

**MEMO# 3645**

March 26, 1992

## **IRS REVISES REVENUE PROCEDURE RELATING TO CHANGES IN METHODS OF ACCOUNTING**

March 26, 1992 TO: TAX COMMITTEE NO. 11-92 ACCOUNTING/TREASURERS COMMITTEE NO. 14-92 RE: IRS REVISES REVENUE PROCEDURE RELATING TO CHANGES IN METHODS OF ACCOUNTING \_\_\_\_\_ The attached IRS Revenue Procedure (No. 92-20) sets forth the general rules for obtaining the IRS' consent to change a method of accounting. Revenue Procedure 92-20 modifies and supersedes Rev. Proc. 84-74 by providing incentives for taxpayers to promptly comply with proper tax accounting principles. Rev. Proc. 92-20 has no effect, however, on Rev. Proc. 92-13, which provides rules for seeking expedited approval for changing a method of accounting. (See Institute Memorandum to Tax Members No. 6-92 and Accounting/Treasurers Members No. 3-92, dated January 17, 1992.) Under Rev. Proc. 92-20, if a taxpayer requests a change in accounting method before the IRS contacts the taxpayer for examination, the procedures previously set forth in Rev. Proc. 84-74 remain generally applicable. If a taxpayer files a request to change an accounting method within 90 days after being contacted by the IRS for examination, the forms and conditions for approval of the change (e.g., year of change and Code section 481(a) adjustment period) will be less favorable than had the request for change been made before the IRS contact, but more favorable than the terms and conditions available thereafter. In addition, the Revenue Procedure provides that taxpayers will generally not be permitted to delay making a newly imposed statutory change in method of accounting unless they agree to pay for the time value of delaying the change. This revenue procedure will generally apply to Forms 3115, Application for Change in Accounting Method, filed after March 23, 1992. Certain special effective date rules apply to taxpayers currently under IRS audit. We will keep you informed of developments. Keith D. Lawson Associate Counsel - Tax Attachment