



# TaxNewsFlash

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## KPMG report: IRS compliance campaign spotlights deduction of success-based fees

Companies paying success-based fees to advisers on capital transactions need to exercise caution when deducting rather than capitalizing the expenses. The capitalization rules, a safe harbor election, documentation requirements, and increased scrutiny of success-based fee deductions complicate the analysis.

In many M&A transactions, a large percentage of the fees charged by advisers for their work on the transaction is contingent on the successful closing of the transaction. The section 263(a) regulations require taxpayers to capitalize these costs into the transactions on which the costs are contingent, unless stringent documentation requirements are satisfied to support a taxpayer's allocation of a portion of the fee to deductible activities.

The IRS Large Business and International (LB&I) division in September 2020 announced a new compliance campaign focusing on the allocation of success-based fees "without Rev. Proc. 2011-29."

Read an [October 2020 report](#) [PDF 114 KB] prepared by KPMG LLP: *What's News in Tax: New IRS Compliance Campaign Spotlights Deduction of Success-Based Fees*

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