Internal Revenue Service

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Attn:

Department of the Treasury
Washington, DC 20224

[Third Party Communication:
Date of Communication: Month DD, YYYY]

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:ITA:B06
PLR-107197-25

Date:
September 22, 2025

LEGEND

Taxpayer	=
State1	=
Entity1	=
Entity2	=
Entity3	=
Entity4	=
Buyer	=
Services	=
Date1	=
Date2	=
Date3	=
Date4	=
Month1	=
Year1	=
$x	=
$y	=
Accounting Firm	=

Dear :

This ruling responds to your Date1 letter request, as supplemented by the additional information provided on Date2. The Taxpayer is requesting an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations: (i) to make the “eligible acquisition transaction election” (“Election”) provided in section 7.03(3)(d) of Rev. Proc. 2015-13, 2015-51 I.R.B. 419, with respect to Taxpayer’s taxable year ended Date3, and also (ii) to file the original Form 3115 to include the Election, and missing statements and corrections as described in this letter.

FACTS

Taxpayer represents the facts as follows:

Taxpayer is a State1 limited liability company treated as a partnership for U.S. federal income tax purposes. Taxpayer files a Form 1065, *U.S. Return of Partnership Income*, on a calendar year basis. Taxpayer, through its disregarded subsidiaries including Entity1 and Entity2, provides Services.

Taxpayer's trade or business was historically operated by Entity4 through its subsidiaries and affiliates, including Entity2. Prior to Date4, Entity4 elected to be a subchapter S corporation for federal income tax purposes.

On Date4, Taxpayer sold a controlling interest in its trade or business to Buyer (the "Acquisition"). The Equity Purchase Agreement between the parties engaged in the Acquisition intended that Taxpayer would be treated as a continuation of Entity2 and, therefore, that Entity2 would be deemed to continue as a partnership for US. federal tax purposes.

Prior to the Acquisition, Taxpayer used the overall cash receipts and disbursements method of accounting ("cash method"). Following the Acquisition, Taxpayer had an indirect C corporation member in its chain of ownership above its majority member. Taxpayer's average annual gross receipts for the three tax years preceding the year of the Acquisition exceeded $y. As a result of the Acquisition and the failure of Taxpayer to meet the gross receipts test under § 448(c) of the Internal Revenue Code, Taxpayer was required to change from the cash method to an overall accrual method of accounting.

The Equity Purchase Agreement for the Acquisition stipulated that Taxpayer would make the Election pursuant to § 7.03(3)(d)(i) of Rev. Proc. 2015-13 to recognize the entire net positive § 481(a) adjustment resulting from any change of accounting method in the year of the Acquisition so that any income resulting from a change would be allocated to the sellers involved with the Acquisition. Taxpayer represents that there are no expiring tax attributes such as net operating losses that would make the one-year inclusion of the § 481(a) adjustment more favorable to Taxpayer or to the sellers involved with the Acquisition.

Taxpayer attached a Form 3115, *Application for Change in Method*, to its Year1 Form 1065 to change its overall accounting method from the cash method to an accrual method using the automatic consent procedures of Rev. Proc. 2015-13 and Section 15.01 of Rev. Proc. 2024-23. On its Form 3115, Taxpayer included in its § 481(a) adjustment the amount of the additional deduction that results from using the recurring item exception under § 461(h)(3), and it attached a statement describing the types of liabilities for which it would use the recurring item exception.

For the Year1 tax year, Taxpayer reported its taxable income, gain, loss, and deductions on the accrual method of accounting consistent with its requested overall method change. Consistent with the Election, Taxpayer reported the entire net positive § 481(a) adjustment of $x resulting from its overall accounting method change in income on its Year1 income tax return. Taxpayer treated the § 481(a) adjustment as an extraordinary item allocated solely to the sellers of the Acquisition. Additionally, each owner or beneficiary of Taxpayer has completed a statement stating that they have not (or will not) apply the limitation on tax found in § 481(b) and § 1.481-2 of the Income Tax Regulations.

Taxpayer engaged Accounting Firm to prepare and timely file its Year1 Forms 1065 and 3115. Taxpayer represents that it provided Accounting Firm all information necessary to prepare the return, including the Equity Purchase Agreement. Accounting Firm prepared and timely filed on extension the Taxpayer's Form 1065, which included the original Form 3115 reflecting the change in Taxpayer's overall method of accounting. The required filing of a copy of the Form 3115 with the Service was also timely made.

The Form 3115, however, had errors: (1) the box for indicating that the Taxpayer was making the Election was unchecked; (2) it indicated that the § 481(a) adjustment would be taken over four years; (3) it did not include either of the two election statements necessary to make the Election in accordance with § 7.03(3)(d)(i) of Rev. Proc. 2015-13; (4) the box requesting the recurring item exception under § 461(h)(3) was unchecked; (5) the required profit and loss statements were not included; and (6) Entity1 and Entity3 were not included in the list of applicants. Taxpayer represents that it relied on Accounting Firm for the preparation of the accounting method change and that it was unaware of the errors on the Form 3115 at the time of filing.

At the time of preparing and filing the Form 3115, Accounting Firm was aware of the need to make the Election but Accounting Firm inadvertently failed to prepare and file the Election statements. In late Month1 and in connection with a post-return filing review, Accounting Firm discovered the Form 3115 errors identified above. Following the discovery of the errors, Taxpayer undertook the necessary work with Accounting Firm to investigate, determine the relief needed, and submit this ruling request.

Taxpayer discloses that its Year1 federal income tax return is not currently under Service examination and is not being considered by an appeals office or by a federal court. Furthermore, Taxpayer discloses that this request for relief is filed before the failure to make the Election is discovered by the Service. Taxpayer represents that no facts have changed since the due date for attaching the Election to the Year1 Form 1065 that make it more advantageous now than it would have been had the Election been properly made.

RULING REQUESTED

Taxpayer is requesting: (1) an extension of time under Treas. Reg. §§ 301.9100-1 and 301.9100-3 to make the eligible acquisition transaction election provided in section 7.03(3)(d) of Rev. Proc. 2015-13 to recognize the entire net positive IRC § 481(a) adjustment that is associated with the change from the cash method to an accrual method that is discussed in this ruling and (ii) to file a completed original Form 3115 with all required statements and correct responses that are discussed in this ruling.

LAW

Treas. Reg. §§ 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. Treas. Reg. § 301.9100-2 provides automatic extensions of time for making certain elections. Treas. Reg. § 301.9100-3 provides extensions of time for making elections that do not meet the requirements of Treas. Reg. § 301.9100-2.

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

Treas. Reg. § 301.9100-1(b) defines a “regulatory election” as an election whose due date is prescribed by a regulation published in the Federal Register, or a revenue ruling, revenue procedure, notice or announcement published in the Internal Revenue Bulletin.

Treas. Reg. § 301.9100-3(a) provides that requests for relief under Treas. Reg. § 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 granting relief will not prejudice the interests of the government.

Treas. Reg. § 301.9100-3(c)(1) provides that the interests of the government are prejudiced if granting relief would result in the taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made. The interests of the government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made, or any taxable years that would have been affected by the election had it been timely made, are closed by the period of limitations on assessment.

Treas. Reg. § 301.9100-3(c)(2) provides special rules for accounting method regulatory elections. Treas. Reg. § 301.9100-3(c)(2) provides that the interests of the government are deemed prejudiced, except in unusual or compelling circumstances, if the accounting method regulatory election for which relief is requested is subject to the procedure described in Treas. Reg. § 1.446-1(e)(3)(i), requires an adjustment under IRC § 481(a) (or would require an adjustment under IRC § 481(a) if the taxpayer changed to the method of accounting for which relief is requested in a taxable year

subsequent to the taxable year the election should have been made), would permit a change from an impermissible method of accounting that is an issue under consideration by examination, an appeals office, or a federal court and the change would provide a more favorable method or more favorable terms and conditions than if the change were made as part of an examination; or provides a more favorable method of accounting or more favorable terms and conditions if the election is made by a certain date or taxable year.

Section 6.03(4)(b) of Rev. Proc. 2015-13 provides that "(e)xcept in unusual and compelling circumstances . . . a taxpayer . . . is not eligible to make a late election under (section) 7.03(3)(d) under (Treas. Reg.) §§ 301.9100-1 and 301.9100-3. See (Treas. Reg.) § 301.9100-3(c)(2) and Rev. Proc. 2014-1 (or successor)."

CONCLUSION

Based solely on the facts and representations presented, we conclude that Taxpayer has satisfied the requirements of Treas. Reg. §§ 301.9100-1(c) and 301.9100-3. Accordingly, we hereby grant Taxpayer an extension of time to file the eligible acquisition transaction election statements that contain the information required by section 7.03(3)(d) of Rev. Proc. 2015-13 and to file the original Form 3115 to include the Election, and missing statements and corrections as described in this letter. This extension is for a period of 45 days from the date of this letter ruling.

Except as expressly set forth above, we express no opinion concerning the facts described above under any other provision of the Code or Regulations. Specifically, we express no opinion, express or implied, concerning: (1) whether Taxpayer is eligible for the accounting method it has made under Rev. Proc. 2015-13; (2) whether it is eligible to make the eligible transaction election; and (3) whether Taxpayer qualifies to use the recurring item exception for the items listed in the Attachment to its original Form 3115.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. We have not verified any of the facts or representations submitted with this request. They are subject to verification upon examination.

This ruling is directed only to Taxpayer that requested it. IRC § 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, we are furnishing a copy of this letter to each of Taxpayer's authorized representatives.

Sincerely,

_____

Brinton T. Warren
Special Counsel
Office of Associate Chief Counsel
(Income Tax and Accounting)

cc: