



IPB Attorneys' Book-Tax Proposal Garner Support From Tax Law Practitioners

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IPB attorneys Les Schneider and Pat Smith recently submitted supplemental comments to their original comment letter to the IRS, dated May 14, 2018, recommending "that taxpayers that are required to use the percentage-of-completion method for financial reporting purposes under ASC 606 should be permitted to also use the percentage-of-completion method for tax purposes, even though the contracts involved do not satisfy the definition of a long-term contract in section 460(f)."

In its November 7, 2018 article "Book-Tax Conformity Proposal Could Solve Complexity Problems," *Tax Notes* reports that,

"Allowing taxpayers to use the financial accounting percentage of completion method (PCM) for tax accounting purposes could reduce their administrative costs and narrow the differences between the book and tax treatment of income items.

The proposal, detailed by Leslie J. Schneider and Patrick J. Smith of Ivins, Phillips & Barker Chtd. in an October 29 comment letter to the IRS and Treasury, is drawing praise from practitioners, who say it could mitigate some of the effects of the section 451 amendments in the Tax Cuts and Jobs Act (P.L. 115-97) and of the new financial accounting standards for revenue recognition.

The revised section 451(b) requires taxpayers using the accrual method of accounting to include almost all items of income in a tax year if those items are included on the relevant financial statements for the same year, while new section 451(c) codifies Rev. Proc. 2004-34, 2004-1 C.B. 991, as the only treatment for



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advance payments. The changes come as taxpayers are adapting to the Financial Accounting Standards Board's recent updates to Accounting Standards Codification (ASC) Topic 606, "Revenue From Contracts With Customers."

Several prominent tax practitioners are quoted throughout the article supporting the IPB partners' proposal, with one noting "that the proposal is an elegant solution that does a good job of balancing taxpayer and government concerns."