

MEMO# 3439

January 17, 1992

IRS REVISES APPROVAL PROCEDURE FOR CHANGING CORPORATION'S ANNUAL ACCOUNTING PERIOD

January 17, 1992 TO: TAX MEMBERS NO. 6-92 ACCOUNTING/TREASURERS MEMBERS NO. 3-92 RE: IRS REVISES APPROVAL PROCEDURE FOR CHANGING CORPORATION'S ANNUAL ACCOUNTING PERIOD _____ As you may know, a corporation is generally required to secure prior approval from the Internal Revenue Service for any change in its annual accounting period (i.e., its taxable year). Treasury regulation section 1.442-1(c) provides that such approval is not required, however, if all of the requirements of Treas. Reg. section 1.442-1(c)(2) are satisfied. Among other things, this subparagraph requires that the corporation (1) has not changed its annual accounting period within the 10-calendar- year period ending with the calendar year that includes the beginning of the short taxable year required by the change, and (2) includes a statement with its tax return indicating that the requirements of Treas. Reg. section 1.442-1(c)(2) have been met. Certain corporations that cannot satisfy all of the requirements of Treas. Reg. section 1.442-1(c)(2), and therefore must obtain approval to change their annual accounting period, may obtain such approval through an expedited approval process. IRS Revenue Procedure 92-13, attached, revises the requirements for seeking such expedited approval. The following are among the changes made by Rev. Proc. 92-13: (1) the time that must have elapsed since the last change in the annual accounting period is reduced from 10 years to 6 years; (2) the revenue procedure may not be used by minority U.S. shareholders of controlled foreign corporations or foreign personal holding corporations; and (3) the revenue procedure may not be used by any shareholder in a passive foreign investment company ("PFIC") that has elected to treat the PFIC as a qualified electing fund. The Revenue Procedure also describes other circumstances in which this expedited approval process may not be used. Any corporation meeting the requirements of this Revenue Procedure is granted approval to change its annual accounting period, provided that a Form 1128 (Application to Adopt, Change or Retain a Tax Year) is filed with the Director of the Internal Revenue Service Center where the corporation's tax returns are - 2 - filed. Form 1128 must be filed on or before the due date (including extensions) for filing the return for the short taxable year created by the change. In completing the form, regulated investment companies ("RICs") are not to report their taxable income for the short taxable year under the annualization method required generally for other corporations. This Revenue Procedure is generally effective for all changes in annual accounting periods for which the short taxable year ends on or after January 21, 1992. A corporation may elect early application of the procedure, however, if the period for filing Form 1128 with respect to the short taxable year has not yet expired.

We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax
Attachment KDL:bmb

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