



1999 Income Tax School

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TAX ELECTIONS

The Internal Revenue Code allows taxpayers to make hundreds of elections. Some elections require extensive paperwork, while others are made simply by reporting income or expenses on the income tax return. Some elections must be made by the due date of the income tax return for the tax year, some must be made before that date, and others can be made later. Once made, some elections are irrevocable while others can be revoked or amended until the due date of an amended return.

This chapter begins with a discussion of the general provisions for extending the time in which elections can be made. Then some of the most common elections are discussed and summarized in a table for quick reference.

EXTENSION OF TIME FOR MAKING ELECTIONS

Treas. Reg. §301.9100-2 gives taxpayers an automatic 12-month extension to file specific elections and an automatic 6-month extension for certain other elections. In addition, Treas. Reg. §301.9100-3 gives the Commissioner discretion to extend the time to make an election if there is reasonable cause for the failure to make the election by the due date.

AUTOMATIC 12-MONTH EXTENSION

Taxpayers are given an automatic 12-month extension to take corrective action for making the following elections:

1. The election to use other than the required taxable year under I.R.C. §444
2. The election to use the last-in, first-out (LIFO) inventory method under I.R.C. §472
3. The 15-month rule for filing an exemption application for a §501(c)(9), §501(c)(17), or §501(c)(20) organization under I.R.C. §505
4. The 15-month rule for filing an exemption application for a I.R.C. §501(c)(3) organization under I.R.C. §508
5. The election to be treated as a homeowners association under I.R.C. §528
6. The election to adjust basis on partnership transfers and distributions under I.R.C. §754
7. The estate tax election to specially value qualified real property (where the IRS has not yet begun an examination of the filed return) under I.R.C. §2032A(d)(1)
8. The Chapter 14 gift tax election to treat a qualified payment right as other than a qualified payment under I.R.C. §2701(c)(3)(C)(i)
9. The Chapter 14 gift tax election to treat any distribution right as a qualified payment under I.R.C. §2701(c)(3)(C)(ii)

Practitioner Note. This extension is available regardless of whether the taxpayer timely filed the return for the year in which the election should have been made.

Corrective Action

Corrective action means taking the steps required to file elections in accordance with the rules that apply to the respective elections. For those elections required to be filed with a return, corrective action includes filing an original or amended return for the year the regulatory or statutory election should have been made, and attaching the appropriate form or statement for making the election.

Taxpayers who make an election under an automatic extension, and all taxpayers whose tax liability would be affected by the election, must file their returns in a manner that is consistent with the election and comply with all other requirements for making the election for the year in which it should have been made and for all affected years; otherwise, the IRS may invalidate the election.

Procedural Requirements

Any return, statement of election, or other form of filing that must be made to obtain an automatic extension must provide the following statement at the top of the document: "FILED PURSUANT TO §301.9100-2."

Any filing made to obtain an automatic extension must be sent to the same address that the filing to make the election would have been sent to had the filing been timely made.

No request for a letter ruling is required to obtain an automatic extension. Accordingly, user fees do not apply to taxpayers taking corrective action to obtain an automatic extension.

Example 1. Taxpayer A fails to make an election described in Treas. Reg. §301.9100-2(a)(2) when filing A's 1997 income tax return on March 16, 1998, the due date of the return. This election does not affect the tax liability of any other taxpayer. The applicable regulation requires that the election be made by attaching the appropriate form to a timely filed return including extensions.

Taxpayer A may make the regulatory election by taking the corrective action of filing an amended return with the appropriate form by March 15, 1999 (12 months from the March 16, 1998, due date of the return).

If A obtained a 6-month extension to file its 1997 income tax return, A may make the regulatory election by taking the corrective action of filing an amended return with the appropriate form by September 15, 1999 (12 months from the September 15, 1998 extended due date of the return) [Treas. Reg. §301.9100-2(e) Example (1)].

AUTOMATIC 6-MONTH EXTENSION

Taxpayers are granted an automatic extension of 6 months **from the due date of a return excluding extensions** to make elections that meet **all** of the following requirements:

1. The election is authorized by statutes or regulations.
2. The due date of the election is the due date of the return or the due date of the return **including** extensions.
3. The taxpayer timely filed its return for the year the election should have been made.
4. The taxpayer takes corrective action (as defined above under the discussion of 12-month automatic extensions) within the 6-month extension period.

