

Administrative, Procedural, and Miscellaneous

26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also: Part I, Sections 446, 451; 1.451-1.)

Rev. Proc. 2019-37

SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2018-31, 2018-22 I.R.B. 637, to provide procedures under § 446 of the Internal Revenue Code (Code) and § 1.446-1(e) of the Income Tax Regulations to obtain automatic consent of the Commissioner of Internal Revenue (Commissioner) to change methods of accounting to comply with § 451 and the proposed regulations under §§ 1.451-3 and 1.451-8.

SECTION 2. BACKGROUND

.01 Section 13221 of the Tax Cuts and Jobs Act, Public Law 115-97, 131 Stat. 2054, 2113 (Dec. 22, 2017) (TCJA) made several changes to the timing of income for accrual method taxpayers by redesignating § 451(b) through (i) as § 451(d) through (k), and adding new § 451(b) and (c). New § 451(b) and (c) are generally effective for taxable years beginning after December 31, 2017. Section 451(b), as amended by the TCJA, generally provides that for an accrual method taxpayer the all events test with respect to

any item of gross income (or portion thereof) shall not be treated as met any later than when such item (or portion thereof) is taken into account as revenue in an applicable financial statement (AFS) of the taxpayer, or such other financial statement as the Secretary may specify. Section 451(c), as amended by the TCJA, provides an elective deferral method of accounting for an accrual method taxpayer that receives an advance payment during the taxable year.

.02 Concurrently with the release of this revenue procedure, the Department of Treasury and the Internal Revenue Service are issuing proposed regulations under § 1.451-3 (REG-104870-18) and § 1.451-8 (REG-104554-18). The proposed regulations under § 1.451-3 provide rules relating to the taxable year of inclusion in gross income under § 451(b) for taxpayers with an AFS. The proposed regulations under § 1.451-8 provide rules relating to the use of the deferral method for advance payments within the meaning of § 451(c) for taxpayers with or without an AFS. These proposed regulations generally apply to taxable years beginning on or after the date the final regulations are published in the Federal Register. However, until the date the Treasury decision adopting proposed § 1.451-3 is published in the Federal Register, a taxpayer may rely on proposed § 1.451-3 for taxable years beginning after December 31, 2017 (or in the case of the specified credit card fees defined in proposed § 1.451-3(i)(2), for taxable years beginning after December 31, 2018). However, a taxpayer relying on proposed § 1.451-3 is neither required to, nor permitted to, apply proposed § 1.451-3 to specified fees (as defined in proposed § 1.451-3(i)(2)) other than specified credit card fees. See proposed § 1.451-3(n). In addition, until the date the Treasury decision adopting proposed § 1.451-8 is published in the Federal Register, a taxpayer

may rely on proposed § 1.451-8 for taxable years beginning after December 31, 2017. See proposed § 1.451-8(f).

.03 Except as otherwise provided by the Code or the regulations, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner before changing a method of accounting for federal income tax purposes. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures that provide the terms and conditions necessary for a taxpayer to obtain consent to a change in method of accounting. Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1, and as modified by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to a change in method of accounting described in the List of Automatic Changes. Rev. Proc. 2018-31 contains the current List of Automatic Changes.

.04 Rev. Proc. 2018-60, 2018-51 I.R.B. 1045, added section 16.12 to Rev. Proc. 2018-31 for taxpayers that want to change their method of accounting for the timing of the recognition of income for federal income tax purposes to comply with § 451(b) as amended by the TCJA. In general, Rev. Proc. 2018-60 provides procedures for taxable years beginning after December 31, 2017. Rev. Proc. 2018-60 permits certain taxpayers to make changes in method of accounting to comply with § 451(b) using streamlined method change procedures if the change results in a zero § 481(a) adjustment or if the taxpayer requesting the change is a small business taxpayer, as defined in the guidance.

