

# **Modification of Rev. Rul. 2001-4 Notice 2001-23**

## **PURPOSE**

This notice modifies Rev. Rul. 2001-4, 2001-3 I.R.B. 295, by extending the application of the automatic consent for change in accounting method provisions of Rev. Proc. 99-49, 1999-2 C.B. 725, to the taxpayer's first or second taxable year ending after December 21, 2000.

## **BACKGROUND**

On December 21, 2000, the Internal Revenue Service issued Rev. Rul. 2001-4, which holds, in part, that costs incurred by a taxpayer to perform work on its aircraft airframe as part of a heavy maintenance visit generally are deductible as ordinary and necessary business expenses under § 162 of the Internal Revenue Code. The APPLICATION section of Rev. Rul. 2001-4 provides that a taxpayer wanting to change its method of accounting to conform to the holding must follow the automatic change in accounting method provisions of Rev. Proc. 99-49, provided the change is made for the first taxable year ending after January 16, 2001. Thus, for example, a taxpayer using a calendar year may apply for automatic consent to change its method of accounting to conform to Rev. Rul. 2001-4 for the year 2001. The Service recognizes that the revenue ruling precludes a calendar year taxpayer from applying for automatic consent for the change for the year 2000, and greatly limits its ability to apply for consent for that year under the general procedures of Rev. Proc. 97-27, 1997-1 C.B. 680, due to the requirement that the application must have been submitted by December 31, 2000.

## **EXTENSION OF AUTOMATIC METHOD CHANGE PROCEDURES FOR 2000**

To facilitate changes in method of accounting by taxpayers to conform to the holding of Rev. Rul. 2001-4 for the year 2000, the revenue ruling is modified to allow a taxpayer to apply for the change by following the automatic change in ac-

counting method provisions of Rev. Proc. 99-49, provided the change is for the first or second taxable year ending after December 21, 2000.

If a taxpayer filed an application with the national office under Rev. Proc. 97-27 to change its method of accounting to conform to Rev. Rul. 2001-4, and the application is pending with the national office on February 16, 2001, the taxpayer may change its method under Rev. Proc. 99-49. However, the national office will process the application in accordance with the procedure under which it was filed unless, prior to the later of April 1, 2001, or the issuance of the letter ruling granting or denying consent to the change, the taxpayer notifies the national office that it wants to change its method under Rev. Proc. 99-49. If the taxpayer timely notifies the national office that it wants to change its method under Rev. Proc. 99-49, the taxpayer must make appropriate modifications to the application to comply with the applicable provisions of Rev. Proc. 99-49. In addition, any user fee that was submitted with the application will be returned to the taxpayer.

## **EFFECT ON OTHER DOCUMENTS**

Rev. Rul. 2001-4 and Rev. Proc. 99-49 are modified.

## **DRAFTING INFORMATION**

The principal author of this notice is Merrill Feldstein of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this notice contact Ms. Feldstein at (202) 622-4950 (not a toll-free call).