



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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MEMORANDUM FOR Industry Director, Natural Resources (LM:NR)

FROM: Senior Technician Reviewer, Branch 6, Office of Associate
Chief Counsel (Passthroughs & Special Industries)
(CC:PSI:6)

SUBJECT: Withdrawal of Application for Change in Method of
Accounting

In accordance with section 8.07(2)(a) of Rev. Proc. 2001-1, 2001-1 I.R.B. 1, 32, this Chief Counsel Advice advises you that taxpayers within your division have withdrawn a Form 3115, Application for Change in Accounting Method. Pursuant to § 6110(k)(3) of the Internal Revenue Code, this Chief Counsel Advice may not be used or cited as precedent.

LEGEND:

B =
C =
D =
E =
F =
G =

This Chief Counsel Advice advises you that B has withdrawn two companies from its Form 3115, dated E. These companies are C and D (hereafter, collectively referred to as "Taxpayers").

B submitted the Form 3115 requesting permission to change Taxpayers' methods of accounting for retirement of certain depreciable property, beginning with the taxable year beginning E ("year of change"). The items of depreciable property at issue are furniture, production equipment, tools and shop equipment, computer equipment, software, and transmission (substation) equipment of the generating plant. Because Taxpayers are unable to identify the placed-in-service year of retired assets, Taxpayers presently allocate the retirements on a first-in, first-out

(FIFO) method (that is, allocate retirements to the oldest vintage account existing until that account is fully retired and then allocate any remaining retirements to the next oldest vintage account until that account is fully retired, etc.). Taxpayers proposed to treat the depreciable property at issue as mass assets and, as a result, use a mortality dispersion table to identify the placed-in-service year of the retired assets.

At the time of the withdrawal, we had not formed a tentative position on B's proposed change in identifying the placed-in-service year of Taxpayers' retirements. However, during an information conference with B's authorized representatives, we advised them that we had concerns about whether the items of depreciable property at issue are mass assets. Subsequently, in a letter dated G, B agreed that these assets do not qualify as mass assets and withdrew such assets from the Form 3115. Because of the withdrawal of these assets, Taxpayers are no longer requesting a change in their methods of accounting for retirements of depreciable property.

The remaining property in the Form 3115 is used in the transmission and distribution segment of the remaining company's electric utility business. We will continue to process the Form 3115 for this company.

If you have any questions on this matter, do not hesitate to call (202) 622-3110.

KATHLEEN REED