

Instructions for Form 3315

(Rev. December 2022)

Application for Change in Accounting Method

Volume 1 of 2



Department of the Treasury
Internal Revenue Service

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Section references are to the Internal Revenue Code unless otherwise noted.



All references to Rev. Proc. 2015-13 are to Rev. Proc. 2015-13, 2015-5 I.R.B. 419 (as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2021-34, 2021-35 I.R.B. 337; Rev. Proc. 2021-26, 2021-22 I.R.B. 116; by Rev. Proc. 2017-59, 2017-48 I.R.B. 543, and section 17.02 of Rev. Proc. 2016-1, 2016-1 I.R.B. 1), or any successor.

All references to Rev. Proc. 2022-14 and the List of Automatic Changes are to Rev. Proc. 2022-14, 2022-7 I.R.B. 502 (as modified by Rev. Proc. 2022-23, 2022-18 I.R.B. 105 and Rev. Proc. 2023-11, 2023-3 I.R.B. 417) or any successor.

All references to Rev. Proc. 2023-1 are to Rev. Proc. 2023-1, 2023-1 I.R.B. 1, or any successor (updated annually).

Future Developments

For the latest information about developments related to Form 3115 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form3115](https://www.irs.gov/Form3115).

What's New

Changes related to the deferral method for advance payments, cost offset methods, and/or the applicable financial statement income inclusion rule. The instructions for Schedule B have been updated to include additional information about accounting method changes relating to the deferral method for advance payments, cost offset methods, and methods to conform to the applicable financial statement (AFS) income inclusion rule under section 451.

Research and experimental expenditures. Effective for specified research or experimental expenditures paid or

incurred in tax years beginning after 2021, no deduction is allowed for such expenditures. Instead, you must capitalize and amortize these amounts over a 5-year period for amounts attributable to domestic research and over a 15-year period for amounts attributable to foreign research. See DCN 265 and Rev. Proc. 2023-11, 2023-3 I.R.B. 417.

General Instructions

Purpose of Form

File Form 3115 to request a change in either an overall accounting method or the accounting treatment of any item.

Method Change Procedures



When filing Form 3115, you must determine if the IRS has issued any new published guidance which includes revenue procedures, revenue rulings, notices, regulations, or other relevant guidance in the

Internal Revenue Bulletin (I.R.B) For the latest information, go to IRS.gov.

For general application procedures on requesting accounting method changes, see Rev. Proc. 2015-13. Rev. Proc. 2015-13 provides procedures for both automatic and non-automatic accounting method changes.

Automatic change procedures. Unless otherwise provided in published guidance, you **must** file under the automatic change procedures if you are eligible to request consent to make an accounting method change under the automatic change procedures for the requested year of change. See the instructions for Part I Information for Automatic Change Request, later, and the List of Automatic Changes in Rev. Proc. 2022-14.

No user fee is required for a Form 3115 filed under the automatic change procedures. An applicant that timely files and complies with the automatic change procedures is granted consent to change its accounting method,

subject to review by the IRS National Office and operating division director. If it is reviewed by the IRS, you will be notified if information in addition to that requested on Form 3115 is required or if your request is denied. Ordinarily, you are required to file a separate Form 3115 for each accounting method change. However, in some cases, you are required or permitted to file a single Form 3115 for particular concurrent accounting method changes. See section 6.03(1)(b) of Rev. Proc. 2015-13 for more information.

Note. The List of DCNs (Designated automatic accounting method change numbers) at the end of these instructions is a list of many accounting method changes and is presented for informational purposes only and subject to the most recently issued revenue procedures.



You may qualify for a reduced Form 3115 filing requirement for certain DCNs. A reduced Form 3115 filing requirement involves completing only certain lines and schedules of Form 3115. For qualifying changes and filing requirements, see Rev. Proc. 2022-14. For example, qualified small taxpayers are eligible for a reduced Form 3115 filing requirement for DCNs 7, 8, 21, 88, 89, 107, 121, 145, 157, 184-193, 198, 199, 200, 205, 206, 207, and 222.

Non-automatic change procedures. If you do not qualify to file under the automatic change procedures for the requested accounting method change for the requested year of change, you may be able to file under the non-automatic change procedures. See *Non-automatic change-scope and eligibility rules*, under Part III, later. If the requested change is approved by the IRS National Office, the filer will receive a letter ruling on

the requested change. File a separate Form 3115 for each unrelated item or submethod that is being changed. A user fee is required. See the instructions for Part III for more information.

Who Must File

The **filer** is the entity or person required to file Form 3115, whether on its own behalf or on behalf of another entity. An **applicant** is an entity, a person, or a separate and distinct trade or business of an entity or a person (for purposes of Regulations section 1.446-1(d)), whose accounting method is being changed.

For a consolidated group of corporations, the common parent corporation must file Form 3115 for an accounting method change for itself and for any member of the consolidated group. For example, the common parent corporation of a consolidated group is the filer when requesting an accounting method change for another member of that

consolidated group (or a separate and distinct trade or business of that member), and the other member (or trade or business) on whose behalf Form 3115 is filed is the applicant.

For information on the difference between a filer and an applicant, see *Name(s) and Signature(s)*, later.

For information on a controlled foreign corporation (CFC) or 10/50 corporation without a U.S. trade or business, see section 6.02(6) of Rev. Proc. 2015-13.

Generally, a filer must file a separate Form 3115 for each applicant seeking consent to change an accounting method. A separate Form 3115 and user fee (for non-automatic change requests) must be submitted for each applicant and each separate trade or business of an applicant, including a qualified subchapter S subsidiary (QSub) or a single-member limited liability company (LLC),

requesting an accounting method change.
See section 9.02 of Rev. Proc. 2023-1.

