

## Some Quick Background Info

Let me quickly give you some background so you understand why taxpayers and their accountants need to deal with this mess. (Some readers are presumably new to the discussion.)

A while back, the Internal Revenue Service issued new regulations that require people to account for repairs and maintenance expenditures differently. The rules of the game changed, in other words. (For more information about how the rules changed, refer [here](#) and [here](#).)

The rub in all this is you can't simply change the way you do your accounting. You do need to do that. But you need to request permission to make the change. (I know... crazy.)

## How a 3115 Request Works

To request permission to change your accounting for repairs and maintenance expenditures, you fill out a 10-page 3115 form. You then print two copies, filing one with your tax return and one with the Internal Revenue Service Center in Ogden Utah.

I know what you're thinking. Why do they need two copies? Good question. But now that we're into this, I may as well mention that you probably won't file one 3115 form. You'll probably need to file more than one.

We're finding most of our clients need to file at least a "code 184" 3115 to request permission to change the way that repair and maintenance expenditures are handled and also to change the capitalization procedures for tangible property improvements, for example.

And then we're also finding that most clients also need to also file a "code 192" 3115 to request permission to change the way that asset acquisition and production costs are capitalized.

You or your clients may have other Form 3115s to file, too.

## Why You Should Jump Through this Hoop

Okay, first, let me say this. Most tax accountants think this process you're supposed to step through is crazy to force on small businesses and mom and pop real estate investors. (Read about the [letter the AICPA wrote to the IRS](#), for example.)

And some tax accountants think the requirement to request an accounting method change is so absurd as to not merit any response (other than maybe a letter to one's elected representatives).

I get all that. Emotionally, I am right there with those people.

But I think you have two strong reasons to prepare and file 3115s with your 2014 tax return.

First reason: The IRS expects 3115s, and as a result, many CPAs think that returns without a 3115 or two, since they're obviously incomplete, should bear more audit risk.

A second reason: This year, you automatically get permission to change your accounting method. In other words, for 2014, a quick and easy automatic consent should occur. If you dilly dally and want to deal with this stuff later on, things may not go so smoothly.

In worst case scenarios, you could lose deductions because you botched the accounting method change. And you could face expensive fees for making the change late.