

26 CFR 1.168(k)-2: Additional first year depreciation deduction for property acquired and placed in service after September 27, 2017.
(Also Part I, §§ 168, 446; 1.446-1, 1.1502-68)

Rev. Proc. 2020-50

SECTION 1. PURPOSE

This revenue procedure provides guidance for taxpayers wishing to apply §§ 1.168(k)-2 and 1.1502-68 of the Income Tax Regulations, or to rely on the proposed regulations under § 168(k) of the Internal Revenue Code (Code) (REG-106808-19) that were published in the Federal Register on September 24, 2019 (84 FR 50152; 2019-41 I.R.B. 912) (2019 proposed regulations), for: (1) certain depreciable property acquired and placed in service after September 27, 2017, by the taxpayer during its taxable years ending on or after September 28, 2017, and before the taxpayer's first taxable year that begins on or after January 1, 2021; (2) certain plants planted or grafted, as applicable, after September 27, 2017, by the taxpayer during its taxable years ending on or after September 28, 2017, and before the taxpayer's first taxable year that begins on or after January 1, 2021; and (3) components acquired or self-constructed after September 27, 2017, of certain larger self-constructed property and placed in service by the taxpayer during its taxable years ending on or after September 28, 2017, and before the taxpayer's first taxable year that begins on or after January 1, 2021. If the

taxpayer retroactively applies §§ 1.168(k)-2 and 1.1502-68, or relies on the 2019 proposed regulations, this revenue procedure also allows the taxpayer to make a late election under § 168(k)(5), (k)(7), or (k)(10), § 1.168(k)-2(c) of the 2020 final regulations (as defined in section 2.02(4) of this revenue procedure) or the 2019 proposed regulations, or § 1.1502-68(c)(4) of the 2020 final regulations, or to revoke an election under § 168(k)(5), (k)(7), or (k)(10), or § 1.168(k)-2(c) of the 2019 proposed regulations, for the taxpayer's taxable years ending on or after September 28, 2017, and before the taxpayer's first taxable year that begins on or after January 1, 2021.

SECTION 2. BACKGROUND

.01 Amendments to § 168(k).

(1) Prior to amendment by § 13201 of Public Law 115-97 (131 Stat. 2054), commonly referred to as the Tax Cuts and Jobs Act (TCJA), § 168(k)(1) allowed a 50-percent additional first year depreciation deduction for qualified property for the taxable year in which the qualified property is placed in service by the taxpayer. Qualified property was defined in part as property the original use of which begins with the taxpayer.

(2) Section 13201 of the TCJA made several amendments to § 168(k). For example, the additional first year depreciation deduction percentage was increased from 50 to 100 percent; the property eligible for the additional first year depreciation deduction was expanded to include certain used depreciable property and certain film, television, or live theatrical productions; the placed-in-service date was extended from before January 1, 2020, to before January 1, 2027 (from before January 1, 2021, to

before January 1, 2028, for property described in § 168(k)(2)(B) or (C)); and the date on which a specified plant is planted or grafted by the taxpayer was extended from before January 1, 2020, to before January 1, 2027.

(3) Section 13201(d) of the TCJA also amended § 168(k) by adding § 168(k)(9) to the Code. It excludes from the definition of qualified property the following property: any property that is primarily used in a trade or business described in § 163(j)(7)(A)(iv), or any property used in a trade or business that has had floor plan financing indebtedness, as defined in § 163(j)(9), if the floor plan financing interest related to such indebtedness was taken into account under § 163(j)(1)(C).

(4) Section 13201(h) of the TCJA provides the effective dates of the amendments to § 168(k) made by § 13201 of the TCJA. Except as provided in § 13201(h)(2) of the TCJA, these amendments apply to property acquired and placed in service after September 27, 2017. However, property is not treated as acquired after the date on which a written binding contract is entered into for such acquisition. Section 13201(h)(2) of the TCJA provides that these amendments apply to specified plants planted or grafted after September 27, 2017.

(5) Unless otherwise provided, all references hereinafter in this revenue procedure to § 168(k) are references to § 168(k) as amended by the TCJA.

.02 Regulations under § 168(k).

(1) On August 8, 2018, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) published a notice of proposed rulemaking (REG-104397-18) in the Federal Register (83 FR 39292; 2018-41 I.R.B. 558) containing

proposed regulations under § 168(k) (2018 proposed regulations). Because of the amendments to § 168(k) by the TCJA, the 2018 proposed regulations updated existing regulations in § 1.168(k)-1 by providing a new section at § 1.168(k)-2 for property acquired and placed in service after September 27, 2017. The 2018 proposed regulations clarified statutory requirements that must be met for depreciable property to qualify for the additional first year depreciation deduction under § 168(k).

(2) On September 24, 2019, the Treasury Department and the IRS published final regulations adopting the 2018 proposed regulations with modifications in response to comments and testimony as T.D. 9874 (84 FR 50108; 2019-41 I.R.B. 809) (the 2019 final regulations). The 2019 final regulations made several modifications to the 2018 proposed regulations. For example, the 2019 final regulations provide: (a) a 5-year safe harbor for determining if the taxpayer or a predecessor previously had a depreciable interest in used property; (b) a rule for determining whether substantially renovated property was used by the taxpayer or a predecessor before its acquisition; (c) that the acquisition date of property that the taxpayer acquired pursuant to a written binding contract is the later of (i) the date on which the contract was entered into, (ii) the date on which the contract is enforceable under State law, (iii) if the contract has one or more cancellation periods, the date on which all cancellation periods end, or (iv) if the contract has one or more contingency clauses, the date on which all conditions subject to such clauses are satisfied; and (d) that property manufactured, constructed, or produced for a taxpayer by another person under a written binding contract entered into prior to the manufacture, construction, or production of the property for use by the

taxpayer in its trade or business or production of income, is self-constructed property for purposes of determining the acquisition date of such property.

(3) Along with the publication of the 2019 final regulations, the Treasury Department and the IRS published the 2019 proposed regulations, which propose amendments to the 2019 final regulations to provide additional guidance beyond that provided in the 2019 final regulations. For example, the 2019 proposed regulations provide rules regarding: (a) property described in § 168(k)(9), as described in section 2.01(3) of this revenue procedure; (b) whether the taxpayer or a predecessor previously had a depreciable interest in (i) used property where the prior use was de minimis, (ii) property acquired in a series of related transactions, and (iii) property acquired by a consolidated group; (c) a partner's prior depreciable interest in property held by a partnership; (d) when a contract to acquire a trade or business or an entity is binding; (e) the acquisition date for property not acquired pursuant to a written binding contract; and (f) components acquired or self-constructed after September 27, 2017, for larger self-constructed property for which manufacture, construction, or production began before September 28, 2017.

(4) On November 10, 2020, the Treasury Department and the IRS published final regulations adopting the 2019 proposed regulations with modifications in response to comments and testimony as T.D. 9916 (___ FR _____) (2020 final regulations). The 2020 final regulations made several modifications to the 2019 proposed regulations. For example, the 2020 final regulations modified the rules regarding: (a) whether the taxpayer or a predecessor previously had a depreciable interest in (i) used property

where the prior use was de minimis, (ii) property acquired in a series of related transactions, and (iii) property acquired by a consolidated group; and (b) components acquired or self-constructed after September 27, 2017, for larger self-constructed property for which manufacture, construction, or production began before September 28, 2017. The 2020 final regulations also did not retain the rules regarding a partner's prior depreciable interest in property held by a partnership. These rules will be withdrawn effective January 11, 2021 (___FR ____). The rules regarding whether the taxpayer or a predecessor previously had a depreciable interest in property acquired by a consolidated group were moved from § 1.168(k)-2 to § 1.1502-68.

(5) The 2020 final regulations also made a few modifications to the 2019 final regulations. For example, the 2020 final regulations: (a) clarified the application of the 5-year safe harbor for determining if the taxpayer or a predecessor previously had a depreciable interest in used property; (b) clarified the definitions of predecessor and class of property for basis adjustments under § 743; and (c) modified the definition of qualified improvement property to reflect the amendments made to § 168(e)(6) by § 2307 of the Coronavirus Aid, Relief, and Economic Security Act, Pub. L. 116-136, 134 Stat. 281 (March 27, 2020) (CARES Act).

(6) Hereinafter, the 2019 final regulations and the 2020 final regulations together are referred in this revenue procedure as the Final Regulations.

(7) Section 1.168(k)-2(h) provides the applicability dates of § 1.168(k)-2 in the Final Regulations. Section 1.1502-68(e) provides the applicability dates of § 1.1502-68 in the Final Regulations.

(8) In general, § 1.168(k)-2(h)(1) and § 1.1502-68(e)(1) of the 2020 final regulations provide that § 1.168(k)-2 and § 1.1502-68 in the Final Regulations, respectively, apply to: (a) depreciable property acquired after September 27, 2017, by the taxpayer and placed in service by the taxpayer during or after the taxpayer's taxable year that begins on or after January 1, 2021; (b) a specified plant for which the taxpayer properly made an election to apply § 168(k)(5) and that is planted, or grafted to a plant that was previously planted, by the taxpayer during or after the taxpayer's taxable year that begins on or after January 1, 2021; and (c) components acquired or self-constructed after September 27, 2017, of larger self-constructed property described in § 1.168(k)-2(c)(2) of the 2020 final regulations and placed in service by the taxpayer during or after the taxpayer's taxable year that begins on or after January 1, 2021.

(9) Section 1.168(k)-2(h)(2) of the 2020 final regulations directs taxpayers to § 1.168(k)-2 of the 2019 final regulations for the applicability of those regulations to taxable years beginning before January 1, 2021.

(10) Sections 1.168(k)-2(h)(3) and 1.1502-68(e)(2) of the 2020 final regulations allow a taxpayer to choose to apply the Final Regulations to periods before their specified applicability dates. In general, § 1.168(k)-2(h)(3)(i) and § 1.1502-68(e)(2)(i) allow a taxpayer to apply both the rules in § 1.168(k)-2 and, to the extent relevant, in § 1.1502-68, of the Final Regulations, in their entirety and in a consistent manner, to: (a) depreciable property acquired and placed in service after September 27, 2017, by the taxpayer during the taxpayer's taxable years ending on or after September 28, 2017; (b) a specified plant for which the taxpayer properly made an election to apply

§ 168(k)(5) and that is planted, or grafted to a plant that was previously planted, after September 27, 2017, by the taxpayer during the taxpayer's taxable years ending on or after September 28, 2017; and (c) components acquired or self-constructed after September 27, 2017, of larger self-constructed property described in § 1.168(k)-2(c)(2) of the 2020 final regulations and placed in service by the taxpayer during the taxpayer's taxable years ending on or after September 28, 2017. In the case of property described in § 1.1502-68(e)(2)(i) of the Final Regulations that is acquired in a transaction that satisfies the requirements of § 1.1502-68(c)(1)(ii) or (c)(2)(ii) of the Final Regulations, §§ 1.168(k)-2(h)(3)(ii) and 1.1502-68(e)(2)(ii) of the Final Regulations provide that the taxpayer may apply §§ 1.168(k)-2 and 1.1502-68 of the Final Regulations, in their entirety and in a consistent manner, to such property only if those rules are applied, in their entirety and in a consistent manner, by all parties to the transaction, including the transferor member, the transferee member, and the target, as applicable, and the consolidated groups of which they are members, for the taxable year(s) in which the transaction occurs and the taxable year(s) that includes the day after the deconsolidation date, as defined in § 1.1502-68(a)(2)(iii) of the Final Regulations. Finally, § 1.168(k)-2(h)(3)(iii) and § 1.1502-68(e)(2)(iii) of the Final Regulations provide that, once a taxpayer applies the rules of § 1.168(k)-2 and, to the extent relevant, the rules of § 1.1502-68, in their entirety, for a taxable year, the taxpayer must continue to apply the rules of § 1.168(k)-2 and, to the extent relevant, the rules of § 1.1502-68, in their entirety, for the taxpayer's subsequent taxable years.

(11) The preamble to the 2020 final regulations provides that a taxpayer also may rely on § 1.168(k)-2 in the 2019 proposed regulations with respect to depreciable property, including certain components, acquired and placed in service after September 27, 2017, or certain plants planted or grafted after September 27, 2017, as applicable, by the taxpayer during taxable years ending on or after September 28, 2017, and ending before the taxpayer's first taxable year that begins on or after January 1, 2021, if (a) the taxpayer follows these proposed regulations in their entirety, except for § 1.168(k)-2(b)(3)(iii)(B)(5) in the 2019 proposed regulations, and in a consistent manner, and (b) all members of a consolidated group consistently rely on the same set of rules. Further, in the case of such property that is acquired in a transaction described in § 1.168(k)-2(b)(3)(v)(C) or (D) in the 2019 proposed regulations, the taxpayer may rely on § 1.168(k)-2 in the 2019 proposed regulations for such property only if the rules are followed, in their entirety and in a consistent manner, by all parties to the transaction, including the transferor member, the transferee member, and the target, as applicable, and the consolidated groups of which they are members, for the taxable year(s) in which the transaction occurs and the taxable year(s) that includes the day after the Deconsolidation Date. For this purpose, the terms transferor member, transferee member, and target have the meanings provided in § 1.168(k)-2(b)(3)(v)(C) and (D) in the 2019 proposed regulations, and the term Deconsolidation Date has the meaning provided in § 1.168(k)-2(b)(3)(v)(C)(1) in the 2019 proposed regulations.

.03 Elections.

(1) Section 168(k)(5)(A) allows a taxpayer to make an election to apply the special rules of § 168(k)(5) to one or more specified plants that are planted, or grafted to a plant that has already been planted, by the taxpayer in the ordinary course of its farming business, as defined in § 263A(e)(4) (§ 168(k)(5) election). The rules and procedures for making the § 168(k)(5) election are set forth in § 1.168(k)-2(f)(2) of the Final Regulations. Pursuant to § 1.168(k)-2(f)(2)(ii) of the Final Regulations, the § 168(k)(5) election must be made by the due date, including extensions, of the Federal income tax return or Form 1065, U.S. Return of Partnership Income, for the taxable year in which the taxpayer planted or grafted the specified plant to which the § 168(k)(5) election applies, and is made in the manner prescribed on Form 4562, Depreciation and Amortization, and its instructions. For specified plants planted, or grafted to a plant that was previously planted, by the taxpayer before the applicability date set forth in § 1.168(k)-2(h)(1) of the 2019 final regulations, section 4.05 of Rev. Proc. 2017-33, 2017-19 I.R.B. 1236, provides the time and manner for making the § 168(k)(5) election, and such procedures are the same as in § 1.168(k)-2(f)(2)(ii) of the Final Regulations. Further, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year beginning in 2017 and ending on or after September 28, 2017, sections 4.01(2) and 4.02 of Rev. Proc. 2019-33, 2019-34 I.R.B. 662, provide special procedures to allow the taxpayer to make a deemed § 168(k)(5) election or a late § 168(k)(5) election for a specified plant planted, or grafted to a plant that was previously planted, by the taxpayer after September 27, 2017. Also, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's

taxable year ending in 2018, 2019, or 2020, and such return was filed on or before April 17, 2020, section 4 of Rev. Proc. 2020-25, 2020-19 I.R.B. 785, as modified by section 8 of this revenue procedure, provides special procedures to allow the taxpayer to make a late § 168(k)(5) election for a specified plant planted, or grafted to a plant that was previously planted, by the taxpayer after September 27, 2017, during such taxable year. Finally, pursuant to § 1.168(k)-2(f)(7) of the 2020 final regulations, the IRS may issue guidance published in the Internal Revenue Bulletin (IRB) that provides alternative procedures for making the § 168(k)(5) election.

(2) Section 168(k)(7) allows a taxpayer to make an election not to deduct the additional first year depreciation for any class of property that is qualified property placed in service during the taxable year (§ 168(k)(7) election). The rules and procedures for making the § 168(k)(7) election are set forth in § 1.168(k)-2(f)(1) of the Final Regulations. Section 1.168(k)-2(f)(1)(ii) of the Final Regulations defines “class of property” for purposes of the § 168(k)(7) election. Pursuant to § 1.168(k)-2(f)(1)(iii) of the Final Regulations, the § 168(k)(7) election must be made by the due date, including extensions, of the Federal income tax return or Form 1065 for the taxable year in which the qualified property is placed in service by the taxpayer, and is made in the manner prescribed on Form 4562, Depreciation and Amortization, and its instructions. For qualified property placed in service by the taxpayer before the applicability date set forth in § 1.168(k)-2(h)(1) of the 2019 final regulations, section 4.04 of Rev. Proc. 2017-33 provides the time and manner for making the § 168(k)(7) election, and such procedures are the same as in § 1.168(k)-2(f)(1)(iii) of the Final Regulations. Further, if

a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year beginning in 2017 and ending on or after September 28, 2017, sections 5.02(2) and 5.03 of Rev. Proc. 2019-33 provide special procedures to allow the taxpayer to make a deemed § 168(k)(7) election or a late § 168(k)(7) election for a class of property that is qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during such taxable year. Also, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year ending in 2018, 2019, or 2020, and such return was filed on or before April 17, 2020, section 4 of Rev. Proc. 2020-25, as modified by section 8 of this revenue procedure, provides special procedures to allow a taxpayer to make a late § 168(k)(7) election for a class of property that is qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during such taxable year. Finally, pursuant to § 1.168(k)-2(f)(7) of the 2020 final regulations, the IRS may issue guidance published in the IRB that provides alternative procedures for making the § 168(k)(7) election.

(3) Section 168(k)(10) allows a taxpayer to make an election to deduct 50 percent, instead of 100 percent, additional first year depreciation for: (a) all qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during its taxable year that includes September 28, 2017; and (b) all specified plants that are planted, or grafted to a plant that has already been planted, after September 27, 2017, by the taxpayer in the ordinary course of the taxpayer's farming business during its taxable year that includes September 28, 2017, if the

taxpayer makes the § 168(k)(5) election for that taxable year (§ 168(k)(10) election).

The rules and procedures for making the § 168(k)(10) election are set forth in § 1.168(k)-2(f)(3) of the Final Regulations. Pursuant to § 1.168(k)-2(f)(3)(ii) of the Final Regulations, the § 168(k)(10) election must be made by the due date, including extensions, of the Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 28, 2017, and is made in the manner prescribed on the 2017 Form 4562, Depreciation and Amortization, and its instructions. For qualified property placed in service, and specified plants planted, or grafted to a plant that was previously planted, by the taxpayer before the applicability date set forth in § 1.168(k)-2(h)(1) of the 2019 final regulations, section 6.02 of Rev. Proc. 2019-33 provides the time and manner for making the § 168(k)(10) election, and such procedures are the same as in § 1.168(k)-2(f)(3)(ii) of the Final Regulations. Further, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year beginning in 2017 and ending on or after September 28, 2017, sections 6.03(2) and 6.04 of Rev. Proc. 2019-33 provide special procedures to allow the taxpayer to make a deemed § 168(k)(10) election or a late § 168(k)(10) election for all qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during such taxable year, or for all specified plants planted, or grafted to a plant that was previously planted, by the taxpayer after September 27, 2017. Also, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 27, 2017, section 4 of Rev. Proc. 2020-25, as modified by section 8 of this revenue procedure, provides special procedures to allow a

taxpayer to make a late § 168(k)(10) election for all qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during such taxable year, or for all specified plants planted, or grafted to a plant that was previously planted, by the taxpayer after September 27, 2017, during such taxable year. Finally, pursuant to § 1.168(k)-2(f)(7) of the 2020 final regulations, the IRS may issue guidance published in the IRB that provides alternative procedures for making the § 168(k)(10) election.

(4) Section 1.168(k)-2(f)(5) of the Final Regulations provides that, in general, the § 168(k)(5) election, § 168(k)(7) election, and § 168(k)(10) election, once made, may be revoked only by filing a request for a private letter ruling and obtaining the written consent of the Commissioner of Internal Revenue (Commissioner) to revoke the election. Further, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year beginning in 2017 and ending on or after September 28, 2017, sections 4.03, 5.04, and 6.05 of Rev. Proc. 2019-33 provide special procedures to allow the taxpayer to revoke its § 168(k)(5) election, § 168(k)(7) election, and § 168(k)(10) election, respectively, made for such taxable year. Also, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year ending in 2018, 2019, or 2020, and such return was filed on or before April 17, 2020, section 5 of Rev. Proc. 2020-25 provides special procedures to allow a taxpayer to revoke its § 168(k)(5) election or § 168(k)(7) election made for such taxable year. And, if a taxpayer timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 28, 2017, and such return was filed on or before

April 17, 2020, section 5 of Rev. Proc. 2020-25 provides special procedures to allow a taxpayer to revoke its § 168(k)(10) election made for such taxable year. Finally, pursuant to § 1.168(k)-2(f)(7) of the 2020 final regulations, the IRS may issue guidance published in the IRB that provides alternative procedures for revoking the § 168(k)(5) election, § 168(k)(7) election, or § 168(k)(10) election.

(5) Section 1.168(k)-2(c)(1) of the 2020 final regulations allows a taxpayer to make an election to treat any acquired or self-constructed component, as described in § 1.168(k)-2(c)(3) of the 2020 final regulations, of the larger self-constructed property, as described in § 1.168(k)-2(c)(2) of the 2020 final regulations, as being eligible for the additional first year depreciation deduction under § 1.168(k)-2, assuming all requirements of § 168(k) and § 1.168(k)-2 are met (component election). The rules and procedures for making the component election are set forth in § 1.168(k)-2(c) of the 2020 final regulations. Pursuant to § 1.168(k)-2(c)(6) of the 2020 final regulations, the component election must be made by the due date, including extensions, of the Federal income tax return or Form 1065 for the taxable year in which the taxpayer placed in service the larger self-constructed property, and is made by attaching a statement to such return or Form 1065 indicating that the taxpayer is making the component election and whether the taxpayer is making the component election for all or some of the components described in § 1.168(k)-2(c)(3) of the 2020 final regulations. Section 1.168(k)-2(c)(7) of the 2020 final regulations provides that, in general, the component election, once made, may be revoked only by filing a request for a private letter ruling and obtaining the written consent of the Commissioner to revoke the component

election. Pursuant to § 1.168(k)-2(c)(8) of the 2020 final regulations, the IRS may issue guidance published in the IRB that provides alternative procedures for making, or revoking, the component election.

(6) Pursuant to § 1.168(k)-2(c)(1) of the 2019 proposed regulations, a taxpayer may elect to treat any component acquired or self-constructed after September 27, 2017, of certain larger self-constructed property, as being eligible for the additional first year depreciation deduction under § 1.168(k)-2, assuming all requirements of § 168(k) and § 1.168(k)-2 are met (proposed component election). Specifically, the larger self-constructed property must be manufactured, constructed, or produced beginning before September 28, 2017, qualified property under § 168(k)(2) as in effect before the enactment of the TCJA, and placed in service by the taxpayer after September 27, 2017, during its taxable years ending on or after September 28, 2017, and ending before the taxpayer's first taxable year that begins on or after January 1, 2021. The time and manner for making the proposed component election are set forth in § 1.168(k)-2(c)(6) of the 2019 proposed regulations, and such procedures are the same as in § 1.168(k)-2(c)(6) of the 2020 final regulations.

(7) Section 1.1502-68(c)(4) of the 2020 final regulations allows a transferee member, as defined in § 1.1502-68(a)(2)(xii), or the target, as defined in § 1.1502-68(a)(2)(xi), to make an election not to apply the Consolidated Asset Acquisition Rule in § 1.1502-68(c)(1)(i) or the Consolidated Deemed Acquisition Rule in § 1.1502-68(c)(2)(i), respectively, to all eligible property, as defined in § 1.1502-68(a)(2)(vii), that is acquired or deemed acquired in a transaction that otherwise satisfies the

requirements of the Consolidated Asset Acquisition Rule or the Consolidated Deemed Acquisition Rule (designated transaction election). The rules and procedures for making the designated transaction election are set forth in § 1.1502-68(c)(4) of the 2020 final regulations. Pursuant to § 1.1502-68(c)(4)(ii)(A) and (B) of the 2020 final regulations, the designated transaction election must be made by the due date, including extensions, of the Federal income tax return for the taxable year of the transferee member or target that begins on the day after the deconsolidation date, as defined in § 1.1502-68(a)(2)(iii), and is made by attaching a statement to such return describing the transaction(s) to which the Consolidated Asset Acquisition Rule or the Consolidated Deemed Acquisition Rule otherwise would apply and stating that the transferee member or the target, as applicable, is not claiming the additional first year depreciation deduction for any eligible property transferred in such transaction(s). Pursuant to § 1.1502-68(c)(4)(ii)(C) of the 2020 final regulations, the IRS may issue guidance published in the IRB that provides alternative procedures for making the designated transaction election. Section 1.1502-68(c)(4)(iii) provides that the designated transaction election, once made, may be revoked only by filing a request for a private letter ruling and obtaining the written consent of the Commissioner to revoke the election.

.04 Method of accounting.

(1) Section 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 setting forth the limitations, terms, and conditions necessary to permit a taxpayer to obtain consent to change a method of accounting.

(2) Section 2.05 of Rev. Proc. 2015-13, 2015-5 I.R.B 419, 425, provides that a taxpayer may not request, or otherwise make, a retroactive change in method of accounting, unless specifically authorized by the Commissioner or by statute.

(3) Section 1.446-1(e)(2)(ii)(d)(3)(iii) provides that the making of a late depreciation election or the revocation of a timely valid depreciation election is not a change in method of accounting, except as otherwise expressly provided by the Code, the regulations under the Code, or other guidance published in the Internal Revenue Bulletin.

(4) Section 1.446-1(e)(2)(ii)(d)(5)(iii) provides that, except as otherwise expressly provided by the Code, the regulations under the Code, or other guidance published in the Internal Revenue Bulletin, no § 481 adjustment is required or permitted for a change from one permissible method of computing depreciation to another permissible method of computing depreciation for an asset because this change is implemented by either a cut-off method, as described in section 2.07 of Rev. Proc. 2015-13, or a modified cut-off method under which the adjusted depreciable basis of the asset as of the beginning of the year of change is recovered using the new permissible method of accounting, as appropriate. However, a change from an impermissible method of computing depreciation to a permissible method of computing depreciation for an asset results in a § 481(a) adjustment.

(5) With the publication of the 2020 final regulations, guidance is needed under § 168 for taxpayers that want to apply the 2020 final regulations, the 2019 final regulations, and/or the 2019 proposed regulations retroactively. Accordingly, this revenue procedure permits certain taxpayers to file an amended return, administrative adjustment request under § 6227 (AAR), or a Form 3115, Application for Change in Accounting Method, to change their method of accounting for depreciation of certain depreciable property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and during the taxpayer's taxable years ending on or after September 28, 2017, and ending before the taxpayer's first taxable year that begins on or after January 1, 2021, and certain plants that are planted or grafted, as applicable, after September 27, 2017, by the taxpayer during its taxable years ending on or after September 28, 2017, and ending before the taxpayer's first taxable year that begins on or after January 1, 2021. See section 4 of this revenue procedure for the procedures for changing the depreciation of such property or plants. Further, this revenue procedure permits certain taxpayers to make a late § 168(k)(5) election, a late § 168(k)(7) election, a late § 168(k)(10) election, a late component election, a late designated transaction election, or a late proposed component election, or to revoke a § 168(k)(5) election, a § 168(k)(7) election, a § 168(k)(10) election, or a proposed component election, for certain property or plants for a limited period of time. Because of the administrative burden of filing amended returns and AARs, the Treasury Department and the IRS also have determined that it is appropriate to treat the making of these late elections or the revocation of these

elections as a change in method of accounting with a § 481(a) adjustment for a limited period of time. See sections 5 and 6 of this revenue procedure for the procedures to make these late elections or to revoke these elections.

SECTION 3. SCOPE

This revenue procedure applies to a taxpayer that chooses to:

.01 Apply both § 1.168(k)-2 and, to the extent relevant, § 1.1502-68, of the Final Regulations, in their entirety and in a consistent manner, to:

(1) All depreciable property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and during the taxpayer's taxable year: (a) beginning in 2016 or 2017 (2017 taxable year); (b) beginning in 2018 (2018 taxable year); (c) beginning in 2019 (2019 taxable year); or (d) beginning in 2020, and ending before the taxpayer's first taxable year that begins on or after January 1, 2021 (2020 taxable year);

(2) All specified plants for which the taxpayer properly made or makes a § 168(k)(5) election and that are planted, or grafted to a plant that was previously planted, after September 27, 2017, by the taxpayer during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year; and

(3) Components acquired or self-constructed by the taxpayer after September 27, 2017, of larger self-constructed property described in § 1.168(k)-2(c)(2) of the 2020 final regulations and placed in service by the taxpayer during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year;

.02 Apply § 1.168(k)-2 of the 2019 final regulations, in its entirety, to:

(1) All depreciable property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year; and

(2) All specified plants for which the taxpayer properly made or makes a § 168(k)(5) election and that are planted, or grafted to a plant that was previously planted, after September 27, 2017, by the taxpayer during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year; or

.03 Apply both § 1.168(k)-2 of the 2019 final regulations and the 2019 proposed regulations, in their entirety, except for § 1.168(k)-2(b)(3)(iii)(B)(5) in the 2019 proposed regulations, and in a consistent manner, to:

(1) All depreciable property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer after September 27, 2017, and during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year;

(2) All specified plants for which the taxpayer properly made or makes a § 168(k)(5) election and that are planted, or grafted to a plant that was previously planted, after September 27, 2017, by the taxpayer during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year; and

(3) Components acquired or self-constructed by the taxpayer after September 27, 2017, of larger self-constructed property for which manufacture, construction, or production begins before September 28, 2017, and that is qualified property under

§ 168(k)(2) as in effect before the enactment of the TCJA and placed in service by the taxpayer after September 27, 2017, and during the taxpayer's 2017 taxable year, 2018 taxable year, 2019 taxable year, or 2020 taxable year.

SECTION 4. METHOD CHANGE PROCEDURES TO APPLY ADDITIONAL FIRST YEAR DEPRECIATION REGULATIONS

.01 Scope. This section 4 applies to a taxpayer within the scope of section 3 of this revenue procedure that is changing its method of accounting for depreciation under § 168 for depreciable property, including components described in § 1.168(k)-2(c) of the 2020 final regulations or the 2019 proposed regulations for which the taxpayer has already made the component election or proposed component election, as applicable, and specified plants, within the scope of section 3 of this revenue procedure to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations, as applicable. However, this section 4:

(1) Does not apply to property that is affected by a late election, or withdrawn election, made/withdrawn by the taxpayer under § 163(j)(7)(B) (electing real property trade or business) or § 163(j)(7)(C) (electing farming business) after November 16, 2020, in accordance with Rev. Proc. 2020-22, 2020-18 I.R.B. 745. Any changes to depreciation for such property that result from such a late election, or withdrawn election, are made in accordance with sections 4.02 and 4.03, or 5.02 of Rev. Proc. 2020-22, as applicable;

(2) Does not apply to property or a specified plant for which the taxpayer is changing from deducting the cost or other basis of such property as an expense to capitalizing and depreciating the cost or other basis, or vice versa;

(3) Does not apply to property or a specified plant that the taxpayer does not own at the beginning of the year of change. However, and solely for purposes of this section 4:

(a) In the case of property described in § 1.1502-68(e)(2)(i) of the 2020 final regulations that is acquired in a transaction that satisfies the requirements of § 1.1502-68(c)(1)(ii) or (c)(2)(ii) of the 2020 final regulations, such property is treated as owned by the taxpayer at the beginning of the year of change if any party to the transaction owned such property at that time; and

(b) In the case of property that is acquired in a transaction described in § 1.168(k)-2(b)(3)(v)(C) or (D) in the 2019 proposed regulations, such property is treated as owned by the taxpayer at the beginning of the year of change if any party to the transaction owned such property at that time; and

(4) Cannot be used to make a late election, or revoke an election, under § 168, § 179, or § 1.1502-68. However, see sections 5 and 6 of this revenue procedure for procedures for making or revoking certain elections.

.02 Changing to the depreciation allowable under the additional first year depreciation regulations.

(1) In general. A taxpayer within the scope of this section 4 has a choice to apply the Final Regulations, the 2019 final regulations, or both the 2019 final regulations

and the 2019 proposed regulations for (a) depreciable property within the scope of this section 4 that is placed in service by the taxpayer during the same taxable year, and (b) specified plants within the scope of this section 4 that are planted or grafted by the taxpayer during the same taxable year in which the taxpayer planted or grafted the specified plant to which the § 168(k)(5) election applies (the planting year). However, once a taxpayer applies § 1.168(k)-2 and, to the extent relevant, § 1.1502-68, of the Final Regulations, in their entirety, for a taxable year, the taxpayer must continue to apply § 1.168(k)-2 and, to the extent relevant, § 1.1502-68, of the Final Regulations, in their entirety, for the taxpayer's subsequent taxable years. For example, if Partnership ABC applies § 1.168(k)-2 of the Final Regulations, in its entirety, for its 2018 taxable year and if § 1.1502-68 of the Final Regulations does not apply to Partnership ABC, Partnership ABC must apply § 1.168(k)-2 of the Final Regulations for its 2019 taxable year, 2020 taxable year, and subsequent taxable years.

(2) Change from impermissible or permissible method of accounting. The first time the taxpayer changes its method of accounting for depreciation under this revenue procedure for depreciable property and specified plants described in section 4.02(1) of this revenue procedure to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations, as applicable, is deemed to be a change from an impermissible method of accounting to a permissible method of accounting that is made with a § 481(a) adjustment. See section 4.03 of this revenue procedure for the procedures to make this change in method of accounting. Any subsequent time the taxpayer changes its method of accounting for depreciation for

such depreciable property and such specified plants to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations, is a change from a permissible method of accounting to another permissible method of accounting that is made on a cut-off basis. See section 4.04 of this revenue procedure for the procedures to make this change in method of accounting.

(3) For example, for its taxable year beginning on January 1, 2020, and ending on December 31, 2020, Taxpayer X changes its method of accounting for depreciation for qualified property acquired by Taxpayer X after September 27, 2017, and placed in service by Taxpayer X after September 27, 2017, and during its 2017 and 2018 taxable years to comply with § 1.168(k)-2 of the 2019 final regulations. This change is a change from an impermissible method of accounting to a permissible method of accounting that is made with a § 481(a) adjustment. Subsequently, for its taxable year beginning on January 1, 2021, Taxpayer X changes its method of accounting for depreciation for qualified property acquired by Taxpayer X after September 27, 2017, and placed in service by Taxpayer X after September 27, 2017, and during its 2017, 2018, and 2019 taxable years to comply with § 1.168(k)-2 and, to the extent relevant, § 1.1502-68 of the Final Regulations. This change is (a) a change from a permissible method of accounting to another permissible method of accounting that is made on a cut-off basis for qualified property acquired after September 27, 2017, and placed in service by Taxpayer X after September 27, 2017, and during its 2017 and 2018 taxable years, and (b) a change from an impermissible method of accounting to a permissible

method of accounting that is made with a § 481(a) adjustment for qualified property acquired after September 27, 2017, and placed in service by Taxpayer X after September 27, 2017, and during its 2019 taxable year.

(4) Ordering rules. If, for the same taxable year, a taxpayer within the scope of this section 4 makes a late election under section 5 of this revenue procedure and/or revokes an election under section 6 of this revenue procedure and also makes a change in method of accounting for the same depreciable property or same specified plant, the taxpayer applies the late election or the revocation, as applicable, first.

(5) Special rules for applying consolidated group rules. In the case of property described in § 1.1502-68(e)(2)(i) of the 2020 final regulations that is acquired in a transaction that satisfies the requirements of § 1.1502-68(c)(1)(ii) or (c)(2)(ii) of the 2020 final regulations, all parties to the transaction, including the transferor member, the transferee member, and the target, as applicable, and the consolidated groups of which they are members for the taxable year(s) in which the transaction occurs and the taxable year(s) that includes the day after the deconsolidation date, as defined in § 1.1502-68(a)(2)(iii) of the 2020 final regulations, must change their methods of accounting for depreciation for the property and specified plants in the same manner under this section 4. For example, if the transferor member changes its method of accounting for depreciation for property by filing an amended return in accordance with section 4.03 of this revenue procedure, all other parties to the transaction must do the same. Similarly, in the case of property to which § 1.168(k)-2 of the 2019 proposed regulations applies and that is acquired in a transaction described in § 1.168(k)-

2(b)(3)(v)(C) or (D) in the 2019 proposed regulations, all parties to the transaction, including the transferor member, the transferee member, and the target, as applicable, as defined in § 1.168(k)-2(b)(3)(v)(C) or (D) in the 2019 proposed regulations, and the consolidated groups of which they are members for the taxable year(s) in which the transaction occurs and the taxable year(s) that includes the day after the Deconsolidation Date, as defined in § 1.168(k)-2(b)(3)(v)(C)(1) in the 2019 proposed regulations, must change their methods of accounting for depreciation for the property and specified plants in the same manner under this section 4. If a party to a transaction described in this section 4.02(5) was a member of a consolidated group for the taxable year(s) in which the transaction occurs and/or the taxable year(s) that includes the day after the deconsolidation date, then the change in the method of accounting for depreciation is made by the agent for the group, within the meaning of § 1.1502-77(a) and (c), in accordance with this section 4.

