their respective maximum allowable values. If the fair market value of any passenger automobile in the fleet exceeds these amounts, the employer may determine the value of the personal use under regulations section 1.61–21(f) (Commuting valuation rule) or the general valuation rules of section 1.61–21(b) or may determine the Annual Lease Value of such automobile separately under the automobile lease valuation rule of section 1.61–21(d)(2) if the applicable requirements are met.

SECTION 4. EFFECTIVE DATE

This revenue procedure applies to employer-provided passenger automobiles first made available to employees for personal use in calendar year 2011.

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Don M. Parkinson of the Office of the Division Counsel/Associate Chief Counsel (Tax Exempt & Government Entities). For further information regarding the maximum automobile values for applying the valuation rules of regulations section 1.61–21(e)(1)(iii)(A) (the vehicle cents-per-mile valuation rule), and section 1.61–21(d)(5)(v)(D) (the fleet average valuation rule), contact Don M. Parkinson at (202) 622–6040 (not a toll free call).

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26 CFR 601.204: Changes in accounting periods and in methods of accounting.
(Also Part I, §§ 56, 61, 77, 118, 162, 1.162–12, 166, 167, 168, 171, 174, 179D, 194, 197, 263, 263A, 267, 280F, 404, 446, 447, 448, 451, 454, 455, 460, 461, 467, 471, 472, 475, 481, 585, 832, 833, 846, 860A–860G, 861, 904, 953, 985, 1272, 1273, 1278, 1281, 1363, 1400I, 1400L, 1400N; 1.61–1, 1.61–4, 1.61–8, 1.77–1, 1.77–2, 1.118–2, 1.162–1, 1.162–3, 1.162–4, 1.162–11, 1.162–12, 1.166–1, 1.166–4, 1.167(a)–2, 1.167(a)–3(b), 1.167(a)–7, 1.167(a)–8, 1.167(a)–11, 1.167(a)–14, 1.167(e)–1, 1.168(d)–1, 1.168(i)–1, 1.168(i)–4, 1.168(i)–6, 1.168(k)–1, 1.171–4, 1.174–1, 1.174–3, 1.174–4, 1.179–5, 1.194–1, 1.197–2, 1.263(a)–1, 1.263(a)–2, 1.263(a)–4, 1.263(a)–5, 1.263A–1, 1.263A–2, 1.263A–3, 1.263A–4, 1.263A–7, 1.267(a)–1, 1.280F–6, 1.404(b)–1T, 1.446–1, 1.446–1T, 1.446–2, 1.446–5, 1.446–6, 1.448–2, 1.467–1, 1.471–4, 1.471–5, 1.471–8, 1.448–1T, 1.451–1, 1.454–1, 1.455–6, 1.460–1, 1.460–4, 1.461–1, 1.461–4, 1.461–5, 1.471–1, 1.471–2, 1.471–3, 1.471–4, 1.472–1, 1.472–2, 1.472–6, 1.472–8, 1.481–1, 1.481–4, 1.832–4, 1.860A–6, 1.861–18, 1.985–5, 1.985–8, 1.1016–3, 1.1245–3, 1.1272–1, 1.1273–1, 1.1273–2, 1.1363–2, 1.1374–4, 1.1400L(b)–1.)

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business as expenses under § 174(a) or as deferred expenses amortizable ratably over a period of not less than 60 months under § 174(b). Pursuant to § 1.174–1, research and experimental expenditures that are not treated as expenses or deferred expenses under § 174 must be treated as capital expenditures. Further, § 1.174–1 provides that the expenditures to which § 174 applies may relate either to a general research program or to a particular project.

(c) If a taxpayer has not treated research and experimental expenditures as expenses under § 174(a), § 174(a)(2)(B) and § 1.174–3(b)(2) provide that the taxpayer may, with consent, adopt the expense method at any time.

(d) If a taxpayer has treated research and experimental expenditures as expenses under § 174(a), § 174(a)(3) and § 1.174–3(b)(3) provide that the taxpayer may, with consent, change to a different method of treating research and experimental expenditures.

(e) If a taxpayer has treated research and experimental expenditures as deferred expenses under § 174(b), § 174(b)(2) and § 1.174–4(b)(2) provide that the taxpayer may, with consent, change to a different method of treating research or experimental expenditures or to a different period of amortization for deferred expenses.

(2) *Scope*.

(a) *Applicability*. This change applies to any taxpayer that is changing:

(i) from treating research and experimental expenditures for a particular project or projects as expenses under § 174(a) to treating such expenditures as deferred expenses under § 174(b), or *vice versa*;

(ii) to a different period of amortization for research and experimental expenditures for a particular project or projects that are being treated as deferred expenses under § 174(b); or

(iii) from treating research and experimental expenditures for a particular project or projects as expenses under § 174(a) or deferred expenses under § 174(b) to treating such expenditures as a capital expenditure under § 263(a), or *vice versa*.

