



# TaxNewsFlash

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## Rev. Proc. 2019-43: List of automatic changes, accounting methods

The IRS today released an advance version of Rev. Proc. 2019-43 that provides an updated list of automatic changes to which the automatic change procedures in Rev. Proc. 2018-31 (except for certain provisions) are amplified and modified.

Read [Rev. Proc. 2019-43](#) [PDF 1.15 MB] (377 pages)

The purpose of this report is to provide text of today's revenue procedure.

### "Significant changes"

Rev. Proc. 2019-43 indicates that "significant changes" to the list of automatic changes from the guidance provided by Rev. Proc. 2018-31 include the following items:

- Section 6.03, relating to a change for sale, lease, or financing transactions, is modified to provide that a change in method of accounting for a transaction entered into before the beginning of the year of change is eligible to be made under the automatic change procedures of Rev. Proc. 2015-13 with a section 481(a) adjustment and a statement with the name of the counterparty instead of the counterparty representation is required to be attached to the Form 3115. Section 6.03 also is modified to provide that the audit protection rules in Section 8 of Rev. Proc. 2015-13 apply, but ruling protection is not provided on the characterization of any transaction as a lease, sale, or financing transaction.
- Section 6.08, relating to a change for tenant construction allowances, is modified to provide that a change in method of accounting for an existing lease is eligible to be made under the automatic change procedures of Rev. Proc. 2015-13 with a section 481(a) adjustment and a statement with the name of the counterparty instead of the counterparty representation is required to be attached to the Form 3115. Section 6.08 also is modified to provide that the audit protection rules in Section 8 of Rev. Proc. 2015-13 apply, but ruling protection is not provided on whether the taxpayer has, or does not have, a depreciable interest in the property subject to the tenant construction allowances for federal income tax purposes.

The following sections are modified to remove both paragraph (2)(b)(i), relating to the temporary waiver of the eligibility rule in Section 5.01(1)(f) of Rev. Proc. 2015-13, and paragraph (2)(b)(ii), relating to the temporary waiver of the eligibility rules in Section 5.01(1)(d) and (f) of Rev. Proc. 2015-13 for a taxpayer making both a change under Section 6.12, 6.13, 6.14, or 6.15, as applicable, and a change under Section 6.01 of Rev. Proc. 2018-31 on a single Form 3115 for the same asset for the same year of change, because these paragraphs are obsolete:

- Section 6.12, relating to a change from a permissible to a permissible method of accounting for depreciation of MACRS property
- Section 6.13, relating to a change for disposing of a building or a structural component or disposing of a portion of a building (including its structural components) to which the partial disposition rule in Reg. section 1.168(i)-8(d)(1) applies
- Section 6.14, relating to a change for disposing of section 1245 property or a depreciable land improvement or disposing of a portion of section 1245 property or a depreciable land improvement to which the partial disposition rule in Reg. section 1.168(i)-8(d)(1) applies
- Section 6.15, relating to a change for disposing of an asset subject to a general asset account election under section 168(i)(4) and the regulations thereunder.

Rev. Proc. 2019-43 continues to list other “significant changes” as:

- Section 11.08, relating to a change under Reg. section 1.162-3, 1.162-4, 1.263(a)-1, 1.263(a)-2, or 1.263(a)-3, is modified to remove paragraph (2), relating to the temporary waiver of the eligibility rules in Section 5.01(1)(d) and (f) of Rev. Proc. 2015-13, because this paragraph is obsolete.
- Section 16.07, relating to changes for advance payments, and Section 20.10, relating to changes for gift cards issued as a refund for returned goods, are modified to remove changes in methods of accounting under Reg. section 1.451-5 because that regulation was removed by T.D. 9870.
- Section 16.12, relating to changes in the timing of income recognition, is modified to permit taxpayers without an applicable financial statement to: (1) use the streamlined method change procedures in Section 16.12(4)(c)(i)(B) to make a change in method of accounting to comply with proposed Reg. section 1.451-8(d) when the section 481(a) adjustment required by the change is zero; and (2) make a change under this section to defer income based on earned income under proposed Reg. section 1.451-8(d)(4)(ii) determined using a straight-line ratable basis over the term of the agreement.
- Section 22.16, relating to certain changes made by a taxpayer using the retail inventory method, is modified to remove the language in paragraph (2), relating to the temporary waiver of the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, because it is obsolete.
- Section 26.04, relating to a change in basis of computing reserves under section 807(f), is modified to make several changes in response to comments and to include a reference to section 807(f)(2), which generally provides that if a taxpayer is no longer a life insurance company, the taxpayer must include the remaining balance of any section 481(a) adjustment in the preceding tax year.

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