



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF
CHIEF COUNSEL

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CAM-101744-98

MEMORANDUM FOR Chief, Planning and Special Programs, Area 1

FROM: Senior Technician Reviewer, Branch 6, Office of Associate
Chief Counsel (Passthroughs & Special Industries)
(CC:PSI:6)

SUBJECT: Decline to Grant Consent for a Application for Change in
Method of Accounting

In accordance with section 8.07(2)(a) of Rev. Proc. 2001-1, 2001-1 I.R.B. 1, 32, this Chief Counsel Advice advises you that we decline to grant consent with respect to a Form 3115, Application for Change in Accounting Method, filed by a taxpayer within your jurisdiction. Pursuant to § 6110(k)(3) of the Internal Revenue Code, this Chief Counsel Advice may not be used or cited as precedent.

LEGEND:

B =

C =

D =

This Chief Counsel Advice advises you that we decline to grant consent with respect to a Form 3115, dated C, filed on behalf of B. B requested permission to change from capitalizing expenditures related to establishing, maintaining or increasing circulation to deducting those expenditures. This change would have been effective beginning with the taxable year beginning D.

Section 173 provides that expenditures related to establishing, maintaining or increasing circulation may be deducted currently. However, under § 1.173-1(c)(1), a taxpayer may instead elect to capitalize the portion of such expenditures which is properly chargeable to capital account. Once this election is made, a taxpayer must continue in subsequent taxable years to charge to capital account all circulation expenditures properly so chargeable, unless the Commissioner, on application made in writing by the taxpayer, permits a revocation of such election for any subsequent taxable year or years. Because B has established capitalization

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of the costs at issue as its method of accounting for such costs, B will be treated as having made an election under § 1.173-1(c)(1) without regard to whether such election was formally made in the manner specified in the regulations. As a result, in order to begin deducting the costs as an expense, B must request permission from the National Office to revoke its election. However, a taxpayer may not revoke the election through a request under § 446(e) to change the taxpayer's method of accounting. Instead, the taxpayer should submit a request for a letter ruling, requesting permission to revoke such election. If granted, the permission will be retroactive to the year of change requested in the Form 3115 (the taxable year beginning D). Accordingly, we decline to grant consent to B's Form 3115.

If you have any questions on this matter, do not hesitate to call (202) 622-3110.

Peter C. Friedman
PETER C. FRIEDMAN

cc: