

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201815013**
Release Date: 4/13/2018

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

Index Number: 9100.00-00, 9100.10-00,
9100.10-01

Person To Contact: _____, ID No. _____

Telephone Number: _____

Refer Reply To:
CC:ITA:B06
PLR-134922-17
Date:
January 11, 2018

LEGEND

Taxpayer 1 =

Taxpayer 2 =

Disregarded Entity =

CPA =

Date A =

Year 1 =

Dear _____ :

This ruling responds to a recent letter that was submitted by Taxpayer 1 and Taxpayer 2's (collectively, Taxpayers) representative, CPA. CPA has requested that the Commissioner of Internal Revenue give Taxpayers an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the duplicate copy of a Form 3115, Application for Change in Accounting Method. Taxpayers 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 1 and Taxpayer 2 are individuals who are married and file their federal tax returns jointly. In Year 1, Taxpayers engaged CPA to prepare and file Taxpayers' U.S. federal income tax return for that year.

Taxpayers decided to change the overall method of accounting, and the method of accounting for certain advance payments received, for Disregarded Entity, which is wholly owned by Taxpayer 1, beginning with the Year 1 taxable year. Taxpayers wished to change the overall method of accounting from the cash receipts and disbursements method to an accrual method, and also change to the "Deferral Method" for those advanced payments received that qualified. Taxpayers represent that both accounting method changes were eligible to be made using the automatic consent procedures of Rev. Proc. 2015-13 and Rev. Proc. 2017-30, 2017-18 I.R.B. 1131. Taxpayers also represent that they timely filed Form 7004, Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns, to extend the date that their Year 1 tax return was due. This provided Taxpayers an extension until Date A to file their U.S. federal income tax return for Year 1.

In completing its duties, CPA states that it electronically filed the original Form 3115 with the appropriate office of the Internal Revenue Service on Date A when it electronically filed Taxpayers' tax return. See section 6.03(1)(a)(i) of Rev. Proc. 2015-13. Taxpayers' tax return for Year 1 used the new methods of accounting for Disregarded Entity. However, CPA failed to file the duplicate copy of the Form 3115 on or before Date A because a staff member of CPA was unable to reach a United States Postal Service office before it closed on Date A. The error was known on Date A, but CPA could not file the duplicate copy of the Form 3115 until the day after Date A. Promptly, CPA submitted this request for an extension of time to file the duplicate copy of Taxpayers' Form 3115.

RULING REQUESTED

Taxpayers request an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the duplicate copy of the Form 3115 required by Rev. Proc. 2015-13 in order to make the specified changes in method of accounting for Year 1 for Disregarded Entity.

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) of the Internal Revenue Code and the Income Tax Regulations thereunder.

Section 6.03(1) of Rev. Proc. 2015-13 provides that a taxpayer changing an accounting method pursuant to 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 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 Taxpayers' case. Accordingly, Taxpayers are granted 45 calendar days from the date of this letter to file the required duplicate copy of the Form 3115 (identical to the original copy already filed with the Service) changing the overall method of accounting to an accrual method, and the treatment of certain revenue related to certain advance payments for Disregarded Entity.

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 Taxpayers have attempted to make are eligible to be made under the automatic consent procedures of Rev. Proc. 2015-13 and Rev. Proc. 2017-30; and (2) whether Taxpayers otherwise meet the requirements of Rev. Proc. 2015-13 to make accounting method changes using Rev. Proc. 2015-13. Further, we express no opinion regarding Taxpayers' accounting method for any specific items of income or expense under the proposed

accrual method, or regarding the correctness of Taxpayers' proposed method for the treatment of certain advance payments.

The ruling contained in this letter ruling is based upon facts and representations submitted by CPA on behalf of itself and Taxpayers, 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 Taxpayers. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely,

CHERYL L. OSEEKEY
Senior Counsel, Branch 6
(Income Tax & Accounting)