

## Part III

### Administrative, Procedural, and Miscellaneous

26 CFR 601.601. Rules and regulations.  
(Also Part I, §§ 163, 168.)

Rev. Proc. 2026-17

#### SECTION 1. PURPOSE

.01 Withdrawal of a § 163(j) election. This revenue procedure provides guidance under § 163(j)<sup>1</sup> regarding the withdrawal of an election under § 163(j)(7)(B) and § 1.163(j)-9 to be an electing real property trade or business, an election under § 163(j)(7)(C) and § 1.163(j)-9 to be an electing farming business, and an election under § 1.163(j)-1(b)(15)(iii) to be an excepted regulated utility trade or business, for purposes of the business interest deduction limitation under § 163(j). This revenue procedure allows certain taxpayers to withdraw such an election for the taxable year in which the election was made. This revenue procedure also allows a taxpayer that withdraws one

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<sup>1</sup> Unless otherwise specified, all “§” references are to sections of the Internal Revenue Code (Code), the Income Tax Regulations (26 CFR Part 1), or the Procedure and Administration Regulations (26 CFR Part 301).

of these elections to make a late election not to deduct the additional first-year depreciation for certain property.

.02 Revoking or making a CFC group election. In addition, this revenue procedure provides guidance under § 1.163(j)-7(e) allowing a taxpayer to revoke or make a controlled foreign corporation (CFC) group election without regard to the 60-month limitation under § 1.163(j)-7(e)(5)(ii) for the first specified period of a specified group beginning after December 31, 2024.

.03 Amended partnership returns. This revenue procedure allows eligible partnerships to file amended partnership returns for taxable years beginning in 2022, 2023, and 2024 using a Form 1065, *U.S. Return of Partnership Income* (Form 1065), with the “Amended Return” box checked, and to issue an amended Schedule K-1, *Partner’s Share of Income, Deductions, Credits, etc.* (Schedule K-1), to each of its partners. Eligible partnerships subject to the rules of subchapter C of chapter 63 of the Code (BBA partnerships) may file an administrative adjustment request under § 6227 (AAR). BBA partnerships satisfying the requirements of section 7 of this revenue procedure may opt to file an amended Form 1065 and furnish amended Schedules K-1 instead of filing an AAR.

## SECTION 2. BACKGROUND

### .01 Section 163(j) prior to amendment by the OBBBA.

(1) On December 22, 2017, § 163(j) was amended by § 13301(a) of Public Law 115-97, 131 Stat. 2054 (Dec. 22, 2017), commonly known as the Tax Cuts and Jobs Act (TCJA). Section 163(j), as amended by § 13301(a) of the TCJA, provides rules limiting the amount of business interest that can be deducted for taxable years

beginning after December 31, 2017, to the sum of: (a) the taxpayer's business interest income for the taxable year; (b) 30 percent of the taxpayer's adjusted taxable income (ATI) for the taxable year; and (c) the taxpayer's floor plan financing interest expense for the taxable year.

(2) Under § 163(j)(8) as amended by § 13301(a) of the TCJA, ATI is the taxable income of the taxpayer computed without regard to certain items, including any deduction allowable for depreciation, amortization, or depletion for taxable years beginning before January 1, 2022.

(3) The § 163(j) limitation applies to taxpayers with business interest, as defined in § 163(j)(5), except for taxpayers, other than tax shelters under § 448(a)(3), that meet the gross receipts test in § 448(c). Section 163(j)(5), as amended by § 13301 of the TCJA, defines the term "business interest" to mean any interest expense properly allocable to a trade or business (other than investment interest within the meaning of § 163(d)).

(4) Section 163(j)(7)(A)(ii) through (iv) provides that, for purposes of § 163(j), the term "trade or business" does not include an "electing real property trade or business" (as defined in § 163(j)(7)(B)), an "electing farming business" (as defined in § 163(j)(7)(C)), or a "regulated utility trade or business" (as defined in § 1.163(j)-1(b)(15)(iii)). Thus, interest expense that is properly allocable to any such trade or business is not properly allocable to a trade or business under § 163(j) and is not business interest that is subject to the limitation in § 163(j)(1). Section 163(j)(7)(B) and (C), as amended by § 13301 of the TCJA, provide that the elections to be an electing real property trade or business and an electing farming business are made in the time

and manner prescribed by the Secretary of the Treasury or the Secretary's delegate (Secretary) and, once made, are irrevocable.

