

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

(IRS) explaining that an ambiguity exists under current rules for determining adjustments to the accumulated adjustment account (AAA) of an S corporation when both ...

Isaac M. O'Bannon • Oct. 20, 2014

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us



The [American Institute of CPAs \(AICPA\)](#) sent a [letter](#) to the Internal Revenue Service ([IRS](#)) explaining that an ambiguity exists under current rules for determining adjustments to the accumulated adjustment account (AAA) of an S corporation when both ordinary and redemption distributions are made in the same tax year or when ordinary distributions are made after redemption distributions.

In its Oct. 16 letter, the AICPA asked for IRS guidance to provide clarity regarding the ordering rule under Internal Revenue Code section 1368.

The AICPA explained that in its view, “adjusting the AAA balance for all ordinary distributions regardless of the timing relative to the redemption provides a more reasonable outcome in most circumstances. Since a complete redemption is a sale or

exchange transaction, the presence of AAA is irrelevant for purposes of determining

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Income Tax

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved