**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 No. 7 for the current taxable period ending December 31, 2020, as described below:

* Method No. 7: A change in depreciation, from an impermissible method to a permissible method. –

The Applicant reclassified assets originally treated as nonresidential real property having a 39 year GDS recovery period to §1245 property having a 5 year GDS recovery period classified under Rev. Proc. 87-56, Asset class 57.0 – Distributive Trades and Services.

The Applicant also reclassified assets originally treated as nonresidential real property having a 39 year GDS recovery period to §1245 property having a 5 year GDS recovery period classified under Rev. Proc. 87-56, Asset class 00.12 – Information Systems.

The Applicant reclassified assets originally treated as nonresidential real property having a 39 year GDS recovery period to §1245 property having a 7-year GDS recovery period classified under Rev. Proc. 87-56, Asset class 00.11, Office Furniture, Fixtures, and Equipment.

The Applicant reclassified assets originally treated as nonresidential real property having a 39 year GDS recovery period to §1250 property having a 15 year GDS recovery period classified under Rev. Proc. 87-56, Asset class 00.3 – Land Improvements.

The Applicant reclassified assets originally treated as personal property having either a 5-year GDS or 7-year GDS recovery period …

The Applicant reclassified assets originally treated as §1250 land improvement property having a 15-year GDS recovery period …

… to §1250 property having a 15 year GDS recovery period classified as Qualified Leasehold Improvement property.

… to §1250 property having a 15 year GDS recovery period classified as Qualified Restaurant Property.

… to §1250 property having a 39 year GDS recovery period classified as Qualified Improvement Property.

… to §1250 nonresidential real property having a 39-year GDS recovery period under Rev. Proc. 87-56.

… to land having a non-depreciable recovery period.

**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 concurrent automatic change in accounting method Nos. 184, 186, and 187 for the current taxable period ending December 31, 2020. Method No. 184 is 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. Method No. 186 is a change to deducting amounts paid or incurred to acquire or produce nonincidental materials and supplies in the taxable year in which they are first used in the taxpayer's operations or consumed in the taxpayer's operations in accordance with §§1.162-3(a)(1) and 1.162-3(c)(1). Method No. 187 is a change to deducting incidental materials and supplies when paid or incurred in accordance with §§1.162-3(a)(2) and 1.162-3(c)(1).

**OR (for entities with subsidiaries / multiple 3115s for various subsidiaries)**

The following Applicant(s) requested a change in accounting method as follows:

[Entity Name], EIN: ##-#######, Tax year ending 12/31/2016: #184 Repair and Maintenance Costs, #186 Non‐

Incidental Materials and Supplies, & #187 Incidental Materials and Supplies. Applicant received automatic consent.

[Entity Name], EIN: ##-#######, Tax year ending 12/31/2018: #184 Repair and Maintenance Costs, #186 Non‐

Incidental Materials and Supplies, & #187 Incidental Materials and Supplies. Applicant received automatic consent.

**OR (for entities without filed 3115s within the previous 5 years)**

Not applicable.

**Part II, Question 14**

a. The Applicant is changing its method of depreciation for some assets. (Further information is provided below in response to Schedule E, Line 4a)

b. The Applicant is presently claiming less than the depreciation allowable with respect to the assets being changed. The Applicant has erroneously depreciated certain personal property and general land improvements over 39-year GDS and 40-year ADS recovery periods. The applicant has not claimed any federal tax credit with respect to the items being changed. (Further information is provided below in response to Schedule E, Line 4a)

c. The Applicant proposes to properly claim the depreciation allowable based on the recovery period lives, methods, and conventions under Rev. Proc. 87-56. The Applicant proposes to depreciate the assets being changed over shorter 20, 15, 10, 9, 7, and 5-year recovery periods. (Further information is provided below in response to Schedule E, Line 4a)

d. The Applicant uses the cash / accrual / a hybrid method of accounting.

**Part II, Question 15a**

Applicant’s trade or business that is requesting the change is a lessor of other real estate property. 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 computed by recalculating the accumulated depreciation as of December 31, 2019 per the proposed method of depreciating assets discussed below. Recalculation of accumulated depreciation was accomplished by either revising or deleting and recording the fixed asset entries in the Applicant’s depreciation system as per the proposed changes and regenerating the accumulated depreciation report as of December 31, 2019. The net difference between the accumulated depreciation as per the recalculation and accumulated depreciation as originally filed is the §481(a) adjustment reported on the Form 3115.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 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.

**Part IV, Question 27**

If the IRC §481(a) is taxpayer unfavorable, checking this box allows the taxpayer to take the entire adjustment in the current year. The default taxpayer unfavorable is to spread the adjustment over 4 tax years.

# Schedule E, Line 4a

Under its present method, the Applicant is claiming less depreciation than allowable on certain assets. The asset was place in service on January 1, 2019 OR All assets were placed in service between January 1, 2017 and December 31, 2019. Unless specifically stated otherwise, the code section under which the Applicant will depreciate or amortize property is §168. Unless specifically stated otherwise, none of the property described below was or will be subject to single, multiple, or general asset accounting. Major categories of expenditures examined are below:

## Personal Property

The Applicant has depreciated personal property such as carpeting, vinyl composite tile flooring, raised flooring, dedicated special purpose plumbing fixtures, dedicated special purpose electrical wiring and fixtures, decorative lighting, millwork and cabinetry, countertops, awnings, signage, interior guardrails, and video surveillance systems as either nonresidential real property with a 39-year GDS or nonresidential real property with a 40-year ADS or Qualified Leasehold Improvement property with a 15-year GDS (or 39-year ADS) or §1250 land improvement property with a 15-year recovery period. According to Asset class 57.0, Distributive Trades and Services, these assets are appropriately reassigned a recovery period of either 5-years GDS (half-year convention using 200 percent declining balance method) or 9-year ADS (half-year year convention using straight-line method). Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets acquired and placed in service between January 1, 2015 and December 31, 2016 when and if the original use of the property began with the Applicant and met the qualifications for special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for property utilizing the ADS depreciation system, as they do not meet the qualifications for any special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for personal property, as they do not meet the qualifications for any special allowances.