However, identical accounting method changes for two or more of the following in any combination may be included in a single Form 3115.

1. Entities with a common sponsor.
2. Members of a consolidated group;
3. Separate and distinct trades or businesses (for purposes of Regulations section 1.446-1(d)) of that entity or member(s) of a consolidated group. Separate and distinct trades or businesses include QSubs and single-member LLCs;
4. Partnerships that are wholly owned within a consolidated group; and
5. CFCs and 10/50 corporations that do not engage in a trade or business within the United States where (i) all

controlling domestic shareholders (as provided in Regulations section 1.964-1(c)(5)) of the CFCs and of the 10/50 corporations, as applicable, are members of a consolidated group; or (ii) the taxpayer is the sole controlling domestic shareholder of the CFCs or of the 10/50 corporations.

For information on what is an identical accounting method change, see section 15.07(4) of Rev. Proc. 2023-1.

When and Where To File

Automatic change requests. Except if instructed differently, you must file Form 3115 under the automatic change procedures in duplicate as follows.

- Attach the **original** Form 3115 to the filer's timely filed (including extensions) federal income tax return for the year of change. The original Form 3115 attachment does not need to be signed.

- File a **copy** of the **signed** Form 3115 (duplicate copy) with the IRS National Office at the address provided in the Address Chart for Form 3115, later, no earlier than the first day of the year of change and no later than the date the original is filed with the federal income tax return for the year of change. This signed Form 3115 may be a photocopy. For more on the signature requirement, see Name(s) and Signature(s), later. Alternatively, the duplicate copy of the signed Form 3115 may be submitted by fax.

The IRS does not send acknowledgements of receipt for automatic change requests.



For filing procedures relating to automatic change requests for certain foreign corporations and foreign partnerships, see section 6.03(1)(a)(ii) and (iii) of Rev. Proc. 2015-13.

Non-automatic change requests. You must file Form 3115 under the non-automatic change procedures during the tax year for which the change is requested, unless otherwise provided by published guidance. See section 6.03(2) of Rev. Proc. 2015-13.

File Form 3115 with the IRS National Office at the address listed in the *Address Chart for Form 3115* below. Alternatively, Form 3115 may be submitted by secure electronic facsimile or encrypted electronic mail. File Form 3115 as early as possible during the year of change to provide adequate time for the IRS to respond prior to the due date of the filer's return for the year of change.

The IRS normally sends an acknowledgment of receipt within 60 days after receiving a Form 3115 filed under the non-automatic change procedures. If the filer does not receive an acknowledgment of receipt for a non-automatic change request within 60 days, the filer can inquire to:

Internal Revenue Service
Control Clerk
CC:IT&A, Room 4512
1111 Constitution Ave. NW
Washington, DC 20224



*In specified circumstances, you are required to send **additional copies** of Form 3115 to another IRS address. For example, another copy of Form 3115 would be sent when an applicant is under examination, before an Appeals office, or before a federal court, or is a certain foreign corporation or certain foreign partnership. See section 6.03(3) of Rev. Proc. 2015-13 for more information. Also see the instructions for Part II, lines 6 and 8, later.*

Address Chart for Form 3115

File Form 3115 at the applicable IRS address listed below.

	A non-automatic change request	An automatic change request (Form 3115 copy)
Delivery by mail	Internal Revenue Service Attn: CC:PA:LPD:TSS P.O. Box 7604 Benjamin Franklin Station Washington, DC 20044	Internal Revenue Service Ogden, UT 84201 M/S 6111
Delivery by private delivery service	Internal Revenue Service Attn: CC:PA:LPD:TSS	Internal Revenue Service 1973 N.

	Room 5336 1111 Constitution Ave. NW Washington, DC 20224	Rulon White Blvd. Ogden, UT 84201 Attn: M/S 6111
Delivery by facsimile	877-773-4950 (Secure)	844-249- 8134
Delivery by encrypted electronic mail	Userfee@irsounsel .treas.gov	N/A

Late Application

In general, a filer that fails to timely file a Form 3115 will not be granted an extension of time to file except in unusual and compelling circumstances. See section 6.03(4)(b) of Rev.

Proc. 2015-13 and Regulations section 301.9100-3 for the standards that must be met. For information on the period of limitations, see section 5.03(2) of Rev. Proc. 2023-1.

However, an automatic 6-month extension from the due date (excluding any extension) of the federal income tax return to file Form 3115 may be available for automatic change requests. For details, see section 6.03(4)(a) of Rev. Proc. 2015-13, and Regulations section 301.9100-2.

An applicant submitting a ruling request for an extension of time to file Form 3115 must pay a user fee for its extension request and, in the case of a non-automatic change request, a separate user fee for its accounting method change request. For the schedule of user fees, see section (A)(3)(b), (A)(4), and (A) (5)(d) in Appendix A of Rev. Proc. 2023-1.

Useful Items

Refer to the following items for more information on changing an accounting method.

Rev. Proc. 2023-1. See [Rev. Proc. 2023-1](#). This revenue procedure provides specific and additional procedures for requesting an accounting method change, including the user fee for non-automatic method of change requests.

Rev. Proc. 2015-13. See [Rev. Proc. 2015-13](#). This revenue procedure provides the automatic and non-automatic method change procedures to obtain consent of the IRS to change an accounting method.

Rev. Proc. 2022-14. See [Rev. Proc. 2022-14](#). This revenue procedure contains a list of accounting method changes that may be eligible to file under the automatic method change procedures.

Inflation-adjusted amount. Certain automatic accounting method changes require that the applicant's average annual gross receipts for the 3 preceding tax years be at or less than the "inflation-adjusted amount" (set forth in an annual revenue procedure) See, for example, DCN 22. For years beginning in 2022, the inflation adjusted amount is \$27,000,000. See [Rev. Proc. 2021-45](#).

Pub. 538, Accounting Periods and Methods. This publication provides general information on accounting methods.

Specific Instructions

Name(s) and Signature(s)

Enter the name of the filer on the first line of page 1 of Form 3115.

In general, the filer of Form 3115 is the applicant. However, in circumstances where Form 3115 is filed on behalf of the applicant, enter the filer's name and identification

number on the first line of Form 3115 and enter the applicant's name and identification number on the fourth line. Receivers, trustees, or assignees must sign any Form 3115 they are required to file.

If Form 3115 is filed for multiple (i) applicants in a consolidated group of corporations, (ii) applicants with a common sponsor, (iii) CFCs, (iv) wholly owned partnerships within a consolidated group, and/or (v) separate and distinct trades or businesses (including QSubs or single-member LLCs), attach a schedule listing each applicant and its identification number (where applicable). This schedule may be combined with the information requested for Part III, line 24a (regarding the user fee), and Part IV (section 481(a) adjustment). If multiple names and signatures are required (for example, in the case of CFCs—see instructions below), attach a schedule labeled “SIGNATURE ATTACHMENT” to Form 3115, signed under

penalties of perjury using the same language as in the declaration on page 1 of Form 3115.

Individuals. If Form 3115 is filed for a couple who file a joint income tax return, enter the names of both spouses on the first line and the signatures of both spouses on the signature line.

Partnerships. Enter the name of the partnership on the first line of Form 3115. In the signature section, include the signature of one of the general partners or LLC members who has personal knowledge of the facts and who is authorized to sign. Enter that person's name and official title in the space provided. If the authorized partner is a member of a consolidated group, then an authorized officer of the common parent corporation with personal knowledge of the facts must sign.

Non-consolidated corporations, personal service corporations, S corporations, and cooperatives. Enter the name of the filer on the first line of Form 3115. In the signature

section, enter the signature of the officer who has personal knowledge of the facts and authority to bind the filer in the matter. Enter that officer's name and official title in the space provided.

Consolidated group of corporations. Enter the name of the common parent corporation on the first line of Form 3115. Also enter the name(s) of the applicant(s) on the fourth line if a member of the consolidated group other than, or in addition to, the parent corporation is requesting an accounting method change. In the signature section, enter the signature of the officer of the common parent corporation who has personal knowledge of the facts and authority to bind the common parent corporation in the matter, and that officer's name and official title in the space provided.

Multiple entities with a common sponsor. Enter the name of the common sponsor on the first line of Form 3115. Enter on the

fourth line the name of each entity with the common sponsor that is requesting an accounting method change. In the signature section, enter the signature of the officer who has personal knowledge of the facts and authority to bind the common sponsor and the applicants with that common sponsor in the matter, and that officer's name and official title in the space provided.

Separate and distinct trade or business of an entity. Enter the name of the entity (or common parent corporation if the entity is a member of a consolidated group) on the first line of Form 3115. Also enter the name of the separate and distinct trade or business requesting an accounting method change on the fourth line. In the signature section, enter the signature of the individual who has personal knowledge of the facts and authority to bind the separate and distinct trade or business of the entity in the matter, and that

person's name and official title in the space provided.

CFC or 10/50 corporation. For a CFC or 10/50 corporation with a U.S. trade or business, enter the name of the designated (controlling domestic) shareholder that retains the jointly executed consent as provided for in Regulations section 1.964-1(c)(3)(ii) (or, if the designated shareholder is a member of a consolidated group, the common parent corporation) on the first line of Form 3115. Enter the name of the CFC or 10/50 corporation on the fourth line of Form 3115. In addition, a Form 3115 filed on behalf of the CFC or 10/50 corporation by its controlling domestic shareholder(s) (or the common parent) must be signed by an authorized officer of the designated (controlling domestic) shareholder (or the common parent). If there is more than one shareholder, the statement described in Regulations section 1.964-1(c)(3)(ii) must be

attached to the application. Also, the controlling domestic shareholder(s) must provide the written notice required by Regulations section 1.964-1(c)(3)(iii).

Estates or trusts. Enter the name of the estate or trust on the first line of Form 3115. In the signature section, enter the signature of the fiduciary, personal representative, executor, administrator, etc., who has personal knowledge of the facts and legal authority to bind the estate or trust in the matter, and that person's official title in the space provided.

Exempt organizations. Enter the name of the organization on the first line of Form 3115. In the signature section, enter the signature of a principal officer or other person who has personal knowledge of the facts and authority to bind the exempt organization in the matter, and that person's name and official title in the space provided.

Preparer (other than filer/applicant). If the individual preparing Form 3115 is not the filer or applicant, the preparer must also sign, and include the firm's name, where applicable. Generally, for both automatic and non-automatic changes, the preparer (if not the filer or applicant) must sign the original and copies of Form 3115. If Form 3115 is *e-filed*, the preparer need not sign the original *e-filed* Form 3115 but must still complete the preparer information and, if applicable, must sign the duplicate automatic Form 3115 copy.

Identification Number

Enter the filer's taxpayer identification number on the first line of Form 3115 as follows.

- Individuals enter their social security number (SSN). For a resident or nonresident alien, enter an individual taxpayer identification number (ITIN). If Form 3115 is for a couple who file a joint

return, enter the identification numbers of both spouses.

- All others enter the employer identification number (EIN).
- If the filer is the common parent corporation of a consolidated group of corporations or a common sponsor of multiple entities, enter the EIN of the common parent or common sponsor on the first line of Form 3115. If a member of a consolidated group other than, or in addition to, the common parent, or if an entity with a common parent, or if an entity with a common sponsor is requesting an accounting method change, enter the EIN of the applicant on the fourth line.
- If the common sponsor is filing Form 3115 on behalf of multiple applicants with that common sponsor, or if the common parent is filing Form 3115 on behalf of multiple applicants in a consolidated group of

corporations, multiple CFCs or 10/50 corporations, or multiple and distinct trades or businesses of a member (including QSubs or single-member LLCs), attach a schedule listing each applicant and its identification number (if applicable).

- If the applicant is a foreign entity that is not otherwise required to have or obtain an EIN, enter "Not applicable" in the space provided for the identifying number.

Principal Business Activity Code

If the filer is a business, enter the 6-digit principal business activity (PBA) code of the filer. The principal business activity of the filer is the activity generating the largest percentage of its total receipts. See the instructions for the filer's income tax return for the filer's PBA code and definition of total receipts.

Address

Include the suite, room, or other unit number after the street address. If the post office does not deliver mail to the street address and the filer has a P.O. box, show the box number instead of the street address.

Year of Change

The year of change is the first tax year the applicant uses the proposed accounting method, even if no affected items are taken into account for that year. Each applicant (and filer, if also an applicant) must list its respective year of change.

Example. A calendar year taxpayer that has consistently capitalized certain building repair costs from 2015 to 2020 files a Form 3115 to change its method of accounting for building repair costs to begin deducting these repair costs in 2021. The year of change is calendar year 2021. Each applicant (and filer, if also an

applicant) must list its respective year of change.

Contact Person

The contact person must be an individual authorized to sign Form 3115, or the filer's authorized representative. If this person is someone other than an individual authorized to sign Form 3115, you must attach Form 2848, Power of Attorney and Declaration of Representative.

Form 2848

Authorization to (1) represent the filer before the IRS, (2) receive a copy of the requested letter ruling, or (3) perform any other act(s) must be properly reflected on Form 2848. For further details for an authorized representative and a power of attorney, see section 9.03(8) and (9) of Rev. Proc. 2023-1.

A Form 2848 must be attached to Form 3115 in order for the IRS to discuss a Form 3115 with the filer's representative, even if the filer's representative prepared and/or signed the Form 3115.



If the filer intends to have the authorized representative receive copies of correspondences regarding its Form 3115, it must check the appropriate box on Form 2848.

Fax Number for Option To Receive Correspondence by Fax or Electronic Facsimile

Check the box to indicate whether the filer wants to receive, or wants its authorized representative to receive, a copy of correspondence regarding its Form 3115 (for example, additional information letters or the letter ruling) by fax or electronic facsimile. If the filer answered yes, the filer must attach a statement indicating the applicant's intention to request to correspond by fax or electronic

facsimile and include the contact person's fax number. The listed person(s) must be either authorized to sign the Form 3115 or an authorized representative of the filer that is included on Form 2848. For further details on the fax procedures, see section 9.04(3) of Rev. Proc. 2023-1.

Option To Receive Correspondence by Encrypted Email Attachment

A filer that wants to receive, or wants its authorized representative to receive, correspondence regarding its Form 3115 (for example, additional information letters or the letter ruling) by encrypted email attachment must attach to Form 3115 a statement requesting the service. The request must specify which email encryption method is to be used and, if the taxpayer has not already provided the appropriate memorandums of understanding (MOUs) to use encrypted email attachments, must include those MOUs. For acceptable email encryption methods and

procedures, see section 9.05(3) of Rev. Proc. 2023-1.

Type of Accounting Method Change Requested

Check the appropriate box on Form 3115 to indicate the type of change being requested.

- **Depreciation or amortization.** Check this box for a change in (1) depreciation or amortization (for example, the depreciation method or recovery period); (2) the treatment of salvage proceeds or costs of removal; (3) the method of accounting for dispositions of depreciable property; or (4) the treatment of depreciable property from a single asset account to a multiple asset account (pooling), or vice versa.
- **Financial products and/or financial activities of financial institutions.** Check this box for a change in the treatment of a financial product (for

example, accounting for debt instruments, derivatives, mark-to-market accounting), or in the financial activities of a financial institution (for example, a lending institution, a regulated investment company, a real estate investment trust, or a real estate mortgage investment conduit).

Other. For non-automatic change requests, check this box if neither of the above boxes applies to the requested change. In the space provided, enter a short description of the change and the most specific applicable Code section(s) for the requested change (for example, change within section 263A costs; deduction of warranty expenses, section 461; or change to the completed contract method for long-term contracts, section 460).

For automatic change requests, this informational requirement is satisfied by properly completing Part I, line 1, of Form 3115.

As noted on Form 3115, the filer must provide all information relevant to the requested accounting method change. All relevant information includes all information requested on Form 3115, these instructions, and any other relevant information, even if not specifically identified on Form 3115 or in these instructions. Table A illustrates, for automatic and non-automatic changes, the Parts of Form 3115 that must be completed. Table B illustrates the Schedule(s) to be completed for common method changes.

Automatic Changes—Scope and Eligibility Rules

Line 1a. Enter the DCN on line 1a. These numbers may be found in the List of DCNs at the end of the instructions, the List of Automatic Changes, or in subsequently published guidance. In general, enter a number for only one change. However, the numbers for two or more changes may be entered on line 1a if specifically permitted in

applicable published guidance to file a single Form 3115 for particular concurrent accounting method changes. See section 6.03(1)(b) of Rev. Proc. 2015-13. For example, an applicant requesting both a change to deduct repair and maintenance costs for tangible property (DCN 184) and a change to capitalize acquisition or production costs (DCN 192) may file a single Form 3115 for both changes by including both DCNs 184 and 192 on line 1a of Form 3115.

Line 1b. If the accounting method change is not included in the List of Automatic Changes or assigned a number in the published guidance providing the automatic accounting method change, check the box for “Other” on line 1b and identify the revenue procedure or other published guidance under which the automatic accounting method change is being requested.

Table A: Parts To Complete on Form 3115 for Accounting Method Changes

Information to be completed for automatic and non-automatic change requests

	Part I	Part II	Part III	Part IV
Automatic Change	X	X		X
Non-Automatic Change		X	X	X

Table B: Schedules To Complete on Form 3115 for Common Accounting Method Changes

Information to be completed for common method change requests

Common Method Changes	Schedule A		Schedule B	Schedule C		Schedule D			Schedule E
	Part I	Part II		Part I	Part II	Part I	Part II	Part III	
Accrual to Cash	X	X							
Cash to Accrual	X		X**						
Capitalize to Expense									
Expense to Capitalize								X*	X*
Depreciation									X
Long-Term Contracts						X		X	
Inventory Valuation Change							X	X*	
LIFO Change—including Pooling				X	X				
Revenue Recognition Change for Deferral Method for Advance Payments, Cost Offset Methods, and/or Applicable Financial Statement Income Inclusion Rule			X						

X Must fully complete section

Section does not need to be completed.

X* To be completed if applicable—See instructions regarding Schedules D and E, later

X** To be completed if applicable—See instructions regarding Schedule B, later.

Line 2. If “Yes,” provide an explanation as to why the applicant(s) qualifies to file under the automatic change procedures. If other published guidance provides for an automatic accounting method change not listed in the List of Automatic Changes, attach a statement citing the guidance. For example, for an applicant electing out of certain exemptions from securities dealer status to the mark-to-market method under section 475, attach a statement citing Rev. Proc. 97-43. If the eligibility rules otherwise restrict the applicant from requesting the change under the automatic change procedures, but such rules are waived for the requested change, then check “No.”



Certain automatic method change requests require concurrent method changes to be made in order to qualify for the automatic change procedures. For example, a taxpayer making a change for accrued bonuses under DCN 133 must make

the concurrent UNICAP change if the taxpayer is subject to section 263A but is not capitalizing the accrued bonuses under section 263A.

Generally, an applicant is only eligible to use the automatic change procedures of Rev. Proc. 2015-13 if it satisfies the following requirements (see section 5.01(1) of Rev. Proc. 2015-13).

1. On the date the applicant files a Form 3115, the change is described in the List of Automatic Changes.
2. On the date the applicant files a Form 3115, the applicant meets all requirements for the change provided in the applicable section of the List of Automatic Changes.
3. The requested change is not to the principal method under Regulations sections 1.381(c)(4)-1(d)(1) or 1.381(c)(5)-1(d)(1).

4. The requested year of change is not the final year of the trade or business (but see the instructions for line 4).
5. For an overall method of accounting change, the applicant has not made or requested an overall method change during any of the 5 tax years ending with the year of change.
6. The applicant has not made or requested a change for the same item during any of the 5 tax years ending with the year of change, and
7. In the case of a taxpayer that uses the AFS cost offset method in Regulations section 1.451-3(c) and/or the advance payment cost offset method in Regulations section 1.451-8(e) and wants to make a cost-offset related inventory method change, as defined in section 5.06 of Rev. Proc. 2015-13, as modified by section 4.02 of Rev. Proc. 2021-34, 2021-35 I.R.B. 337

(that is described in the List of Automatic Changes) the taxpayer makes a concurrent change under section 16.10(2)(a) (iii)(E) and/or section 16.10(2)(a)(iv)(F) or section 16.10(2)(b)(ii) (E) of Rev. Proc. 2022-14, as applicable.

Note. Some automatic changes in methods of accounting waive some of the above requirements. These changes may be found in the List of Automatic Changes or the published guidance providing the automatic accounting method change.

Line 3. The filer must complete Form 3115, including any required statements or attachments. See Table A for the Form 3115 Part(s) required to be completed for all automatic and non-automatic change requests. See Table B for a sample of common method changes and the Form 3115 Schedule(s) to be completed for each. Additionally, see published guidance for any

additional required information or statements. For example, an applicant that wants to use the mark-to-market method of accounting under section 475(e) or (f) (DCN 64) must, by the due dates provided in section 5.03 of Rev. Proc. 99-17, file a statement that satisfies the requirements of section 5.04 of Rev. Proc. 99-17.

Part II—Information for All Requests

Line 4. If no, check “No.” If yes, check “Yes” and attach a statement explaining why the applicant is eligible to change its accounting method. For example, specific guidance may permit an applicant to change its method of accounting in its final tax year. See section 5.03(2) of Rev. Proc. 2015-13 and sections 6.01 (DCN 7) and 6.07 (DCN 107) of Rev. Proc. 2022-14, or any successor.

Ordinarily, the IRS will not consent to a request for an accounting method change when an applicant ceases to engage in the trade or business or terminates its existence. Generally, an applicant is considered to cease to engage in a trade or business if the applicant terminates its existence for federal income tax purposes, ceases operation of the trade or business, or transfers substantially all the assets of the trade to another taxpayer. For example, a cessation of a trade or business occurs when a trade or business is incorporated or the assets of the trade or business are contributed to a partnership. See sections 3.04, 5.01, and 5.03 of Rev. Proc. 2015-13.

