

Part III – Administrative, Procedural, and Miscellaneous

Simplified Service Cost Method; Simplified Production Method

Notice 2003-59

Notice 2003-36, 2003-23 I.R.B. 992, provides that after May 8, 2003, the Internal Revenue Service will not accept Forms 3115, *Application for Change in Accounting Method*, filed under the automatic consent procedures of Rev. Proc. 2002-9, 2002-1 C.B. 327, that request consent to change to either the simplified service cost method or the simplified production method for self-constructed assets under §§ 1.263A-1(h)(2)(i)(D) and 1.263A-2(b)(2)(i)(D) of the Income Tax Regulations. This notice informs taxpayers that the Service and Treasury Department have decided that a taxpayer will be permitted, after May 8, 2003, to timely file Forms 3115 to make these changes under Rev. Proc. 2002-9 for its most recent taxable year ending on or before May 8, 2003. To qualify under this notice, a taxpayer that wishes to file a Form 3115 on or after August 13, 2003, must do so under Rev. Proc. 2002-9 requesting to make a change for its most recent taxable year ending on or before May 8, 2003, and in addition to complying with the requirements of Rev. Proc. 2002-9, must include the following statement on top of the form: “Automatic Change Filed Under Notice 2003-59.”

A taxpayer that has timely filed its original federal income tax return after May 8, 2003, but on or before September 12, 2003, for a taxable year ending on or before May 8, 2003, also may request automatic consent to make such a change by complying with

Rev. Proc. 2002-9 and this Notice. However, such a taxpayer is not subject to the filing requirements in section 6.02(3)(a) of Rev. Proc. 2002-9, provided that the taxpayer complies with the following filing requirements. The taxpayer must complete and file a Form 3115 in duplicate. The original must be attached to the taxpayer's amended federal income tax return for its most recent taxable year ending on or before May 8, 2003. This amended return must be filed no later than February 13, 2004. A copy of the Form 3115 must be filed with the national office (see section 6.02(6)(a) of Rev. Proc. 2002-9 for the address) no later than when the taxpayer's amended return is filed.

For taxable years ending after May 8, 2003, Forms 3115 to make these changes must be filed with the national office under Rev. Proc. 97-27, 97-1 C.B. 680.

In the future, if the Service and Treasury Department provide that the automatic consent procedures no longer apply for one or more methods of accounting for which taxpayers had been permitted to use the automatic consent procedures, such change may be effective for Forms 3115 filed after such change is announced. In such case, a taxpayer that has not filed a copy of Form 3115 with the national office by the time the change is announced would not be permitted to use the automatic consent procedures.

EFFECT ON OTHER DOCUMENTS

Notice 2003-36 is modified.

DRAFTING INFORMATION

The principal author of this notice is Scott H. Rabinowitz of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice, contact Mr. Rabinowitz at (202) 622-4970 (not a toll-free call).