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**From:** [REDACTED]

**Sent:** Tuesday, October 22, 2019 9:56 AM

**To:** [REDACTED]

**Cc:** [REDACTED] **Subject:** FW: TCO Training Review Project - Question Regarding the TCJA

You asked us whether any changes in the Tax Cuts and Jobs Act of 2017 (TCJA) would impact the basic rules of constructive receipt and prepaid income with regard to cash-basis method taxpayers. Your understanding of the changes is correct; TCJA would not impact these rules for cash-basis method taxpayers.

TCJA has made changes to I.R.C. § 451 which affect only accrual method taxpayers. Under § 451(b), an accrual method taxpayer must recognize revenue under the all events test no later than the taxpayer recognizes revenue on an applicable financial statement. Under § 451(c), an accrual method taxpayer must include advance payments as gross income in the taxable year that the taxpayer receives the advance payment, unless the taxpayer makes a § 451(c)(1)(B) election.

As you noted, § 13102 of TCJA does affect the status of some taxpayers as cash basis taxpayers by increasing the limitation of the § 448(c)(1) gross receipts test. In order to qualify for the cash receipts method under § 448, corporations and partnerships must have average annual gross receipts that do not exceed \$25,000,000 over the three taxable year period preceding the taxable year.

If you have any other questions, please contact me.