Line 5. When an acquiring corporation operates the trades or businesses of the parties as separate and distinct trades or businesses after the date of distribution or transfer, the acquiring corporation must use a carryover method. See Regulations sections

1.381(c)(4)-1(a)(2) and 1.381(c)(5)-1(a)(2). On the other hand, when the acquiring corporation does not operate the trades or businesses of the parties as separate and distinct trades or businesses after the date of distribution or transfer, the acquiring corporation will generally use the principal method. The applicant does not need to secure the Commissioner's consent to use the principal method. See Regulations sections 1.381(c)(4)-1(d)(1) and 1.381(c)(5)-1(d)(1).

Line 6a. Generally, the applicant is under examination with respect to a federal income tax return as of the date the applicant (or filer) is contacted in any manner by a representative of the IRS for the purpose of scheduling or conducting any type of examination of the return. See section 3.18 of Rev. Proc. 2015-13.

Line 6b. Generally, the applicant's accounting method is an issue under consideration if the examining agent has given the applicant (or

filer) written notification specifically citing the treatment of the item as an issue under consideration. If an examining agent does not propose an adjustment for the item that is an issue under consideration during the examination, the item continues to be an issue under consideration after the examination ends only if the issue is placed in suspense. The applicant's accounting method is an issue placed in suspense if the examining agent has given the applicant (or filer) written notification of the IRS's intent to examine the issue during the examination of the subsequent tax year(s) to be examined. See section 3.08 of Rev. Proc. 2015-13. A partnership or an S corporation has an issue under consideration before examination if the same item is an issue under consideration in an examination of a partner's, member's, or shareholder's federal income tax return. For consolidated groups, see section 3.08 of Rev. Proc. 2015-13 for issue under consideration rules.



For CFCs and 10/50 corporations, the issue under consideration rules are different. See section 3.08(4) of Rev. Proc. 2015-13.

Lines 6c and 6d. If you answered “Yes” to line 6a, include the name and telephone number of the examining agent, and the tax year(s) under examination in the designated places on line 6c. For any present or former consolidated groups, if there is a tax year under examination, complete the information on line 6c. Provide a copy of Form 3115 to the examining agent no later than the date the filer timely files Form 3115. See section 6.03(3) (a) of Rev. Proc. 2015-13.

Line 7a. In general, audit protection applies when an application for change in accounting method is granted. See section 8.01 of Rev. Proc. 2015-13. For exceptions where audit protection is not provided, see section 8.02 of Rev. Proc. 2015-13. You should answer “Yes” even if you do not receive audit protection

when the change is granted but might receive it at the end of the exam under section 8.02(1)(f) of Rev. Proc. 2015-13. For example, a change made under DCN 17 for an applicant that wants to change its treatment of research and experimental expenditures does not receive audit protection. See the List of Automatic Changes for additional method changes not subject to audit protection. If you are making a change on behalf of one or more applicants that are CFCs or 10/50 corporations and audit protection is unavailable for any such applicants for one or more years due to the application of section 8.02(5) of Rev. Proc. 2015-13, you should check "No" and attach an explanation stating the applicants and the years for which there is no audit protection under section 8.02(5).

If no audit protection is given for the requested change, check "No" and attach an explanation. For example, if you are making a

change under DCN 17, your explanation is DCN 17. If you are making a change under DCN 7, your explanation could be that none of the items on line 7b apply. If multiple items are being changed on one Form 3115 and at least one item has audit protection and another item does not have audit protection, check both “Yes” and “No.”

Line 7b. Generally, the applicant receives audit protection for tax years prior to the year of change if they fall into one of the following categories listed below. If Form 3115 is being filed on behalf of multiple applicants or if multiple items are being changed on one Form 3115, check all that apply and attach a statement identifying which category applies to which applicant or item. Except for “Not under exam” and “Other,” the following only apply to applicants under examination.

- **Not under exam.** Check this box if (A) the applicant is not under exam, and (B)

audit protection applies to the item(s) being changed.

- **3-month window.** The 3-month window is the period beginning on the 15th day of the 7th month following the close of the applicant's tax year and ending on the 15th day of the 10th month following the close of the applicant's tax year. For 52-53-week applicants, the tax year begins on the 1st day of the calendar month nearest to the 1st day of the 52-53-week tax year. See Rev. Proc. 2015-33. For applicants with a short tax year ending before the 15th day of the 10th month after the short tax year begins, the 3-month window is the period beginning on the 1st day of the 2nd month preceding the month in which the short tax year ends and ending on the last day of the short tax year. An applicant qualifies under the 3-month window period when (A) it has been under examination for at

least 12 consecutive months as of the 1st day of the 3-month window, and (B) the accounting method for the same item the applicant is requesting to change is not an issue under consideration. See section 8.02(1)(a) of Rev. Proc. 2015-13.

Checking this box satisfies the statement requirement of section 8.02(1)(a)(iv) of Rev. Proc. 2015-13.

- **120-day window period.** The 120-day window is the 120-day period following the date an examination of the applicant ends, regardless of whether a subsequent examination has commenced. An applicant qualifies under the 120-day window period if Form 3115 is filed in a 120-day window and the accounting method for the same item the applicant is requesting to change is not an issue under consideration. See section 8.02(1)(b) of Rev. Proc. 2015-13. If the applicant checks this box, also include the date the

examination ended in the designated space on line 7b.

