



# TaxNewsFlash

## United States

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### **Rev. Proc. 2018-40: Automatic consent, small businesses seeking accounting method change**

The IRS released an advance version of Rev. Proc. 2018-40 that sets forth the procedures that eligible small business taxpayers may use to obtain automatic consent of the IRS Commissioner to change their methods of accounting to reflect certain changes made by the new tax law (Pub. L. No. 115-97, enacted December 22, 2017).

The new tax law:

- Expands the number of small business taxpayers eligible to use a cash method of accounting
- Exempts small business taxpayers from the requirements to capitalize costs—including for certain home construction contracts, for certain long-term contracts, and for inventories

Rev. Proc. 2015-13 provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to a change in method of accounting. Rev. Proc. 2018-31 contains a list of automatic changes.

[Rev. Proc. 2018-40](#) [PDF 74 KB] modifies Rev. Proc. 2018-31 to provide additional automatic changes in method of accounting and to modify existing automatic changes in methods of accounting so as to reflect the legislative changes enacted in December 2017. The effective date for this guidance is December 31, 2017.

Rev. Proc. 2018-40 also states that the IRS and Treasury Department expect to issue future guidance to implement the legislative changes and are requesting comments for this future guidance.

Read a related IRS release: [IR-2018-160](#)

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