Basisly

Guide 4

Look back studies and Form 3115

How a study of property already in service can support a depreciation correction or accounting-method change.

Updated October 20, 2026 · General information for CPA firms. Not tax, legal or accounting advice.

> **In short**
>
> A look-back study examines property placed in service in an earlier year. If its findings require a change to an adopted depreciation method, Form 3115 may be required. Commissioning a study is not itself an accounting-method change, and not every correction follows the same procedure.

Identify the nature of the change

Changing an adopted recovery period, depreciation method or convention generally requires the applicable accounting-method-change procedure. Mathematical or posting errors and some corrections before a method is adopted may be addressed differently. Correcting basis or other facts is not automatically the same as changing a depreciation method.

The CPA firm must review prior returns, elections, depreciation records and the specific assets. Filing history, examination status, prior method changes and eligibility restrictions can affect the available procedure. An amended return is not generally a substitute for a required method change, but specific rules may permit an amended return or another correction process.

Form 3115 and the applicable procedure

Form 3115 requests a change in accounting method. Revenue Procedure 2015-13, as modified, supplies general procedures; automatic changes are addressed in Revenue Procedure 2025-23, as modified or superseded, and other applicable guidance. The CPA must check current guidance for the requested change and filing year rather than rely only on the list printed in older form instructions.

Automatic consent is conditional on eligibility and procedural compliance. It does not establish that the study's classifications, calculations or underlying tax positions are correct. Nonautomatic consent procedures apply where required. Deadlines, attachments and filing requirements must be assessed for the particular change.

Basisly's role

Where included in the accepted order, Basisly supplies supporting classification schedules, section 481(a) calculations and a Form 3115 data sheet. These materials support the CPA's work; they are

not a completed return, a filing authorization or a determination that a method change is available.

The section 481 adjustment

Section 481(a) prevents income or deductions from being omitted or counted twice because of a method change. For a depreciation correction, the computation generally compares depreciation taken into account under the existing method with depreciation allowable under the proposed method for years before the year of change, subject to the applicable procedure and adjustments.

A negative adjustment generally decreases taxable income and is taken into account in the year of change. A positive adjustment generally increases taxable income and is spread over four tax years. Exceptions and elections can change those periods. Some method changes use a different mechanism or produce no adjustment, so a study does not invariably create a catch-up deduction.

The firm must reconcile the computation to prior returns, asset records, dispositions, elections and basis adjustments. Current-year depreciation must be kept separate from the pre-change adjustment. Any current benefit remains subject to the taxpayer's applicable deduction and loss limitations.

What the CPA needs from the study

The supporting records should identify assets, allocated basis, original placed-in-service dates, classifications, methods, conventions, sources and assumptions. Prior depreciation and filing history come from the taxpayer's records and must be checked by the firm. A study cannot supply missing tax history simply by applying a new classification.

The CPA firm determines the correction procedure, designated change number where applicable, adjustment and filing requirements. It retains sole professional responsibility and final authorization for tax advice and filings, including arranging taxpayer signatures and authorizations. Basisly does not prepare, sign or file Form 3115 or represent the taxpayer before a taxing authority.

Frequently asked questions

Can an amended return be used instead?

Sometimes, depending on the error, whether a method has been adopted and the governing procedure. The CPA must determine the permitted route; an amended return cannot simply bypass a required Form 3115.

Does an automatic change guarantee acceptance?

No. Procedural consent does not validate the underlying facts or tax treatment, which remain subject to examination.

Sources

General information for CPA firms. Not tax, legal or accounting advice.

- IRS Instructions for Form 3115, December 2022 revision, and current developments
- Revenue Procedure 2025-23, section 6.01, depreciation method changes; subject to subsequent modifications
- IRS Publication 946, How To Depreciate Property, 2025 edition

Sources reviewed October 20, 2026. Law and guidance may change. The IRS audit guide is an examination resource, not an official statement of law or binding IRS authority. No IRS endorsement is implied.

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