- **Method not before the director.** The present method is not before the director when it is (A) a change from a clearly permissible method of accounting or (B) a change from an impermissible method of accounting and the impermissible method was adopted subsequent to the tax year(s) under examination on the date the applicant files Form 3115. Checking this box satisfies the statement requirement of section 8.02(1)(c) (ii) of Rev. Proc. 2015-13.
- **Change resulting in a negative adjustment.** Check this box if the change results in a negative adjustment. A negative adjustment occurs where an item (A) results in a negative section 481(a) adjustment for that item for the year of change, and (B) would have resulted in a negative section 481(a) adjustment in

each tax year under examination if the change in accounting method for that item had been made in the tax year(s) under examination. Checking this box satisfies the statement requirement in section 8.02(1)(e)(iii) of Rev. Proc. 2015-13.

- **CAP.** This box applies only to consolidated group members participating in the compliance assurance process (CAP). In general, audit protection applies to a new member if the new member is under audit solely by joining a consolidated group that participates in the CAP. See section 8.02(1)(d) of Rev. Proc. 2015-13. Checking this box satisfies the statement requirement of section 8.02(1)(d)(ii) of Rev. Proc. 2015-13. If the applicant checks this box, include the date the member joined the consolidated group in the designated space on line 7b.

- **Other.** The List of Automatic Changes or other guidance published in the I.R.B. may provide applicants with audit protection. For example, specific guidance may provide a filer under exam with audit protection. If this box is checked, attach a statement citing the guidance providing audit protection.
- **Audit protection at end of exam.** If the applicant does not fall into one of the categories listed above for line 7b, this box should generally be checked. The applicant may receive audit protection at the end of the examination, provided the examining agent does not propose an adjustment for the same item and the accounting method for that same item is not an issue under consideration. For certain foreign corporations, the applicant must satisfy additional requirements in order to receive audit protection at the

end of the examination. See section 8.02(1)(f) of Rev. Proc. 2015-13.



For CFCs and 10/50 corporations, the rules for audit protection are different. See section 8.02 of Rev. Proc. 2015-13 (different rules for the 3-month window, 120-day window, and audit protection at end of exam).

Line 8a. If you answered “Yes,” complete lines 8b–d.

Line 8b. To determine if the applicant’s accounting method is an issue under consideration by Appeals and/or a federal court, see sections 3.08(2) and 3.08(3) of Rev. Proc. 2015-13.

Line 8c. If you answered “Yes” to line 8a, include the name and telephone number of the Appeals officer(s) and/or counsel to the government, as well as the tax year(s) before Appeals and/or federal court in the designated places.

Line 8d. If you answered “Yes” for line 8a, provide a copy of the signed Form 3115 to the Appeals officer(s) and/or all counsel to the government, as applicable, no later than the date the filer timely files Form 3115. See section 6.03(3)(a) of Rev. Proc. 2015-13.

Line 9. If you answered “Yes” to line 6a or 8a, complete line 9. The information requested on line 9 should be included on a separate attachment.

Line 10. If you answered “Yes,” attach an explanation. Unless otherwise provided, the applicant does not receive audit protection for the requested change if it is an issue under consideration. See sections 3.08 and 8.02(7) of Rev. Proc. 2015-13.

Lines 11a–c. Unless otherwise provided, an applicant is not eligible to file under the automatic change procedures if the applicant made or requested a prior overall method change or a prior item change (for the same item) within the 5 tax years ending with the

requested year of change. For additional details, see section 9.03(6)(a) of Rev. Proc. 2023-1 and section 11.02(2) of Rev. Proc. 2015-13.

Line 12. For further details, see section 9.03(6)(b) of Rev. Proc. 2022-1.

Line 13. If you answered “Yes,” complete Schedule A of Form 3115. For example, an overall accounting method change includes a change from an accrual method to the cash receipts and disbursements method or vice versa. See section 446(c).

Line 14. Provide the information requested on lines 14a–d if the applicant answered “No” to question 13 or if the applicant answered “Yes” to question 13 and is also changing to a special accounting method for one or more items.

With the information requested on line 14b, the applicant is also required to provide a statement of whether or not the applicant has

claimed any federal tax credit, grant, or subsidy relating to the item(s) being changed (for example, the employee retention credit for a change in method related to payroll taxes). A special accounting method for an item is an accounting method (other than the cash method or an accrual method) expressly permitted by the Code, regulations, or guidance published in the I.R.B. that deviates from the rules of sections 446, 451, and 461 (and the related regulations) that is applicable to the applicant's overall accounting method (proposed overall method if being changed). For example, the installment accounting method under section 453, the mark-to-market method under section 475, and the long-term contract method under section 460 are special methods of accounting. See section 15.01(2)(d) of Rev. Proc. 2022-14.

Lines 15a and 15b. Provide the requested information for each applicant. For guidance on using different methods of accounting for each trade or business, see section 446(d).

An applicant may include each member of a consolidated group, each wholly owned partnership within a consolidated group, each separate and distinct trade or business of each member of a consolidated group or other entity (even if the change is for all of a member's or other entity's trades or businesses), and each eligible CFC or 10/50 corporation filing a single Form 3115 requesting the identical accounting method change. Also see *Who Must File*, earlier.

Lines 16a–c. For non-automatic changes, the applicant is required to provide a full explanation of the legal basis to support the proposed method, including all authorities supporting the proposed method, and a discussion of all contrary authorities. For further details on what is to be included, see

Rev. Proc. 2023-1, sections 7.01(9)
(statement of supporting authorities), 9.03(1)
(facts and other information), 9.03(2)
(statement of contrary authorities), 9.03(4)
(analysis of material facts), and 9.03(7)
(statement identifying pending legislation).

