

**Internal Revenue Service**

Department of the Treasury  
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Date:  
April 19, 2017

LEGEND

Taxpayer =

Disregarded Entity =

CPA =

Date A =

Year 1 =

Year 2 =

Dear

This ruling responds to a recent letter that was submitted by Taxpayer's representative, CPA. CPA has requested that the Commissioner of Internal Revenue give Taxpayer an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the original of a Form 3115, Application for Change in Accounting Method. Taxpayer should have filed this Form 3115, pursuant to section 6.03(1)(a)(i) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, on or before Date A.

## FACTS

Taxpayer represents the following facts:

Taxpayer is a limited liability company that is treated as a partnership for Federal tax purposes. In Year 1, Taxpayer engaged CPA to provide technical tax advice related to certain of Taxpayer's methods of accounting and also to prepare and file Taxpayer's U.S. Federal income tax return for Year 2.

Taxpayer decided to change its methods of accounting for capitalizing costs under § 263A of the Internal Revenue Code, and for accrued bonuses for the Year 2 taxable year. The changes were to be made by Taxpayer and a Disregarded Entity that is wholly owned by Taxpayer, both of which constitute a single trade or business under § 446(d) and § 1.446-1(d) of the Income Tax Regulations. Both accounting method changes were to be made pursuant to the automatic consent procedures of Rev. Proc. 2015-13 and Rev. Proc. 2016-29, 2016-21 I.R.B. 880.

Taxpayer timely filed Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, which provided Taxpayer an extension until Date A to file its U.S. Federal income tax return for Year 2.

In completing its duties, CPA filed the duplicate copy of the Form 3115 with the appropriate office of the Internal Revenue Service prior to Date A. See section 6.03(1)(a)(i) of Rev. Proc. 2015-13. However, CPA failed to file both Taxpayer's U.S. Federal income tax return, as well as the required-to-be-attached original of Taxpayer's Form 3115, on or before Date A due to an error committed by a staff member of CPA. The error was discovered the day after Date A, at which point CPA filed the return with the original of the Form 3115 attached. Subsequently, CPA submitted this request for an extension of time to file the original of Taxpayer's Form 3115.

## RULING REQUESTED

Taxpayer requests an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the original Form 3115 required by Rev. Proc. 2015-13 in order to make a change in method of accounting for Year 2 for capitalizing costs under § 263A and for accrued bonuses.

## LAW AND ANALYSIS

Rev. Proc. 2015-13 provides the procedures by which a taxpayer may obtain automatic consent to change certain accounting methods. A taxpayer complying with all the applicable provisions of this revenue procedure has obtained the consent of the

Commissioner 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 an accounting method pursuant to 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 copy (with signature) of the Form 3115 must be filed with the appropriate office of the Service no earlier than the first day of the year of change and no later than when the original is filed with the Federal income tax return for the year of change.

Section 301.9100(c) provides that the Commissioner has discretion to grant a reasonable extension of time under 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 standard 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.

#### CONCLUSION

Based solely on the representations submitted, this office concludes that the requirements of §§ 301.9100-1 and 301.9100-3 have been satisfied in Taxpayer's case. Accordingly, Taxpayer is granted 45 calendar days from the date of this letter to file the required original of the Form 3115 (identical to the duplicate copy already filed with the Internal Revenue Service) changing Taxpayer's methods of accounting for capitalizing costs under § 263A and for accrued bonuses for Year 2 with an amended Federal income tax return for that year. Please attach a copy of this letter ruling to the amended return.

Except as expressly set forth above, this office neither expresses nor implies any opinion concerning the tax consequences of the facts described above under any other provision of the Code or regulations. Specifically, we have no opinion, either expressed or implied, concerning (1) whether the two accounting method changes Taxpayer has attempted to make are eligible to be made under the automatic consent procedures of Rev. Proc. 2015-13 and Rev. Proc. 2016-29; (2) whether Taxpayer otherwise meets the

requirements of Rev. Proc. 2015-13 to make accounting method changes using Rev. Proc. 2015-13; (3) whether Taxpayer is properly able to file both proposed accounting method changes for itself and Disregarded Entity on the same Form 3115; and (4) whether Taxpayer and Disregarded Entity constitute a single trade or business under § 446(d) and § 1.446-1(d). Further, no opinion is expressed regarding the correctness of Taxpayer's proposed methods for capitalizing costs under § 263A or accounting for accrued bonuses. Lastly, we emphasize that this letter ruling does not grant any extension of time for the filing of Taxpayer's Federal income tax return for Year 2. Taxpayer is subject to any appropriate penalty and interest resulting from its failure to have its tax return filed timely.

The ruling contained in this letter ruling is based upon facts and representations submitted by CPA on behalf of itself and Taxpayer, with accompanying penalties of perjury statements executed by appropriate parties. 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 Form 3115, all material is subject to verification on examination.

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

In accordance with the power of attorney on file with our office, we are sending copies of this letter to Taxpayer's authorized representatives.

Sincerely,

CHERYL L. OSEEKEY  
Senior Counsel, Branch 6  
Office of Associate Chief Counsel  
(Income Tax & Accounting)

Enc.: Copy for § 6110 purposes