals office? See section 4.02 of Rev. Proc. 92-20	☐	☐	☐
b If "Yes," has the applicant attached the required statement from the appeals officer?	☐	☐	☐
5a Does the applicant have any Federal income tax returns under consideration before any Federal court? See section 4.03 of Rev. Proc. 92-20	☐	☐	☐
b If "Yes," has the applicant attached the required statement from counsel for the Government?	☐	☐	☐
6 Is this the first tax year the applicant is required to change its method of accounting under the Internal Revenue Code or regulations? (i.e., sections 263A, 447, 448, 460, or 585) If "Yes," enter the applicable section. ▶	☐	☐	☐

Signature—All Applicants (See page 2 of the instructions.)

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

<p>Applicant</p> <p>-----</p> <p style="text-align: center;">Officer's signature and date</p> <p>-----</p> <p style="text-align: center;">Name and title (print or type)</p> <p>-----</p> <p style="text-align: center;">Signature(s) of individual or firm preparing the application and date</p>	<p>Parent corporation (if applicable)</p> <p>-----</p> <p style="text-align: center;">Parent officer's signature and date</p> <p>-----</p> <p style="text-align: center;">Name and title (print or type)</p> <p>-----</p> <p style="text-align: center;">Name of firm preparing the application</p>
---	--

Part II Description of Change

	Yes	No
7 Enter the gross receipts for the 4 tax years preceding the year of change. (See page 2 of the instructions.) \$ \$ \$ \$		
8 Tax year of change begins (month, day, year) ▶ and ends (month, day, year) ▶		
9 Is the applicant applying to change its overall method of accounting? If "Yes," check appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also complete Schedule A on page 3. Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (attach description) Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Other (attach description)		
10 If the applicant is not changing its overall method of accounting, attach a description of each of the following: a The item(s) being changed. b The applicant's present method for the item being changed. c The applicant's proposed method for the item being changed. d The applicant's overall method of accounting. • Applicants filing under an automatic change procedure: Skip lines 11 through 19 and go to line 20.		
11 Attach an explanation of the legal basis supporting the proposed change. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed change. The applicant is encouraged to include a discussion of any authorities that may be contrary to the proposed change in method of accounting.		
12 Attach a statement of the applicant's reasons for the proposed change.		
13 Attach a copy of all documents directly related to the proposed change. (See page 2 of the instructions.)		
14 Attach an explanation of whether the proposed method of accounting conforms to generally accepted accounting principles (GAAP) and state whether the proposed method will be used for financial accounting purposes, including financial statements. (Insurance companies, see page 2 of the instructions.)		
15 Does the applicant assert that its present method is a Category A method as defined in section 3.06 of Rev. Proc. 92-20? If "Yes," attach a statement giving the legal basis for the determination.		
16 Is the applicant's present method a "Designated B" method as defined in section 3.09 of Rev. Proc. 92-20? (See page 2 of the instructions.) If "Yes," enter the title of the designating document. ▶		
17 Attach a description of the applicant's trade or business, operations, goods and services, and any other types of activities generating gross income.		
18a Does the applicant have more than one trade or business as defined in Regulations section 1.446-1(d)? 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 its accounting method in the last 6 years, and whether the business is changing its accounting method as part of this application or as a separate application.		
19 Attach a statement addressing whether the applicant has entered (or is considering entering) into a transaction (for example, a reorganization or merger) to which section 381(c)(4) or (5) applies during the tax year of change. Also include in the statement an explanation of any changes in method of accounting that resulted (or will result) from the transaction(s).		

Part III Section 481(a) Adjustment

	Yes	No
20 Enter the net section 481(a) adjustment for the year of change. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$		
21 Enter the adjustment that would have been required if the requested change had been made for the tax year preceding the year of change. Indicate (+) or (-). ▶ \$ (See page 3 of the instructions.)		
22 Is any part of the adjustment attributable to transactions between members of an affiliated group, a controlled group, or other related parties? If "Yes," attach an explanation.		
23 Has the adjustment for the year of change been reduced by a pre-1954 amount?		
24 Enter the number of years the present method has been used by the applicant. ▶ (See page 3 of the instructions.)		
25 Enter the applicable period over which the applicant proposes to take the adjustment into account. ▶		
26 If the adjustment for the year of change is less than \$25,000, does the applicant elect to take the entire adjustment into account in the year of change?		
27 Enter the NOL, if any, that will expire in the year of change. ▶ \$		
28 Enter the credit carryover, if any, that will expire in the year of change. ▶ \$		

Part IV Additional Information (Applicants filing under an automatic change procedure, skip Part IV.)