.03 Change from an impermissible to permissible method of accounting for depreciation.

(1) Applicability. This section 4.03 applies to the first time that the taxpayer changes its method of accounting for depreciation under this revenue procedure to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for (a) depreciable property within the scope of this section 4 that is placed in service during the same taxable year, and (b) specified plants within the scope of this section 4 that are planted or grafted during the

same planting year. This initial change in determining depreciation is a change from an impermissible to a permissible method of accounting.

(2) One-year property. For depreciable property that is within the scope of this section 4.03 and is placed in service by the taxpayer in the taxable year immediately preceding the year of change, as defined in section 3.19 of Rev. Proc. 2015-13 (1-year Property), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year Property by filing a Form 3115 for this change in accordance with section 4.03(4)(b) of this revenue procedure, provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment attributable to all property, including the 1-year Property, subject to the Form 3115. Similarly, for a specified plant that is within the scope of this section 4.03 and is planted or grafted by the taxpayer in the taxable year immediately preceding the year of change, as defined in section 3.19 of Rev. Proc. 2015-13 (1-year Plant), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year Plant by filing a Form 3115 for this change in accordance with section 4.03(4)(b) of this revenue procedure, provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment attributable to all property, including the 1-year Plant, subject to the Form 3115. Alternatively, the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year Property or 1-year Plant by filing an amended return or AAR, as applicable.

(3) Retroactive change in method of accounting. The Commissioner allows a taxpayer within the scope of this section 4.03 to make a retroactive change in method of accounting under this section 4.03 for a limited period of time, provided the taxpayer files the amended return(s) or AAR(s) within the time and manner provided in section 4.03(4)(a) of this revenue procedure and satisfies, to the extent relevant, section 4.02 of this revenue procedure. A Form 3115 is not required to be filed with such amended return(s) or AAR(s).

(4) Changing from the impermissible to the permissible method of determining depreciation. The taxpayer may change from the impermissible method of determining depreciation to a permissible method of determining depreciation under this section 4.03 by filing either:

(a) A Federal amended income tax return or amended Form 1065 for the placed-in-service year of the depreciable property and for the planting year of the specified plant on or before December 31, 2021, but in no event later than the applicable period of limitations on assessment for the taxable year for which the amended return is being filed. A partnership subject to the centralized partnership audit regime enacted as part of the Bipartisan Budget Act of 2015 (BBA partnership) may file an AAR for the placed-in-service year of the depreciable property or the planting year of the specified plant, as applicable, on or before December 31, 2021, but in no event later than the applicable period of limitations on making adjustments under § 6235 for the reviewed year as defined in § 301.6241-1(a)(8) of the Procedure and Administration Regulations. This amended return or AAR must include the adjustment

to taxable income for the change in determining depreciation of the depreciable property or specified plant and any collateral adjustments to taxable income or to tax liability (for example, proper amount allowed as a deduction for interest expense, taking into account the business interest limitation under § 163(j) and the regulations thereunder, for a trade or business with floor plan financing indebtedness that is applying § 1.168(k)-2(b)(2)(ii)(G) of the Final Regulations, § 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations, or both § 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations and § 1.168(k)-2(b)(2)(ii)(G) of the 2019 proposed regulations). Such collateral adjustments also must be made on original or amended Federal returns or AARs for any affected succeeding taxable years. If the taxpayer satisfies this section 4.03(4)(a) for all depreciable property placed in service during the same taxable year and all specified plants planted or grafted during the same planting year, the Commissioner grants consent to the taxpayer to make this retroactive method change for such property and plant; or

(b) A Form 3115 with the taxpayer's timely filed original Federal income tax return or Form 1065 under the automatic change procedures in Rev. Proc. 2015-13. This change in method of accounting is made with a § 481(a) adjustment. However, consent to make a change in method of accounting under this section 4.03(4)(b) will be granted by the Commissioner only if the taxpayer satisfies, to the extent relevant, section 4.02 of this revenue procedure. Further, if a taxpayer that has a trade or business with floor plan financing indebtedness is applying § 1.168(k)-2(b)(2)(ii)(G) of the Final Regulations, § 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations, or both

§ 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations and § 1.168(k)-2(b)(2)(ii)(G) of the 2019 proposed regulations for depreciable property placed in service by the taxpayer in its 2018, 2019, or 2020 taxable year, consent to make a change in method of accounting under this section 4.03(4)(b) will be granted by the Commissioner only if the amount of the § 481(a) adjustment is adjusted to account for the proper amount of interest expense, taking into account the business interest limitation under § 163(j) and the regulations thereunder, as of the beginning of the year of change. See section 7.03 of this revenue procedure for the procedures for making this change in method of accounting.

.04 Change from a permissible to another permissible method of accounting for the depreciation.

(1) Applicability. This section 4.04 applies to the taxpayer that previously changed its method of accounting for depreciation under this revenue procedure to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations, as applicable, for depreciable property within the scope of this section 4 that is placed in service during the same taxable year and specified plants within the scope of this section 4 that are planted or grafted during the same planting year, and now wants to make another change in method of accounting for depreciation to comply with the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for the same depreciable property or specified plant. This subsequent change in determining

depreciation is a change from one permissible method of accounting to another permissible method of accounting.

(2) Changing from a permissible to another permissible method of determining depreciation allowable. The taxpayer may change from a permissible method of accounting for depreciation to another permissible method of accounting for depreciation under this section 4.04 by filing a Form 3115 with the taxpayer's timely filed original Federal income tax return or Form 1065 under the automatic change procedures in Rev. Proc. 2015-13. Consent to make a change in method of accounting under this section 4.04 will be granted by the Commissioner only if the taxpayer satisfies section 4.02 of this revenue procedure, to the extent relevant. Further, this change in method of accounting is made on a cut-off basis. See section 7.03 of this revenue procedure for the procedures for making this change in method of accounting.

SECTION 5. AUTOMATIC EXTENSION OF TIME TO FILE CERTAIN ELECTIONS UNDER SECTIONS 1.168(k)-2 AND 1.1502-68

.01 Scope.

(1) This section 5 applies to a taxpayer within the scope of section 3 of this revenue procedure that:

(a) placed in service depreciable property during its 2017, 2018, 2019, or 2020 taxable year, or planted or grafted the specified plant during its 2017, 2018, 2019, or 2020 taxable year to which the late § 168(k)(5) election applies, as applicable;

(b) timely filed its Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property or the planting year of such specified plant, and such return was filed before November 17, 2020;

(c) applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for the placed-in-service year of such depreciable property or the planting year of such specified plant;

(d) wants to (i) make a § 168(k)(5) election for the planting year of such specified plant or make a § 168(k)(7) election for the placed-in-service year of the class of such depreciable property, or (ii) make a component election, designated transaction election, or proposed component election for the placed-in-service year of such depreciable property or the planting year of such specified plant and such election(s) is permitted for the placed-in-service year of such depreciable property or the planting year of such specified plant under the specific regulation in section 5.01(1)(c) of this revenue procedure that is applied by the taxpayer for that placed-in-service year or planting year; and

(e) did not (i) previously revoke such election(s) in accordance with section 6.02 of this revenue procedure, (ii) previously revoke such election(s) after November 16, 2020, in accordance with section 5 of Rev. Proc. 2020-25, or (iii) previously revoke such election(s) after November 16, 2020, in accordance with section 4.03 or 5.04 of Rev. Proc. 2019-33, as applicable.

(2) This section 5 also applies to a taxpayer within the scope of section 3 of this revenue procedure that:

(a) placed in service depreciable property during its taxable year that includes September 28, 2017, or planted or grafted specified plants during its taxable year that includes September 28, 2017, as applicable;

(b) timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 28, 2017;

(c) applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for its taxable year that includes September 28, 2017;

(d) wants to make a § 168(k)(10) election for such taxable year; and

(e) did not (i) previously revoke a § 168(k)(10) election for such taxable year in accordance with section 6.02 of this revenue procedure, (ii) previously revoke a § 168(k)(10) election for such taxable year after November 16, 2020, in accordance with section 5 of Rev. Proc. 2020-25, or (iii) previously revoke a § 168(k)(10) election after November 16, 2020, in accordance with section 6.05 of Rev. Proc. 2019-33.

(3) Solely for purposes of section 5.01 of this revenue procedure, a taxpayer applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations under section 5.01(1)(c) of this revenue procedure for the placed-in-service year of the depreciable property described in section 5.01(1)(a) of this revenue procedure or for the planting year of the specified plant described in section 5.01(1)(a) of this revenue procedure, or applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations under section 5.01(2)(c) of this revenue procedure for the placed-

in-service year of the depreciable property described in section 5.01(2)(a) of this revenue procedure or for the planting year of the specified plant described in section 5.01(2)(a) of this revenue procedure, either by (a) making a change in method of accounting under section 4.03 of this revenue procedure to apply that specific regulation for the placed-in-service year of such depreciable property or for the planting year of such specified plant, or (b) complying with that specific regulation on its timely filed original Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property or for the planting year of such specified plant.

(4) A taxpayer within the scope of section 5.01(1) of this revenue procedure makes the § 168(k)(5) election, § 168(k)(7) election, component election, proposed component election, or designated transaction election in accordance with section 2.03(1), (2), (5), (6), or (7), respectively, of this revenue procedure or under section 5.02 of this revenue procedure. A taxpayer within the scope of section 5.01(2) of this revenue procedure makes the § 168(k)(10) election in accordance with section 2.03(3) of this revenue procedure or under section 5.02 of this revenue procedure.

.02 Time and manner of making a late § 168(k)(5) election, a late § 168(k)(7) election, a late § 168(k)(10) election, a late component election, a late designated transaction election, or a late proposed component election. A taxpayer within the scope of this section 5 may make the late § 168(k)(5) election, the late § 168(k)(7) election, the late § 168(k)(10) election, the late component election, the late designated transaction election, or the late proposed component election by filing either:

(1) A Federal amended income tax return or amended Form 1065 for the placed-in-service year of the property, or for the planting year of the specified plant, as applicable, on or before December 31, 2021, but in no event later than the applicable period of limitations on assessment for the taxable year for which the amended return is being filed. A BBA partnership may file an AAR for the placed-in-service year of the property or the planting year of the specified plant, as applicable, on or before December 31, 2021, but in no event later than the applicable period of limitations on making adjustments under § 6235 for the reviewed year as defined in § 301.6241-1(a)(8). This amended return or AAR must include the adjustment to taxable income for the late election and any collateral adjustments to taxable income or to tax liability. Such collateral adjustments also must be made on original or amended Federal returns or AARs for any affected succeeding taxable years; or

(2) A Form 3115 (a) with the taxpayer's timely filed original Federal income tax return or Form 1065 for the taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer placed in service the property or the planting year of the specified plant, as applicable, or (b) if later, with the taxpayer's timely filed original Federal income tax return or Form 1065 that is filed on or after November 6, 2020, and on or before December 31, 2021. The late § 168(k)(5) election, late § 168(k)(7) election, late § 168(k)(10) election, late component election, late designated transaction election, or late proposed component election under this section 5.02(2) will be treated as a change in method of accounting with a § 481(a) adjustment only during this limited period of time. The time and manner of making this late election are

described in section 7.02(2) of this revenue procedure, which modifies section 6.20 of Rev. Proc. 2019-43 to include this late election.

.03 Examples. The application of this section 5 is illustrated by the following examples.

Example 1. Taxpayer A, a calendar year taxpayer, placed in service several depreciable assets during its 2018 taxable year that are eligible for the additional first year depreciation under § 168(k) as in effect before the enactment of the TCJA. On its timely filed Federal income tax return for the 2018 taxable year, Taxpayer A deducted 40-percent additional first year depreciation for such assets. After the issuance of the 2020 final regulations, Taxpayer A determined that one such asset is larger self-constructed property under § 1.168(k)-2(c)(2) of the 2020 final regulations and some components of that property are eligible for the component election under § 1.168(k)-2(c) of the 2020 final regulations. Pursuant to section 4.03(4)(a) of this revenue procedure, Taxpayer A (a) makes a retroactive change in method of accounting by filing in February 2021 amended Federal income tax returns for its 2018 and 2019 taxable years to apply the Final Regulations, and (b) timely files its original Federal income tax return for the 2020 taxable year applying the Final Regulations. Because Taxpayer A retroactively applied the Final Regulations to the 2018 taxable year in accordance with section 4 of this revenue procedure, Taxpayer A is eligible to make the late component election under this section 5 for eligible components placed in service by Taxpayer A during its 2018 taxable year. The result would be the same if, pursuant to section 4.03(4)(b) of this revenue procedure, Taxpayer A filed a Form 3115 with its timely filed

original Federal income tax return for the 2020 taxable year under the automatic change procedures in Rev. Proc. 2015-13 and section 6.21 of Rev. Proc. 2019-43, as added by section 7.03 of this revenue procedure, to apply the Final Regulations for property placed in service by Taxpayer A during its 2018 and 2019 taxable years.

Example 2. The facts are the same as in Example 1, except Taxpayer A files the amended Federal income tax returns for its 2018 and 2019 taxable years to apply the 2019 final regulations and timely files its original Federal income tax return for the 2020 taxable year applying the 2019 final regulations. Because the component election under § 1.168(k)-2(c) of the 2020 final regulations is not permitted under the 2019 final regulations, Taxpayer A is not eligible to make the late component election under this section 5 for components that are eligible for the component election under § 1.168(k)-2(c) of the 2020 final regulations and placed in service by Taxpayer A during its 2018 taxable year.

Example 3. Taxpayer B, a calendar year taxpayer, placed in service several depreciable assets during its 2018 taxable year. On its timely filed Federal income tax return for the 2018 taxable year, Taxpayer B deducted 100-percent additional first year depreciation for such assets. Now, Taxpayer B wants to make a late § 168(k)(7) election for all qualified property placed in service during its 2018 taxable year. Taxpayer B did not apply, and is not applying, the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for the 2018 taxable year. As a result, Taxpayer B is not eligible to make a late § 168(k)(7) election under this revenue procedure for the 2018 taxable year. Instead, Taxpayer B

must submit a private letter ruling request under § 301.9100-3 of the Procedure and Administration Regulations to obtain the Commissioner's consent to make such late election.

SECTION 6. CONSENT TO REVOKE CERTAIN ELECTIONS UNDER SECTION 168

.01 Scope.

(1) This section 6 applies to a taxpayer within the scope of section 3 of this revenue procedure that:

(a) placed in service depreciable property during its 2017, 2018, 2019, or 2020 taxable year, or planted or grafted the specified plant during its 2017, 2018, 2019, or 2020 taxable year to which the § 168(k)(5) election applies, as applicable;

(b) applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for the placed-in-service year of such depreciable property or the planting year of such specified plant;

(c) made a § 168(k)(5) election, § 168(k)(7) election, or proposed component election on its timely filed original Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property or class of such depreciable property, as applicable, or for the planting year of the specified plant, and such return was filed before November 17, 2020, or made a § 168(k)(5) election or § 168(k)(7) election in accordance with section 4 or 5 of Rev. Proc. 2019-33, respectively, or in accordance with section 4 of Rev. Proc. 2020-25, as modified by section 8 of this revenue procedure, before November 17, 2020; and

(d) wants to revoke such election.

(2) This section 6 also applies to a taxpayer within the scope of section 3 of this revenue procedure that:

(a) applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations for the taxpayer's taxable year that includes September 28, 2017;

(b) made a § 168(k)(10) election on its timely filed original Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 28, 2017, or made a § 168(k)(10) election in accordance with section 6 of Rev. Proc. 2019-33 or section 4 of Rev. Proc. 2020-25, as modified by section 8 of this revenue procedure, for the taxpayer's taxable year that includes September 28, 2017, before November 17, 2020; and

(c) wants to revoke the § 168(k)(10) election.

(3) Solely for purposes of section 6.01 of this revenue procedure, a taxpayer applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations under section 6.01(1)(b) of this revenue procedure for the placed-in-service year of the depreciable property described in section 6.01(1)(a) of this revenue procedure or for the planting year of the specified plant described in section 6.01(1)(a) of this revenue procedure, or applies the Final Regulations, the 2019 final regulations, or both the 2019 final regulations and the 2019 proposed regulations under section 6.01(2)(a) of this revenue procedure for the taxpayer's taxable year that includes September 28, 2017, either by (a) making a change in method of accounting under section 4.03 of this revenue procedure to apply

that specific regulation for the placed-in-service year of such depreciable property or for the planting year of such specified plant, or (b) complying with that specific regulation on its timely filed original Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property or for the planting year of such specified plant.

(4) If a taxpayer within the scope of section 6.01(1) of this revenue procedure revokes the § 168(k)(7) election in accordance with section 6.02(2) of this revenue procedure, the revocation applies to all property included in the class of property and placed in service during the same taxable year. If a taxpayer within the scope of section 6.01(2) of this revenue procedure revokes the § 168(k)(10) election in accordance with section 6.02(2) of this revenue procedure, the revocation applies to (a) all qualified property acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during its taxable year that includes September 28, 2017, and (b) all specified plants that are planted, or grafted to a plant that has already been planted, after September 27, 2017, by the taxpayer in the ordinary course of the taxpayer's farming business during its taxable year that includes September 28, 2017, if the taxpayer made the § 168(k)(5) election for that taxable year.

.02 Consent granted to revoke election.

(1) In general. The Commissioner grants a taxpayer within the scope of this section 6 consent to revoke its § 168(k)(5) election, § 168(k)(7) election, § 168(k)(10) election, or proposed component election provided the taxpayer makes this revocation in the time and manner described in this section 6.02.

