ACCOUNTING PERIODS

Annual Accounting Period

- Annual period on the basis of which the taxpayer regularly computes income
  - Calendar year
  - Fiscal year
  - If no books, must use calendar year

52-53 Week Year

- Year always ends on the same day of the week
  - Last such day in the same calendar month
  - Day that occurs nearest to the last day of the selected calendar month
Short Periods

- Any taxable year less than 12 months
- Corporate short period return due on the 15th day of the third month

Change in Accounting Periods

- Short period return required
  - Approval of taxpayer’s request to change
  - Change may be required

Change in Year Requested and Approved

- Short period return from end of last year to day before the first day of the new taxable year
Change in Year Required

- All corporations in a consolidated return must use the same taxable year
  - Must switch to parent's year end when joining a consolidated group

Taxpayer in Existence Less Than Entire Year

- Short period for period of existence
  - If spouse dies, no short period return if joint return filed

Selection of Taxable Year

- Business Consideration
  - Natural business year – financial accounting purposes
  - Natural business year – tax purposes
Selection of Taxable Year

**Tax Considerations**
- Cut off year end to avoid tax at higher rates
- Cut off year before substantial revenue earned

Adoption of Taxable Year

**Taxpayer Choice**
- Individual usually uses calendar year
- C corporation may adopt year it wants if not a personal service corporation
- Partnership and S corporations have specific limitations

Time of Adoption

**On or before the time for filing the first return**
- Does not include extensions
- Don’t have to file return by adoption date
  - Merely adopt in the books
Means of Adoption

● Adopt the desired year for book purposes
● No books – calendar year required

Adoption of Taxable Year for Individuals

● Can use fiscal year if books are kept
● Can request permission to change to fiscal year if sole proprietorship has a natural business year

Adoption of Taxable Year for C Corporation

● Calendar or any fiscal year
● Books must be kept on same basis if fiscal year desired
### Adoption of Taxable Year for C Corporation

- **New corporation – first taxable year**
  - First year begins when corporation is formed
  - Return required if any gross income
  - If you want fiscal year, must set up books even if return not required

### Adoption of Taxable Year for C Corporation

- **Successor Corporation – First Year**
- **Can select fiscal year**
- **Exception** –
  - Subsidiary in consolidated return
  - Don't have to use the same overall method of accounting

### Adoption of Taxable Year for C Corporation

- **Reactivated Dormant Corporation**
  - Considered a new corporation
Adoption of 52-53 Week Year

- Must keep books on the same 52-53 week year
- File a statement with the first return