



TaxNewsFlash

United States

No. 2018-188

May 10, 2018

Rev. Proc. 2018-29: Automatic consent, method of accounting change, relating to financial accounting revenue recognition standards

The IRS today released an advance version of Rev. Proc. 2018-29 that provides new procedures for taxpayers changing their method of accounting for the recognition of income for federal income tax purposes to a method for recognizing revenues described in the new financial accounting standards issued by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB)—that is, the financial accounting revenue recognition standards. Under the new FASB accounting standards, an entity must recognize revenue, for financial statement purposes, for goods and services promised to customers in an amount that reflects what the entity expects to receive in exchange for those goods and services.

[Rev. Proc. 2018-29](#) [PDF 71 KB] modifies Rev. Proc. 2017-30 (that has now generally been superseded by Rev. Proc. 2018-31, which provides the current list of automatic accounting method changes) to provide procedures under section 446 and Reg. section 1.446-1(e) to obtain automatic consent of the IRS Commissioner to change to an otherwise permissible method of accounting for federal income tax purposes that uses the new financial accounting standards to identify performance obligations, allocate transaction price to performance obligations, and/or consider performance obligations satisfied, if that method change is made for the tax year in which the taxpayer adopts the new accounting standards.

Rev. Proc. 2018-29 does not provide guidance relating to the legislative amendments to section 451 by a provision of the new tax law (Pub. L. No. 115-97, enacted December 22, 2017). Today's release states that the IRS and Treasury Department are preparing additional guidance to address these changes made to section 451.

Background

The IRS in March 2017 issued Notice 2017-17 as a request for comments on a proposed revenue procedure that, if finalized, would provide procedures by which a taxpayer could request consent to change a method of accounting for recognizing income when the change is made for the same tax year for which the taxpayer adopts the new financial accounting revenue recognition standards and the change is made as a result of, or directly related to, the adoption of the new revenue recognition standards (a qualifying same-year method change). Read [TaxNewsFlash](#)

Rev. Proc. 2018-29

Rev. Proc. 2018-29 explains that the IRS and Treasury have adopted certain suggestions submitted by commenters in response to Notice 2017-17. For example, Rev. Proc. 2018-29:

- Allows for more book-tax conformity and allows taxpayers to easily file accounting method change requests associated with adopting the revenue recognition standards
- Creates new automatic accounting method change procedures by adding new section 16.11 to the List of Automatic Changes
- Applies rules similar to the small business exception in the proposed revenue procedure in Notice 2017-17 to more taxpayers
- Provides all taxpayers the option of implementing the accounting method change on either a cut-off basis or with a section 481(a) adjustment

This new automatic accounting method change may only be made in the taxpayer's first, second, or third tax year ending on or after May 10, 2018. A taxpayer may make more than one change under this new accounting method change on a single Form 3115. The requirement to file a duplicate copy of the Form 3115—usually required under section 6.03(1)(a) of Rev. Proc. 2015-13—is waived for this change. Further, the eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13, which generally prohibits a change for the same item within five tax years, does not apply to this change for a taxpayer's first, second, or third tax year ending on or after May 10, 2018. Rev. Proc. 2018-29 provides a limited time period to convert a Form 3115 filed under the non-automatic change procedures before May 10, 2018, to the new automatic change.

In today's revenue procedure, the IRS stated that other comments—such as comments requesting guidance on the recognition of advance payments—will be considered in connection with the issuance of guidance implementing the amendments made to section 451 by the new tax law. Rev. Proc. 2018-29 also requests comments for future guidance that may be necessary as taxpayers begin to comply with the new revenue recognition standards, and comments on the procedures in Rev. Proc. 2018-29.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)