

TaxNewsFlash

United States



No. 2019-439
September 6, 2019

KPMG report: Proposed regulations on changes to income recognition rules; initial impressions

The U.S. Treasury Department and the IRS on September 5, 2019, issued proposed regulations addressing amendments made to section 451 by the 2017 tax reform legislation commonly referred to as the "Tax Cuts and Jobs Act" (TCJA).

The guidance takes the form of two sets of proposed regulations.

- The first (REG-104870-18) provides guidance regarding section 451(b), amending the "all events test" to require certain taxpayers to recognize income no later than the tax year in which the amount is included in revenue for financial accounting purposes. Read the [proposed regulations \(REG-104870-18\)](#) [PDF 446 KB] (20 pages as published in the Federal Register)
- The second (REG-104554-18) provides guidance regarding section 451(c), codifying the deferral method of accounting for certain advance payments. Section 451(c), as amended, largely codifies Rev. Proc. 2004-34, with which many taxpayers are already familiar, but makes certain changes to those rules as well. Read the [proposed regulations \(REG-104554-18\)](#) [PDF 446 KB] (17 pages as published in the Federal Register)

The guidance is proposed to be effective for tax years beginning on or after the date the final regulations are published in the Federal Register, except in the case of specified fees, for which there is a one-year deferral. Each proposed regulation may be "early adopted" on an "all or nothing" basis.

The KPMG report provides a high-level summary of each of the proposed regulations. A more comprehensive analysis will be provided in a future KPMG report.

Read [KPMG report: Proposed regulations on changes to income recognition rules; initial impressions](#) [PDF 975 KB]

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