



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

OFFICE OF
CHIEF COUNSEL

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CAM-100074-98

MEMORANDUM FOR DISTRICT DIRECTOR, DISTRICT
Attn: Chief, Examination Division

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

SUBJECT: Withdrawal of Application for Change in Method of
Accounting

In accordance with section 8.07(2)(a) of Rev. Proc. 2000-1, 2000-1 I.R.B. 4, 33, this memorandum advises you that a taxpayer within your district has withdrawn one of the issues set forth in its Form 3115, Application for Change in Accounting Method. This document is not to be used or cited as precedent.

DISCLOSURE STATEMENT

This memorandum is Chief Counsel Advice and is open to public inspection pursuant to the provisions of § 6110(i) of the Internal Revenue Code. The provisions of § 6110 require the Internal Revenue Service to remove taxpayer identifying information and provide the taxpayer with notice of intention to disclose before it is made available for public inspection. Section 6110(c) and (i). Section 6110(i)(3)(B) also authorizes the Service to delete information from this memorandum that is protected from disclosure under 5 U.S.C. § 552 (b) and (c) before the document is provided to the taxpayer with notice of intention to disclose. Only the National Office function issuing this memorandum is authorized to make such deletions and to make the redacted document available for public inspection. **Accordingly, the Examination, Appeals, or Counsel recipient of this document may not provide a copy of this unredacted document to the taxpayer or their representative.** The recipient of this document may share this unredacted document only with those persons whose official tax administration duties with respect to the case and the issues discussed in the document require inspection or disclosure of this memorandum.

LEGEND:

B =

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C =D =E =F =G =H =

This memorandum advises you that one of the issues set forth in a Form 3115, dated G, filed on behalf of certain subsidiaries of B, is withdrawn. These subsidiaries are C, D, E, and F. B withdrew the issue after we advised B of our tentatively adverse position.

Specifically, B withdrew the request to change the method of accounting for depreciation of costs of acquiring easements for electric transmission and distribution lines. C, D, E, and F presently depreciate these easement costs under the depreciation method and useful lives prescribed in Rev. Rul. 72-403, 1972-2 C.B. 102, specifically depreciating distribution line easement costs under the straight-line method of depreciation with a 46-year useful life, and depreciating transmission line easement costs under the straight-line method of depreciation with a 84-year useful life. B on behalf of C, D, E, and F requested permission in the Form 3115 to depreciate these easement costs under former § 168 ("ACRS") or § 168 ("MACRS"). These changes would have been effective beginning with the taxable year beginning H.

Rev. Rul. 72-403 specifically states that the costs of acquiring easements for electric transmission and distribution lines are investments in intangible assets. Former § 168 and § 168 apply only to tangible assets pursuant to, respectively, former § 168(c)(1) and § 168(a). Consequently, intangible assets are not depreciated under former § 168 and § 168. Accordingly, B on behalf of C, D, E, and F is requesting to change to an impermissible method of accounting for depreciation for the costs of acquiring easements for electric transmission and distribution lines.

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

Kathleen Reed