For the following automatic method changes, the applicant is only required to complete lines 16a–b, unless the information on lines 16a–b is otherwise provided in the applicable Form 3115 Schedules A–E: DCNs 6, 7, 28, 54, 55, 64, 65, 108, 111, 114, 127, 194, and 200 (only for changes listed in sections 6.12(3)(a)(ix), 6.12(3)(a)(x), and 6.12(3)(b)(viii) in the List of Automatic Changes; 205 (only for changes listed in sections 6.13(3)(h) and 6.13(3)(j) in the List of Automatic Changes); 206 (only for changes listed in sections 6.14(3)(a), 6.14(3)(h), and 6.14(3)(j) in the List of Automatic Changes; 207 (only for changes listed in sections 6.15(3)(a) and 6.15(3)(d) in the List of

Automatic Changes); 211, 218, 231, 237, 241, 242, 250, 251, 252, 253, 254, 255, and 256. Line 16c does not need to be completed for applicants filing automatic method changes. For further details on what is to be included, see Rev. Proc. 2023-1, sections 7.01(9) (statement of supporting authorities), 9.03(1) (facts and other information), and 9.03(4) (analysis of material facts).

If the automatic DCN is not specifically listed in the paragraph above, or subsequent guidance released after the issuance of these instructions, skip lines 16a–c.

Line 17. Insurance companies must also attach a statement indicating whether the proposed accounting method will be used for annual statement accounting purposes.

Line 18. For details on requesting and scheduling a conference, see sections 9.04(4) and 10 of Rev. Proc. 2023-1.

Lines 19a and 19b. For certain automatic method changes, the applicant must demonstrate that it meets the gross receipts test under section 448(c) to qualify for the change. This gross receipts test is met if a taxpayer has average annual gross receipts for the 3 prior tax years at or below the inflation-adjusted amount. See Useful Items earlier, for guidance on the inflation-adjusted amounts.

For the calculation of gross receipts for an overall accounting method change request, whether an applicant qualifies as a small business taxpayer for purposes of applying sections 263A and 471, or whether an applicant qualifies as an eligible small business under section 474(c), see section 448(c) and Regulations section 1.448-2(c), and, as applicable, Regulations section 1.263A-1(b)(1)(j) or Regulations section 1.471-1(a)(2).

For the calculation of gross receipts for determining whether the applicant has an exempt construction contract under Regulations section 1.460-3(b), for contracts entered into after

December 31, 2017, in tax years ending after December 31, 2017, see section 448(c) and Regulations sections 1.448-2(c) and 1.460-3(b)(3).

Part III—Information for Non-Automatic Change Request

Non-automatic change—scope and eligibility rules. An applicant may not use the non-automatic change procedures if any of the following eligibility limitations apply at the time Form 3115 is filed with the IRS National Office.

1. The change in accounting method is required to be made according to a published automatic change

procedure, such as Rev. Proc. 2022-14.

2. The requested year of change is the final year of the trade or business, unless (a) the change is a result of a transaction to which section 381(a) applies; or (b) the applicant demonstrates to the satisfaction of the IRS National Office compelling circumstances, or that it is in the interest of sound tax administration for the applicant to change in its final year.

Line 20. If you answered “Yes,” attach an explanation describing why the applicant is not eligible to file a request under the automatic change procedures.

Line 21. Attach true copies of all contracts, agreements, and other documents directly related to the proposed accounting method change. See section 9.03(3) of Rev. Proc. 2023-1.

Line 22. Include a statement explaining the reason for the proposed change. See sections 7.01(1)(d) and 9.03(1) of Rev. Proc. 2023-1.

Line 23. If you answered “No” to line 23, a common parent requesting an accounting method change on behalf of a member of the consolidated group must attach a statement explaining the accounting method used by each member of the consolidated group for the particular item that is the subject of the method change request. See section 6.02(5) of Rev. Proc. 2015-13.

Lines 24a and 24b. For non-automatic change requests, you must pay a user fee for each applicant. Where the filer is not an applicant, a fee is not required for the filer. See section 15 and Appendix A of Rev. Proc. 2023-1 for information regarding user fees, including reduced user fees and user fees for additional applicants filing identical changes in methods of accounting.

Pay the user fees through [PAY.gov](https://pay.gov).

Note. Filers filing under the automatic change procedures do not pay a user fee.

Example 1. Filer is the common parent of a consolidated group of corporations. Filer files a single Form 3115 on behalf of itself and two other members of the consolidated group for an identical accounting method change. There are three applicants (Filer and the two other members of the consolidated group).

Therefore, for a non-automatic change request, all three applicants are required to pay a user fee. The filer applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the two other applicants qualify for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1.

Example 2. Filer is the common parent of a consolidated group of corporations. Filer is filing a single Form 3115 on behalf of two

other members of the consolidated group for an identical accounting method change. There are two applicants on Form 3115 (the two members of the consolidated group). Filer is not changing its accounting method and, therefore, does not pay a fee on account of itself. For a non-automatic change request, both applicants are required to pay a user fee. One applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the other applicant qualifies for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1. This example applies similarly to a filer that is the common sponsor of multiple entities.

Example 3. Filer, a single taxpayer, files Form 3115 on behalf of its three separate and distinct trades or businesses. The request is for an identical accounting method change.

Notwithstanding that Filer is a single taxpayer, there are three applicants on Form 3115. For a non-automatic change request, all three applicants are required to pay a user fee. One applicant must submit the regular user fee under section (A)(3)(b)(i) of Appendix A of Rev. Proc. 2023-1 (or a reduced fee per section (A)(4) of Appendix A of Rev. Proc. 2023-1, if applicable), and the other two applicants qualify for the reduced user fee under section (A)(5)(b) of Appendix A of Rev. Proc. 2023-1.