

Relaxed Gross Receipts Test for Various Accounting Methods

TCJA expands the universe of taxpayers who can use various accounting methods by increasing the gross receipts threshold ("gross receipts test") under which those methods may be used. TCJA increases the limit for the gross receipts test to \$25 million for using the cash method of accounting (including the use by farming C corporations and farming partnerships with a C corporation partner).

The new law also increases the limit for the gross receipts test to \$25 million for exemption from the following accounting requirements/methods:

- (1) uniform capitalization rules;
- (2) the requirement to keep inventories (allowing taxpayers to treat inventories as non-incidentals materials and supplies, or in another manner conforming with the taxpayer's financial accounting treatment of inventories); and
- (3) the requirement to use the percentage-of-completion method for certain long-term contracts (allowing the use of the more favorable completed-contract method, or any other permissible exempt contract method).

Additional requirements and restrictions apply to the use of the above-mentioned accounting methods. For most, only the dollar limit for the gross receipts test has been relaxed.