.05 Section 3 of this revenue procedure modifies Rev. Proc. 2018-31 to provide additional automatic changes in method of accounting for a taxpayer to change its method of accounting under § 451 to apply the proposed regulations under § 1.451-3 and/or § 1.451-8. Section 3 of this revenue procedure also modifies Rev. Proc. 2018-31 to provide an additional automatic change for a taxpayer that changes the manner in which it recognizes amounts in revenue in an AFS and that wants to change its method of accounting for federal income tax purposes.

SECTION 3. MODIFICATIONS TO REV. PROC. 2018-31

.01 Modifications to section 16.12 of Rev. Proc. 2018-31.

(1) The heading to section 16.12 of Rev. Proc. 2018-31 is modified to read as follows:

.12 Changes in the timing of income recognition under § 451(b) or proposed § 1.451-3, and changes relating to advance payments under proposed § 1.451-8.

(2) Section 16.12(1) of Rev. Proc. 2018-31 is modified to read as follows:

(1) Description of change. This change applies to an accrual method taxpayer with an applicable financial statement (AFS) that wants to make certain changes in method of accounting described in section 16.12(2)(a) of this revenue procedure for taxable years beginning after December 31, 2017, or, in the case of a specified credit card fee (as defined in proposed § 1.451-3(i)(2)), for taxable years beginning after December 31, 2018. This change also applies to a taxpayer without an AFS that wants to make certain changes in method of accounting described in section 16.12(2)(b) of this revenue procedure for a taxable year beginning after December 31, 2017. For purposes of this section 16.12, the term AFS is defined under § 451(b)(3), or for a

taxpayer making a change to apply proposed § 1.451-3 or proposed § 1.451-8, the term AFS is defined in proposed § 1.451-3(c)(1).

(3) Section 16.12(2) of Rev. Proc. 2018-31 is modified to read as follows:

(2) Applicability.

(a) Taxpayer with an AFS. This change applies to a taxpayer with an AFS that:

(i) wants to change to a method of accounting that treats an item of gross income, or portion thereof, as meeting the all events test no later than when such item, or portion thereof, is taken into account as revenue in its AFS under § 451(b)(1)(A);

(ii) is not adopting the New Standards (as defined in section 16.11(1) of this revenue procedure) for the year of change, and wants to allocate the transaction price to performance obligations under § 451(b)(4);

(iii) wants to change to a method of accounting that complies with the proposed regulations under § 1.451-3 (including a change for a specified credit card fee under §§ 1.451-3(i) and 1.1275-2(l)); or

(iv) wants to change to a method of accounting that complies with the proposed regulations under § 1.451-8(c).

(b) Taxpayer without an AFS. This change applies to a taxpayer that does not have an AFS and that wants to change to a method of accounting that complies with the proposed regulations under § 1.451-8(d).

(4) Section 16.12(3) of Rev. Proc. 2018-31 is modified to read as follows:

(3) Inapplicability. This change does not apply to:

(a) a taxpayer that wants to make a change for federal income tax purposes to a method that adopts the New Standards, as provided in section 16.11 of this revenue

procedure (for example, a change to comply with § 451(b)(4), proposed § 1.451-3(g), or proposed § 1.451-8(c)(6));

(b) a taxpayer that wants to make a change in method of accounting to a method described in § 451(b)(2);

(c) a taxpayer without an AFS that wants to change to defer income based on earned income under proposed § 1.451-8(d)(4)(ii) determined using the following: (i) a statistical basis if adequate data are available to the taxpayer; (ii) a straight line ratable basis over the term of the agreement; or (iii) the use of any other basis that in the opinion of the Commissioner results in a clear reflection of income; or

(d) a taxpayer that wants to make a change in method of accounting for specified fees (as defined in proposed § 1.451-3(i)(2)) other than specified credit card fees.

(5) Section 16.12(4) of Rev. Proc. 2018-31 is modified as follows:

(a) Section 16.12(4)(b) of Rev. Proc. 2018-31 is modified to read as follows:

(b) Special rules relating to § 481(a) adjustment or cut-off basis.