The Applicant has depreciated personal property such as dedicated data devices and computer related electrical wiring and outlet receptacles as either nonresidential real property with a 39-year GDS or nonresidential real property with a 40-year ADS or Qualified Leasehold Improvement property with a 39-year ADS recovery period. According to Asset class 00.12, Information Systems, these assets are appropriately reassigned a recovery period of either 5-years GDS (half-year convention using 200 percent declining balance method) or 5-year ADS (half-year year convention using straight-line method). Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets acquired and placed in service between January 1, 2015 and December 31, 2016 when and if the original use of the property began with the Applicant and met the qualifications for special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for property utilizing the ADS depreciation system, as they do not meet the qualifications for any special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for information systems personal property, as they do not meet the qualifications for any special allowances.

The Applicant has depreciated personal property such as office equipment and furniture over either a 39-year GDS or 40-year ADS recovery period. According to Asset class 00.11, Office Furniture, Fixtures and Equipment, these assets are appropriately reassigned a recovery period of either 7-year GDS (half-year convention using 200 percent declining balance method) or 10-year ADS (half-year year convention using straight-line method). Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets acquired and placed in service between January 1, 2015 and December 31, 2016 when and if the original use of the property began with the Applicant and met the qualifications for special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for property utilizing the ADS depreciation system, as they do not meet the qualifications for any special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for office equipment and furniture personal property, as they do not meet the qualifications for any special allowances.

1. **General Land Improvements**

The Applicant has depreciated land improvements such as site lighting, site stormwater drainage, paving and hardscaping, and landscaping over either a 39-year GDS or 40-year ADS recovery period. According to Asset class 00.3, Land Improvements, these assets are appropriately reassigned a recovery period of either 15-years GDS (half-year convention using 150 percent declining balance method) or 20-year ADS (half-year year convention using straight-line method). Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets acquired and placed in service between January 1, 2015 and December 31, 2016 when and if the original use of the property began with the Applicant and met the qualifications for special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for property utilizing the ADS depreciation system, as they do not meet the qualifications for any special allowances. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for land improvement real property, as they do not meet the qualifications for any special allowances.

1. **Qualified Leasehold Improvements**

The Applicant has depreciated Qualified Leasehold Improvements such as non-structural partition walls, flooring, ceiling finishes, electrical wiring, plumbing piping, HVAC ducting, and other interior finishes improvements made pursuant to a non-related party lease as nonresidential real property with a 39-year recovery period. These assets are appropriately assigned a recovery period of 15-years under the half-year convention using the straight-line method. Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets when and if the original use of the property began with the Applicant and met the qualifications for special allowances.

1. **Qualified Improvement Property**

The Applicant has depreciated Qualified Improvement Property such as non-structural partition walls, flooring, ceiling finishes, electrical wiring, plumbing piping, HVAC ducting, and other interior finishes improvements as nonresidential real property with a 39-year recovery period. These assets are appropriately assigned a recovery period of either 39-years under the mid-month convention using the straight-line method or 15-years under the half-year convention using the straight-line method. Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets when and if the original use of the property began with the Applicant and met the qualifications for special allowances.

1. **Qualified Restaurant Property**

The Applicant has depreciated Qualified Restaurant Property such as non-structural partition walls, flooring, ceiling finishes, electrical wiring, plumbing piping, HVAC ducting, and other interior finishes improvements as nonresidential real property with a 39-year recovery period. These assets are appropriately assigned a recovery period of 15-years under the half-year convention using the straight-line method. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for property, as they do not meet the qualifications for any special allowances. (For 2008 assets: Additional first-year depreciation allowance as provided by §168(k) will apply for qualified assets when and if the original use of the property began with the Applicant and met the qualifications for special allowances.)

1. **Nonresidential Real Property**

The Applicant has depreciated nonresidential real property such as building infrastructure as either §1245 personal property with a 5-year recovery period or §1250 land improvement property with a 15-year recovery period. These assets are appropriately assigned a recovery period of 39-years under the mid-month convention using the straight-line method. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for nonresidential real property, as they do not meet the qualifications for any special allowances.

1. **Land**

The Applicant has depreciated land such as site preparation and land development as either §1250 nonresidential real property with a 39-year GDS or §1250 land improvement property with a 15-year recovery period. These assets are appropriately assigned a recovery period of 0-years and are non-depreciable. No additional first-year depreciation allowances (specifically any “bonus depreciation” allowances outlined under Sec. 168(k)) will be claimed for land, as they do not meet the qualifications for any special allowances.

# Schedule E, Line 5

This information is provided above in Schedule E, Line 4a.

# Schedule E, Line 6

N/A

# Schedule E, Line 7

This information is provided above in Schedule E, Line 4a.

**STATEMENT OF THE FACTS AND LAW AS REQUIRED BY SECTION 6.01(3)(b)(vii) OF REV. PROC. 2019-43**

Each item of depreciable property that is the subject of the Form 3115 filed under section 6.01 of Rev. Proc. 2019-43 for the year of change beginning January 1, 2020, and that is reclassified from nonresidential real property (or Qualified Leasehold Improvement property / personal property / etc.) to an asset class of Rev. Proc. 87-56, 1987-2 C.B. 674 that does not explicitly include §1250 property, is §1245 property for depreciation purposes.