FTB NOTICE 98-10

June 5, 1998

SUBJECT: IRS REVENUE PROCEDURE 97-44

The Internal Revenue Service (“IRS”) published Revenue Procedure 97-44 on September 25, 1997 (I.R.B. 1997-41, 8) granting relief to certain automobile dealers that elected the last-in, first-out (“LIFO”) inventory method of accounting, but violated the LIFO conformity requirement of Internal Revenue Code section 472(c) or (e)(2).

This notice announces that the Franchise Tax Board will follow Revenue Procedure 97-44. The Franchise Tax Board will permit those taxpayers who qualify for the relief provided by Revenue Procedure 97-44 to continue to use the LIFO method if they attach a copy of the memorandum furnished to the IRS under Section 5 of Revenue Procedure 97-44 to their franchise or income tax return for the accounting period which includes May 31, 1998. Payment of a settlement amount will not be required.

Drafting Information

The principal author of this notice is David Lopez of the Franchise Tax Board, Legal Branch. For further information regarding this notice, contact Mr. Lopez at the Franchise Tax Board, P.O. Box 1720, Rancho Cordova, CA 95741-1720.