



Dear \_\_\_\_\_ :

This letter ruling responds to a letter dated November 6, 2018, and supplemental correspondence submitted, by Parent on behalf of its subsidiaries S1 through S10 (collectively, the "Subsidiaries"). Parent is requesting an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the originals and the signed duplicate copies of two Forms 3115, *Application for Change in Accounting Method*, on behalf of the Subsidiaries. Parent should have filed the originals and copies of these originals pursuant to section 6.03(1)(a)(i) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, 432, for the taxable year beginning Date1, and ended Date2.

## FACTS

Parent represents the facts are as follows:

Parent is the common parent of a consolidated group that includes the Subsidiaries. Parent files a consolidated federal income tax return on a calendar year basis. Parent's overall method of accounting is the accrual method.

Beginning for the taxable year beginning Date1, and ended Date2, the Subsidiaries wanted to change their methods of accounting for depreciation for leasehold improvements, data center facilities equipment, computer equipment, communication equipment, leased equipment, capitalized leased property, and furniture and fixtures for purposes of determining the earnings and profits of a foreign corporation from using U.S. Generally Accepted Accounting Principles ("GAAP") to determining the depreciation under § 168(g) of the Internal Revenue Code. Additionally, beginning for the taxable year beginning Date1, and ended Date2, S1 through S8 wanted to change their method of determining amortization for developed and acquired computer software for purposes of determining the earnings and profits of a foreign corporation from amortizing the deduction over 60 months pursuant to GAAP to depreciating the software using the straight-line method over 36 months beginning with the month the software was placed in service pursuant to Rev. Proc. 2000-50, 2000-2 C.B. 601, and § 167(f)(1). Parent believes that these changes in methods of accounting could be implemented under the automatic change procedures of Rev. Proc. 2015-13. Thus, in accord with the automatic change procedures of Rev. Proc. 2015-13, Parent should have completed the required originals of the Forms 3115, reflecting the desired accounting method changes, and attached these originals to Parent's timely filed, consolidated federal income tax return for the taxable year beginning Date1, and ended Date2.

Further, in accord with the automatic change procedures of Rev. Proc. 2015-13, a copy of the originals of the Forms 3115, each with an original signature or a

photocopy of the original signature, should have been timely filed with the appropriate office of the Internal Revenue Service (IRS). Lastly, Parent's consolidated federal income tax return for the taxable year beginning Date1, and ended Date2, should have reflected these accounting method changes made by the Subsidiaries.

Parent's consolidated federal income tax return for the taxable year beginning Date1, and ended Date2, was due on Date3, without extensions. Parent was unable to file its consolidated federal income tax return by Date3, so it intended to request an extension of time to file its consolidated federal income tax return to Date4. Parent prepared all of the relevant information necessary to correctly and timely file Parent's federal application for extension for the taxable year beginning Date1, and ended Date2. On Date3, Parent timely paid the tax it owed on extension for its federal income tax returns for the taxable year beginning Date1, and ended Date2. However, due to an extraordinary series of events, Parent inadvertently failed to timely e-file Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns*, for the taxable year beginning Date1, and ended Date2, to extend the due date for its federal tax return. Several months after Date3, Parent discovered that Parent's Form 7004 had not been filed.

As a result of Parent's failure to timely file Form 7004 for the taxable year beginning Date1, and ended Date2, the original Forms 3115 were not attached to a timely filed federal income tax return for that taxable year, and the signed duplicate copies of Parents' Forms 3115 were not timely filed with the appropriate IRS office as required by section 6.03(1)(a)(i) of Rev. Proc. 2015-13.

Parent filed the signed duplicate copies of the two Forms 3115 at issue with the Ogden, Utah office of the IRS on Date4.

Parent filed its consolidated federal income tax return for the taxable year beginning Date1, and ended Date2, on Date4. Parent attached to this filed return the originals of the two Forms 3115 at issue. The filed return also fully reflects the accounting method changes made by the Subsidiaries, including the necessary adjustments under § 481(a).

#### RULING REQUESTED

Parent requests an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the original Forms 3115 and the signed duplicate copies of the originals of the Forms 3115 described above for the Subsidiaries for the taxable year beginning Date1, and ended Date2.

#### LAW AND ANALYSIS

Rev. Proc. 2015-13, as clarified and modified by Rev. Proc. 2015-33, and as modified by Rev. Proc. 2017-59, and by section 17.02 of Rev. Proc. 2016-1, provides the automatic change procedures and the non-automatic change procedures by which a taxpayer may obtain consent to change its methods of accounting. Pursuant to section 9 of Rev. Proc. 2015-13, a taxpayer that complies with all the applicable provisions of Rev. Proc. 2015-13 and implements the change in method of accounting on its federal income tax return for the requested year of change to which the original Form 3115 is attached pursuant to section 6.03 of Rev. Proc. 2015-13, has obtained the consent of the Commissioner of Internal Revenue to change its method of accounting under § 446(e) and the regulations thereunder.

Section 6.03(1)(a)(i) of Rev. Proc. 2015-13 provides that a taxpayer changing a method of accounting under the automatic change procedures of Rev. Proc. 2015-13 must complete and file a Form 3115 in duplicate. The original must be attached to the taxpayer's timely filed (including any extensions) original federal income tax return for the year of change, and a signed copy of the original Form 3115 must be filed with the appropriate office of the IRS no earlier than the first day of the requested year of change and no later than when the original Form 3115 is filed with the federal income tax return for the requested year of change.

Section 301.9100-1(c) provides that the Commissioner has discretion to grant a reasonable extension of time under the rules set forth in §§ 301.9100-2 and 301.9100-3 to make certain regulatory elections.

Sections 301.9100-1 through 301.9100-3 provide the standards the Commissioner will use to determine whether to grant an extension of time to make an election. Section 301.9100-2 provides automatic extensions of time for making certain elections. Section 301.9100-3 provides extensions of time for making elections that do not meet the requirements of § 301.9100-2.

Section 301.9100-3(a) provides that requests for relief subject to § 301.9100-3 will be granted when the taxpayer provides evidence to establish to the satisfaction of the Commissioner that the taxpayer acted reasonably and in good faith and that the granting of relief will not prejudice the interests of the Government.

Section 301.9100-3(c)(2) imposes special rules for accounting method regulatory elections. This section provides, in relevant part, that the interests of the Government are deemed to be prejudiced except in unusual and compelling circumstances when the accounting method regulatory election for which relief is requested is subject to the procedure described in § 1.446-1(e)(3)(i) or the relief requires an adjustment under § 481(a) (or would require an adjustment under § 481(a) if the taxpayer changed to the accounting method for which relief is requested in a taxable year subsequent to the taxable year the election should have been made).

## CONCLUSION

Based solely on the facts and representations submitted, we conclude that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied. Accordingly, Parent is granted an extension of time to:

- (1) file the two originals of the Forms 3115 changing the Subsidiaries' methods of accounting, beginning for the taxable year beginning Date1, and ended Date2, and
- (2) file the signed duplicate copies of these original Forms 3115 with the appropriate office of the IRS.

In this regard, we will consider the filing of the two original Forms 3115 with Parent's consolidated federal income tax return for the taxable year beginning Date1, and ended Date2, that was filed on Date4, to be timely made. We also will consider the filing of the signed duplicate copies of the original Forms 3115 with the IRS office in Ogden, Utah, on Date4, to be timely made.

Except as expressly set forth above, we express no opinion concerning the tax consequences of the facts described above under any other provision of the Code or regulations. Specifically, no opinion is expressed or implied concerning whether (1) the accounting method changes the Subsidiaries have made are eligible to be made under the automatic change procedures of Rev. Proc. 2015-13 or (2) the Subsidiaries otherwise meet the requirements of Rev. Proc. 2015-13 to make the accounting method changes using the automatic change procedures of Rev. Proc. 2015-13. Lastly, we emphasize that this letter ruling does not grant any extension of time for the filing of Parent's Form 7004 or its consolidated federal income tax return for the taxable year beginning Date1, and ended Date2.

The ruling contained in this letter ruling is based upon facts and representations submitted by Parent with an accompanying penalty of perjury statement executed by the appropriate party. While this office has not verified any of the material submitted in support of this request for an extension of time to file the required Forms 3115, all material is subject to verification on examination.

This letter ruling is directed only to Parent, who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney, we are sending copies of this letter ruling to Parent's authorized representatives.

Sincerely,

Charles J. Magee

CHARLES J. MAGEE  
Senior Counsel, Branch 7  
Office of the Associate Chief Counsel  
(Income Tax & Accounting)

Enclosures (2):

Copy of this letter

Copy for section 6110 purposes