(b) *Inapplicability*. This change does not apply to:

(i) a portion of the research and experimental expenditures paid or incurred for a particular project during the year of change or in subsequent taxable years (that is, the change must apply to all of such expenditures; *see* §§1.174–3(a) and 1.174–4(a)(5));

(ii) a change in the treatment of computer software costs under Rev. Proc. 2000–50, 2000–1 C.B. 601, as modified by Rev. Proc. 2007–16, 2007–4 I.R.B. 358 (but see section 9 of this APPENDIX for making that change); or

(iii) a change in the treatment of Year 2000 costs under Rev. Proc. 97–50, 1997–2 C.B. 525.

(3) *Scope limitations clarified*. The scope limitation under section 4.02(7) of this revenue procedure is applied on a project by project basis.

(4) *Manner of making change*.

(a) This change is made on a cut-off basis and applies to all research and experimental expenditures paid or incurred for a particular project or projects on or after the beginning of the year of change. See section 2.06 of this revenue procedure and § 174(b)(2), and §§ 1.174–3(a), 1.174–3(b)(2), and 1.174–4(a)(5) for more information regarding a cut-off basis. Accordingly, a § 481(a) adjustment is neither permitted nor required.

(b) The requirement under §§ 1.174–3(b)(2), 1.174–3(b)(3), and 1.174–4(b)(2) to file an application no later than the end of the first taxable year in which the different method or different amortization period is to be used is waived for this change. However, see section 6 of this revenue procedure for filing requirements applicable under this revenue procedure.

(c) The consent granted under this revenue procedure satisfies the consent required under §§ 174(a)(2)(B), 174(a)(3), and 174(b)(2), and §§ 1.174–3(b)(2), 1.174–3(b)(3), and 1.174–4(b)(2).

(5) *Additional requirement*. A taxpayer must attach to its Form 3115 a written statement providing:

(a) the information required in § 1.174–3(b)(2) if the taxpayer is changing to treating research and experimental expenditures as expenses under § 174(a);

(b) the information required in § 1.174–3(b)(3) if the taxpayer is changing from treating research and experimental expenditures as expenses under § 174(a); or

(c) the information required in § 1.174–4(b)(2) if the taxpayer is changing from treating research and experimental expenditures as deferred expenses under § 174(b) or is changing to a different period of amortization for research and experimental expenditures being treated as deferred expenses under § 174(b).

(6) *No audit protection*. A taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with this change.

(7) *Designated automatic accounting method change number*. The designated automatic accounting method change number for a change under section 7.01 of this APPENDIX is "17." *See* section 6.02(4) of this revenue procedure.

(8) *Contact information*. For further information regarding a change under this section, contact Grant D. Anderson at 202–622–4930 (not a toll-free call).

.02 *Reserved*.

SECTION 8. ELECTIVE EXPENSING PROVISIONS (§ 179D)

.01 *Reserved*.

.02 *Reserved*.

.03 *Reserved*.

.04 *Deduction for Energy Efficient Commercial Buildings (§ 179D)*.

(1) *Description of change*. This change applies to a taxpayer that wants to change its method of accounting to deduct under § 179D amounts paid or incurred for the installation of energy efficient commercial building property, as defined in § 179D(c)(1). The deduction for energy efficient commercial building property must be claimed in the taxable year in which the property is placed in service and is subject to the limits of § 179D(b). The basis of the energy efficient commercial building property is reduced by the amount of the § 179D deduction taken and the remaining basis of the energy efficient commercial building property is depreciated over its recovery period.

(2) *Applicability*. This change applies to:

(a) energy efficient commercial building property that is installed on or in any building that is located in the United States and is within the scope of ANSI/ASHRAE/IESNA Standard 90.1–2001, Energy Standard for Buildings Except Low-Rise Residential Buildings, developed for the American National Stan-

dards Institute by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America (as in effect on April 2, 2003, including addenda 90.1a–2003, 90.1b–2002, 90.1c–2002, 90.1d–2002, and 90.1k–2002 as in effect on that date) (Standard 90.1–2001);

(b) energy efficient commercial building property that is installed as part of the interior lighting systems; the heating, cooling, ventilation, and hot water systems; or the building envelope of a commercial building; and

(c) it is certified that the interior lighting systems, heating, cooling, ventilation, and hot water systems, or the building envelope that have been incorporated into the building, or that the taxpayer plans to incorporate into the building subsequent to the installation of such property, will reduce the total annual energy and power costs with respect to combined usage of the building's heating, cooling, ventilation, hot water, and interior lighting systems by 50 percent or more as compared to a Reference Building that meets the minimum requirements of Standard 90.1–2001.

