



# TaxNewsFlash

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## Eighth Circuit: Taxpayer changed method of accounting when it first began amortizing “base acres”

The U.S. Court of Appeals for the Eighth Circuit today held that the taxpayer changed its method of accounting without the IRS’s approval when it first began amortizing “base acres” acquired in connection with previously purchased farmland.

The case is: *Conmac Investments, Inc. v. Commissioner*, No. 24-1605 (8th Cir. June 6, 2025). Read the Eighth Circuit’s [decision](#)

### Summary

The taxpayer, an Arkansas company that owns, leases, and manages farms, bought farmland in 2004, 2006 through 2008, and 2010 through 2013. As part of buying the farmland, the taxpayer negotiated with the sellers to receive rights to base acres—the right to receive subsidy payments from the United States Department of Agriculture (USDA) based on the number of acres assigned to farmland growing specific crops. A farm with base acres can generate more income than a farm with no (or fewer) base acres.

The taxpayer did not claim deductions for amortization of its base acres on its federal income tax returns for the years 2004 through 2008. However, upon learning that other farmland buyers were allocating part of the purchase price to the value of base-acre payments, the taxpayer began amortization of its base acres in 2009. It did not file an “Application for Change of Accounting Method” at any time.

The IRS disallowed the taxpayer’s amortization, and the taxpayer petitioned the Tax Court, which held that the taxpayer’s decision to amortize base acres was a change in method of accounting that required IRS approval under section 446(e). See *Conmac Investments, Inc. v. Commissioner*, T.C. Memo. 2023-40.

The taxpayer challenged the Tax Court’s holding, arguing that its change was not an adjustment involving the time for taking the deduction, but only a change in the characterization of whether the deduction was allowable, and thus was not a change in method of accounting under Treas. Reg. § 1.446-1(e)(2)(ii)(b). The Eighth Circuit rejected that argument because if the taxpayer “had continued not deducting amortization of the base acres, it would have recovered the original cost at the time of the eventual disposition. By beginning to deduct amortization of the base acres, [the taxpayer] changed the time it recovered the original cost by spreading the cost over the years before eventual disposition.”

The taxpayer also argued that the 2009 change resulted from a change in underlying facts and was therefore not a change in its method of accounting under Treas. Reg. § 1.446-1(e)(2)(ii)(b). However, the Eighth Circuit rejected that argument as well because the taxpayer “never identifies underlying facts that changed. Instead, [the taxpayer], based on the advice of its certified public accountants, realized that base acres might be intangible assets.”

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