

depreciation method, recovery period, convention, and asset class.

Section 1.168(i)-1 applies to property subject to § 168 that is placed in service in taxable years ending on or after October 11, 1994. For property subject to § 168 that was placed in service after December 31, 1986, in taxable years ending before October 11, 1994, § 1.168(i)-1(l) provides that the Internal Revenue Service will allow any reasonable method that is consistently applied to the taxpayer's general asset accounts.

.02 Except as otherwise expressly provided, a taxpayer must obtain the consent of the Commissioner of Internal Revenue to change a method of accounting for federal income tax purposes. Section 446(e) and § 1.446-1(e)(2)(i). To obtain this consent, the taxpayer must file a Form 3115, Application for Change in Accounting Method, during the taxable year in which the taxpayer desires to make the proposed change. Section 1.446-1T(e)(3)(i).

.03 The Commissioner is authorized to prescribe administrative procedures setting forth the limitations, terms, and conditions necessary to obtain consent for effecting a change in method of accounting and to prevent amounts from being duplicated or omitted, including the taxable year or years in which the § 481(a) adjustment is to be taken into account. Section 1.446-1(e)(3)(ii).

SECTION 3. GENERAL ASSET ACCOUNT ELECTION

.01 Subject to section 3.02 of this revenue procedure, a taxpayer may elect to apply the general asset account rules in § 1.168(i)-1 for any item of property: (1) depreciated by the taxpayer under § 168; (2) placed in service by the taxpayer after December 31, 1986, in any taxable year ending before October 11, 1994; (3) for which the taxpayer has not previously made a general asset account election; and (4) held by the taxpayer as of the beginning of the year of change.

.02 This election may be made only if the taxpayer has records that establish: (1) the taxable year in which the property was placed in service by the taxpayer; (2) the applicable depreciation method, recovery period, and convention under § 168 for the property; (3) the unadjusted depreciable basis (as defined in § 1.168(i)-1(b)(1)) of the property as of the beginning of the year of change; and (4) the depreciation allowed or

26 CFR 601.204: *Changes in accounting periods and in methods of accounting.*

(Also Part I, §§ 168, 446, 481; 1.168(i)-1, 1.446-1.)

Rev. Proc. 97-30

SECTION 1. PURPOSE

This revenue procedure allows a taxpayer to make a general asset account election under § 168(i)(4) of the Internal Revenue Code for certain property that was placed in service in taxable years ending before October 11, 1994. The election set forth in this revenue procedure is available only for a taxable year ending in 1996 or 1997 (the year of change).

SECTION 2. BACKGROUND

.01 Section 168(i)(4) provides that, under regulations, a taxpayer may maintain one or more general asset accounts for any property to which § 168 applies. The rules for general asset accounts are provided in § 1.168(i)-1 of the Income Tax Regulations, which allows a taxpayer to make an election to group assets into one or more general asset accounts. The assets in any particular account are depreciated as a single asset. Each general asset account generally includes only assets that are placed in service by the taxpayer in the same taxable year and that have the same

allowable, whichever is greater, for the property as of the end of the taxable year immediately preceding the year of change.

SECTION 4. EFFECT OF ELECTION

.01 *In general.* If a taxpayer makes a general asset account election under this revenue procedure, the taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 to the property subject to the election, beginning with the year of change. Thus, pursuant to § 1.168(i)-1(k)(1), the election generally is irrevocable and will be binding on the taxpayer for computing taxable income for the year of change and for all subsequent taxable years. The election has no effect on the depreciation method, recovery period, and convention of the property.

.02 *Establishment of general asset accounts.* Any property subject to a general asset account election under this revenue procedure must be grouped into one or more general asset accounts in accordance with the rules in § 1.168(i)-1(c) and separate from any account formed in any taxable year prior to the year of change. In addition, each general asset account must include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve of the general asset account. The beginning balance for the unadjusted depreciable basis of the general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all property included in the general asset account. The beginning balance of the depreciation reserve of the general asset account is equal to the sum of the depreciation allowed or allowable, whichever is greater, as of the end of the taxable year immediately preceding the year of change for all property included in the general asset account.

SECTION 5. CHANGE IN METHOD OF ACCOUNTING

.01 *Consent.* A general asset account election for any item of property that is made pursuant to this revenue procedure is a change in method of accounting. Under § 1.446-1(e)(2)(i), the consent of the Commissioner is hereby granted to make this method change by any tax-

payer for any item of property for which a general asset account election is made pursuant to this revenue procedure. This consent is granted for the taxpayer's year of change. The consent is conditioned, however, on the taxpayer's complying with this revenue procedure. If the taxpayer does not comply with this revenue procedure, the taxpayer will be deemed to have initiated a change in method of accounting without obtaining the consent of the Commissioner required under § 446(e).

.02 *No § 481(a) adjustment.* Because the adjusted basis of the property is not changed by the general asset account election, the method change is made on a cut-off basis and, thus, no adjustment under § 481(a) is required or permitted.

.03 *Manner of making method change.*

(1) *Complete and file a current Form 3115.* The general asset account election under this revenue procedure is made on the taxpayer's timely filed original federal income tax return (including extensions) for the year of change or on an amended return for the year of change filed no later than December 20, 1997. The election is made by attaching a completed, current Form 3115 to the taxpayer's original or amended return for the year of change. The requirement to file a Form 3115 during the taxable year in which the taxpayer desires to make the proposed change is waived in accordance with § 1.446-1(e)(3)(ii).

(2) *No user fee.* No user fee is required for a Form 3115 filed under this revenue procedure. Any user fee that is submitted with any Form 3115 requesting permission to make a general asset account election under this revenue procedure will be returned to the taxpayer.

.04 *No protection from examination changes.* A general asset account election under this revenue procedure does not change the taxpayer's present method of computing depreciation allowances for the property subject to the election and, consequently, examination protection is not provided. Therefore, for any taxable year before the year of change, a taxpayer that receives consent to make a general asset account election under this revenue procedure does not thereby obtain protection from examination changes for the property included in the general asset account.

SECTION 6. EFFECTIVE DATE

An election may be made pursuant to this revenue procedure for a taxpayer's taxable year ending in 1996 or 1997.

SECTION 7. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 97-27, 1997-21 I.R.B. 10, is modified.

DRAFTING INFORMATION

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