



# TaxNewsFlash

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## Final regulations: Advance payments for goods, long-term contracts

The U.S. Treasury Department and IRS today released for publication in the Federal Register final regulations (T.D. 9870) that “streamline” existing regulations by removing rules that are no longer necessary after the enactment of the U.S. 2017 tax law (Pub. L. No. 115-97)—the law that is often referred to as the “Tax Cuts and Jobs Act.”

The [final regulations](#) [PDF 314 KB] adopt “without modification” regulations that were proposed in October 2018.

With the 2017 tax law changes, section 451(c) generally requires an accrual method taxpayer that receives any advance payment described in section 451(c)(4) during the tax year to include the advance payment in income in the tax year of receipt or make an election to: (1) include any portion of the advance payment in income in the tax year of receipt to the extent required under new section 451(b); and (2) include the remaining portion of the advance payment in income in the following tax year. Section 451(c) and its election to defer advance payments override the deferral method provided by Reg. section 1.451-5.

Accordingly, the final regulations remove Reg. section 1.451-5 (and its cross references), and thus allow for the new deferral rules of section 451(c) to apply uniformly and consistently to all taxpayers.

The final regulations are scheduled to be published in the Federal Register on July 15, 2019.

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