(5) On March 27, 2020, § 163(j) was further amended by § 2306 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), Public Law 116-136, 134 Stat. 281 (March 27, 2020). Section 2306 of the CARES Act temporarily increased the ATI percentage in § 163(j)(1) from 30 percent to 50 percent for taxable years beginning in 2019 and 2020.

(6) On April 27, 2020, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) published Rev. Proc. 2020-22, 2020-18 I.R.B. 745. Rev. Proc. 2020-22 provides, among other procedures, the time and manner for withdrawing an election under § 163(j)(7)(B) to be an electing real property trade or business, or under § 163(j)(7)(C) to be an electing farming business, for taxable years beginning in 2018, 2019, or 2020.

(7) On April 27, 2020, the Treasury Department and the IRS published Rev. Proc. 2020-23, 2020-18 I.R.B. 749. Rev. Proc. 2020-23 provides that eligible partnerships meeting certain conditions may file amended partnership returns for taxable years beginning in 2018 and 2019.

(8) On September 14, 2020, the Treasury Department and the IRS published final regulations (TD 9905) in the *Federal Register* (85 FR 56686) adopting §§ 1.163(j)-1(b)(15)(iii) and 1.163(j)-9.

(a) Excepted regulated utility trade or business. Section 1.163(j)-1(b)(15)(iii) permits certain taxpayers to elect to be treated as an excepted regulated utility trade or business. Interest expense that is properly allocable to any such trade or business is

not properly allocable to a trade or business under § 163(j) and is not business interest that is subject to the limitation in § 163(j)(1). Taxpayers eligible to elect to be treated as an excepted regulated utility trade or business are those that (i) are not an excepted regulated utility trade or business described in § 1.163(j)-1(b)(15)(i)(A) or (C), and (ii) provide electrical energy, water, sewage disposal services, gas or steam through a local distribution system, or transportation of gas or steam by pipeline, to the extent that the rates are established or approved by a regulatory body described in § 1.163(j)-1(b)(15)(i)(A)(2)(i). Section 1.163(j)-1(b)(15)(iii) provides rules and procedures for making the election to be an excepted regulated utility trade or business. Section 1.163(j)-1(b)(15)(iii)(B)(1) provides that an election under § 1.163(j)-1(b)(15)(iii) is made with respect to each eligible trade or business of the taxpayer, applies only to the trade or business for which the election is made, and applies to the taxable year in which the election is made and all subsequent taxable years. Section 1.163(j)-1(b)(15)(iii)(B)(2) provides that an election under § 1.163(j)-1(b)(15)(iii) is irrevocable. Section 1.163(j)-1(b)(15)(ii)(A) provides that an excepted regulated utility trade or business cannot claim the additional first-year depreciation deduction under § 168(k) for any property that is primarily used in the excepted regulated utility trade or business.

(b) Electing real property trade or business and electing farming business.

Section 1.163(j)-9(d)(1) provides that a taxpayer makes an election under § 163(j)(7)(B) or § 163(j)(7)(C) to be an electing real property trade or business or electing farming business by attaching an election statement with the information specified in § 1.163(j)-9(d)(2) to the taxpayer's timely filed original Federal income tax return, including extensions. Section 1.163(j)-9(c)(1) provides that an election under

§ 1.163(j)-9 is made with respect to each eligible trade or business of the taxpayer, applies only to such trade or business for which the election is made, and applies to the taxable year in which the election is made and to all subsequent taxable years.

(9) On January 19, 2021, the Treasury Department and the IRS published final regulations (TD 9943) in the *Federal Register* (86 FR 5496) that, in relevant part, provide rules for applying § 163(j) to foreign corporations and United States shareholders under § 1.163(j)-7. Under § 1.163(j)-7(c)(2), a single § 163(j) limitation is computed for a specified period (as defined in § 1.163(j)-7(k)(29)) of a CFC group (that is, a specified group, within the meaning of § 1.163(j)-7(d)(2)(i), for which a CFC group election is in effect). Rules for making and revoking a CFC group election are provided in § 1.163(j)-7(e). Pursuant to § 1.163(j)-7(e)(5)(iii)-(iv), each designated U.S. person with respect to a specified group makes or revokes a CFC group election by attaching an election statement to its timely filed relevant Federal income tax return or information return, taking into account extensions, if any. Section 1.163(j)-7(k)(12) provides that the designated U.S. person with respect to a specified group is either (i) the specified group parent (if the specified group parent is a qualified U.S. person within the meaning of § 1.163(j)-7(d)(2)(iv)), or (ii) each controlling domestic shareholder of the specified group parent (if the specified group parent is an applicable CFC). Under § 1.163(j)-7(e)(5)(ii), a CFC group election may be revoked with respect to any specified period beginning at least 60 months after the last day of the specified period for which the CFC group election was made, and, once a CFC group election has been revoked, a new election can be made with respect to any specified period beginning at least 60 months after the last day of the specified period for which the

CFC group election was revoked (collectively, the 60-month limitation).

.02 Amendments to § 163(j)(8) made by the One, Big, Beautiful Bill Act. On July 4, 2025, § 163(j)(8) was amended by §§ 70303 and 70342 of Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). Section 70303(a) of the OBBBA amended § 163(j)(8) by striking “in the case of taxable years beginning before January 1, 2022,” from § 163(j)(8)(A)(v), thereby restoring a taxpayer’s ability to add back depreciation, amortization, or depletion when calculating ATI for taxable years beginning after December 31, 2024. Section 70342 of the OBBBA amended § 163(j)(8)(A) to provide that ATI is computed without regard to amounts included in gross income under §§ 951(a), 951A(a), and 78 (and the portion of the deductions allowed under §§ 245A(a) (by reason of § 964(e)(4)) and 250(a)(1)(B) by reason of such inclusions). The amendment made by § 70342 of the OBBBA applies to taxable years beginning after December 31, 2025.

.03 The § 168(k) additional first-year depreciation deduction.

(1) Under § 168(g)(1)(F) and (G), as amended by § 13205(a) of the TCJA, an electing real property trade or business and electing farming business are required to use the alternative depreciation system under § 168(g) for certain types of property under § 163(j)(11) and cannot claim the additional first-year depreciation deduction under § 168(k) for those types of property.

(2) Section 168(k)(2)(D)(i) provides that the term “qualified property” (that is, property eligible for the additional first-year depreciation deduction) does not include any property to which the alternative depreciation system under § 168(g) applies, determined (a) without regard to § 168(g)(7) (relating to the election to use the

alternative depreciation system), and (b) after the application of § 280F(b) (relating to listed property with limited business use).

(3) Section 168(k)(7) allows a taxpayer to elect not to deduct the additional first-year depreciation for any class of property that is qualified property placed in service during the taxable year (§ 168(k)(7) election). The rules and procedures for making the § 168(k)(7) election are set forth in § 1.168(k)-2(f)(1). Section 1.168(k)-2(f)(1)(ii) defines “class of property” for purposes of the § 168(k)(7) election. Pursuant to § 1.168(k)-2(f)(1)(iii), the § 168(k)(7) election must be made (a) by the due date, including extensions, of the Federal income tax return or Form 1065 for the taxable year in which the qualified property is placed in service by the taxpayer, and (b) in the manner prescribed on Form 4562, *Depreciation and Amortization (Including Information on Listed Property)*, and its instructions.

(4) Section 70301 of the OBBBA amended § 168(k) to make the additional first-year depreciation deduction 100 percent and permanent. This amendment is generally effective for property acquired after January 19, 2025, and for any specified plant (as defined in § 168(k)(5)(B), as amended by § 70301 of the OBBBA) that is planted or grafted after January 19, 2025.

#### .04 Provisions related to BBA partnerships.

(1) Section 1101(a) of the Bipartisan Budget Act of 2015 (BBA), P.L. 114-74, Title XI (November 2, 2015), replaced subchapter C of chapter 63 of subtitle F of the Code effective for partnership taxable years beginning after December 31, 2017. Section 1101(c) of the BBA enacted a centralized partnership audit regime that, in general, determines, assesses, and collects tax at the partnership level. The centralized

partnership audit procedures enacted by the BBA are found at §§ 6221 through 6241. The centralized partnership audit procedures apply to all partnerships required to file a return, unless the partnership is eligible to make, and in fact makes, a valid election under § 6221(b) not to have those procedures apply. Partnerships subject to the centralized partnership audit regime are referred to as “BBA partnerships.”

(2) Section 6031(a) requires every partnership, except certain foreign partnerships, to file a return for each taxable year stating the items of its gross income and the deductions allowable by subtitle A of the Code and such other information as required by forms and regulations, including information about the partners in the partnership. The form filed by partnerships is Form 1065, which includes Schedules K-1. Schedules K-1 report each partner's name, taxpayer identification number, and distributive share of partnership-related items and other information related to the partner's interest in the partnership. Section 6031(b) requires that a partnership required to file a return under § 6031(a) furnish a copy of the Schedule K-1 to each partner that includes such information as may be required to be shown by regulations. In general, § 6031(b) also prohibits BBA partnerships from amending the information required to be furnished to their partners after the due date of the return, unless specifically authorized by the Secretary.

(3) Section 6222(a) requires partners in a BBA partnership to treat partnership-related items, as defined in § 6241 and the corresponding regulations, consistently on the partner's return with the treatment of such items by the BBA partnership on its return. The consistency requirement generally applies to all partners. Consistent treatment with the partnership generally requires that partners in a BBA partnership file

their returns consistently with the information reported to them on Schedule K-1.

.05 Transition rules. This revenue procedure provides transition guidance under §§ 163(j) and 168(k) for taxpayers who previously elected to be treated as an electing real property trade or business, electing farming business, or excepted regulated utility trade or business, but who now wish to withdraw the election in light of the various amendments to §§ 163(j)(8) and 168(k) under the OBBBA. Section 4 of this revenue procedure allows certain taxpayers to withdraw a prior election to be an electing real property trade or business, an electing farming business, or an excepted regulated utility trade or business. Section 5 of this revenue procedure allows a taxpayer withdrawing an election under section 4 of this revenue procedure to make a late § 168(k)(7) election with respect to any class of property that includes depreciable property affected by the election withdrawn under section 4 of this revenue procedure. Section 6 of this revenue procedure allows taxpayers to revoke or make a CFC group election without regard to the 60-month limitation under § 1.163(j)-7(e)(5)(ii). Section 7 of this revenue procedure permits an eligible BBA partnership to file an amended Form 1065 subject to the conditions set forth in that section

### SECTION 3. SCOPE

.01 Section 163(j)(7)(B) and (C) and § 1.163(j)-1(b)(15)(iii) elections. Section 4 of this revenue procedure applies to a taxpayer that made an election under § 163(j)(7)(B) and § 1.163(j)-9 to be an electing real property trade or business, under § 163(j)(7)(C) and § 1.163(j)-9 to be an electing farming business, or under § 1.163(j)-1(b)(15)(iii) to be an excepted regulated utility trade or business, on its timely filed (including extensions) original Federal income tax return or Form 1065 for a taxable year

beginning in 2022 (2022 taxable year), 2023 (2023 taxable year), or 2024 (2024 taxable year) and now wants to withdraw the election. The elections described in the preceding sentence are referred to in this revenue procedure as “§ 163(j)(7) elections” collectively or as a “§ 163(j)(7) election” individually. If a taxpayer withdraws an election pursuant to this revenue procedure, the taxpayer will be treated as if the election had never been made. The fact that a taxpayer satisfies the scope requirement of this section 3 is not a determination that the taxpayer is a real property trade or business for purposes of §§ 162, 212, or 469, a farming business for purposes of §§ 162, 199A, or 263A, or a regulated utility trade or business for purposes of §§ 162, 168, or 501.

.02 Section 168(k)(7) election. Section 5 of this revenue procedure applies to a taxpayer that (a) is withdrawing a § 163(j)(7) election under section 4 of this revenue procedure, (b) during the taxable year of its prior § 163(j)(7) election or a subsequent taxable year, placed into service depreciable property, (c) timely filed its Federal income tax return or Form 1065 for the placed-in-service year of such depreciable property on or before March 18, 2026, and (d) has not yet made, but wants to make, a late § 168(k)(7) election with respect to a class of depreciable property that includes property affected by the withdrawal of the § 163(j)(7) election.

.03 CFC group election. Section 6 of this revenue procedure applies to a taxpayer that has made or revoked a CFC group election for a specified period of a specified group beginning on or before December 31, 2024, and wants to revoke this election or make a new election, respectively, for the first specified period of the specified group beginning after December 31, 2024, but the 60-month limitation described in § 1.163(j)-7(e)(5)(ii) is not satisfied.

.04 Amended BBA partnership returns. The filing and furnishing option provided by section 7 of this revenue procedure applies to BBA partnerships described in section 7.03 of this revenue procedure for the taxable years described in section 7.04 of this revenue procedure. This revenue procedure exercises § 6031(b) authority to allow a BBA partnership to file an amended partnership return and issue amended Schedules K-1 under the circumstances described in section 7 of this revenue procedure. A non-BBA partnership that is required or previously chose to file Form 1065 must file an amended Form 1065 and issue amended Schedules K-1 to each of its partners.

#### SECTION 4. WITHDRAWAL OF A § 163(j)(7) ELECTION

.01 Time and manner for withdrawing a § 163(j)(7) election.

(1) In general. A taxpayer within the scope of section 3.01 of this revenue procedure may withdraw its § 163(j)(7) election for a 2022, 2023, or 2024 taxable year by filing, by the due date described in section 4.01(3) of this revenue procedure, an amended Federal income tax return, amended Form 1065, or AAR, as applicable, for the taxable year for which the election was initially made, and attaching the election withdrawal statement described in section 4.01(2) of this revenue procedure.

(2) Procedure. The taxpayer's amended Federal income tax return, amended Form 1065, or AAR must clearly indicate that it is filed pursuant to this revenue procedure.

(a) Electing taxpayers. A taxpayer that is withdrawing an election under § 163(j) or making a late § 168(k)(7) election must write "FILED PURSUANT TO REV. PROC. 2026-17" at the top of the amended Federal income tax return, amended Form 1065, or AAR and attach a statement that:

(i) Is titled “Revenue Procedure 2026-17 Section 163(j)(7) Election Withdrawal” or, for taxpayers that are both withdrawing a § 163(j)(7) election and making a late election under § 168(k)(7) on the same return, amended Form 1065, or AAR, is titled “Revenue Procedure 2026-17 Section 163(j)(7) Election Withdrawal and Late Section 168(k)(7) Election”;

(ii) Includes the electing taxpayer’s name, address, and taxpayer identification number; and

(iii) Includes a statement that, pursuant to Rev. Proc. 2026-17, the electing taxpayer is withdrawing its election under §§ 163(j)(7)(B), 163(j)(7)(C), or 1.163(j)-1(b)(15)(iii), as applicable and, if applicable, making a late election under § 168(k)(7) on the same return, amended 1065, or AAR.

(b) Affected taxpayers. A taxpayer that receives an amended Schedule K-1 as a result of an amended Federal income tax return or amended Form 1065 filed pursuant to this revenue procedure should similarly file an amended Federal income tax return, amended Form 1065, or AAR, write “FILED PURSUANT TO REV. PROC. 2026-17” at the top of the amended Federal income tax return, amended Form 1065, or AAR, and attach a statement that notes that the affected taxpayer is filing as a result of receiving an amended Schedule K-1 from an electing taxpayer that filed an amended Federal income tax return or an amended Form 1065 in accordance with Rev. Proc. 2026-17.

(3) Due date for withdrawing election on an amended return, amended Form 1065, or AAR.

(a) In general. The amended Federal income tax return or amended Form 1065, as applicable, described in sections 4.01(1) and 4.01(2) of this revenue procedure

must be filed on or before the earlier of (i) October 15, 2026, or (ii) the end of the applicable period of limitations on assessment for the taxable year for which the amended return is being filed. A partnership filing an amended Form 1065 must also furnish any corresponding Schedules K-1 by the applicable date in the previous sentence. In the case of a BBA partnership filing an AAR, the AAR described in sections 4.01(1) and 4.01(2) of this revenue procedure must be filed on or before the earlier of (i) October 15, 2026, and (ii) the last day of the § 6227(c) period during which the partnership may file an AAR for the taxable year for which the election was made.

(i) Taxpayers should be aware that, with regard to withdrawing a § 163(j)(7) election, neither § 6501, which governs the statute of limitations for assessment and collection, nor § 6511, which governs the statute of limitations for claims for credit or refund, were amended by the OBBBA. Section 6501 generally provides that any tax imposed under the Code shall be assessed within three years after the return was filed, whether or not the return was timely filed. Generally, under § 6501(b), a return of income tax under chapter 1 of the Code that is filed before the due date of the return is deemed filed on the due date.

(ii) Section 6511 generally provides that the period of limitations for credit or refund expires three years from the time the return was filed or two years from the time the tax was paid, whichever period expires later. Under § 6513(a), for purposes of § 6511, any return filed before the last day prescribed for filing thereof is considered filed on such last day. Thus, a claim for credit or refund arising from a withdrawal of a § 163(j)(7) election under this section 4 made on an amended return will be considered timely only if it is filed on or before the due date for filing a claim for refund for such

taxable year under § 6511 or § 301.6511(a)-1(a)(1) (the date that is three years from the time the return was filed for the taxable year or within 2 years from the time the tax was paid, whichever of such periods expires the later).

(b) Example 1. Taxpayer, a C corporation, timely filed a Federal income tax return for its taxable year beginning January 1, 2022, and ending December 31, 2022, on March 1, 2023. Under section 4.01(2)(a) of this revenue procedure, and consistent with § 6501(a) and (b), the taxpayer's due date for filing an amended return to withdraw a § 163(j)(7) election under this section 4, for the taxable year ending December 31, 2022, is April 15, 2026.

(c) Example 2. Taxpayer, a C corporation, timely filed (including extensions) a Federal income tax return for its taxable year beginning January 1, 2022, and ending December 31, 2022, on May 15, 2023. Under section 4.01(2) of this revenue procedure, and consistent with § 6501(a), the taxpayer's due date for filing an amended return to withdraw a § 163(j)(7) election under this section 4, for the taxable year ending December 31, 2022, is May 15, 2026.

(d) Example 3. Taxpayer, a C corporation, timely filed (including extensions) a Federal income tax return for its taxable year beginning February 1, 2022, and ending January 31, 2023, on October 31, 2023. Under section 4.01(2) of this revenue procedure, and consistent with § 6501(a), the taxpayer's due date for filing an amended return to withdraw a § 163(j)(7) election for the taxable year ending January 31, 2023, is October 15, 2026.

(4) Relevant adjustments. For the withdrawn § 163(j)(7) election to be effective, the amended Federal income tax return, amended Form 1065, or AAR, as applicable,

must include the adjustments to taxable income due to the withdrawn § 163(j)(7) election and any collateral adjustments to taxable income or to tax liability, including modifications to any adjustments under § 481. An example of such collateral adjustments is the amount of depreciation allowed or allowable in the applicable taxable year for the property to which the withdrawn § 163(j)(7) election applies.

(5) Affected succeeding taxable years. A taxpayer also must file amended Federal income tax returns, amended Forms 1065, or AARs, as applicable, for any affected succeeding taxable years to reflect any adjustments to taxable income due to the withdrawn § 163(j)(7) election and any collateral adjustments to taxable income or to tax liability, including modifications to any adjustments under § 481. An example of such collateral adjustments is the amount of depreciation allowed or allowable in the applicable taxable year for the property to which the withdrawn § 163(j)(7) election applies. A copy of the election withdrawal statement described in sections 4.01(1) and 4.01(2) of this revenue procedure must be attached to any amended Federal income tax return, amended Form 1065, or AAR filed for any affected succeeding taxable years under this section 4.01(5). The amended Federal income tax return or amended Form 1065, as applicable, for an affected succeeding taxable year must be filed on or before the earlier of (i) October 15, 2026, and (ii) the end of the applicable period of limitations on assessment for the taxable year for which the amended return is being filed. A partnership filing an amended Form 1065 must also furnish any corresponding Schedules K-1 by the applicable date in the previous sentence. In the case of a BBA partnership filing an AAR, the AAR for an affected succeeding taxable year must be filed on or before the earlier of (i) October 15, 2026, and (ii) the last day of the § 6227(c)

period during which the partnership may file an AAR for the taxable year in which the election was made.

.02 Effect of withdrawing a § 163(j)(7) election. A taxpayer within the scope of section 3.01 of this revenue procedure will be treated as if the § 163(j)(7) election had never been made if the taxpayer withdraws the election as provided in this section 4. If the taxpayer is a partnership, the capital accounts of the partnership will not be maintained in accordance with § 1.704-1(b)(2)(iv) unless the effect of the withdrawal is reflected in the capital accounts of its partners.

.03 Depreciation and basis. A taxpayer that is withdrawing a § 163(j)(7) election must determine its depreciation deduction for the property that is affected by the withdrawn election in accordance with § 168, and include any change in the amount of such depreciation deduction due to the withdrawal of the § 163(j)(7) election as part of the relevant adjustments described in section 4.01(2) of this revenue procedure, on its amended Federal income tax return, amended Form 1065, or AAR, as applicable. Additionally, the basis of the property affected by the withdrawn election must be adjusted to take into account any change in the amount of such depreciation due to the withdrawal of the § 163(j)(7) election and, if applicable, a late § 168(k)(7) election made under section 5 of this revenue procedure.

.04 If taxpayer is currently under examination. If a taxpayer is under examination for the 2022, 2023, or 2024 taxable year, the taxpayer must provide a copy of any amended Federal income tax return, amended Form 1065, or AAR filed under sections 4.01(1) or 4.01(5) of this revenue procedure to the revenue agent coordinating the taxpayer's examination no later than the date the taxpayer files the amended return,

amended Form 1065, or AAR.

## SECTION 5. LATE § 168(k)(7) ELECTION

### .01 Time and manner of making a late § 168(k)(7) election.

(1) In general. A taxpayer within the scope of section 3.02 of this revenue procedure may make a late § 168(k)(7) election on the same amended Federal income tax return, amended Form 1065, or AAR filed under section 4.01(1) of this revenue procedure. The late § 168(k)(7) election is made in the manner provided in § 1.168(k)-2(f)(1)(iii)(B). See section 4.01(2) of this revenue procedure for a description of the statement required to be attached to an amended return, amended Form 1065, or AAR that contains a late § 168(k)(7) election, and the recommendation for affected taxpayers. An amended Federal income tax return, amended Form 1065, or AAR filed pursuant to this section 5.01(1) must be filed by the same due dates described in section 4.01(3) of this revenue procedure.

(2) Due Date. The due date for the amended return, amended Form 1065, or AAR that contains a late § 168(k)(7) election is the same as in section 4.01(3) of this revenue procedure.

(3) Relevant adjustments. The amended return, amended Form 1065, or AAR containing a late § 168(k)(7) election must include any adjustments to taxable income for the late § 168(k)(7) election and any collateral adjustments to taxable income or to tax liability.

(4) Affected succeeding taxable years. A taxpayer making a late § 168(k)(7) election for a taxable year must file an amended Federal income tax return, amended Form 1065, or AAR, as applicable, to reflect any collateral adjustments to taxable

income or to tax liability for any affected succeeding taxable years. An example of such collateral adjustment is the amount of depreciation allowed or allowable in the succeeding taxable years after the taxable year in which the property is placed in service. The taxpayer should indicate in a statement attached to the amended Federal income tax return, amended Form 1065, or AAR that it is filing such amended return or AAR under section 5.02 of Rev. Proc. 2026-17. An amended Federal income tax return, amended Form 1065, or AAR filed pursuant to this section 5.01(4) must be filed by the same due dates described in section 4.01(5) of this revenue procedure.

.02 If taxpayer is currently under examination. If a taxpayer is under examination for the 2022, 2023, or 2024 taxable year, the taxpayer must provide a copy of any amended Federal income tax return, amended Form 1065, or AAR filed under sections 5.01(1) or 5.01(4) of this revenue procedure to the revenue agent coordinating the taxpayer's examination no later than the date the taxpayer files the amended return, amended Form 1065, or AAR.

## SECTION 6. CFC GROUP ELECTION

A taxpayer that is a designated U.S. person may revoke or make a CFC group election without regard to the 60-month limitation of § 1.163(j)-7(e)(5)(ii) for the first specified period of a specified group beginning after December 31, 2024. A taxpayer that chooses to revoke the election or make a new election under this section 6 must follow all procedures specified in § 1.163(j)-7(e)(5) other than the 60-month limitation of § 1.163(j)-7(e)(5)(ii). In addition, the 60-month limitation applies to subsequent specified periods. Thus, for example, if a CFC group election is revoked (or made) under this section 6 for a specified period ending on December 31, 2025, a new CFC

group election cannot be made (or revoked) with respect to any specified period beginning before December 31, 2030.

## SECTION 7. OPTION PROVIDED TO ELIGIBLE BBA PARTNERSHIPS FOR THE 2022, 2023 AND 2024 TAXABLE YEARS

.01 Scope. The filing and furnishing option provided by this section 7 applies to BBA partnerships described in section 7.03 of this revenue procedure (eligible BBA partnerships) for the taxable years described in section 7.04 of this revenue procedure.

.02 Option to file amended Form 1065. Eligible BBA partnerships may implement this revenue procedure by filing an amended partnership return and furnishing corresponding Schedules K-1 instead of filing an AAR. The amended Form 1065 may take into account tax changes provided by this revenue procedure as well as any other tax attributes to which the partnership is entitled by law. This revenue procedure allows eligible BBA partnerships the option to file an amended Form 1065 instead of an AAR; it does not prevent an eligible BBA partnership from filing an AAR to obtain the benefits of this revenue procedure or any other tax benefits to which the partnership is entitled. An eligible BBA partnership that files an amended Form 1065 pursuant to this revenue procedure remains subject to the centralized partnership audit procedures enacted by the BBA.

.03 Eligible BBA partnerships. The filing and furnishing option provided in this section 7 is available only to BBA partnerships that filed Forms 1065 and furnished Schedules K-1 for the partnership taxable years beginning in 2022, 2023, or 2024 prior to the issuance of this revenue procedure. A BBA partnership that receives an amended Schedule K-1 from another partnership that filed an amended Form 1065

pursuant to this revenue procedure may also file an amended Form 1065 to take into account the adjustments in the amended Schedule K-1 as long as it also meets the requirements of this revenue procedure. For purposes of § 6222, the amended Form 1065 replaces any prior return (including any AAR filed by the partnership) for the taxable year for purposes of determining the partnership's treatment of partnership-related items. See section 7.05(3) of this revenue procedure for a special rule regarding partnerships that have previously filed AARs for an affected taxable year.

.04 Eligible taxable years. The filing and furnishing option provided in this revenue procedure applies only to partnership taxable years that began in 2022, 2023, or 2024.

.05 Procedure.

(1) Filing requirements. To take advantage of the option to file an amended Form 1065 provided by this section 7, an eligible BBA partnership must, in addition to meeting the other applicable requirements set forth in this revenue procedure, file a Form 1065 (with the “Amended Return” box checked) and furnish corresponding amended Schedules K-1. The eligible BBA partnership should follow the non-BBA partnership instructions for filing an amended Form 1065. The amended Form 1065 filed pursuant to this section 7 must be filed, and the corresponding Schedules K-1 must be furnished, by the deadlines set forth in section 4.01(3) of this revenue procedure, and the rules applicable to AARs, including the § 6227(c) filing period, do not apply to an amended Form 1065 filed under this section 7. As set forth in section 4.01(2) of this revenue procedure, the eligible BBA partnership must clearly indicate the application of this revenue procedure on the amended Form 1065 and write “FILED PURSUANT TO REV. PROC. 2026-17” at the top of the amended Form 1065 and attach a statement with

each Schedule K-1 sent to its partners with the same notation. The eligible BBA partnership may file electronically or by mail but filing electronically will allow for faster processing of the amended Form 1065.

(2) Special rule for eligible BBA partnerships whose returns are under examination.

If an eligible BBA partnership is currently under examination for a taxable year beginning in 2022, 2023, or 2024 and wishes to take advantage of the option to file an amended Form 1065 provided by this section 7, the partnership may do so only if the partnership sends notice to the revenue agent coordinating the partnership's examination in writing that the partnership seeks to use the amended Form 1065 option described in this revenue procedure prior to or contemporaneously with filing the amended Form 1065 as described in this section 7. The partnership must also provide the revenue agent with a copy of the amended Form 1065 upon filing.

(3) Special rule for eligible BBA partnerships that have previously filed an AAR. If an eligible BBA partnership has previously filed an AAR and wishes to file an amended Form 1065 pursuant to this revenue procedure for the same taxable year, the partnership should use the items as adjusted in the AAR, where applicable, in lieu of any reporting from the originally filed partnership return.

## SECTION 8. EFFECTIVE DATE

This revenue procedure is effective March 18, 2026.

## SECTION 9. DRAFTING INFORMATION

The principal authors of this revenue procedure are Elizabeth A. Bukis of the Office of Associate Chief Counsel (Income Tax & Accounting) and Caleb W. Trimm, Alexander D. Valenzuela, and Raphael J. Cohen of the Office of Associate Chief Counsel

(International). For further information regarding this revenue procedure relating to § 163(j), contact Ms. Bukis at (202) 317-7011 (not a toll-free number); for further information regarding this revenue procedure relating to depreciation, please contact the Office of the Associate Chief Counsel (Income Tax & Accounting), Branch 7 at (202) 317-7005 (not a toll-free number); for further information regarding this revenue procedure relating to the CFC group election, contact Mr. Trimm, Mr. Valenzuela, or Mr. Cohen at (202) 317-6938 (not a toll-free number).