

column of page 65824, states: "Only AUSs developed, operated, owned, or used by FHA-approved Direct Endorsement mortgages, Fannie Mae, or Freddie Mac will be able to access the scorecard, and only FHA-approved mortgagees will be able to obtain risk assessments using the TOTAL Mortgage Scorecard." The reference in this sentence to "Direct Endorsement mortgages" should have read "Direct Endorsement mortgagees" instead. A conforming change removing "FHA-approved" as a modifier of "automatic underwriting systems (AUSs)" and changing "Direct Endorsement mortgages" to "Direct Endorsement mortgagees" is also made to the regulation, at § 203.255(b)(5)(i)(A).

■ Accordingly, FR Doc. 03–29055, FHA TOTAL Mortgage Scorecard, (FR–4835–I–01), published in the **Federal Register** on November 21, 2003 (68 FR 65824), is corrected as follows:

■ 1. On page 65824, third column, the fourth complete sentence under the heading, "II. This Interim Rule," is revised to read as follows: "Only AUSs developed, operated, owned, or used by FHA-approved Direct Endorsement mortgagees, Fannie Mae, or Freddie Mac will be able to access the scorecard, and only FHA-approved mortgagees will be able to obtain risk assessments using the TOTAL Mortgage Scorecard."

■ 2. On page 65827, second column, § 203.255(b)(5)(i)(A) is revised to read as follows:

§ 203.255 Insurance of mortgage.

* * * * *

(b) * * *

(5) * * *

(i) * * *

(A) *Permissible users.* Only automatic underwriting systems (AUSs) developed, operated, owned, or used by FHA-approved Direct Endorsement mortgagees, Fannie Mae, or Freddie Mac, may access TOTAL, and only FHA-approved mortgagees will be able to obtain risk-assessments using TOTAL;

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Dated: December 23, 2003.

Aaron Santa Anna,

Assistant, General Counsel for Regulations.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9105]

RIN 1545–BC17

Changes in Computing Depreciation

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final and temporary regulations.

SUMMARY: This document contains regulations relating to a change in computing depreciation or amortization as well as a change from a nondepreciable or nonamortizable asset to a depreciable or amortizable asset (or vice versa). Specifically, these regulations provide guidance to any taxpayer that makes a change in depreciation or amortization on whether such change is a change in method of accounting under section 446(e) of the Internal Revenue Code and on the application of section 1016(a)(2) in determining whether the change is a change in method of accounting. The text of these temporary regulations also serves as the text of the proposed regulations set forth in the notice of proposed rulemaking on this subject in the Proposed Rules section in this issue of the **Federal Register**.

DATES: *Effective Dates:* These regulations are effective January 2, 2004.

Applicability Dates: For dates of applicability, see §§ 1.167(e)–1T(e), 1.446(e)–1T(e)(4), and 1.1016–3T(j).

FOR FURTHER INFORMATION CONTACT: Sara Logan or Douglas Kim, (202) 622–3110 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to 26 CFR part 1 to provide regulations under sections 167, 446(e), and 1016(a)(2) of the Internal Revenue Code (Code). These regulations provide the changes in depreciation or amortization that are, and are not, a change in method of accounting under § 1.446–1(e). Additionally, these regulations amend § 1.167(e)–1 to provide that certain changes in depreciation method for property for which depreciation is determined only under section 167 are made without the consent of the Commissioner of Internal Revenue, and amend § 1.1016–3 to provide that section 1016(a)(2) does not permanently affect a taxpayer's lifetime income for purposes of determining whether a

change in depreciation or amortization is a change in method of accounting.

Explanation of Provisions

Background

Section 446 provides in general that taxable income shall be computed under the method of accounting on the basis of which the taxpayer regularly computes the taxpayer's income in keeping the taxpayer's books. Section 446(e) provides that, except as otherwise expressly provided in chapter 1 of the Code, a taxpayer who changes the method of accounting on the basis of which the taxpayer regularly computes the taxpayer's income in keeping the taxpayer's books shall, before computing the taxpayer's taxable income under the new method, secure the consent of the Secretary.

Section 1.446–1(e)(2)(ii)(a) provides in pertinent part that a change in method of accounting includes a change in the overall plan of accounting for gross income or deductions or a change in the treatment of any material item used in such overall plan. A material item is any item that involves the proper time for the inclusion of the item in income or the taking of a deduction. However, § 1.446–1(e)(2)(ii)(b) provides in pertinent part that a change in method of accounting does not include an adjustment in the useful life of a depreciable asset. Although such adjustment may involve the question of the proper time for the taking of a deduction, such item is traditionally corrected by adjustments in the current and future years.

Section 1.167(e)–1(a) provides that in general, any change in the method of computing the depreciation allowances with respect to a particular account (other than a change in method permitted or required by reason of the operation of former section 167(j)(2) and § 1.167(j)–3(c)) is a change in method of accounting, and such a change will be permitted only with the consent of the Commissioner, except that certain changes to the straight line method of depreciation will be permitted without consent as provided in former section 167(e)(1), (2), and (3). Any request for a change in method of depreciation shall be made in accordance with section 446 and the regulations under section 446.

In 1996, the IRS issued Rev. Proc. 96–31 (1996–1 C.B. 714), providing that a change from not claiming the depreciation or amortization allowable to claiming the depreciation or amortization allowable is a change in method of accounting for which the consent of the Commissioner of Internal Revenue is required.