incurred after December 31, 1993, by members of the Armed Forces, members of the commissioned corps of the National Oceanic and Atmospheric Administration, and members of the commissioned corps of the Public Health Service, to the extent that the allowances are not otherwise excluded from gross income under another provision of the Internal Revenue Code: a dislocation allowance, authorized by 37 U.S.C. 407; a temporary lodging allowance, authorized by 37 U.S.C. 405; a temporary lodging expense, authorized by 37 U.S.C. 404a; and a move-in housing allowance, authorized by 37 U.S.C. 405. No deduction is allowed under this chapter for any expenses reimbursed by such excluded allowances. For the exclusion from gross income of-

(i) Disability pensions, see section 104(a)(4) and the regulations thereunder;

(ii) Miscellaneous items, see section 122.

(3) The per diem or actual expense allowance, the monetary allowance in lieu of transportation, and the mileage allowance received by members of the Armed Forces, National Oceanic and Atmospheric Administration, and the Public Health Service, while in a travel status or on temporary duty away from their permanent stations, are included in their gross income except to the extent excluded under the accountable plan provisions of § 1.62–2.

* * * * *

§1.61-22T [Removed]

Par. 3. Section 1.61–22T is removed.

Par. 4. Section 1.217–2 is amended by adding paragraph (g)(6) to read as follows:

§1.217–2 Deduction for moving expenses paid or incurred in taxable years beginning after December 31, 1969.

- * * * *
 - (g) * * *

(6) *Disallowance of deduction*. No deduction is allowed under this section for any moving or storage expense reimbursed by an allowance that is excluded from gross income.

§1.217–2T [Removed]

Par. 5. Section 1.217–2T is removed. **Margaret Milner Richardson**,

Commissioner of Internal Revenue.

Approved: July 27, 1995.

Leslie Samuels,

Assistant Secretary of the Treasury. [FR Doc. 95–19282 Filed 8–4–95; 8:45 am] BILLING CODE 4830–01–U 26 CFR Part 1

[TD 8608]

RIN 1545-AS93

Adjustments Required by Changes in Method of Accounting

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the requirements for changes in method of accounting. These regulations clarify the Commissioner's authority to prescribe terms and conditions for effecting a change in method of accounting. The regulations affect taxpayers changing a method of accounting for federal income tax purposes.

DATES: These regulations are effective August 4, 1995. For dates of applicability see \$\$1.446-1(e)(3)(iii)and 1.481-5.

FOR FURTHER INFORMATION CONTACT: Cheryl Oseekey, (202) 622–4970 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

On December 28, 1994, the IRS published a notice of proposed rulemaking in the **Federal Register** (59 FR 66825), relating to the requirements for changes in method of accounting. That document proposed clarifying amendments to the regulations under sections 446 and 481. No public hearing was requested or held.

Two comments responding to this notice were received. After consideration of the comments, the amendments proposed by IA–42–93 are adopted with minor editorial revisions by this Treasury decision.

Summary of Comments

The notice of proposed rulemaking proposes to conform the existing regulations under sections 446(e) and 481(c) to long-standing IRS administrative practices regarding the use of adjustment periods under section 481(a) and the use of a cut-off method. Under the general rule of the proposed regulations, any section 481(a) adjustment attributable to a voluntary or an involuntary change in method of accounting is taken into account in the taxable year of change, whether the adjustment increases or decreases taxable income. However, the regulations also propose to amend §§ 1.446–1(e)(3) and 1.481–5 to clarify the Commissioner's authority to prescribe the terms and conditions for

effecting a change in method of accounting. Under the regulations, the terms and conditions that may be prescribed by the Commissioner include the taxable year or years in which a section 481(a) adjustment is taken into account and the use of a cut-off method to effect a change in method of accounting.

Two comments were received in response to the notice. The comments questioned IRS authority to require the use of a cut-off method, and whether to require it is sound administrative practice. After considering the comments, the IRS and the Treasury Department continue to believe that the IRS has the authority under section 446(e) to impose a cut-off method, and that it is consistent with section 481(a). Furthermore, the IRS and the Treasury Department believe that requiring a change in method of accounting on a cut-off basis in appropriate circumstances is administratively sound. For example, the application of a cut-off method to effect a change within the last-in, first-out (LIFO) inventory method is justified on the basis of simplicity because it eliminates the need to revalue LIFO increments.

The amendments proposed by IA–42– 93 are adopted by this Treasury decision.

Special Analyses

It has been determined that this Treasury decision is not a significant regulatory action as defined in EO 12866. Therefore, a regulatory assessment is not required. It has also been determined that section 553(b) of the Administrative Procedure Act (5 U.S.C. chapter 5) and the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply to these regulations and, therefore, a Regulatory Flexibility Analysis is not required. Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these regulations is Rosemary DeLeone, Office of Assistant Chief Counsel (Income Tax and Accounting), IRS. However, other personnel from the IRS and Treasury Department participated in their development.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.