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Payments

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Feb. 18, 2015

In a February 13 comment [letter](#) from the American Institute of CPAs (AICPA) to the Internal Revenue Service (IRS), the organization addresses two interpretive issues related to the treatment of advance payments deferred under [Rev. Proc. 2004-34](#) or [Treas. Reg. § 1.451-5](#) when the stock of the taxpayer is acquired, as well as the application of [Rev. Proc. 2004-34](#) to advance payments received from members of an affiliated group.

The AICPA recommends that additional guidance be issued to eliminate the current ambiguity in the existing rules. The AICPA recommends that the IRS and the U.S. Department of the Treasury issue guidance to clarify that the acquirer may continue to defer the recognition of income from advance payments under [Rev. Proc. 2004-34](#) or [Treas. Reg. § 1.451-5](#) for federal income tax purposes notwithstanding the fact that the amount of the deferred revenue obligation is adjusted in a stock acquisition.

In addition, the AICPA recommends that guidance be issued to clarify that advance payments from a related party (such as a controlled foreign corporation) whose financial results are included in the same worldwide financial statements are eligible for deferral under [Rev. Proc. 2004-34](#) even though such advance payments are not recognized in the taxpayer's applicable financial statements.

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