The same procedural requirements apply to the 6-month extension as described above for the 12-month extension.

Practitioner Note. This provision **does not apply** to regulatory or statutory elections that must be made by the due date of the return **excluding** extensions.

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Example 2. Taxpayer B fails to make an election that does not qualify for the automatic 12-month extension when filing B's 1997 income tax return on March 16, 1998, the due date of the return. This election does not affect the tax liability of any other taxpayer. The applicable regulation requires that the election be made by attaching the appropriate form to a timely filed return including extensions.

B may make the regulatory election by taking the corrective action of filing an amended return with the appropriate form by September 15, 1998 (6 months from the March 16, 1998 due date of the return) [Treas. Reg. §301.9100-2(e) Example (2)].

Observation. The automatic 6-month extension has the effect of treating taxpayers as if they filed the automatic 4-month extension to file a tax return **and** filed for and were granted the additional 2-month extension to file a tax return.

REASONABLE CAUSE

If a request for an extension of time for regulatory elections does not meet the requirements of the 12-month or 6-month automatic extensions, and there is reasonable cause for the taxpayer's failure to make a timely election, the IRS Commissioner can grant an extension of time to file the election. **All** of the following requirements must be met to qualify for this extension:

1. The taxpayer must provide evidence to establish, to the satisfaction of the Commissioner, that the taxpayer acted reasonably and in good faith.
2. The grant of relief will not prejudice the interests of the government.
3. The taxpayer must meet the procedural requirements discussed below.

Reasonable Action and Good Faith

A taxpayer is deemed to have acted reasonably and in good faith if the taxpayer:

1. Requests relief under Treas. Reg. §301.9100-3 before the failure to make the regulatory election is discovered by the IRS;
2. Failed to make the election because of intervening events beyond the taxpayer's control;
3. Failed to make the election because, after exercising reasonable diligence (taking into account the taxpayer's experience and the complexity of the return or issue), the taxpayer was unaware of the necessity for the election;
4. Reasonably relied on the written advice of the IRS; or
5. Reasonably relied on a qualified tax professional, including a tax professional employed by the taxpayer, and the tax professional failed to make, or advise the taxpayer to make, the election.

A taxpayer is deemed to have not acted reasonably and in good faith if the taxpayer:

1. Seeks to alter a return position for which an accuracy-related penalty has been or could be imposed under I.R.C. §6662 at the time the taxpayer requests relief [taking into account any qualified amended return filed within the meaning of Treas. Reg. §1.6664-2(c)(3)], and the new position requires or permits a regulatory election for which relief is requested;
2. Was informed in all material respects of the required election and related tax consequences, but chose not to file the election; or
3. Uses hindsight in requesting relief. If specific facts have changed since the due date for making the election that make the election advantageous to a taxpayer, the IRS will not ordinarily grant relief. In such a case, the IRS will grant relief only when the taxpayer provides strong proof that the taxpayer's decision to seek relief did not involve hindsight.

Prejudice to the Interests of the Government

The standards the Commissioner will use to determine when the interests of the government are prejudiced are as follows:

1. **Lower tax liability.** The interests of the government are prejudiced if granting relief would result in a taxpayer having a lower tax liability in the aggregate for all taxable years affected by the election than the taxpayer would have had if the election had been timely made (taking into account the time value of money). Similarly, if the tax consequences of more than one taxpayer are affected by the election, the government's interests are prejudiced if extending the time for making the election may result in the affected taxpayers, in the aggregate, having a lower tax liability than if the election had been timely made.
2. **Closed years.** The interests of the government are ordinarily prejudiced if the taxable year in which the regulatory election should have been made or any taxable years that would have been affected by the election had it been timely made are closed by the period of limitations on assessment under I.R.C. §6501(a) before the taxpayer's receipt of a ruling granting relief under Treas. Reg. §301.9100-3. The IRS may condition a grant of relief on the taxpayer providing the IRS with a statement from an independent auditor (other than an auditor providing an affidavit pursuant to Treas. Reg. §301.9100-3(e)(3)) certifying that the interests of the government are not prejudiced under the standards set forth in Treas. Reg. §301.9100-3(c)(1)(i).
3. **Accounting method regulatory elections.** The interests of the government are deemed to be prejudiced except in unusual and compelling circumstances if the accounting method regulatory election for which relief is requested:
 - a. Requires advance written consent of the Commissioner,
 - b. Requires an adjustment of income or expenses, or
 - c. Provides more favorable terms or conditions if the election were made as part of an examination or by a certain date.

Practitioner Note. Taxpayers requesting and receiving relief under this provision waive any objections to a second examination of issues that are affected. The IRS may also require the taxpayer to consent to keeping tax years open for the assessment of additional taxes as a condition for granting this relief.

Procedural Requirements

Requests for relief under Treas. Reg. §301.9100-3 must provide evidence that shows the taxpayer acted reasonably and in good faith and that there is no prejudice to the government. In addition, the taxpayer must provide:

1. A detailed affidavit describing the events that led to the failure to make a valid regulatory election and to the discovery of the failure.
2. Detailed affidavits from the individuals having knowledge or information about the events that led to the failure to make a valid regulatory election and to the discovery of the failure. These individuals must include the taxpayer's return preparer, any individual (including an employee of the taxpayer) who made a substantial contribution to the preparation of the return, and any accountant or attorney, knowledgeable in tax matters, who advised the taxpayer with regard to the election.

Example 3. Taxpayer B hires a qualified tax professional to advise B on preparing B's 1997 income tax return. The professional was competent to render advice on the election, and B provided the professional with all the relevant facts. The professional fails to advise B that a regulatory election is necessary in order for B to report income on B's 1997 return in a particular manner. Nevertheless, B reports this income in a manner that is consistent with having made the election.

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In 2000, during the examination of the 1997 return by the IRS, the examining agent discovers that the election has not been filed. B promptly files for relief in accordance with Treas. Reg. §301.9100-3, including attaching an affidavit from B's professional stating that the professional failed to advise B that the election was necessary. No accuracy-related penalty could be imposed for the position taken on the tax return, and the facts have not changed to make it advantageous for the taxpayer to change the election.

B is deemed to have acted reasonably and in good faith because B reasonably relied on a qualified tax professional and the tax professional failed to advise B to make the election [Treas. Reg. §301.9100-3(f) Example (2)].

SUMMARY OF SELECTED TAX ELECTIONS

The following is a summary of some of the tax elections. Most of these elections are discussed in greater detail and illustrated with examples in other chapters of this edition of the *Income Tax Workbook* or in earlier editions. Cross-references are given to those discussions.

ELECTIONS THAT AFFECT INCOME

Basis Adjustment of Partnership Assets

Code §754 allows a partnership to elect to adjust the basis of its assets in two situations:

- When a partnership interest is transferred from one taxpayer to another
- When the partnership property is distributed to a partner who recognizes gain or loss upon the distribution or who has a different basis in the distributed property.

Practitioner Note. The election affects all remaining partners in the case of a distribution of property. It affects only the partner who acquired the partnership interest when a partnership interest is transferred.

The election is made by attaching a statement to the partnership return. The statement must be signed by a partner who is authorized to make the election for the partnership.

The election can be revoked only with the approval of the district director of the IRS. An application for revocation must be filed within 30 days of the end of the partnership tax year for which the revocation is to be effective [Treas. Reg. §1.754-1(c)].

Observation. Since the election is effective for the year it is made and all subsequent years, it will require partnerships to reduce basis when a loss is recognized as well as increase basis when a gain is recognized.

See pages 291–294 of the Limited Liability Companies and Partnerships chapter for further discussion and examples of this election.

Basis in Mutual Fund Shares: Averaging Methods

A taxpayer can elect to use the average basis in his or her mutual funds to report gain or loss on sale of a portion of the shares. The average basis can be calculated for all shares (the single-category method) or for the long-term shares and short-term shares separately (the double-category method).

The election is made by attaching a statement to the taxpayer's return for the first year for which the election is to apply. The election must be made no later than six months after the due date of the return for the year of the first sale if a timely return is filed for that year. If a timely return is not filed,

the election can be made on a delinquent return. The election may not be revoked without the prior written consent of the Commissioner.

See pages 216–221 of the 1998 *Income Tax Workbook* for more discussion and examples of the election.

CCC Loans: Election to Include in Income

Farmers can elect to report loans from the Commodity Credit Corporation (CCC) in income in the year the loan is received. The election is made by attaching a statement to the return for the year the election is first in effect and reporting the loan as income on Schedule F (Form 1040). The statement should include the details of the loans. The election must be made within six months of the due date of the tax return for the year the election is to be effective. The election cannot be revoked without the consent of the Commissioner. A request to revoke the election must be made within 90 days of the beginning of the tax year in which the revocation is to be effective.

See pages 151–160 in the Agricultural Issues chapter for additional discussion of CCC loans.

Disaster Payments or Crop Insurance

Code §451(d) allows a producer who uses the cash method of accounting to elect to postpone the recognition of income from crop insurance payments or disaster payments for one year.

Practitioner Note. The election to postpone reporting the payment as income covers all crops from a farm. However, a separate election must be made for each farming business of a taxpayer.

The election must be attached to the return (or amended return) for the tax year in which the payment was received. The election can be made until the period expires for filing an amended return for the year the crop was destroyed [Treas. Reg. §1.451-6(b)(1)]. Once made, the election can be revoked only with the consent of the district director. Permission to revoke the election is requested by writing to the director of the district in which the taxpayer is required to file his or her return [Treas. Reg. §1.451-6(b)(2)].

See pages 160–163 of the Agricultural Issues chapter for further discussion and examples of this election.

Installment Sales: Election Out of Installment Method

A taxpayer can elect out of the installment method of reporting income from an installment sale. The election is made by reporting all of the gain in the year of the installment sale. The election must be made on a timely filed return or, if a return was timely filed without the election, on an amended return that is filed within six months of the due date of the original return. The election can be revoked only with the consent of the Secretary of the Treasury.

See the index of each *Income Tax Workbook* for discussions of installment reporting within other topics.

IRAs: Election to Recalculate Life Expectancies

The owner of an IRA can elect to recalculate life expectancies annually rather than use the same life expectancy each year to calculate the required minimum distribution from IRAs. The election is made by notifying the plan administrator. The election to recalculate annually must be made by the due date of the first required distribution. The election cannot be revoked.

See pages 186–193 of the Retirement chapter for more discussion and examples of this election.

Roth IRA Conversion: Election by Surviving Spouse to Continue Four-Year Spread

The income that was recognized as a result of converting a regular IRA to a Roth IRA in 1998 is spread over the four-year period beginning with 1998 unless the IRA owner elected to report all of the income in 1998. If the IRA owner dies within the four-year period, the general rule is that the

remaining income must be reported in the year of death. This election allows a surviving spouse of the IRA owner to elect to continue the four-year spread.

The election is made on Form 8606 or Form 1040. The election must be made no later than six months after the due date of the surviving spouse's tax return for the year of the IRA owner's death. The election cannot be revoked after the period for making the election.

See pages 416–417 in the Troublesome Areas of Recent Legislation chapter.

Roth IRA Conversions: Election to Recharacterize

A taxpayer can elect to recharacterize conversions of regular IRAs to Roth IRAs so that the IRA is back to being a regular IRA. The election to recharacterize is made by notifying the Roth IRA of the recharacterization and properly reporting the IRA on the original or amended return for the year of the conversion. The election to recharacterize must be made by the date six months after the due date of the return for the year of the conversion.

See pages 415–421 of the Troublesome Areas of Recent Legislation chapter for further discussion and examples of this election.

S Corporation Election

The shareholders of an S corporation can elect to have the corporation taxed under the rules of Subchapter S of Chapter 1 of the Internal Revenue Code. The election is made by filing Form 2553 by the 15th day of the third month of the first tax year the election is effective. However, the IRS may accept a late election if there is reasonable cause and the late election is filed within 12 months of the due date of the Form 2553. A \$5,000 ruling request fee must be paid for some late elections. The S election can be revoked by more than 50% of the S corporation shareholders. The revocation must be made by the 15th day of the third month of the first tax year the revocation is to be effective.

See pages 266–270 of the S Corporations chapter for more discussion and examples of this election.

Weather-Related Sales of Livestock

If a farmer sells livestock because of a shortage of water, grazing, or other consequences of a weather-related condition, the recognition of the proceeds from the sale may be postponed.

There are **two different tax treatments**, both of which apply only to weather-related sales in excess of normal business practice. The **first** treatment applies to draft, breeding, or dairy animals that will be replaced within a two-year period. The **second** applies to all livestock and allows a one-year postponement of the reporting of the sales proceeds.

Election to Postpone Gain by Purchasing Replacement Animals. If livestock (other than poultry) **held for any length of time for draft, breeding, or dairy** (not sporting) **purposes** is sold because of weather-related conditions, the gain realized on the sale does not have to be recognized if the proceeds are used to purchase replacement livestock within two years of the end of the tax year of the sale.

The election is made by **not** reporting the deferred gain on the tax return for the year of the sale and by attaching a statement to the tax return. The election must be made within the period for amending the return for the year of the sale (Rev. Rul. 63-127, 1963-2 C.B. 333). The election can be revoked by not replacing the livestock.

Election to Defer Income to Subsequent Tax Year. If any livestock is sold because of drought conditions, the taxpayer may elect to postpone reporting the income for one year. The election is made by attaching a statement to the tax return for the year of the sale. The election must be made by the due date of the return (including extensions) for the tax year in which the sale occurred. The election can be revoked only with the consent of the Commissioner.

See pages 163–167 of the Agricultural Issues chapter for further discussion and examples of the election.

ELECTIONS THAT AFFECT DEDUCTIONS AND CREDITS

Disaster Losses

Taxpayers who incur a loss from a disaster in an area declared to be a disaster area by the President of the United States can elect to deduct the loss in the year prior to the year of the loss. The deduction is made by attaching a statement to the tax return or claim for refund for the year before the year of the disaster. The election is due by the later of the due date (without extensions) of the tax return for the year of the disaster or the due date (including extensions) for the year before the year of the disaster. The election is irrevocable 90 days after it is made.

Expense Deduction: I.R.C. §179

Taxpayers are allowed to deduct up to \$19,000 (in 1999) of the cost of qualifying property placed in service during the tax year. The limit on the deduction is scheduled to increase as follows:

<u>For the Years:</u>	<u>The Limit Is:</u>
2000	\$20,000
2001 and 2002	\$24,000
2003 and thereafter	\$25,000

The election is made by filling out Part I of Form 4562. The Form 4562 making the I.R.C. §179 election must be filed with the tax return for the year the property is purchased [I.R.C. §179(c)(1)(B)]. The election cannot be revoked without the consent of the Secretary of the Treasury [I.R.C. §179(c)(2)].

See pages 324–329 of the Individual and Small Business Problems chapter for further discussion and examples of this election.

Foreign Tax Credit or Deduction

A taxpayer who pays taxes to a foreign country on foreign income that is subject to tax in the United States may elect to deduct the taxes on his or her federal income tax return or claim a credit for the foreign taxes paid or accrued. The election is made by filing Form 1116 for the year the taxes were paid. The election must be made within ten years of the due date of the tax return for the year the foreign taxes were paid or accrued. The election can be changed anytime within the period for making the election.

Hobby Losses: Election to Postpone Determination of Motive

Taxpayers can elect to postpone the application of the three-of-five year (two-of-seven for horse activities) test to create the presumption that an activity was entered into for profit. The election precludes the IRS from disallowing losses from the activity under the hobby loss rules of I.R.C. §183 until the end of the fifth year (seventh year for horse activities) of the activity. The election extends the statute of limitations for all the years in the five (seven) year period until two years after the due date of the return for the last year in the period.

The election is made by filing Form 5213. The election must be filed by the earlier of:

1. Three years after the due date (without extensions) of the tax return for the first year of the activity, or
2. Sixty days after receipt of written notice from the IRS of the intent to disallow deductions under I.R.C. §183.

The consent to extend the statute of limitations cannot be revoked.

See pages 63–70 of the 1997 *Income Tax Workbook* for more discussion of the hobby loss rules.

Interest Deduction: Election for Capital Gain

Taxpayers can elect to treat capital gain from the sale of investment assets as investment income for purposes of the investment income limit on deducting investment interest. If the election is made, the capital gain is taxed at the same rate as the taxpayer's ordinary income; the maximum capital gains rates do not apply. The election is made by completing line 4e of Form 4952. The election must be made within six months of the due date of the tax return for the year the capital gain is reported. The election cannot be revoked without the consent of the Commissioner.

See pages 341–351 of the Individual and Small Business Problems chapter for more discussion and examples of this election.

Net Operating Loss Carryback

A taxpayer can elect to forgo the 2-, 3-, 5-, or 10-year carryback of a net operating loss (NOL). The effect of the election is to avoid having part or all of the NOL absorbed in the carryback years and to allow the full NOL to be deducted in the 20-year carryforward period. The election is made by attaching a statement to the tax return for the year of the NOL. The election must be made on a timely filed return or, if a return was timely filed without the election, on an amended return that is filed within six months of the due date of the original return.

See pages 124–129 of the Agricultural Issues chapter and pages 26–27 of the 1998 *Income Tax Workbook*.

Start-up Expenses

Code §195 allows taxpayers to amortize business start-up expenses over a period of not less than 60 months beginning with the month the business begins.

To qualify for amortization under I.R.C. §195, an expense must be incurred before the business begins to function as a going concern and the expense must be an expense that would have been deductible had it been incurred by an ongoing business.

The election is made by attaching a statement to the tax return showing the amount of start-up expenses that will be amortized and stating the period (not less than 60 months) over which they will be amortized.

The election to amortize start-up costs under I.R.C. §195 must be made by the due date (including extensions) of the tax return for the year the business becomes active [I.R.C. §195(d)(1)]. No retroactive elections are allowed. [See Ltr. Rul. 9615001 (October 17, 1995).] The election cannot be revoked.

See pages 333–336 of the 1998 *Income Tax Workbook* for further discussion and examples of this election.

ELECTIONS THAT AFFECT METHOD OF CALCULATING TAXES

Lump-Sum Distributions

A participant in a qualified retirement plan who was born before 1936 can treat part of the taxable portion of a lump-sum distribution as a capital gain taxable at a 20% tax rate. The taxpayers may qualify to use the 5- or 10-year averaging option to figure the tax.

Practitioner Note. The five-year averaging rules are repealed for distributions after December 31, 1999.

The election is made by filing Form 4972. The election must be made by the due date for amending the return for the year of the lump-sum distribution. The election can be revoked within that same period of time.

See pages 579–583 of the 1998 *Income Tax Workbook* for more discussion and examples of the election.

Optional Self-Employment Tax Method

A taxpayer who files Schedule C (Form 1040) or Schedule F (Form 1040) can elect to use an optional method of calculating self-employment tax if his or her income is below a required threshold. This election allows the taxpayers to earn quarters of social security coverage but increases the self-employment tax that must be paid.

The election is made on Schedule SE (Form 1040) for the year the election is to be effective. The election must be made by the due date of an amended return for the year the election is to be effective. The election can be revoked within that same period.

See page 141 of the 1998 *Income Tax Workbook* and pages 168–174 of the 1996 *Income Tax Workbook* for more discussion and examples of this election.

SUMMARY TABLE

Election	Method	Due Date	Can It Be Revoked?	Authority	Year and Page Number of Discussion in the Income Tax Workbook
Elections That Affect Income					
Basis adjustment of partnership assets	Attach statement to partnership return	Due date (including extensions) of partnership tax return for year the election is to be effective	Only with consent of IRS Commissioner; request must be filed within 30 days of the end of the partnership year the revocation is to be effective	I.R.C. §754	1999, pages 291–294
Basis of mutual fund shares: Averaging methods	Attach a statement to the return for the year of the election	Six months after due date of the return for the year of election or on a delinquent return	Only with the consent of the Commissioner	Treas. Reg. §1.1012-1(e)	1998, pages 216 – 221
CCC loans: Election to treat as income	Attach a statement to the tax return	Six months after due date of the return for the year of election	Only with the consent of the Commissioner; a request to revoke the election must be filed within 90 days for the beginning of the tax year the revocation is to be effective.	I.R.C. §77; Treas. Reg. §1.77; Rev. Rul. 56-358, 1956-2 C.B. 99	1999, pages 151–160
Disaster payments or crop insurance	Attach statement to tax return	Due date for amending return for the year of sale	Only with the consent of district director	I.R.C. §451(d)	1999, pages 160 – 163
Installment sale, election out of installment method	Report gain on return for year of sale	Six months after due date of the return for the year of sale	Only with consent of the Secretary of the Treasury	I.R.C. §453(d)	See index of each book for discussion of installment sales within other topics
IRAs: election to recalculate life expectancies	Notify plan administrator	By due date of first required distribution	No	I.R.C. §401(a)(9)	1999, pages 186 – 193

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Election	Method	Due Date	Can It Be Revoked?	Authority	Year and Page Number of Discussion in the Income Tax Workbook
Roth IRA conversion, election by surviving spouse to continue four-year spread	File Form 8606 or claim on Form 1040	Six months after due date of surviving spouse's return for year of IRA owner's death	Only within period for making the election	I.R.C. §408A(d)(3)(E)(ii)(I) and Treas. Reg. §1.408A-4, Q/A-11	1999, pages 416–417
Roth IRAs: Election to recharacterize a conversion	Notify Roth IRA trustee and file an amended return	Six months after due date of the return for the year of election	Yes, within the period for making the election	I.R.C. §408A and Announcement 99-57, 1999-24 IRB	1999, pages 266–271
S corporation election	File Form 2553	15th day of the third month of the tax year the election is effective	Yes, by election of more than 50% of the shareholders	I.R.C. §1362	1999, pages 266–271
Weather related livestock sales: postpone gain for one year	Attach statement to return for the year of sale	Due date for amending return for the year of sale	Only with the consent of the district director	I.R.C. §451(e)	1999, pages 163–167
Weather related livestock sales: roll gain into replacements	Attach statement to return for the year of sale	Due date for amending return for the year of sale	Yes	I.R.C. §1033(e) and Rev. Rul. 63-127, 1963-2 CB 333	1999, pages 160–163

Elections That Affect Deductions and Credits

Disaster losses: election to deduct in preceding year	Attach statement to return or claim for refund for year prior to the year of loss	Later of the due date (without extensions) of tax return for the year of the loss, or the due date (including extensions) for the year before the year of the loss	Yes, within 90 days after the election is made	I.R.C. §165(i) and Treas. Reg. §1.165-11	
Expense deduction (I.R.C. §179)	Attach Form 4562 to income tax return	Filing of tax return for the year of purchase	Only with the consent of the Secretary of the Treasury	I.R.C. §179(c)	1999, pages 324–329
Foreign tax deduction or credit	File Form 1116	10 years after the due date of the return for the year the foreign taxes are paid or accrued	Yes, within the period for making the election	I.R.C. §§901(a) and 6511(d)(3), and Treas. Reg. §1.901-1(d)	
Hobby losses: election to postpone determination of motive	File Form 5213	Three years after due date (without extensions) of tax return for the first year of the activity	No	I.R.C. §183(e) and Treas. Reg. 12.9	
Investment interest: election to treat capital gains as investment income	Complete line 4e of Form 4952	Six months after due date of the return for the year of capital gain	Only with the consent of the Commissioner	I.R.C. §163(d)(4)	1999, pages 341–351

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Election	Method	Due Date	Can It Be Revoked?	Authority	Year and Page Number of Discussion in the Income Tax Workbook
Net operating loss, election to forgo carryback	Attach statement to return for the NOL year	Six months after due date of the return for the NOL year	Only with consent of IRS Commissioner	I.R.C. §172(b)(3)	1999, pages 124–129 1998, pages 26–27
Start-up expenses	Attach Form 4562 to income tax return	Due date (including extensions) of the tax return for the year the business becomes active	No	I.R.C. §195(d)	1998, pages 333–36
Elections That Affect Method of Calculating Tax					
Lump-sum distributions from retirement plans	File Form 4972 for the year of the lump-sum distribution	Due date for amending return for year of lump-sum distribution	Yes, within the period for amending return for year of lump-sum distribution	I.R.C. §402(d) and Tax Reform Act of 1986 §1122(h)	1998, pages 579–583
Optional self-employment tax method	Fill in appropriate lines on Schedule SE (Form 1040)	Due date for amending return for year of election	Yes, within the period for amending return for year of election	I.R.C. §1402(a)	1998, page 141 1996, pages 168–174

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