



04.27.2017

FTB NOTICE 2017- 03

SUBJECT: Consent to Certain Changes in Accounting Method Involving Depreciation or Amortization

PURPOSE

The purpose of this Notice is to withdraw FTB Notice 96-3 wherein the Franchise Tax Board ("FTB") announced that it would not follow the procedures for a change of accounting method involving previously unclaimed but allowable depreciation or amortization deductions provided by Revenue Procedure 96-31, which was issued by the Internal Revenue Service ("IRS") effective May 13, 1996 (1996-1 C.B. 714).

SUMMARY

The procedures for a change of accounting method involving previously unclaimed but allowable depreciation or amortization deductions provided by Revenue Procedure 96-31 have been periodically updated by the IRS in subsequent iterations.¹ The latest iteration is embodied in Revenue Procedure 2016-29.² Accordingly, we are following the provisions of Revenue Procedure 2016-29. Because the FTB does not provide automatic consent, an accounting method change under Revenue Procedure 2016-29 or any of its other iterations may only be made (i) if the taxpayer has a deemed California election³ or (ii) with the prior consent of the FTB. (See [FTB Notice 2000-8](#) for more information regarding California's conformity to federal elections and the method of electing a change of accounting method for California purposes.)

The principal author of this Notice is Peter Kwok of the Franchise Tax Board, Legal Division. For further information regarding this Notice, contact Mr. Kwok at (916) 845-6652 or P. O. Box 1720, MS A-260, Rancho Cordova, California 95741-1720.

¹ With some modifications, the IRS has provided similar procedures in subsequent guidance such as Revenue Procedures 97-37, 98-60, 99-49, 2002-9, 2008-52, 2011-14, and 2015-14.

² Where the California Revenue and Taxation Code conforms to the Internal Revenue Code (IRC), federal administrative guidance applicable to the IRC shall, insofar as possible, govern the interpretation of conforming state statutes, with due account for state terminology, state effective dates, and other obvious differences between state and federal law. It is well settled that where federal law and California law are the same, federal rulings dealing with the IRC are persuasive authority in interpreting the California statute. *J.H. McKnight Ranch v. FTB* (2003) 110 Cal. App. 4th 978, at footnote 1, citing *Calhoun v. FTB* (1978) 20 Cal. 3d 881, 884. For more detail and limitations, please refer to [Information Letter 2010-5](#).

³ A deemed California election is made when California conforms to a proper federal election.