



Les Schneider Speaks to Tax Notes About New Revenue Recognition Rules

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IPB partner Les Schneider spoke to Tax Notes for its December 23 article, Revenue Recognition Cost Offset Option Provides Limited Relief regarding final regulations issued by the IRS this week regarding section 451(b).

"Leslie J. Schneider of Ivins, Phillips & Barker Chtd. said that while the AFS cost offset method option is a huge victory, the suggested safe harbor allowing taxpayers to follow their financial accounting percentage of completion method (PCM) for tax purposes was also meant to address substantial taxpayer administrative costs. The AFS cost offset method requires taxpayers to trace all revenue, payments, and costs to each item of inventory, but companies on book PCM like those in the aerospace industry track those things at the contract level, rather than item by item, he said.

The IRS may have thought the book PCM safe harbor was merely an additional attempt to find cost offsets in section 451(b), but the primary need that it was meant to fill would have been administrative simplicity, according to Schneider."