(3) *Manner of making change*. A taxpayer making this change must attach a statement with a detailed description of the tax treatment of the property under the taxpayer's present and proposed methods of accounting.

(4) *Additional filing requirement*. In addition to the statement required by section 8.04(3) of the APPENDIX of this revenue procedure, a taxpayer making this change must attach a certification as required by section 4 of Notice 2006–52, 2006–1 C.B. 1175, and section 5 of Notice 2008–40, 2008–14 I.R.B. 725, to demonstrate the energy efficient commercial building property has achieved the reduction energy and power costs to qualify for the § 179D deduction. In the case of a publicly owned building for which a designer has been allocated a deduction under § 179D, the designer becomes the taxpayer for purposes of the deduction and must attach a certification as required by Notice 2006–52 and Notice 2008–40, and an allocation from the owner of the building to the designer as required by section 3.04 of Notice 2008–40.

(5) *No audit protection*. A taxpayer does not receive audit protection under section 7 of this revenue procedure in connection with this change.

(6) *Designated automatic accounting method change number*. The designated automatic accounting method change number for a change in method of accounting under this section 8.04 of the APPENDIX is "152." *See* section 6.02(4) of this revenue procedure.

(7) *Contact information*. For further information regarding a change under this section, contact Jennifer Bernardini at 202–622–3110 (not a toll-free call).

SECTION 9. COMPUTER SOFTWARE EXPENDITURES (§§ 162, 167, and 197)

.01 *Computer software expenditures*.

(1) *Description of change*. This change applies to a taxpayer that wants to change its method of accounting for the costs of computer software to a method described in Rev. Proc. 2000–50, 2000–1 C.B. 601, as modified by Rev. Proc. 2007–16, 2007–1 C.B. 358. Section 5 of Rev. Proc. 2000–50 describes the methods applicable to the costs of developing computer software. Section 6 of Rev. Proc. 2000–50 describes the method applicable to the costs of acquired computer software. Section 7 of Rev. Proc. 2000–50 describes the method applicable to leased or licensed computer software. If a taxpayer treats the costs of computer software in accordance with the applicable method described in Rev. Proc. 2000–50, the Service will not disturb the taxpayer's treatment of its costs of computer software.

(2) *Scope*. This change applies to all costs of computer software as defined in section 2 of Rev. Proc. 2000–50. However, this change does not apply to any computer software that is subject to amortization as an "amortizable section 197 intangible" as defined in § 197(c) and the regulations thereunder, or to costs that a taxpayer has treated as research and experimentation expenditures under § 174.

(3) *Statement required*. If a taxpayer is changing to the method described in section 5.01(2) of Rev. Proc. 2000–50, the taxpayer must attach to its Form 3115 a statement providing the information required in section 8.02(2) of Rev. Proc. 2000–50.

(4) *Ogden copy of Form 3115 required in lieu of national office copy*. A taxpayer changing its method of accounting under this section 9.01 of the APPENDIX must file a signed copy of its completed Form 3115 with the IRS in Ogden, UT, (Ogden copy) in lieu of filing the national office copy no earlier than the first day of the year of change and no later than the date the taxpayer files the original Form 3115 with its federal income tax return for the year of change. *See* sections 6.02(3)(a)(ii)(B) (providing the general rules) and section 6.02(7)(b) (providing the mailing address) of this revenue procedure.

(5) *Designated automatic accounting method change number*. The designated automatic accounting method change number for a change under section 9.01 of this APPENDIX is "18." *See* section 6.02(4) of this revenue procedure.

(6) *Contact information*. For further information regarding a change under this section, contact Douglas Kim at 202–622–4930 (not a toll-free call).

.02 *Reserved.*

SECTION 10. CAPITAL EXPENDITURES (§ 263)

.01 *Package design costs*.

(1) *Description of change*.

(a) *Applicability*. This change applies to a taxpayer that wants to change its method of accounting for package design costs that are within the scope of Rev. Proc. 97–35, 1997–2 C.B. 448, as modified by Rev. Proc. 98–39, 1998–1 C.B. 1320, to one of the three alternative methods of accounting for package design costs described in section 5 of Rev. Proc. 97–35. The three alternative methods of accounting for package design costs described are: (i) the capitalization method, (ii) the design-by-design capitalization and 60-month amortization method, and (iii) the pool-of-cost capitalization and 48-month amortization method.

(b) *Inapplicability*. This change does not apply to a taxpayer that wants to change to the capitalization method for costs of developing (or modifying) any package design that has an ascertainable useful life.

(2) *Additional requirements*. If a taxpayer is changing its method of accounting for package design costs to the capitalization method or the design-by-design capitalization and 60-month amortization method, the taxpayer must attach a statement to its timely filed Form 3115. The