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Rev. Proc. 2021-26: CFCs changing methods of accounting to alternative depreciation system

The IRS today released an advance version of [Rev. Proc. 2021-26](#) [PDF 167 KB] that provides procedures for certain foreign corporations to obtain automatic consent to change their methods of accounting for depreciation to the alternative depreciation system under section 168(g).

According to an [IRS transmittal message](#), Rev. Proc. 2021-26:

- Expands, for a limited period, the availability of automatic consent for controlled foreign corporations (CFCs) to change their methods of accounting for depreciation to the alternative depreciation system (ADS) under section 168(g) in order to ease the burden on CFCs of conforming their income and earnings and profits computations with their qualified business asset investment computations
- Prescribes terms and conditions for accounting method changes made on behalf of CFCs, so that section 481(a) adjustments resulting from CFCs' method changes are properly included in computations of tested income and tested loss
- Clarifies certain aspects of the "150 percent rule" that limits audit protection for CFCs and "10/50 corporations"

The purpose of this report is to provide text of the revenue procedure.

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