	Yes	No
29 Has the applicant, predecessor, or related party requested or made a change in accounting method or accounting period in the past 6 years? If "Yes," attach a description of each change, the year of change, and whether a ruling letter was received. If a ruling letter granting the change was received but the change was not made, include an explanation.		
30 Does the applicant, predecessor, or related party currently have pending any request for a private letter ruling, a request for change in accounting method or accounting period, or a request for technical advice? If "Yes," for each such request, indicate the name(s) of the entity, type of request (method, tax year, etc.) and the specific issue in each request.		
31 Has the applicant attached Form 2848 , Power of Attorney and Declaration of Representative? (See page 3 of the instructions.)		
32 Does the applicant request a conference of right at the IRS National Office if the IRS proposes an adverse response?		
33 Enter the amount of user fee attached to this application. ► \$ (See page 2 of the instructions.)		
34 If the applicant qualifies for a reduced user fee for identical accounting method changes, has the information required by Rev. Proc. 92-90, 1992-2 C.B. 501, been attached?		

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I 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 provide a breakdown of the amounts entered on lines 1a through 1g.

	Amount
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.)	\$

2 Is the applicant also requesting the recurring item exception (section 461(h)) (See page 3 of the instructions)?. **Yes** **No**

Part II Change to the Cash Method (See page 3 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 3 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 (i.e., 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 (IPI) computation method, etc.).
 - c** Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPI computation 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 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 and state the base year for each dollar-value pool the applicant presently uses and proposes to use.
- 2** If 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.

Part III Change to Inventory Price Index (IPI) Computation Method (See page 3 of the instructions.)

If changing to the IPI computation method, attach the following items.

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

Schedule C—Change in the Treatment of Long-Term Contracts, Inventories, or Other Section 263A Assets

Part I Change in Reporting Income From Long-Term Contracts (Complete Part I and Part III below. See page 3 of the instructions.)

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income from long-term contracts.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1)?
b If "Yes," do all the contracts qualify for the exception under section 460(e)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," explain the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c If any of the manufacturing goods are sold or distributed without installation, attach an explanation.
4 If the applicant is requesting to use the percentage of completion method under section 460(b) for reporting its long-term contract income, indicate whether the applicant is electing to determine the completion factor for each long-term contract under the simplified cost-to-cost method.
5 Does the applicant want to change the accounting method for all long-term contracts that were outstanding at the beginning of the year of change?
6 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories (Complete Part III if applicable. See page 3 of the instructions.)

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3 Does the proposed change involve a change in the treatment of package design costs?
4 Is the applicant's present inventory valuation method in compliance with section 263A?
5a Check (/) the appropriate boxes below that identify the present and proposed inventory identification and valuation methods being changed and the present inventory identification and valuation methods not being changed.

Identification methods:

- Specific identification
FIFO
LIFO

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Includes a shaded row for value entry.

- b Enter the value at the end of the tax year preceding the year of change
6 Attach the computation used to determine the section 481(a) adjustment.
7 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information.
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b A statement describing how the proposed method is consistent with the requirements of Regulations section 1.472-6.
c The termination event statement required by section 7 of Rev. Proc. 88-15, 1988-1 C.B. 683, or section 9.03 of Rev. Proc. 92-20 (whichever is applicable) and an explanation if there has been a termination event.

Part III Method of Cost Allocation (See page 4 of the instructions.)

Complete this part if the requested change involves either property subject to section 263A or to long-term contracts subject to section 460. Check (/) the appropriate boxes in Sections B and C showing which costs, under both the present and proposed methods, are fully included, to the extent required, in the cost of property produced or acquired for resale under

section 263A or allocated to long-term contracts under section 460. If a box is not checked, it is assumed that those costs are not fully included to the extent required. If a cost is not fully included, attach an explanation. Mark "N/A" in a box if those costs are not incurred by the applicant with respect to its production, resale, or long-term contract activities.

Section A—Allocation and Capitalization Methods (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 (specific identification method; burden rate method; standard cost method; or other reasonable allocation method).
- 2 The method of allocating mixed service costs (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 (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. Supply 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 for section 167 property** in the instructions for Part II, Schedule D, on page 4, for information regarding automatic changes under Rev. Proc. 74-11, 1974-1 C.B. 420. Also in Part II, see **When Not To File Form 3115** 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, describe 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.