

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.

Telephone Number:

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CC:INTL:B05
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Date:
January 19, 2022

CFC =
Country A =
Date 1 =
Date 2 =
Date 3 =
Date 4 =
Date 5 =
Date 6 =
Date 7 =
Entity A =
Parent =

Dear :

This letter ruling responds to a letter dated Date 1, and subsequent correspondence, submitted by Parent. In that letter, Parent requests the consent of the Commissioner of Internal Revenue (Commissioner) to grant an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 of the Procedure and Administration Regulations to file the original Form 3115, *Application for Change in Accounting Method*, on behalf of CFC. Parent should have filed the original Form 3115 pursuant to section 6.03(1)(a)(i)(A) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, 432, on behalf of CFC, for the taxable year beginning Date 2, and ending Date 3. This letter ruling is being issued electronically as permissible under section 7.02(5) of Rev. Proc. 2021-1, 2021-1 I.R.B. 1, 33.

FACTS

Parent represents that the facts are as follows.

Parent is the common parent of a consolidated group. Parent files a consolidated federal income tax return on a calendar year basis. Parent uses an overall accrual method of accounting. CFC, a controlled foreign corporation of Parent, has a qualified business unit (QBU) operating in Country A. Starting with the taxable year beginning Date 2, Parent wanted to change the functional currency of QBU. Parent believes that this change in method 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 original of the Form 3115, reflecting the desired accounting method change, and attached the original to Parent's timely filed consolidated federal income tax return for the taxable year beginning Date 2, and ended Date 3. See section 6.03(1)(a)(i) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, 432.

Further, in accord with the automatic change procedures of Rev. Proc. 2015-13, a copy of the original of the Form 3115, 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). See section 6.03(1)(a)(i) of Rev. Proc. 2015-13, 2015-5 I.R.B. at 432.

Parent's consolidated federal income tax return for the taxable year beginning Date 2, and ending Date 3, was due on Date 4, without extensions. Parent was unable to file its consolidated federal income tax return by Date 4, so it intended to request an extension of time to file its consolidated federal income tax return to Date 5. 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 Date 2, and ending Date 3, to extend the due date for its federal tax return.

Parent also prepared Forms 7004 and federal income tax returns for its non-consolidated affiliates, including Entity A.

Parent filed its consolidated federal income tax return for the taxable year beginning Date 2, and ending Date 3, on Date 6. Parent attached to this filed return the Form 3115 at issue. Parent also filed the signed copy of the Form 3115 at issue with the Ogden, Utah office of the IRS on Date 6.

Parent was unaware that its Form 7004 had not been filed at the time it filed its consolidated federal income tax return for the taxable year beginning Date 2, and ending Date 3. Subsequently, Parent received a notice from the IRS, dated Date 7, regarding the late filing of a Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations, with respect to one of Parent's nonconsolidated affiliates. Upon receiving this notice, Parent realized that its Form 7004 for its consolidated federal income tax return also had not been processed properly. Parent then promptly filed this request to obtain an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file Taxpayer's original Form 3115.

As a result of Parent's failure to timely file Form 7004 for the taxable year beginning Date 2, and ending Date 3, the original Form 3115 was attached to a federal income tax return for that taxable year that was not timely filed as required by section 6.03(1)(a)(i) of Rev. Proc. 2015-13.

RULING REQUESTED

Parent requests an extension of time pursuant to §§ 301.9100-1 and 301.9100-3 to file the original Form 3115 described above for CFC for the taxable year beginning on Date 2, and ending on Date 3.

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 301.9100-3 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 of 60 days from the date of this letter to file the original of the Form 3115 changing the CFC's method of accounting, beginning for the taxable year beginning Date 2, and ended Date 3.

In this regard, we will consider the filing of the original Form 3115 with Parent's consolidated federal income tax return for the taxable year beginning Date 2, and ending Date 3, that was filed on Date 6, 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 change CFC has made is eligible to be made under the automatic change procedures of Rev. Proc. 2015-13 or under Rev. Proc. 2019-43, 2019-48 I.R.B. 1107; (2) CFC otherwise meets the requirements of Rev. Proc. 2015-13 to make the accounting method change using the automatic change procedures of Rev. Proc. 2015-13; or (3) QBU meets the conditions under § 1.985-4(b) to change its functional currency.

Further, 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 Date 2, and ending Date 3.

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 Form 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. We are also sending a copy of this letter ruling to the appropriate IRS operating division official.

Sincerely,

Peter Merkel
Branch Chief, Branch 5
Office of Associate Chief Counsel
(International)

Cc: