



TaxNewsFlash

United States

No. 2024-267
July 8, 2024

KPMG report: IRS rewards credit card banks with earlier deductions

The U.S. Court of Appeals for the Third Circuit in 2016 handed down a taxpayer-favorable decision in which a taxpayer was permitted to accelerate the deduction for its customer rewards liability. Notably, the IRS promptly issued an action on decision indicating that it would follow the decision, but only for taxpayers residing in the Third Circuit (that is, Delaware, New Jersey, and Pennsylvania). Relying on the Third Circuit's 2016 decision and despite the IRS's limited acquiescence, many taxpayers—in and outside the Third Circuit's jurisdiction—have since changed their methods of accounting for their customer loyalty and rewards programs.

Read a [June 2024 report](#)* prepared by KPMG LLP tax professionals that analyze the IRS's recently released chief counsel advice regarding a bank's rewards program for its credit card customers and how it might apply to the rewards programs of other businesses.

*This article originally appeared in *Tax Notes Federal* (June 24, 2024) and is provided with permission.

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