(i) Section 481(a) adjustment period for changes relating to specified credit card fees. In the case of income from a specified credit card fee, the § 481(a) adjustment period for any qualified change in method of accounting described in this section 16.12(4)(b)(i) is six taxable years (year of change and next five taxable years). For purposes of the preceding sentence, a qualified change in method of accounting is a change in method of accounting for income from a specified credit card fee to a method that is required by § 451(b), as added by section 13221 of the Tax Cuts and Jobs Act (TCJA), Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), for such income, but only for the taxpayer's first taxable year beginning after December 31, 2018.

Section 16.12(4)(b)(ii) of this revenue procedure may not be used for a change relating to specified credit card fees.

(ii) Cut-off basis or § 481(a) adjustment.

(A) Cut-off basis or § 481(a) adjustment for changes made under section 16.12(2)(a)(i) or (iii) of this revenue procedure. Except as otherwise provided in this section 16.12(4)(b)(ii), a taxpayer making a change described in section 16.12(2)(a)(i) or (iii) of this revenue procedure may implement the change with either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or on a cut-off basis provided the taxpayer is also making a concurrent method change under section 16.11 of this revenue procedure. See section 16.12(8)(b) of this revenue procedure for information on making this concurrent change. A taxpayer described in section 16.12(4)(c)(i)(B) of this revenue procedure that uses the streamlined procedures provided in section 16.12(4)(c) of this revenue procedure may not make a change in method of accounting on a cut-off basis. If the taxpayer makes a concurrent change under section 16.11 of this revenue procedure and implements the change under this section 16.12(4)(b)(ii) of this revenue procedure on a cut-off basis, (1) the change applies to contracts entered into on or after the beginning of the year of change, (2) all changes made under section 16.12(2)(a)(i) or (iii) of this revenue procedure must be implemented using a cut-off basis, and (3) a § 481(a) adjustment is neither permitted nor required. Notwithstanding anything to the contrary in this section 16.12(4)(b)(ii)(A), if a taxpayer is a member of a consolidated group (within the meaning of § 1.1502-1(h)), then the member must implement all changes under this section 16.12 with

respect to its intercompany transactions (within the meaning of § 1.1502-13(b)(1)(i)) under this section 16.12(4)(b)(ii) on a cut-off basis.

(B) Cut-off basis or § 481(a) adjustment for changes to use proposed § 1.451-8(c). Except as otherwise provided in this section 16.12(4)(b)(ii), a taxpayer making a change described in section 16.12(2)(a)(iv) of this revenue procedure may implement the change with either a § 481(a) adjustment as provided in sections 7.02 and 7.03 of Rev. Proc. 2015-13 or on a cut-off basis. A taxpayer described in section 16.12(4)(c)(i)(B) of this revenue procedure that uses the streamlined procedures provided in section 16.12(4)(c) of this revenue procedure may not make a change in method of accounting on a cut-off basis. If the taxpayer implements the change on a cut-off basis, (1) the change applies to contracts entered into on or after the beginning of the year of change, (2) all changes made under this section 16.12 to adopt proposed § 1.451-8(c) must be implemented using a cut-off basis, and (3) a § 481(a) adjustment is neither permitted nor required. Notwithstanding anything to the contrary in this section 16.12(4)(b)(ii)(B), if a taxpayer is a member of a consolidated group (within the meaning of § 1.1502-1(h)), then the member must implement all changes to adopt proposed § 1.451-8(c) with respect to its intercompany transactions (within the meaning of § 1.1502-13(b)(1)(i)) under this section 16.12(4)(b)(ii)(B) on a cut-off basis.

(b) Section 16.12(4)(c)(i) of Rev. Proc. 2018-31 is modified to read as follows:

(i) Applicability. The procedures described in this section 16.12(4)(c) may be used by a taxpayer to make a change in method of accounting described in section 16.12(2)(a)(i) or (ii) of this revenue procedure in the taxpayer's first taxable year beginning after December 31, 2017. The procedures described in this section

16.12(4)(c) may also be used by a taxpayer to make a change in method of accounting described in section 16.12(2)(a)(iii), 16.12(2)(a)(iv), or 16.12(2)(b) of this revenue procedure in the taxpayer's first or second taxable year beginning after December 31, 2017. A taxpayer is permitted to use the streamlined method change procedures if the taxpayer meets one of the following requirements:

(A) the taxpayer, other than a tax shelter (as defined in § 448(d)(3)), meets the § 448(c) gross receipts test (a "small business taxpayer"). The taxpayer meets the § 448(c) gross receipts test if the taxpayer has average annual gross receipts for the three prior taxable years of \$25,000,000 or less (adjusted for inflation); or

(B) the taxpayer is making one or more changes under section 16.12(2)(a) of this revenue procedure, and the § 481(a) adjustment required by each of the changes is zero. A taxpayer making more than one change in method of accounting under section 16.12(2)(a) of this revenue procedure is not permitted to net the § 481(a) adjustments to determine if the taxpayer meets the requirements to use the streamlined method change procedures. See section 16.12(8)(a) of this revenue procedure for more information on making a permitted concurrent change.

(6) Section 16.12(5) is modified as follows:

(a) Section 16.12(5)(b) of Rev. Proc. 2018-31 is modified to read as follows:

(b) Changes related to specified credit card fees. For a change related to income from a specified credit card fee, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first, second, or third taxable year beginning after December 31, 2018.

(b) Section 16.12(5)(c) of Rev. Proc. 2018-31 is modified to read as follows:

(c) Changes made under the streamlined method change procedures. For a change made using the streamlined procedures of section 16.12(4)(c) of this revenue procedure for a change in method of accounting described in section 16.12(2)(a)(i) or (ii) of this revenue procedure, the eligibility rule in section 5.01(f) of Rev. Proc. 2015-13 does not apply to this change for a taxpayer's first taxable year beginning after December 31, 2017. For a change made using the streamlined procedures of section 16.12(4)(c) of this revenue procedure for a change in method of accounting described in section 16.12(2)(a)(iii), 16.12(2)(a)(iv), or 16.12(2)(b) of this revenue procedure, the eligibility rule in section 5.01(f) of Rev. Proc. 2015-13 does not apply to this change for the taxpayer's first or second taxable year beginning after December 31, 2017.

(7) Section 16.12(6) of Rev. Proc. 2018-31 is modified to read as follows:

(6) Audit protection.

(a) Streamlined procedures. A taxpayer making a change in method of accounting under this section 16.12 using the streamlined method change procedures provided in section 16.12(4)(c) of this revenue procedure does not receive audit protection under section 8.01 of Rev. Proc. 2015-13.

(b) Taxpayers under examination.

(i) In general – certain audit protection exception temporarily inapplicable.

Except as otherwise provided in this section 16.12(6)(b), for a taxpayer's first, second, or third taxable year beginning after December 31, 2017, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under section 16.12(2)(a)(iii) or (iv) of this revenue procedure. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of

determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 8.02(1) of Rev. Proc. 2015-13. This paragraph applies to a taxpayer under examination that does not use the streamlined procedures described in section 16.12(4)(c) of this revenue procedure.

(ii) Changes related to specified credit card fees. For a change related to income from a specified credit card fee, for a taxpayer's first, second, or third taxable year beginning after December 31, 2018, the audit protection rule in section 8.02(1) of Rev. Proc. 2015-13 does not apply to a taxpayer that makes a change in method of accounting described in section 16.12(2)(a)(iii) of this revenue procedure. However, for a taxpayer's second or third taxable year beginning after December 31, 2018, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 8.02(1) of Rev. Proc. 2015-13.

(8) Section 16.12(7) of Rev. Proc. 2018-31 is modified to read as follows:

(7) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 16.12 of this revenue procedure for a change in method of accounting described in section 16.12(2)(a)(i) or (ii) of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The Director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4).

(9) Section 16.12(8) of Rev. Proc. 2018-31 is modified to read as follows:

(8) Concurrent automatic changes.

(a) In general. A taxpayer that wants to make one or more concurrent changes in method of accounting under this section 16.12 may file a single Form 3115 that includes all of the changes, must separately state the § 481(a) adjustment for each change, if applicable, and may not net the § 481(a) adjustment for a change with the § 481(a) adjustment from another change. However, a taxpayer that makes a concurrent change in method of accounting to allocate transaction price to performance obligations under section 16.12(2)(a)(ii), (iii), or (iv) of this revenue procedure is required to make the allocation change before a change to a method under section 451(b)(1)(A), the AFS income inclusion rule in proposed § 1.451-3, or the deferral method described in proposed § 1.451-8(c), as applicable. For example, a taxpayer that makes a change under both section 16.12(2)(a)(i) and (2)(a)(ii) of this revenue procedure is required to implement the change under section 16.12(2)(a)(ii) of this revenue procedure before making the change under section 16.12(2)(a)(i) of this revenue procedure.

(b) Concurrent change in the timing of recognition of income due to the New Standards. Except as provided in section 16.12(4)(c)(i) of this revenue procedure, a taxpayer that wants to make a change under section 16.12(2)(a)(i), (iii), or (iv) of this revenue procedure and a change under section 16.11 of this revenue procedure for the same year of change may file a single Form 3115 for both changes and enter the designated automatic accounting method change number for both changes on the appropriate line of Form 3115. A taxpayer that makes both changes is required to make

the change under section 16.11 of this revenue procedure before making the change under this section 16.12(2)(a)(i), (iii), or (iv), as applicable.

(10) Section 16.12(9) of Rev. Proc. 2018-31 is modified to read as follows:

(9) Designated automatic accounting method change number. The designated automatic method change number for a change under section 16.12(2)(a)(i) or (ii) of this revenue procedure is “239.” The designated automatic method change number for a change under section 16.12(2)(a)(iii), (iv), or 16.12(2)(b) of this revenue procedure (that is, a change to comply with the proposed regulations under § 1.451-3 or § 1.451-8) is “242.”

.02 Modification to section 16.11 of Rev. Proc. 2018-31. Section 16.11 of Rev. Proc. 2018-31 is modified to renumber existing paragraphs (6)-(10) as (7)-(11) and adding new paragraph (6) to read as follows:

(6) Under examination – certain audit protection exceptions temporarily inapplicable. For a taxpayer’s first, second, or third taxable year beginning after December 31, 2017, section 8.02(1) of Rev. Proc. 2015-13 does not apply to a change in method of accounting made under section 16.11(2) of this revenue procedure if the method of accounting to be used complies with the proposed regulations under § 1.451-3 and/or § 1.451-8. However, section 8.02(1) of Rev. Proc. 2015-13 continues to apply for purposes of determining the § 481(a) adjustment period for a positive § 481(a) adjustment provided in section 8.02(1) of Rev. Proc. 2015-13.

.03 Modifications to section 16.10 of Rev. Proc. 2018-31.

(1) The heading of section 16.10 of Rev. Proc. 2018-31 is modified as follows:

.10 Change in applicable financial statements (AFS) for purposes of applying certain revenue recognition methods of accounting.

(2) Section 16.10(1)(a) of Rev. Proc. 2018-31 is modified to add new divisions (ii)-(iv) to read as follows:

(ii) This change applies to a taxpayer that: (A) receives advance payments, as defined in proposed § 1.451-8(b)(1); (B) uses the deferral method described in proposed § 1.451-8(c); (C) changes the manner in which it recognizes advance payments in revenues in its AFS; and (D) wants to change its method of accounting to use its proposed method of recognizing advance payments in revenues in its AFS for determining the extent to which advance payments are included in income under proposed § 1.451-8(c).

(iii) This change applies to a taxpayer that: (A) includes amounts in income in accordance with § 451(b); (B) changes the manner in which the item, or portion thereof, is taken into account in revenue in its AFS; and (C) wants to change its method of accounting to use the proposed method of taking into account the item, or portion thereof, in revenue in its AFS for purposes of § 451(b), including, if applicable, allocation of the transaction price to performance obligations under § 451(b)(4).

(iv) This change applies to a taxpayer that: (A) includes amounts in income in accordance with proposed § 1.451-3; (B) changes the manner in which the item, or portion thereof, is taken into account as revenue in its AFS; and (C) wants to change its method of accounting to use the proposed method of taking into account the item, or portion thereof, in revenue in its AFS for purposes of proposed § 1.451-3, including for

purposes of allocating transaction price to performance obligations under proposed § 1.451-3(g).

(3) Section 16.10(1)(b) of Rev. Proc. 2018-31 is modified to renumber existing divisions (i) and (ii) as subparagraphs (i)(A) and (i)(B), respectively, to add a heading to (i), and to add division (ii) to read as follows:

(i) Changes relating to Rev. Proc. 2004-34.

(A) a taxpayer that uses a present method of accounting for advance payments that is not the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34. For example, this change does not apply to a taxpayer that uses the full inclusion method under section 5.01 of Rev. Proc. 2004-34;

(B) a taxpayer that wants to change its method for allocating payments under section 5.02(4) of Rev. Proc. 2004-34.

(ii) Changes relating to § 451(b), proposed § 1.451-3, or proposed § 1.451-8.

(A) a taxpayer whose present method of accounting does not use its AFS for purposes of § 451(b), proposed § 1.451-3, or proposed § 1.451-8;

(B) a change in the manner in which the taxpayer identifies contracts or determines the transaction price, including the inclusion and exclusion of variable consideration in the transaction price, under the New Standards, as defined in section 16.11(1) of this revenue procedure;

(C) any change in method of accounting that qualifies under another automatic change described in the List of Automatic Changes provided in this revenue procedure (or any successor); or

(D) with respect to a change described in section 16.10(1)(a)(ii) of this revenue procedure, a taxpayer whose present method is not the deferral method under proposed § 1.451-8(c). For example, this change does not apply to a taxpayer that uses the full inclusion method under § 451(c) or the non-AFS deferral method under proposed § 1.451-8(d).

(4) Section 16.10(1) of Rev. Proc. 2018-31 is modified to add new subparagraph (c) to read as follows:

(c) Restatements. A taxpayer's restatement of its AFS for financial accounting presentation does not affect the propriety of the taxpayer's method of accounting for revenue recognized in the prior taxable year(s). For example, if the taxpayer uses the deferral method described in section 5.02(3)(a) of Rev. Proc. 2004-34 for including advance payments in gross income in accordance with its AFS (even if the AFS for that taxable year is later restated), the taxpayer satisfies the requirement of section 16.10(1)(a)(i)(B) of this revenue procedure and may change its method of accounting under this section if it is otherwise eligible.

(5) Section 16.10(2) of Rev. Proc. 2018-31 is modified as follows:

(a) Section 16.10(2)(a) is modified to read as follows:

(a) Cut-off basis for certain changes. A change made under section 16.10(1)(a)(i) or (ii) of this revenue procedure is made on a cut-off basis and applies to items of income received by the taxpayer on or after the beginning of the year of change. Any advance payments received prior to the year of change are accounted for under the taxpayer's former method of accounting (that is, according to its former AFS), and any advance payments received in the year of change and in subsequent taxable

years are accounted for under the taxpayer's new method of accounting. A taxpayer that makes a change in allocation for purposes of § 451(c)(4)(D) must allocate any payment allocations prior to the year of change using the taxpayer's former method of accounting. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) Section 16.10(2)(b)(iv), (b)(v), and (b)(vi) are modified to read as follows:

(iv) for each applicant, identify the type of applicable financial statement used by the taxpayer, as defined in applicable guidance. See, as applicable, section 4.06 of Rev. Proc. 2004-34, § 451(b)(3), proposed § 1.451-8(b)(2), or proposed § 1.451-3(c)(1);

(v) a detailed and complete description of each type of item affected by the change in revenue recognition and the line number (or schedule) where the affected item is reflected on the federal tax return for the year of change, and if applicable, the section 481(a) adjustment for each change;

(vi) a detailed description of the basis used for revenue recognition (that is, the method the taxpayer uses in its applicable financial statement or how the taxpayer determines amounts earned, as applicable) both before and after the change in the revenue recognition policy for the applicable financial statement.

(c) Section 16.10(2) of Rev. Proc. 2018-31 is modified to add new subparagraph (c) to read as follows:

(c) Concurrent automatic change. A taxpayer may make more than one change under this section 16.10 on the same statement in lieu of a Form 3115 for the same year of change. The taxpayer must provide all of the information required for each change.

(6) The heading of section 16.10(5) of Rev. Proc. 2018-31 is modified to read as follows:

(5) Special rule – advance payments under Rev. Proc. 2004-34.

.04 Modification to section 15.01 of Rev. Proc. 2018-31. Section 15.01(5) of Rev. Proc. 2018-31, as modified by Rev. Proc. 2018-60, is modified to read as follows:

(5) No ruling on method used. The consent granted under section 9 of Rev. Proc. 2015-13 for a change made under section 15.01 of this revenue procedure is not a determination by the Commissioner that the new method of accounting is a permissible method of accounting under § 451 and does not create a presumption that the allocation method used under § 451(b)(4) is a permissible method of accounting. The Director may ascertain whether the new method of accounting is a permissible method of accounting under § 451 and whether the allocation method is permissible under § 451(b)(4). This section 15.01(5) does not apply to a taxpayer with an AFS that is making a change to comply with the proposed regulations under § 1.451-3.

SECTION 4. EFFECTIVE DATE

.01 In general. This revenue procedure is effective for taxable years beginning after December 31, 2017, or in the case of specified credit card fees, for taxable years beginning after December 31, 2018.

.02 Return of Form 3115 filed under the non-automatic change procedures. The National Office will return any Form 3115 requesting a change in method of accounting that was filed with the National Office on or before September 9, 2019, under the non-automatic procedures of Rev. Proc. 2015-13 for a taxable year beginning after December 31, 2017, that is pending with the National Office on September 9, 2019, and

that is described in section 3 of this revenue procedure. The National Office will send a letter to the taxpayer acknowledging the return of the Form 3115 and will return the user fee submitted with the Form 3115. For purposes of the rules of Rev. Proc. 2015-13, the timely resubmitted Form 3115 will be considered filed as of the date the taxpayer originally filed the Form 3115 under the non-automatic change procedures in Rev. Proc. 2015-13. This paragraph does not extend the date the taxpayer must file the original (returned) Form 3115 under section 6.03(1)(a)(i)(A) of Rev. Proc. 2015-13.

SECTION 5. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies Rev. Proc. 2018-31.

SECTION 6. PAPERWORK REDUCTION ACT

The collection of information contained in this revenue procedure has been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. 3507) under control number 1545–1551. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. The collection of information in this revenue procedure is in section 3.03. This information is necessary and will be used to determine whether the taxpayer properly changed to a permitted method of accounting. The collections of information are required for the taxpayer to obtain consent to change its method of accounting. The likely respondents are the following: individuals, farms, business or other for-profit institutions, nonprofit institutions, and small businesses or organizations that use an accrual method of accounting. The estimated cumulative annual reporting and/or recordkeeping burden for the method changes described under OMB control number

1545-1551 before this revenue procedure is 27,336 respondents, and a total annual reporting and/or recordkeeping burden of 30,580 hours. The estimated annual burden per respondent/recordkeeper under OMB control number 1545-1551 before this revenue procedure varies from 1/6 hour to 8½ hours, depending on individual circumstances, with an estimated average of 1¼ hours.

The estimated cumulative annual reporting and/or recordkeeping burden for the method changes described under OMB control number 1545-1551 after this revenue procedure is accounted for is 27,346 respondents, and a total annual reporting and/or recordkeeping burden is 31,479 hours. The change described in section 3.03 of this revenue procedure has an estimated annual burden per respondent/recordkeeper that varies from 3/4 hour to 2¼ hours, depending on individual circumstances, with an estimated average of 1½ hours. The estimated number of respondents is 80. The estimated annual frequency of responses is on occasion.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Peter E. Ford of the Office of the Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Ford on (202) 317-7003 (not a toll free call).