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million gross receipts test have the ability to use the overall cash ...

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The [American Institute of CPAs](#) (AICPA) has written to the Internal Revenue Service (IRS) requesting relief for certain small businesses from the definition of a tax shelter “to ensure that they will qualify for the small business simplifying provisions” available under the Tax Cuts and Jobs Act (TCJA).

The AICPA noted in its letter that the TCJA contains numerous simplifying provisions for small businesses. In particular, the letter stated, “Small businesses that meet the \$25 million gross receipts test have the ability to use the overall cash method of accounting; account for inventory under special rules of section 471(c); receive an exemption from the uniform capitalization rules; receive an exception for certain construction contracts from using the percentage-of-completion method; and receive an exemption from the section 163(j)1 limitation on business interest deduction for years beginning after December 31, 2017.”

However, the AICPA wrote, “A small business that meets the definition of a tax shelter, regardless of its ability to meet the \$25 million gross receipts test, is ineligible

to use the above simplifying provisions.”

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Department of the Treasury and the IRS “use their authority under section 1256(e)(3)(C)(v) to provide relief from the definition of syndicate to small business entities that meet certain conditions. The first condition is that an entity must qualify under the gross receipts test. Secondly, an entity must meet the definition of a syndicate. Finally, an entity must not qualify to make an election as an electing real property business or electing farming business. If a small business satisfies these three conditions, then the Secretary should determine that all interests in the entity are treated as held by partners or owners who actively participate in the management of such entity.”

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