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S Corps to C Corps under TCJA

The American Institute of CPAs (AICPA) submitted comments to the Internal Revenue Service (IRS) to address the need for guidance concerning adjustments attributable to conversions from S corporations to C corporations under section 481(d) of the TCJA...

Feb. 24, 2021



The [American Institute of CPAs](#) (AICPA) submitted comments to the Internal Revenue Service (IRS) to address the need for guidance concerning adjustments attributable to conversions from S corporations to C corporations under section 481(d) of the Tax Cuts and Jobs Act (TCJA). These comments are in response to final regulations issued by the Department of the Treasury and the IRS on section 481(d) October 2019.

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The AICPA recommends that the Treasury and IRS permit affected taxpayers to correct the tax treatment of the adoption of the accrual method of accounting by a QSub affected by an S corporation election revocation allowed under the TCJA, and that affected QSub's be allowed to make the correction on the 2020 tax return by including a statement with the adjustment to taxable income equal to the unamortized balance of the prior adjustment amortized erroneously under section 481(d). The correcting adjustment would be included in its entirety in the taxpayer's taxable income for the 2020 taxable year.

Affected taxpayers should be allowed to correct the tax treatment of the adoption of the accrual method of accounting by a QSub affected by an S corporation election revocation election allowed under the TCJA. This approach will allow taxpayers to take timely action in order to prepare their 2020 tax returns and will also assist fiscal year-end taxpayers that need to request an extension of time to file their tax returns.

AICPA • Income Tax • IRS

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