**Internal Revenue Service**

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:ITA:B04
PLR-116874-24

Date:
February 13, 2025

| | | |
|---|---|---|
| Taxpayer | = | |
| Entity 1 | = | |
| Entity 2 | = | |
| Entity 3 | = | |
| Entity 4 | = | |
| Year End A | = | |
| Year End B | = | |
| Date 1 | = | |
| Date 2 | = | |
| Date 3 | = | |
| Date 4 | = | |
| Date 5 | = | |
| Year | = | |
| Short Period | = | |
| Firm | = | |
| CPA 1 | = | |
| CPA 2 | = | |

Dear :

This letter ruling responds to Taxpayer's request, dated Date 5. Specifically, Taxpayer requests an extension of time under § 301.9100-1 and § 301.9100-3 of the Procedure and Administration Regulations to file Taxpayer's Form 1128, *Application To Adopt, Change, or Retain a Tax Year*, to request permission to change its accounting period from a taxable year ending Year End A, to a taxable year ending Year End B, effective as of Date 2.

This letter ruling is being issued electronically in accordance with Rev. Proc. 2025-1, 2025-1 I.R.B. 1. A paper copy will not be mailed to Taxpayer.

FACTS

Taxpayer is a domestic corporation and the common parent of an affiliated group of corporations that files a consolidated return with a taxable year ending Year End A. Other affiliated members include Entity 1, Entity 2, Entity 3, and Entity 4. Over a number of years, Taxpayer has retained Firm to provide tax advisory and preparation services. CPA 1 and CPA 2 are certified public accountants and principals of Firm. Around Date 1, Taxpayer discussed with CPA 1 its intention to change its financial statement reporting from a year ending Year End A to a Year End B, effective Date 2, and its request to conform its taxable year end to the new financial reporting year end. Around this same time, Firm and Taxpayer executed an engagement letter, in which Firm agreed to prepare Taxpayer's tax-compliance forms for the Short Period.

Shortly thereafter, Firm transferred supervisory responsibility for Taxpayer's engagement from CPA 1 to CPA 2. Due to internal miscommunications between CPA 1 and CPA 2, Firm did not prepare, and Taxpayer did not timely file, by the filing due date of Date 3, Taxpayer's consolidated Form 1120, *U.S. Corporation Income Tax Return*, for the Short Period, or Taxpayer's Form 1128 to request to change its accounting period to taxable year ending on Year End B. As part of a review conducted around Date 4, Firm discovered these failures and informed Taxpayer of the missed deadlines. Taxpayer subsequently filed this request on Date 5, which was less than 90 days after Date 3, the missed deadline for timely filing Taxpayer's Form 1128.

LAW AND ANALYSIS

Section 441(a) of the Internal Revenue Code provides that taxable income is computed on the basis of the taxpayer's taxable year.

Section 441(b) and § 1.441-1(b)(1) of the Income Tax Regulations generally define the term, taxable year, to mean the taxpayer's annual accounting period, if it is a calendar or fiscal year, or, if applicable, the taxpayer's required taxable year.

Section 442 and § 1.442-1(a) provide that if a taxpayer wants to change its annual accounting period and use a new taxable year, it generally must obtain the approval of the Commissioner.

Section 1.442-1(b) provides that in order to secure the Commissioner's approval to a change in annual accounting period, the taxpayer must file an application, generally on Form 1128, with the Commissioner within such time and in such manner as is provided in administrative procedures published by the Commissioner.

Rev. Proc. 2006-45, 2006-2 C.B. 851, *as modified and clarified* by Rev. Proc. 2007-64, 2007-2 C.B. 818, provides procedures for certain corporations to obtain automatic approval to change their annual accounting period under § 442. A corporation complying with all the applicable provisions of these revenue procedures obtains the approval of the Commissioner to change its annual accounting period.

Section 7.02(2) of Rev. Proc. 2006-45 provides, in part, that a Form 1128 filed pursuant to the revenue procedure will be considered timely filed for purposes of § 1.442-1(b)(1) only if it is filed no later than the due date (including extensions) for filing the federal income tax return for the first effective year. Section 5.05 of Rev. Proc. 2006-45 generally defines the term, first effective year, as the first taxable year for which a change in annual accounting period is effective.

Section 301.9100-3(a) provides that requests for extension of time for regulatory elections that do not meet the requirements of § 301.9100-2 (automatic extensions), such as the instant case, must be made under the rules of § 301.9100-3.

Under § 301.9100-3(b)(1)(i), a taxpayer is deemed to have acted reasonably and in good faith if the taxpayer—

(i) requests relief before the failure to make the regulatory election is discovered by the Service; (ii) failed to make the election because of intervening events beyond the taxpayer's control; (iii) failed to make the election because, after exercising reasonable diligence, the taxpayer was unaware of the necessity for the election; (iv) reasonably relied on the written advice of the Service; or (v) reasonably relied on a qualified tax professional, and the professional failed to make, or advise the taxpayer to make, the election.

Under § 301.9100-3(b)(2), a taxpayer, however, is not considered to have reasonably relied on a qualified tax professional if the taxpayer knew or should have known that the professional was not competent to render advice on the regulatory election or was not aware of all relevant facts.

In addition, § 301.9100-3(b)(3) provides that a taxpayer is deemed not to have acted reasonably and in good faith if the taxpayer— (i) seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under § 6662 at the time the taxpayer requests relief, and the new position requires or permits a regulatory election for which relief is requested; (ii) was fully informed in all material respects of the required election and related tax consequences but chose not to file the election; or (iii) uses hindsight in requesting relief. If specific facts have changed since the due date for making the election that make the election advantageous to a taxpayer, the Service will not ordinarily grant relief.

Section 301.9100-3(c)(1) provides that the Commissioner will grant a reasonable extension of time to make the regulatory election only when the interests of the Government will not be prejudiced by the granting of relief.

Section 301.9100-3(c)(1)(i) provides that the interests of the Government are prejudiced if granting relief would result in a taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money).

Section 301.9100-3(c)(1)(ii) provides that the interests of the Government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made or any taxable year that would have been affected by the election had it been timely made are closed by the period of limitations on assessment under § 6501(a) before the taxpayer's receipt of a ruling.

Section 301.9100-3(c)(3), a special rule for accounting period regulatory elections, provides that the interests of the Government are deemed to be prejudiced, except in unusual and compelling circumstances, if an election is an accounting period regulatory election (other than the election to use other than the required taxable year under § 444) and the request for relief is filed more than 90 days after the due date for filing the Form 1128.

Based on the facts and information submitted and the representations made, we conclude that Taxpayer has acted reasonably and in good faith, and that the granting of relief will not prejudice the interests of the government. Taxpayer has satisfied the requirements of the regulations for the granting of relief. Accordingly, based solely on the facts and information submitted, we grant Taxpayer an extension of 60 days from the date of this letter ruling to file a Form 1128 to make the election requesting to change its accounting period for federal income tax purposes from a taxable year ending Year End A to Year End B, effective Date 2.

Because a request to change an accounting period pursuant to Rev. Proc. 2006-45 is under the jurisdiction of the Director, Internal Revenue Service Center, where the taxpayer's returns are filed, Taxpayer must file its Form 1128, along with a copy of this letter, to the Service Center where the Taxpayer's returns are filed, within 60 days of the date of this letter. Taxpayer should also attach a copy of the Form 1128 to the federal income tax return filed for its first effective year. Alternatively, if Taxpayers is filing its return electronically, it may satisfy the above requirement by attaching a statement to their return that provides the date and control number of the letter ruling. If Taxpayer has already filed its tax return for the first effective year, Taxpayer should submit a copy of this letter ruling to the Service Center where Taxpayer files its returns along with a cover letter requesting that the Service associate this ruling with its filed return. Any further communication regarding this matter should be directed to the Service Center.

This ruling is based upon facts and representations submitted by Taxpayer and a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. However, as part of an examination process, the Service may verify the factual information, representations, and other data submitted.

This ruling addresses the granting of § 301.9100-3 relief only. We express no opinion regarding the tax treatment of the instant transaction under the provisions of any other sections of the Code or regulations that may be applicable, or regarding the tax treatment of any conditions existing at the time of, or effects resulting from, the instant transaction. Specifically, we express no opinion as to whether Taxpayer is permitted under the Code and applicable regulations to change to the requested tax year, or whether the change may be effected under Rev. Proc. 2006-45.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent. Enclosed is a copy of the letter ruling showing the deletions proposed to be made when it is disclosed under § 6110.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Alexa T. Dubert
Senior Technician Reviewer, Branch 4
(Income Tax & Accounting)

cc: