

WNTS Insight

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IRS releases revenue procedures on accounting method changes relating to the tangible property repair regulations

The IRS today released Rev. Procs. 2012-19 and 2012-20, which provide rules under which taxpayers may make accounting method changes related to the temporary regulations regarding tangible property issued on December 23, 2011 (generally known as the repair regulations).

Consistent with the repairs regulations, the two revenue procedures provide that taxpayers must change their methods of accounting to conform to the repair regulations for tax years beginning after December 31, 2011.

As anticipated, the revenue procedures include the following:

- Accounting methods change rules for repairs
- Accounting method change rules for dispositions
- Application of statistical sampling

More particularly, Rev. Proc. 2012-19 applies to taxpayers that wish to change a method to comply with the temporary regulations related to materials and supplies, repairs and maintenance, capital expenditures, amounts paid or incurred for the acquisition and production of tangible property, and amounts paid or incurred for the improvement of tangible property.

Rev. Proc. 2012-20 applies to taxpayers that wish to change a method to comply with the temporary regulations related to depreciating or amortizing leasehold improvements, general asset accounts, property depreciated under section 168 (MACRS property), and dispositions of MACRS property.



The new revenue procedures add the method changes set forth therein to automatic method changes listed in the Appendix to Rev. Proc. 2011-14, replacing the method changes that were effectively made obsolete by the temporary regulations. If a taxpayer makes any of these new method changes for its first or second tax year beginning after December 31, 2011, the scope limitations set forth in section 4.02 of Rev. Proc. 2011-14 will not apply to the taxpayer with respect to the change.

Observation: The new revenue procedures do not specifically address audit protection for the new method changes. However, by adding the new changes to the automatic changes already listed in the Appendix to Rev. Proc. 2011-14, the new revenue procedures incorporate the provisions of Rev. Proc. 2011-14, thereby ensuring that audit protection will be available for the new changes.

A forthcoming WNTS Insight will provide in-depth analysis of Rev. Procs. 2012-19 and 2012-20.

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[Link to Rev. Proc. 2012-19](#)

[Link to Rev. Proc. 2012-20](#)

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