



Certified Public Accountants
& Business Advisors

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Accounting Method Rules Relating to Income Recognition Modified

TCJA revises the rules associated with the recognition of income. Specifically, the new law requires a taxpayer subject to the all events test for an item of gross income to recognize such income no later than the taxable year in which such income is taken into account as income on an applicable financial statement or another financial statement under rules specified by the Secretary, but provides an exception for long-term contract income to which Code Sec. [460](#) applies.

TCJA also codifies the current deferral method of accounting for advance payments for goods and services provided by the IRS under Rev. Proc. [2004-34](#). That is, the law allows taxpayers to defer the inclusion of income associated with certain advance payments to the end of the tax year following the tax year of receipt if such income also is deferred for financial statement purposes.