**Name of Applicant**

Filer name (hereinafter referred to as the “Applicant”) is requesting to make this change in accounting method for the tax year ended December 31, 2020:

|  |  |  |
| --- | --- | --- |
| **Applicant** | **EIN** | **Principal Business Activity Code** |
| FILER / LEGAL ENTITY NAME | XX-XXXXXXX | XXXXXX |

**Form 3115, Page 1 Type of Accounting Method Change and Miscellaneous Information**

The Applicant is requesting automatic change in accounting method Nos. 184for the current taxable period ending December 31, 2020, as described below:

* Method No. 184: A change to deducting amounts paid or incurred for repair and maintenance in accordance with §1.162-4, including a change, if any, in identifying the unit of property under §1.263(a)-3(e) or, in the case of a building, identifying the building structure or building systems under §1.263(a)-3(e)(2) for purposes of making the change to deducting the amounts. The Applicant improperly capitalized general building maintenance and repair projects performed prior to the current tax year when treatment as immediately deductible repairs is appropriate. The Applicant calculated a §481(a) adjustment to correct such treatment.

As required by Rev. Proc. 2019-43, the Applicant is including the following method changes, descriptions and regulation citations:

|  |  |  |
| --- | --- | --- |
| **TPR Subject Matter or Issue** | **Citation to TPR Regulation Section** | **TPR Automatic Method #** |
| Repairs and maintenance | *§1.162-4(a)* | 184 |
| Capital expenditures in general | *§1.263(a)-1(a)* | 184 |
| Requirement to capitalize tangible property | *§1.263(a)-2(d)* | 184 |
| Amounts paid to improve tangible property |  |  |
| *Definition - Amounts paid* | *§1.263(a)-3(b)(1)* | 184 |
| *Definition - Personal property* | *§1.263(a)-3(b)(2)* | 184 |
| *Definition - Real property* | *§1.263(a)-3(b)(3)* | 184 |
| *Definition - Owner* | *§1.263(a)-3(b)(4)* | 184 |
| Coordination with other provisions | *§1.263(a)-3(c)* | 184 |
| Requirement to capitalize amounts paid to improve tangible property | *§1.263(a)-3(d)* | 184 |
| Unit of property | *§1.263(a)-3(e)* | 184 |
| *Unit of property, building, general* | *§1.263(a)-3(e)(2)(i)* | 184 |
| Improvement to leased property | *§1.263(a)-3(f)* | 184 |
| Special rules for determining improvement costs, certain costs incurred during an improvement | *§1.263(a)-3(g)* | 184 |
| Safe harbor for routine maintenance on property, Routine maintenance for buildings | *§1.263(a)-3(i)* | 184 |
| Capitalization of betterments | *§1.263(a)-3(j)* | 184 |
| Capitalization of restorations | *§1.263(a)-3(k)* | 184 |
| Capitalization of amounts to adapt property to a new or  different use | *§1.263(a)-3(l)* | 184 |
| Treatment of capital expenditures | *§1.263(a)-3(o)* | 184 |
| Recovery of capitalized amounts | *§1.263(a)-3(p)* | 184 |

**Part II, Question 6a**

The Applicant is not under examination. No further statement is required. (If the applicant is under examination, then special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions.)

**Part II, Question 7a & 7b**

Yes, audit protection applies. The Applicant is requesting an automatic change, DCN 7 to change an impermissible method of accounting to a permissible method of accounting for depreciation on any item of personal property and real property, as defined in §168(e)(6).

**Part II, Question 12**

The Applicant is requesting automatic change in accounting method No. 7 for the current taxable period ending December 31, 2020. Method No. 7 is a change in depreciation, from an impermissible method to a permissible method. Specifically, the Applicant reclassified assets originally treated as nonresidential real property with a 39 year recovery period to §1245 property having a 5 year recovery period classified under Rev. Proc. 87-56, Asset class 57.0, Distributive Trades and Services. Additionally, the Applicant reclassified assets originally treated as nonresidential real property with a 39 year recovery period to §1250 property having 15 year recovery period classified under Rev. Proc. 87-56, Asset class 00.3, Land Improvements. This change is automatic.

The Applicant is requesting automatic change in accounting method No. 205 for the current taxable period ending December 31, 2020. Method No. 205 is a change from depreciating a disposed asset or disposed portion of an asset to recognizing gain or loss upon disposition when a taxpayer continues to depreciate the asset or portion that the taxpayer disposed of prior to the year of change under §1.168(i)-8(d)(2)(iii). This change is automatic.

**OR**

Not applicable.

**Part II, Question 14**

1. The Applicant is making a change to deducting amounts paid or incurred for repair and maintenance or a change to capitalizing amounts paid or incurred for improvements to tangible property and, if depreciable, to depreciating such property under § 167 or § 168. Includes a change, if any, in the method of identifying the unit of property, or in the case of a building, identifying the building structure or building systems for the purpose of making this change.
2. The Applicant currently accounts for amounts paid or incurred for tangible property as either items requiring capitalization under §263(a) or as amounts for repair and maintenance costs under §162(a) in accordance with superseded Treasury guidance. The difference between the current and proposed method is that under the current method, the Applicant had been capitalizing expenditures that now, under the guidance of §1.162-4 and/or §1.263(a)-3 will result in more items being deducted as §162 ordinary and necessary business deductions as repair and maintenance costs. The Applicant previously capitalized repairs where under §1.162-4, those expenditures would have been classified as a repair and maintenance costs.
3. The Applicant proposes to use the guidance of Treasury Regulations §§1.162-4, 1.263(a)-1, 1.263(a)-2 and 1.263(a)-3 to determine whether an expenditure should be written off as a repair and maintenance cost or capitalized under §263(a). The Applicant will follow §1.263(a)-3(e) regarding identification of units of property.
4. The Applicant uses the cash / accrual / a hybrid method of accounting.

**Part II, Question 15a**

The Applicant’s trade or business is lessors of nonresidential buildings. The principal business activity code is provided on page 1 of this Attachment to the Form 3115.

**Part II, Question 16a & 16b**

This information is provided below in response to Schedule E, Line 4a.

**Part II, Question 17**

If ‘No’

The change of accounting method will not be used for the Applicant’s books, records and financial statements because the change of accounting method is not required or permitted under generally accepted accounting principles (GAAP).

If ‘Yes’

The change of accounting method will be used for the Applicant’s books, records and financial statements; therefore, no response is necessary.

**Part II, Question 18**

If it is tentatively determined that the Applicant has changed its method of accounting without complying with all applicable provisions of Rev. Proc. 2019-43, the privilege of a conference is hereby requested.   
To arrange the time and place of such a conference, please contact the Applicant’s representative:

Name: CPA NAME

CPA COMPANY

Address: ADDRESS

CITY, STATE, ZIP CODE

Phone: (XXX) XXX-XXXX

Email: CPA EMAIL

Fax: (XXX) XXX-XXXX

**Part IV, Question 26**

The §481(a) adjustment was calculated by subtracting proposed accumulated depreciation (i.e., adjusting the depreciation system to treat repair and maintenance expenditures that were improperly capitalized as being fully depreciated) and then subtracting accumulated depreciation as originally filed as of December 31, 2019.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Section 481(a) Adjustment | | | | |
|  |  | |  | |
|  | Cumulative depreciation and/or amortization claimed on assets being changed as of December 31, 2019 under the **present** method | | $ | #,###,### |
|  |  | |  | |
|  | Depreciation and/or amortization allowed on assets being changed as  of December 31, 2019 under the **proposed** method | |  | |
|  |  | Personal Property – 57.0 | $ | ###,### |
|  |  | Personal Property: Computer Electrical – 00.12 | $ | ##,### |
|  |  | Site Improvements – 00.3 | $ | ###,### |
|  |  | Building – RP39 | $ | #,###,### |
|  |  | |  | |
|  | **Difference (negative §481(a) Adjustment)** | | **( $** | **#,###,### )** |

Due to minor rounding differences between depreciation systems, the 481(a) adjustment is actually **($1,000)**.

**OR** See the additional attached schedules.