(2) Revocation of § 168(k)(5) election, § 168(k)(7) election, or § 168(k)(10) election, or proposed component election. A taxpayer within the scope of this section 6 may revoke its § 168(k)(5) election, § 168(k)(7) election, § 168(k)(10) election, or proposed component election by filing either:

(a) A Federal amended income tax return or amended Form 1065 for the placed-in-service year of the property or the planting year of the specified plant, as applicable, on or before December 31, 2021, but in no event later than the applicable period of limitations on assessment for the taxable year for which the amended return is being filed. A BBA partnership may file an AAR for the placed-in-service year of the property or the planting year of the specified plant, as applicable, on or before December 31, 2021, but in no event later than the applicable period of limitations on making adjustments under § 6235 for the reviewed year as defined in § 301.6241-1(a)(8). This amended return or AAR must include the adjustment to taxable income for the revocation of the § 168(k)(5) election, § 168(k)(7) election, § 168(k)(10) election, or proposed component election and any collateral adjustments to taxable income or to tax liability. Such collateral adjustments also must be made on original or amended Federal returns or AARs for any affected succeeding taxable years; or

(b) A Form 3115 (a) with the taxpayer's timely filed original Federal income tax return or Form 1065 for the taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer placed in service the property or the planting year of the specified plant, as applicable, or (b) if later, with the taxpayer's timely filed original Federal income tax return or Form 1065 that is filed on or after November 6, 2020, and

on or before December 31, 2021. The revocation of the § 168(k)(5) election, the § 168(k)(7) election, the § 168(k)(10) election, or the proposed component election under this section 6.02(2)(b) will be treated as a change in method of accounting with a § 481(a) adjustment only during this limited period of time. The time and manner of making this revocation are described in section 7.02(2) of this revenue procedure, which modifies section 6.20 of Rev. Proc. 2019-43 to include this revocation.

SECTION 7. CHANGES IN METHOD OF ACCOUNTING

.01 In general. The making of a late election, or the revocation of an election, under sections 5.02(2) and 6.02(2)(b) of this revenue procedure is treated as a change in method of accounting for a limited period of time to which §§ 446(e) and 481, and the corresponding regulations, apply. A taxpayer that wants to make a late election, or revoke an election, under sections 5.02(2) and 6.02(2)(b) of this revenue procedure must use the automatic change procedures in Rev. Proc. 2015-13 or its successor.

.02 Modifications to existing automatic changes.

(1) Section 6.01(1)(c) of Rev. Proc. 2019-43, 2019-48 I.R.B. 1107, is modified by:

(a) Revising section 6.01(1)(c)(xvii) to read as follows:

(xvii) any qualified improvement property, as defined in § 168(e)(6), placed in service by the taxpayer after December 31, 2017, to which section 6.19 of this revenue procedure applies. However, an original Form 3115 for such change in method of accounting may be filed under this section 6.01 instead of section 6.19 of this revenue procedure if the original Form 3115 was filed before November 17, 2020;

(b) At the end of section 6.01(1)(c)(xviii), adding “; or”;

(c) Adding a new section 6.01(1)(c)(xix) to read as follows:

(xix) any change in method of accounting to which section 6.21 of this revenue procedure applies.

(2) Section 6.19 of Rev. Proc. 2019-43 is modified by:

(a) At the end of section 6.19(1)(c)(ii), deleting “or”;

(b) At the end of section 6.19(1)(c)(iii), adding “; or”;

(c) Adding a new section 6.19(1)(c)(iv) to read as follows:

(iv) any change in method of accounting to which section 6.21 of this revenue procedure applies.

(3) Section 6.20 of Rev. Proc. 2019-43 is modified to read as follows:

6.20 Certain late elections under §§ 168 and 1502 or revocation of certain elections under § 168.

(1) Description of change.

(a) Applicability. This change applies to:

(i) A taxpayer within the scope of section 4 of Rev. Proc. 2020-25, 2020-19 I.R.B. 785, as modified by section 8 of Rev. Proc. 2020-50, 2020-48 I.R.B. ____, that wants to make a late election provided in section 4.02(2) of Rev. Proc. 2020-25 under § 168(g)(7), (k)(5), (k)(7), or (k)(10). This change also applies to a taxpayer within the scope of section 5 of Rev. Proc. 2020-25 that wants to revoke an election provided in section 5.02(2)(b) of Rev Proc. 2020-25 under § 168(k)(5), (k)(7), or (k)(10); or

(ii) A taxpayer within the scope of section 5 of Rev. Proc. 2020-50, 2020-48 I.R.B. ____, that wants to make a late election under § 168(k)(5), (7), or (10), § 1.168(k)-2(c) (component election), § 1.1502-68(c)(4) (designated transaction election), or proposed § 1.168(k)-2(c) (proposed component election) as provided in section 5.02(2) of Rev. Proc. 2020-50. This change also applies to a taxpayer within the scope of section 6 of Rev. Proc. 2020-50 that wants to revoke an election under § 168(k)(5), (k)(7), or (k)(10), or a proposed component election as provided in section 6.02(2)(b) of Rev Proc. 2020-50.

(b) Inapplicability.

(i) The IRS will treat the making of a late election provided in section 4 of Rev. Proc. 2020-25 under § 168(g)(7), (k)(5), (k)(7), and (k)(10), or the revocation of an election provided in section 5 of Rev. Proc. 2020-25 under § 168(k)(5), (k)(7), and (k)(10), as a change in method of accounting with a § 481(a) adjustment only for the taxable years specified in section 6.20(2)(a) of this revenue procedure. This treatment does not apply to a taxpayer that makes these late elections or revocations before or after the time specified in section 6.20(2)(a) of this revenue procedure, and any such late election or revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(ii) The IRS will treat the making of a late election under § 168(k)(5), (7), or (10), a late component election, a late designated transaction election, or a late proposed component election as provided in section 5 of Rev. Proc. 2020-50, or the revocation of an election under § 168(k)(5), (k)(7), or (k)(10), or a proposed

component election as provided in section 6 of Rev Proc. 2020-50, as a change in method of accounting with a § 481(a) adjustment only for the taxable years specified in section 6.20(2)(b) of this revenue procedure. This treatment does not apply to a taxpayer that makes these late elections or revocations before or after the time specified in section 6.20(2)(b) of this revenue procedure, and any such late election or revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(2) Time for making the change.

(a) The change under section 6.20(1)(a)(i) and (b)(i) of this revenue procedure must be made for (i) the taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer placed in service the property affected by the late election under § 168(g)(7), (k)(5), (k)(7), or (k)(10), as applicable, or revocation of the election under § 168(k)(5), (k)(7), or (k)(10), as applicable, or, if later, (ii) any taxable year for which the taxpayer timely files an original Federal income tax return or Form 1065, as applicable, on or after April 17, 2020, and on or before October 15, 2021.

(b) The change under section 6.20(1)(a)(ii) and (b)(ii) of this revenue procedure must be made for:

(i) The taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer (A) placed in service the property affected by the late election under § 168(k)(7) or (10), the late component election, the late designated transaction election, or the late proposed component election, as applicable, or by the revocation

of the election under § 168(k)(7) or (k)(10), or the proposed component election, as applicable, or (B) planted or grafted the specified plant to which the late § 168(k)(5) election applies or to which the revocation of the election under § 168(k)(5) applies; or, if later

(ii) Any taxable year for which the taxpayer timely files an original Federal income tax return or Form 1065, as applicable, on or after November 6, 2020, and on or before December 31, 2021.

(3) Certain eligibility rules inapplicable.

(a) The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to the change under section 6.20(1)(a)(i) and (b)(i) of this revenue procedure for the taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer placed in service the property affected by the late election under § 168(g)(7), (k)(5), (k)(7), or (k)(10), as applicable, or revocation of the election under § 168(k)(5), (k)(7), or (k)(10), as applicable, or if later, for any taxable year for which the taxpayer timely files an original Federal income tax return or Form 1065, as applicable, on or after April 17, 2020, and on or before October 15, 2021.

(b) The eligibility rules in section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to the change under section 6.20(1)(a)(ii) and (b)(ii) of this revenue procedure for:

(i) The taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer (A) placed in service the property affected by the late election under § 168(k)(7) or (10), the late component election, the late designated transaction

election, or the late proposed component election, as applicable, or by the revocation of the election under § 168(k)(7) or (k)(10), or the proposed component election, as applicable, or (B) planted or grafted the specified plant to which the late § 168(k)(5) election applies or to which the revocation of the election under § 168(k)(5) applies; or, if later

(ii) Any taxable year for which the taxpayer timely files an original Federal income tax return or Form 1065, as applicable, on or after November 6, 2020, and on or before December 31, 2021.

(4) Reduced filing requirement. A taxpayer making a change under this section 6.20 is required to complete only the following information on Form 3115 (Rev. December 2018):

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I;
- (d) Part II, all lines except lines 11, 12, 13, 15, 16, 17, and 19;
- (e) Part IV, all lines; and
- (f) Schedule E, all lines except lines 1, 4b, 5, and 6.

(5) Concurrent automatic change.

(a) A taxpayer making one or more late elections, and/or revoking one or more elections, under sections 4 and 5 of Rev. Proc. 2020-25, or under sections 5 and 6 of Rev. Proc. 2020-50, for the same year of change must file a single Form 3115 for all such changes. The single Form 3115 must provide a single net § 481(a) adjustment

for all such changes. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(b) A taxpayer making a change under this section 6.20 and the change in section 6.01, 6.19, or 6.21 of this revenue procedure for the same year of change must file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers on the appropriate line on the Form 3115. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(6) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.20 is “245.”

(7) Contact information. For further information regarding a change under this section 6.20, contact Elizabeth R. Binder at (202) 317-7005 (not a toll-free number).

.03 New automatic change. Rev. Proc. 2019-43 is modified to add new section 6.21 to read as follows:

6.21 Change in depreciation as a result of applying the additional first year depreciation regulations.

(1) Description of Change.

(a) Applicability. This change applies to a taxpayer within the scope of section 4 of Rev. Proc. 2020-50, 2020-48 I.R.B. ____, that wants to change its method of accounting for depreciation under § 168 to comply with the Final Regulations, the 2019

final regulations, or both the 2019 final regulations and the 2019 proposed regulations, as applicable, and as defined in section 2.02 of Rev. Proc. 2020-50, for depreciable property and specified plants within the scope of section 4 of Rev. Proc. 2020-50. A change under this section 6.21 applies to (i) a taxpayer that is changing from an impermissible method of accounting to a permissible method of accounting under section 4.03(4)(b) of Rev. Proc. 2020-50, and (ii) a taxpayer that is changing from one permissible method of accounting to another permissible method of accounting under section 4.04 of Rev. Proc. 2020-50.

(b) Inapplicability. This change does not apply to any property for which the taxpayer is changing its method of accounting for depreciation to the method of accounting for depreciation provided in § 1.168(i)-4, which applies when there is a change in use of the property (but see section 6.04 or 6.05 of this revenue procedure for making this change).

(2) Certain eligibility rules inapplicable.

(a) In general. The eligibility rule in section 5.01(1)(d) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change for the property and specified plant within the scope of section 4 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure.

(b) Special rule. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, does not apply to a taxpayer making this change for the property and specified plant within the scope of section 4 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure, for:

(i) The taxpayer's first or second taxable year succeeding the taxable year in which the taxpayer placed in service such property, or planted or grafted such specified plant, as applicable; or, if later

(ii) Any taxable year for which the taxpayer timely files an original Federal income tax return or Form 1065, as applicable, on or after November 6, 2020, and on or before December 31, 2021.

(3) Impermissible to permissible method of determining the depreciation deduction allowable.

(a) A taxpayer may change from an impermissible method of accounting to a permissible method of accounting under section 4.03 of Rev. Proc. 2020-50 for the property and specified plant within the scope of section 4.03 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure, for which the taxpayer used the impermissible method of accounting in at least two taxable years immediately preceding the year of change (but see section 6.21(3)(b) of this revenue procedure for property placed in service or a specified plant planted or grafted in the taxable year immediately preceding the year of change).

(b) If a taxpayer does not satisfy section 6.21(3)(a) of this revenue procedure for depreciable property that is within the scope of section 4.03 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure, because the depreciable property is placed in service by the taxpayer in the taxable year immediately preceding the year of change (1-year Property), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining

depreciation for the 1-year Property by filing a Form 3115 for this change in accordance with this section 6.21(3), provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment attributable to all property, including the 1-year Property, subject to the Form 3115. Similarly, for a specified plant that is within the scope of section 4.03 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure, and is planted or grafted by the taxpayer in the taxable year immediately preceding the year of change (1-year Plant), the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation under this section 6.21(3) for the 1-year Plant by filing a Form 3115 for this change in accordance with this section 6.21(3), provided the § 481(a) adjustment reported on the Form 3115 includes the amount of any adjustment attributable to all property, including the 1-year Plant, subject to the Form 3115. Alternatively, the taxpayer may change from the impermissible method of determining depreciation to the permissible method of determining depreciation for the 1-year Property or 1-year Plant by filing an amended return or AAR, as applicable.

(c) A change under section 4.03(4)(b) of Rev. Proc. 2020-50 and this section 6.21(3) is made with a § 481(a) adjustment. However, consent to make a change in method of accounting under this section 6.21 will be granted by the Commissioner only if the taxpayer satisfies section 4.02 of Rev. Proc. 2020-50, to the extent relevant. Further, if a taxpayer that has a trade or business with floor plan financing indebtedness is applying § 1.168(k)-2(b)(2)(ii)(G) of the Final Regulations, § 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations, or both § 1.168(k)-2(b)(2)(ii)(G) of the 2019 final regulations

and § 1.168(k)-2(b)(2)(ii)(G) of the 2019 proposed regulations for depreciable property placed in service by the taxpayer in its 2018, 2019, or 2020 taxable year, consent to make a change in method of accounting under this section 6.21 will be granted by the Commissioner only if the amount of the § 481(a) adjustment is adjusted to account for the proper amount of interest expense, taking into account the business interest limitation under § 163(j) and the regulations thereunder, as of the beginning of the year of change.

(4) Permissible to another permissible method of determining the depreciation deduction allowable.

(a) A taxpayer may change from one permissible method of accounting to another permissible method of accounting under section 4.04 of Rev. Proc. 2020-50 for the property and specified plant within the scope of section 4.04 of Rev. Proc. 2020-50, as modified by section 6.21(1)(b) of this revenue procedure.

(b) A change under section 4.04 of Rev. Proc. 2020-50 and this section 6.21(4) is made on a cut-off basis. Accordingly, neither the modified cut-off method, as described in § 1.446-1(e)(2)(ii)(d)(5)(iii), nor a § 481(a) adjustment is permitted or required.

(5) Additional requirement. A taxpayer making a change under this section 6.21 also must comply with section 4.02 of Rev. Proc. 2020-50, to the extent relevant. Once a taxpayer applies § 1.168(k)-2 and, to the extent relevant, § 1.1502-68, of the Final Regulations, in their entirety, for a taxable year, the taxpayer must continue to apply § 1.168(k)-2 and, to the extent relevant, § 1.1502-68, of the Final Regulations, in their

entirety, for the taxpayer's subsequent taxable years. See §§ 1.168(k)-2(h)(3)(iii) and 1.1502-68(e)(2)(iii) of the Final Regulations and section 4.02(1) of Rev. Proc. 2020-50.

(6) Reduced filing requirement. A taxpayer making a change under this section 6.21 is required to complete only the following information on Form 3115 (Rev. December 2018):

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I;
- (d) Part II, all lines except lines 11, 12, 13, 15, 16, 17, and 19;
- (e) Part IV, all lines; and
- (f) Schedule E, all lines except lines 1, 4b, 5, and 6.

(7) Concurrent automatic change.

(a) A taxpayer making this change must file a single Form 3115 for all assets placed in service, and all specified plants planted or grafted, by the taxpayer during the same taxable year and must provide a single net § 481(a) adjustment for all the changes included in that Form 3115.

(b) A taxpayer making a change under section 6.21(3) of this revenue procedure and the change in section 6.01, 6.19, or 6.20 of this revenue procedure for the same year of change must file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers on the appropriate line on the Form 3115. The single Form 3115 must provide a single net § 481(a)

adjustment for all such changes. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(8) Designated automatic accounting method change numbers. The designated automatic accounting method change number for (a) a change under section 6.21(3) of this revenue procedure is “246”, and (b) a change under section 6.21(4) of this revenue procedure is “247.”

(9) Contact information. For further information regarding a change under this section 6.21, contact Elizabeth R. Binder at (202) 317-7005 (not a toll-free number).

SECTION 8. MODIFICATIONS TO REV. PROC. 2020-25

.01 Section 4.01 of Rev. Proc. 2020-25 is modified to read as follows:

.01 Scope. This section 4 applies to:

(1) A taxpayer that (a) placed in service depreciable property during its 2018, 2019, or 2020 taxable year, (b) timely filed its Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property and such return was filed on or before April 17, 2020, (c) wants to make a § 168(g)(7) election, § 168(k)(5) election, or § 168(k)(7) election for such depreciable property, and (d)(i) did not previously revoke or withdraw such election(s) in accordance with section 5.02 of this revenue procedure, or (ii) did not previously revoke such § 168(k)(5) election or § 168(k)(7) election in accordance with section 6 of Rev. Proc. 2020-50, 2020-48 I.R.B. _____. The taxpayer makes the § 168(g)(7) election, § 168(k)(5) election, or § 168(k)(7) election in accordance with section 2.02(1), (2), or (3), respectively, of this revenue procedure or under section 4.02 of this revenue procedure; or

(2) A taxpayer that (a) timely filed its Federal income tax return or Form 1065 for the taxpayer's taxable year that includes September 28, 2017, (b) wants to make a § 168(k)(10) election for such taxable year, and (c) did not previously revoke a § 168(k)(10) election for such taxable year in accordance with section 5.02 of this revenue procedure or with section 6 of Rev. Proc. 2020-50. The taxpayer makes the § 168(k)(10) election in accordance with section 2.02(4) of this revenue procedure or under section 4.02 of this revenue procedure.

SECTION 9. EFFECT ON OTHER DOCUMENTS

.01 Section 6 of Rev. Proc. 2019-43 is modified to include the modifications provided in section 7.02 of this revenue procedure and the accounting method change provided in section 7.03 of this revenue procedure.

.02 Section 4.01 of Rev. Proc. 2020-25 is modified.

SECTION 10. EFFECTIVE DATE

This revenue procedure is effective November 6, 2020.

SECTION 11. DRAFTING INFORMATION

The principal author of this revenue procedure is Kathleen Reed of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Elizabeth Binder at (202) 317-4869 (not a toll-free number) or Ms. Reed at (202) 317-4660 (not a toll-free number).