

26 CFR 601.204: Changes in accounting periods and method of accounting.  
(Also: Part I, Sections 446, 451; 1.451-1).

Rev. Proc. 2018-49

## SECTION 1. PURPOSE

This revenue procedure modifies Rev. Proc. 2018-29, 2018-22 I.R.B. 634, and Rev. Proc. 2018-31, 2018-22 I.R.B. 637, to allow a taxpayer that early adopted (Early Adopter) a method of recognizing revenues described in the new financial accounting standards issued by the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) (New Standards) to change its method of accounting for the recognition of income for federal income tax purposes to a method of recognizing revenues described in the New Standards under section 16.11 of Rev. Proc. 2018-31. Early adoption of the New Standards was allowed for reporting periods beginning after December 15, 2016.

## SECTION 2. BACKGROUND

.01 On May 28, 2014, FASB and IASB jointly announced new financial accounting standards for revenue recognition, titled "Revenue from Contracts with Customers

(Topic 606)". See FASB Update No. 2014-09 and IASB International Financial Reporting Standard (IFRS) 15.

.02 Publicly-traded entities, certain not-for-profit entities, and certain employee benefit plans are required to adopt the New Standards for annual reporting periods beginning after December 15, 2017. All other entities are required to adopt the New Standards for annual reporting periods beginning after December 15, 2018. However, early adoption was allowed for reporting periods beginning after December 15, 2016. See FASB Update No. 2015-14, "Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date."

.03 Rev. Proc. 2015-13, 2015-5 I.R.B. 419, as clarified and modified by Rev. Proc. 2015-33, 2015-24 I.R.B. 1067, and as modified by Rev. Proc. 2016-1, 2016-1 I.R.B. 1, and Rev. Proc. 2017-59, 2017-48 I.R.B. 543, provides the general procedures by which a taxpayer may obtain automatic consent of the Commissioner to a change in method of accounting described in the List of Automatic Changes. Rev. Proc. 2018-31 provides the List of Automatic Changes.

.04 Rev. Proc. 2018-29, as published in the Internal Revenue Bulletin on May 29, 2018, modified Rev. Proc. 2018-31 to provide the procedures for taxpayers that want to change their methods of accounting for the recognition of income for federal income tax purposes to a method of accounting that they use to recognize revenues under the New Standards. After Rev. Proc. 2018-29 was released, questions were received about whether Rev. Proc. 2018-29 applies to Early Adopters. This revenue procedure modifies the effective date in section 5.01 of Rev. Proc. 2018-29, and certain

paragraphs of section 16.11 of Rev. Proc. 2018-31 to provide that this automatic method change applies to Early Adopters.

### SECTION 3. MODIFICATIONS TO REV. PROC. 2018-29 AND REV. PROC. 2018-31

.01 Modifications to Rev. Proc. 2018-29. Section 5.01 of Rev. Proc. 2018-29 is modified to read as follows:

.01 In general. Except as otherwise provided under this section, this revenue procedure is effective on May 10, 2018, and applies to taxable years ending on or before May 10, 2021.

.02 Modifications to Rev. Proc. 2018-31. Rev. Proc. 2018-29 modified Rev. Proc. 2018-31 to add new section 16.11 to the List of Automatic Changes. This revenue procedure also modifies Rev. Proc. 2018-31 to be consistent with the modification made to Rev. Proc. 2018-29.

(1) Section 16.11(4) is modified to read as follows:

(4) Time for making change. The change under this section 16.11 may only be made for a taxable year ending on or before May 10, 2021.

(2) Section 16.11(6) is modified to read as follows:

(6) Certain eligibility rule inapplicable. The eligibility rule in section 5.01(1)(f) of Rev. Proc. 2015-13 does not apply to this change for a taxable year ending on or before May 10, 2021.

### SECTION 4. EFFECT ON OTHER DOCUMENTS

This revenue procedure modifies Rev. Proc. 2018-29 and Rev. Proc. 2018-31.

### SECTION 5. EFFECTIVE DATE

This revenue procedure is effective on May 10, 2018.

## SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Justin R. Grill of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Grill at (202) 317-7003 (not a toll free number).