



# TaxNewsFlash

United States



No. 2019-056  
February 11, 2019

## KPMG report: Section 451(b) and new book-tax conformity rules

It is time to brush up on two basic tax concepts—realization of income and recognition of income. Accrual method taxpayers are learning that the old fundamentals are important when applying new book-tax conformity rules.

In imposing a new book-conformity requirement for recognizing income, the 2017 tax reform legislation (commonly referred to as the “Tax Cuts and Jobs Act”) might make an already murky area even more so, presenting both opportunities and challenges for accrual method taxpayers. Under new section 451(b)(1), accrual method taxpayers must treat an item of income as satisfying the “all events test” (and hence include in taxable income) no later than the tax year in which that item is included in the taxpayer’s revenue for financial accounting purposes. As such, most accrual method taxpayers now must accrue income for tax purposes upon the earlier of: (1) the taxpayer’s right to the income becoming fixed and determinable; or (2) inclusion of the item in book revenues.

Read a [February 2019 report](#) [PDF 106 KB] prepared by KPMG LLP: *What’s News in Tax: Section 451(b): Did You Realize the Need to Recognize the Difference?*

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