**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, 2019:

|  |  |  |
| --- | --- | --- |
| **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 concurrent automatic changes in accounting method; designated change number 7 and designated change number 244 for the current taxable period ending December 31, 2019, 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.

* Method No. 244: A change in depreciation, from an impermissible method to a permissible method. –

The Applicant reclassified assets originally placed into service after December 31, 2017 and treated as nonresidential real property having a 39 year GDS recovery period to qualified improvement property having a 15 year GDS 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 or consult KBKG.

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

Yes, audit protection applies. The Applicant is requesting an automatic change 7 to change an impermissible method of accounting to a permissible method of accounting for deprecation. Additionally, the applicant is requesting an automatic change 244 to change an impermissible method of accounting to a permissible method of accounting for depreciation on any item of qualified improvement property, as defined in §168(e)(6).

**Part II, Question 8**

The applicant does not have any federal tx return(s) before Appeals and/or a federal court. If the applicant does have returns under Appeals, then special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions or consult KBKG.

**Part II, Question 9**

Not applicable if “no” was answered to questions #6 and #8 above. If the applicant answered yes, then special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions or consult KBKG.

**Part II, Question 11**

No. If the applicant answered yes, then all previously completed accounting method changes over the previous 5 years should be listed here.

**Part II, Question 12**

No. If the applicant answered yes, then special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions or consult KBKG.

**Part II, Question 13**

No. If the applicant answered yes, then special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions or consult KBKG.

**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).

The Applicant is presently claiming less than the depreciation than allowable with respect to qualified improvement property assets as defined in §168(e)(6). The Applicant has depreciated qualified improvement property over a 39-year recovery period. 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, 7, 9, and 5-year recovery periods. (Further information is provided below in response to Schedule E, Line 4a)

The Applicant proposes to properly claim the depreciation allowable based on modifications made within the CARES Act of 2020. The Applicant proposes to depreciate qualified improvement property, as defined in §168(e)(6) over a 15-year recovery period. (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 15**

Applicant’s trade or business that is requesting the change is a XXXXXXXXXXXXXXXXX. The principal business activity code is provided on page 1 of this Attachment to the Form 3115.

**Part II, Question 16**

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

**Part II, Question 17**

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).

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 II, Question 19**

Not applicable

**Part IV, Question 25**

A cut-off basis is not applicable.

**Part IV, Question 26**

See the provided workpapers/embedded table below (insert) outlining the summary computation for the IRC §481(a) adjustment. The methodology utilized for computing the IRC §481(a) is as follows:

1. Depreciation on reclassified asset(s) is computed by calculating the depreciation as of the original placed in service day through the last day of the prior tax year utilizing the proposed life, method, and convention.
2. Subtracting the difference in depreciation recalculated and depreciation taken by the taxpayer through the last day of the prior tax year. 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.

**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, Question 1**

No

**Schedule E, Question 2**

No

**Schedule E, Question 3**

No

**Schedule E, Line 4a**

Under its present method, the Applicant is claiming less depreciation than allowable on certain assets. All assets were placed in service between July 31, 2015 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

**Distributive Trades & Services – Asset Class 57.0**

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.

**Information Systems – Asset Class 00.12**

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.

**Furniture, Fixtures, and Equipment – Asset Class 00.11**

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.

1. **General Land Improvements**

**Land Improvements – Asset Class 00.3**

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.

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 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.

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 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 property, as they do not meet the qualifications for any special allowances.

1. **Qualified Improvement Property**

Under its present method, the Applicant is claiming less depreciation than allowable on qualified improvement property assets, as defined in §168(e)(6). All assets were placed in service after December 31, 2017. 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.

The Applicant has depreciated Qualified Improvement Property including 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. 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.

**Schedule E, Line 5**

See above Schedule E, 4a for details.

**Schedule E, Line 6**

See above Schedule E, 4a for details.

**Schedule E, Line 7a**

The assets are and will be depreciated under IRC §168.

**Schedule E, Line 7b**

See above Schedule E, 4a for details.

**Schedule E, Line 7c**

See above Schedule E, 4a for details.

**Schedule E, Line 7d**

See above Schedule E, 4a for details.

**Schedule E, Line 7e**

See above Schedule E, 4a for details.

**Schedule E, Line 7f**

See above Schedule E, 4a for details.

**Schedule E, Line 7g**

The applicant will claim additional first-year special depreciation allowance in the year the assets were placed in service where available.

**Schedule E, Line 7h**

The assets are to be will be in single asset accounts.