

TaxNewsFlash

United States



No. 2019-171
April 8, 2019

IRS practice units: Interest capitalization, accounting for developers and subcontractors

The IRS Large Business and International (LB&I) division publicly released three "practice units"—part of a series of IRS examiner "job aides" and training materials intended to describe for IRS agents leading practices about tax concepts in general and specific types of transactions.

The practice units are:

- *Interest capitalization for self-constructed assets*—This practice unit reflects changes made by Pub. L. No. 115-97 (often referred to as the "Tax Cuts and Jobs Act" (TCJA)); identifies taxpayers subject to section 263A(f); and covers the steps involved in determining how much interest must be capitalized to the basis of designated property.
- *Land developers and subcontractors – proper method of accounting*—This practice unit also reflects changes made pursuant to the TCJA, and notes that developers and the subcontractors they hire to construct the common improvements (e.g., water lines, utilities, roads, sewers, parks) may be taking the position that their contracts are home construction contracts even though they do not construct any homes; and that, in general, taxpayers must use the percentage of completion method for these contracts.
- *Tax home for purposes of IRC section 911*—This practice unit discusses the factors to be considered in determining an individual's tax home for purposes of section 911.

Read the practice units on the [IRS practice unit webpage](#) (posting date of April 5, 2019).

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