

# Application To Use LIFO Inventory Method

Department of the Treasury  
Internal Revenue Service

▶ **Attach to your tax return.**

▶ **Information about Form 970 and its instructions is at [www.irs.gov/form970](http://www.irs.gov/form970).**

Attachment  
Sequence No. **122**

**Name of filer (name of parent corporation if a consolidated group) (see instructions)**

**Filer's identification number (see instructions)**

**Name of applicant(s) (if different from filer) and identification number(s)**

<b>Part I Statement of Election under Section 472</b>	<b>Yes</b>	<b>No</b>
<p><b>1</b> The applicant elects to use the LIFO inventory method for the tax year ending (enter month, day, year) ▶ _____ _____ for the following goods (enter here): _____ See instructions and attach a statement if necessary. _____</p>		
<p><b>2</b> In an attached statement, identify and describe the inventory method(s) used by the applicant in the prior tax year for the goods covered by this election. _____</p>		
<p><b>3a</b> Is the applicant already using the LIFO inventory method for any other goods? . . . . .</p>		
<p><b>b</b> If "Yes" to line 3a, attach a statement identifying and describing the goods and the LIFO methods used.</p>		
<p><b>4a</b> Has the applicant ever used the LIFO inventory method for the goods covered by this election? . . . . .</p>		
<p><b>b</b> If "Yes" to line 4a, attach a statement listing the tax years for which the LIFO inventory method was used and explaining why the LIFO inventory method was discontinued.</p>		
<p><b>5</b> The applicant will not use the LIFO inventory method to account for the following goods (enter here): ▶ _____ _____ Attach a statement if necessary.</p>		

<b>Part II LIFO Inventory Requirements</b>	<b>Yes</b>	<b>No</b>
<p><b>6a</b> Did the applicant value the closing inventories of goods covered by this election at cost for the tax year immediately preceding the tax year specified on line 1? . . . . .</p>		
<p><b>b</b> If "No" to line 6a, did the applicant value the beginning inventories of goods covered by this election at cost for the tax year specified on line 1 as required by section 472(d)? . . . . . If "No" to line 6b, attach an explanation.</p>		
<p><b>c</b> If "Yes" to line 6b, will the applicant account for the adjustment required by section 472(d) over a 3-year period? If "No" to line 6c, attach an explanation.</p>		
<p><b>7a</b> When determining the beginning inventories of goods covered by this election, did the applicant treat those goods as being acquired for a unit cost that is equal to the total cost of those goods divided by the total number of units on hand?</p>		
<p><b>b</b> If "No" to line 7a, attach an explanation.</p>		
<p><b>8a</b> Did the applicant (or any member of the same group of financially related corporations as defined in section 472(g)) issue credit statements or reports to shareholders, partners, other proprietors, or beneficiaries covering the tax year specified on line 1? . . . . .</p>		
<p><b>b</b> If "Yes" to line 8a, attach a statement describing the recipient(s), the date(s) of issuance, and the inventory method(s) used to determine income, profit, or loss in those statements.</p>		
<p><b>9a</b> Will the applicant determine beginning and ending inventories at cost regardless of market value? . . . . .</p>		
<p><b>b</b> If "No" to line 9a, attach an explanation.</p>		
<p><b>10a</b> As a condition of adopting the LIFO inventory method, Regulations section 1.472-4 requires a taxpayer to agree to make any adjustments incident to the change to, the change from, or the use of, the LIFO inventory method that, upon the examination of the taxpayer's income tax return, the IRS determines are necessary to clearly reflect income. Does the applicant agree to this condition? . . . . .</p>		
<p><b>b</b> If "No" to line 10a, the applicant is not eligible to use the LIFO inventory method and does not need to file Form 970.</p>		

<b>Part III Specific Goods (Unit) Method</b>
<p><b>11</b> Under Regulations section 1.472-1, the types of goods in the opening inventory must be compared with similar types of goods in the closing inventories. Attach a list of the types or categories of goods that will be compared, describe the goods that will be included in each type or category, and identify the unit of measure (pounds, barrels, feet, etc.) used for each type or category.</p>

**Part III Specific Goods (Unit) Method (Continued)**

- 12** Check the box corresponding to the method that the applicant will use to determine the cost of the goods in the closing inventories in excess of the cost of the goods in the opening inventories (see instructions):
  - Actual cost of goods most recently purchased or produced
  - Average cost of goods purchased or produced during the tax year
  - Actual cost of goods purchased or produced in the order of acquisition
  - Other (attach explanation)

**Part IV Dollar-Value Method**

- 13** Attach a statement describing the applicant's method of defining "items."
- 14a** Did the applicant acquire any of the goods covered by this election at below-market prices? . . . . .  **Yes**  **No**
  - b** If "Yes" to line 14a, attach a statement explaining whether the applicant did, or will, account for the goods purchased at below-market prices and similar goods produced or acquired at market prices as separate items. If the applicant did, or will, account for both types of goods as the same item, explain and justify.
- 15** Attach a statement describing the method of pooling the applicant will use for the goods covered by this election. If the applicant will use more than one dollar-value pool, list and describe the contents of each dollar-value pool (see instructions).
- 16** Identify or describe the method the applicant will use to compute the LIFO value of each dollar-value pool containing goods covered by this election (for example, double-extension method, link-chain method, or index method). \_\_\_\_\_  
 \_\_\_\_\_  
 If the applicant's method is neither the double-extension method nor the Inventory Price Index Computation method, attach a statement describing the method in detail and justifying the applicant's use of the selected method (see instructions).
- 17** Check the box corresponding to the method the applicant will use to determine the current-year cost of goods in the closing inventories and to value the LIFO increments of the dollar-value pool(s) (see instructions).
  - Actual cost of goods most recently purchased or produced
  - Average cost of goods purchased or produced during the tax year
  - Actual cost of goods purchased or produced in the order of acquisition
  - Other (attach explanation) \_\_\_\_\_

**Part V Inventory Price Index Computation (IPIC) Method**

- 18** Check the box corresponding to the method the applicant will use to compute the LIFO value of each dollar-value pool containing goods covered by this election (see instructions).
  - Double-extension IPIC method
  - Link-chain IPIC method
- 19** Check the box corresponding to the table from which the applicant will select Bureau of Labor Statistics (BLS) price indexes (see instructions).
  - Table 3 of the Consumer Price Index (CPI) Detailed Report
  - Table 6 of the Producer Price Index (PPI) Detailed Report
  - Other table of the PPI Detailed Report
 If the applicant will use "Other table of the PPI Detailed Report," attach a statement explaining why the other table is more appropriate than Table 6. \_\_\_\_\_  
 \_\_\_\_\_
- 20** Will the applicant use the 10 percent method (see instructions)? . . . . .  **Yes**  **No**
- 21** If the applicant elects to use a representative month for selecting BLS price indexes from the applicable Detailed Report, enter the representative month elected for each dollar-value pool. \_\_\_\_\_  
 See instructions and attach a statement if necessary.

**Part VI Other Information**

- 22** Attach a statement describing the applicant's method of determining the cost of inventory items (for example, standard cost method, actual invoice cost, joint product cost method, or retail inventory method).
- 23** Did the applicant receive IRS consent to change the method of valuing inventories for the tax year specified on line 1 (see instructions)? . . . . .  **Yes**  **No**