

## IRS Provides Additional Relief for Method Changes Involving Section 174 Expenses

Tax Alert

**01.16.2025**

[Rev. Proc. 2024-23](#) (the current list of automatic accounting method changes) provides procedures for taxpayers to obtain automatic consent to change a method of accounting for specified research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2021. Two of the eligibility rules for using these automatic change procedures are that (1) the requested year of change must not be a year in which the taxpayer ceases to engage in the trade or business to which the accounting method change relates, and (2) the taxpayer must not have requested a method change for the same item during the five taxable years ending with the requested year of change. *See* [Rev. Proc. 2015-15, § 5.01\(d\) & \(f\)](#).

[Rev. Proc. 2024-23](#) waived these eligibility rules for a taxpayer's "first or second taxable year beginning after December 31, 2021." With the goal of providing relief to taxpayers with one or more short taxable years beginning after December 31, 2021, the Internal Revenue Service (IRS) subsequently expanded these waivers to apply to a method change made by a taxpayer "for any taxable year beginning in 2022 or 2023." *See* [Rev. Proc. 2024-34](#) and our prior coverage [here](#).

In December 2024, the IRS expanded this waiver of the eligibility rules for using the automatic change procedures to make an accounting method change with respect to specified research or experimental expenditures yet again. *See* [Rev. Proc. 2025-8](#). The waiver now applies to a method change made by a taxpayer "for any taxable year beginning in 2022, 2023, or 2024." Method changes made in successive taxable years — *e.g.*, 2023 and 2024 — are also explicitly authorized.

Expanding the waiver of eligibility rules for a year at a time is consistent with the IRS's past practice regarding method changes involving specified research or experimental expenditures — the original waiver in this area applied only to a taxpayer's "first taxable year beginning after December 31, 2021." *See* [Rev. Proc. 2023-11](#) and our prior coverage [here](#). We expect taxpayers will have to wait until late in the year before learning whether the IRS will further extend this waiver to taxable years beginning in 2025.

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